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

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

(incorporated in the Cayman Islands with limited liability)

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

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

The Board of MGM China Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended June 30, 2021 as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended	
	June 30	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino revenue	4,133,230	2,045,405
Other revenue	577,827	324,989
Operating revenue	4,711,057	2,370,394
Adjusted EBITDA	200,352	(1,008,386)
Operating loss	(1,049,788)	(2,395,901)
Loss for the period attributable to owners of the Company	(1,733,311)	(2,860,430)
Loss per Share		
— Basic	(HK45.6 cents)	(HK75.3 cents)
— Diluted	(HK45.6 cents)	(HK75.3 cents)

Loss attributable to owners of the Company decreased from a loss of HK\$2,860.4 million for the six months ended June 30, 2020 to a loss of HK\$1,733.3 million for the six months ended June 30, 2021. This decrease was attributable to the gradual recovery of business activities in the current period as a result of resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments.

DIVIDENDS

The Board does not recommend an interim dividend payment for the six months ended June 30, 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended June 30	
		2021	2020
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
OPERATING REVENUE			
Casino revenue	4	4,133,230	2,045,405
Other revenue	4	577,827	324,989
		<u>4,711,057</u>	<u>2,370,394</u>
OPERATING COSTS AND EXPENSES			
Gaming taxes		(2,165,895)	(1,137,014)
Inventories consumed		(224,867)	(133,208)
Staff costs		(1,564,102)	(1,637,929)
Loss allowance on trade receivable, net		(25,304)	(105,936)
Other expenses and losses	5	(699,477)	(508,518)
Depreciation and amortization		(1,081,200)	(1,243,690)
		<u>(5,760,845)</u>	<u>(4,766,295)</u>
Operating loss		(1,049,788)	(2,395,901)
Interest income		2,499	6,881
Finance costs	6	(664,190)	(521,312)
Net foreign currency (loss)/gain		(10,632)	55,096
		<u>(1,722,111)</u>	<u>(2,855,236)</u>
Income tax expense	7	(11,200)	(5,194)
		<u>(1,733,311)</u>	<u>(2,860,430)</u>
Loss for the period attributable to owners of the Company			
Other comprehensive income/(loss):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations			
		630	(1,295)
		<u>630</u>	<u>(1,295)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(1,732,681)</u>	<u>(2,861,725)</u>
Loss per Share — Basic	9	<u>(HK45.6 cents)</u>	<u>(HK75.3 cents)</u>
Loss per Share — Diluted	9	<u>(HK45.6 cents)</u>	<u>(HK75.3 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At June 30	At December 31
	2021	2020
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
ASSETS		
Non-current assets		
Property and equipment	24,200,408	24,949,783
Right-of-use assets	1,299,780	1,326,893
Sub-concession premium	94,378	141,698
Other assets	6,045	7,438
Prepayments, deposits and other receivables	23,333	19,029
Restricted cash	—	36,439
	<hr/>	<hr/>
Total non-current assets	25,623,944	26,481,280
	<hr/>	<hr/>
Current assets		
Inventories	169,402	159,847
Trade receivables	327,952	292,040
Prepayments, deposits and other receivables	143,469	99,746
Amounts due from related companies	357	330
Cash and cash equivalents	2,566,307	2,635,511
	<hr/>	<hr/>
Total current assets	3,207,487	3,187,474
	<hr/>	<hr/>
TOTAL ASSETS	28,831,431	29,668,754
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		At June 30 2021 <i>HK\$'000</i> (unaudited)	At December 31 2020 <i>HK\$'000</i> (audited)
EQUITY			
Capital and reserves			
Share capital		3,800,000	3,800,000
Share premium and reserves		(518,995)	1,217,664
TOTAL EQUITY		3,281,005	5,017,664
LIABILITIES			
Non-current liabilities			
Borrowings	11	22,744,060	21,155,040
Lease liabilities		179,471	184,826
Payables and accrued charges	12	10,942	8,210
Construction retention payable		10,348	10,932
Total non-current liabilities		22,944,821	21,359,008
Current liabilities			
Lease liabilities		28,113	32,110
Payables and accrued charges	12	2,508,976	3,199,112
Construction retention payable		36,118	35,250
Amounts due to related companies		13,660	18,244
Income tax payable		18,738	7,366
Total current liabilities		2,605,605	3,292,082
TOTAL LIABILITIES		25,550,426	24,651,090
TOTAL EQUITY AND LIABILITIES		28,831,431	29,668,754

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

Gaming in Macau is administered by the Macau Government through concessions awarded to three different concessionaires and three subconcessionaires, of which a subsidiary of the Group is one. Similar to other concessionaires/subconcessionaires, the Sub-concession Extension Contract of our subsidiary is due to expire on June 26, 2022. Pursuant to the Macau gaming law, upon reaching the maximum duration of twenty years, the term of the concessions may be extended one or more times by order of the Chief Executive, which period may not exceed, in total, five years. Unless the Subconcession is extended, or legislation with regard to reversion of casino premises is amended, the casino area premises and gaming-related equipment subject to reversion will automatically be transferred to the Macau Government on that date, and the Group will cease to generate any revenues from such gaming operations. In addition, certain events relating to the loss, termination, rescission, revocation or modification of our gaming sub-concession in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event under the Unsecured Senior Notes and events of default under the Unsecured Credit Facilities as described in note 11 to the condensed consolidated financial statements.

The Macau Government has announced that a public consultation of the gaming law will be undertaken in the second half of 2021. This consultation and revision of the gaming law precedes the gaming concessions/subconcessions retendering process. The Group continues to closely monitor developments regarding the gaming concessions retendering or extension including the issuance of guidance by the Macau Government. The Group intends to respond proactively to all relevant Macau Government requirements when known relating to the gaming subconcession extension or renewal.

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

IMPACT OF COVID-19

In early 2020, the outbreak of COVID-19 around the world led to certain actions taken by the Chinese Government, the Macau Government and the governments of other countries to attempt to mitigate the spread of the virus. As a result, China's individual visa scheme was temporarily suspended and all operations at MGM MACAU and MGM COTAI were suspended for a 15-day period that commenced on February 5, 2020, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Operations at MGM MACAU and MGM COTAI resumed on February 20, 2020. Certain health safeguards, such as limiting the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and health declarations submitted through the Macau Health Code system remain in effect at the date of this announcement.

Since July 15, 2020, certain travel restrictions such as the medical observation period have been eased between cities in mainland China and Macau, subject to other COVID-19 safeguards measures. Additionally, tourist visa issuance (including the individual visa scheme) for residents of Zhuhai, Guangdong Province and all other provinces in mainland China to travel to Macau were resumed on August 12, 2020, August 26, 2020 and September 23, 2020 respectively. Effective from March 3, 2021, all guests entering casinos in Macau are not required to provide a negative nucleic acid test result and effective from March 16, 2021, certain exemptions apply to those individuals entering Macau who are not residents of mainland China, Hong Kong or Taiwan. However, due to reported locally transmitted cases in mainland China from time to time, tightened entry requirements such as the medical observation period were temporarily reinforced for visitors from certain regions or districts.

Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week and throughout the period until May 2021, due to the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments. However, due to the newly reported cases of COVID-19 in late May, stricter travel restrictions were reinforced for visitors from the neighboring Guangdong Province which were only relaxed on July 10, 2021 upon the easing in epidemic-related conditions in that province. The tightened measures together with the impact on travel sentiment due to reported cases slowed down the recovery of Macau's economy in June 2021.

At the date of this announcement, various travel and entry restrictions in Macau, Hong Kong and mainland China remain in place (including the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong, Taiwan and high risk areas in mainland China, and bans on entry or enhanced quarantine requirements on other visitors). Given the uncertainties in development of COVID-19, certain travel-related restrictions and conditions for visitation to Macau may be reintroduced. These restrictions significantly impact visitation to MGM MACAU and MGM COTAI, which had a significant adverse impact on the Group's results for the six months ended June 30, 2021 and will likely continue to impact the Group's results due to the uncertainty of the length of time of the pandemic.

To address the adverse impact of the COVID-19 pandemic on the Group's financial position, while trying to preserve local jobs in response to requests of the Macau Government, a number of initiatives were undertaken by the Group:

- the Company entered into amendments to the financial covenants under the Revolving Credit Facility on February 21, 2020, April 9, 2020 and October 15, 2020, to revise the permitted leverage ratio and permitted interest coverage ratio. Details of the amendments are set out in note 11;
- on May 26, 2020, the Company entered into the Second Revolving Credit Facility, with a final maturity date of May 15, 2024, increasing the available undrawn credit facilities by HK\$2.34 billion, with an option to upsize to HK\$3.9 billion subject to certain conditions. On June 29, 2020, the available undrawn credit facilities of the Second Revolving Credit Facility were increased by HK\$780 million to HK\$3.12 billion. Details of the amendments are set out in note 11;
- on June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million and a final maturity date of June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$8.34 billion after the repayment) and for general corporate purposes. The 2025 Notes were listed on the Hong Kong Stock Exchange on June 18, 2020;
- on October 14, 2020, the Company entered into an amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio. Details of the amendments are set out in note 11;
- on February 24, 2021, a fourth amendment to the financial covenants under the Revolving Credit Facility and a second amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed. Details of the amendments are set out in note 11;
- on March 31, 2021, the Company issued 4.75% senior notes with an aggregate principal amount of US\$750 million and a final maturity date of February 1, 2027. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$11.21 billion after the repayment) and for general corporate purposes. The 2027 Notes were listed on the Hong Kong Stock Exchange on March 31, 2021 and on Chongwa (Macao) Financial Asset Exchange Co., Limited on May 17, 2021;
- a number of measures were implemented to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the pandemic; and
- certain capital expenditures that were planned to begin during the pandemic have been deferred.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, and in accordance with IAS 34 *Interim Financial Reporting* as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2020.

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2
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The application of the above amendments to IFRS in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

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

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

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

	Six months ended June 30	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA	200,352	(1,008,386)
Share-based payments	(24,009)	(24,755)
Corporate expenses	(134,255)	(114,902)
Pre-opening costs ⁽¹⁾	(649)	—
Loss on disposal/write-off of property and equipment and other assets	(10,027)	(4,168)
Depreciation and amortization	(1,081,200)	(1,243,690)
Operating loss	(1,049,788)	(2,395,901)
Interest income	2,499	6,881
Finance costs	(664,190)	(521,312)
Net foreign currency (loss)/gain	(10,632)	55,096
Loss before tax	(1,722,111)	(2,855,236)
Income tax expense	(11,200)	(5,194)
Loss for the period attributable to owners of the Company	<u>(1,733,311)</u>	<u>(2,860,430)</u>

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

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

4. CASINO AND OTHER REVENUE

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

	Six months ended June 30	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Main floor gross table games win	3,744,264	1,545,386
VIP gross table games win	1,158,662	933,693
Slot machine gross win	480,570	272,213
	<hr/>	<hr/>
Gross casino revenue	5,383,496	2,751,292
Commissions, complimentaries and other incentives	(1,250,266)	(705,887)
	<hr/>	<hr/>
	4,133,230	2,045,405
	<hr/> <hr/>	<hr/> <hr/>

Other revenue comprises:

	Six months ended June 30	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	239,853	132,087
Food and beverage	267,888	133,670
Retail and other	70,086	59,232
	<hr/>	<hr/>
	577,827	324,989
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER EXPENSES AND LOSSES

	Six months ended June 30	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Advertising and promotion	181,733	84,167
Repairs and maintenance	124,141	123,124
Utilities and fuel	112,855	97,504
Other support services	91,433	75,198
License fees	82,443	41,482
Loss on disposal/write-off of property and equipment and other assets	10,027	4,168
Auditor's remuneration	4,168	4,792
Other	92,677	78,083
	<u>699,477</u>	<u>508,518</u>

6. FINANCE COSTS

	Six months ended June 30	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on unsecured senior notes	499,140	334,581
Interest on unsecured credit facilities	104,358	140,515
Amortization of debt finance costs	43,802	29,056
Interest on lease liabilities	6,441	6,756
Bank fees and charges	10,449	10,404
	<u>664,190</u>	<u>521,312</u>

7. INCOME TAX EXPENSE

	Six months ended June 30	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax expense:		
Macau Dividend Withholding Tax	(7,330)	(4,806)
Mainland China Income Tax	(985)	(448)
(Under)/over provision in prior year	(2,885)	60
	<hr/>	<hr/>
Income tax expense	(11,200)	(5,194)
	<hr/> <hr/>	<hr/> <hr/>

Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to March 31, 2020. Pursuant to the approval notice 88/2020 issued by the Macau Government dated March 30, 2020, this exemption was renewed for the period from April 1, 2020 to June 26, 2022. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for 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 was required to pay a dividend withholding tax of MOP9,900,000 (equivalent to approximately HK\$9,612,000) for each of the years ended December 31, 2017 through to December 31, 2019, and MOP2,475,000 (equivalent to approximately HK\$2,403,000) for the period from January 1, 2020 to March 31, 2020 as payments in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. In May 2019, MGM Grand Paradise applied for an extension of this tax concession arrangement through June 26, 2022, the date when the Sub-Concession Extension Contract expires. In June 2021, the Macau Government informed MGM Grand Paradise of the terms of the extended tax concession arrangement. MGM Grand Paradise is required to pay a dividend withholding tax of MOP11,330,000 (equivalent to approximately HK\$11,000,000) for the period from April 1, 2020 to December 31, 2020, MOP15,100,000 (equivalent to approximately HK\$14,660,000) for the year ended December 31, 2021 and MOP7,390,000 (equivalent to approximately HK\$7,175,000) for the period from January 1, 2022 to June 26, 2022, 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. MGM Grand Paradise accepted the terms and the Macau Government issued dispatch 018/DIR/2021 which confirmed the extended tax concession arrangement to June 26, 2022 on July 26, 2021.

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%.

8. DIVIDENDS

On May 28, 2020, a final dividend of HK\$0.083 per Share for the year ended December 31, 2019, amounting to approximately HK\$315.4 million was approved by the Shareholders of the Company. The dividend was paid to Shareholders on June 19, 2020.

The Board did not recommend an interim dividend payment for the six months ended June 30, 2020 nor a final dividend payment for the year ended December 31, 2020.

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2021.

9. LOSS PER SHARE

The calculation of the basic loss per Share for the six months ended June 30, 2021 and 2020 is based upon the consolidated loss attributable to owners of the Company and the weighted average number of Shares in issue during the period.

The calculation of diluted loss per Share for the six months ended June 30, 2021 and 2020 is based upon the consolidated loss 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 per Share is based upon the following:

	Six months ended June 30	
	2021	2020
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per Share (HK\$'000)	<u><u>(1,733,311)</u></u>	<u><u>(2,860,430)</u></u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic loss per Share ('000)	3,801,070	3,800,104
Number of dilutive potential Shares arising from exercise of share options ('000) ⁽¹⁾	<u>—</u>	<u>—</u>
Weighted average number of Shares for the purpose of diluted loss per Share ('000)	<u><u>3,801,070</u></u>	<u><u>3,800,104</u></u>
Loss per Share — Basic	<u><u>(HK45.6 cents)</u></u>	<u><u>(HK75.3 cents)</u></u>
Loss per Share — Diluted	<u><u>(HK45.6 cents)</u></u>	<u><u>(HK75.3 cents)</u></u>

⁽¹⁾ The computation of the diluted loss per share for the six months ended June 30, 2021 and 2020 did not assume the exercise of the Company's share options because the exercise would result in a decrease in loss per share.

10. TRADE RECEIVABLES

	At June 30, 2021 <i>HK\$'000</i> (unaudited)	At December 31, 2020 <i>HK\$'000</i> (audited)
Trade receivables	471,555	436,848
Less: Loss allowance	(143,603)	(144,808)
	<u>327,952</u>	<u>292,040</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.

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

	At June 30, 2021 <i>HK\$'000</i> (unaudited)	At December 31, 2020 <i>HK\$'000</i> (audited)
Within 30 days	173,696	137,967
31 — 90 days	30,895	5,661
91 — 180 days	44,944	6,540
Over 180 days	78,417	141,872
	<u>327,952</u>	<u>292,040</u>

11. BORROWINGS

During the six months ended June 30, 2021, the Company completed the following significant refinancing transactions:

- entered into a fourth amendment to the financial covenants under the Revolving Credit Facility and a second amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio; and
- the issuance of senior notes with an aggregate principal amount of US\$750 million due February 1, 2027. The net proceeds were used to repay a portion of amounts outstanding under the Revolving Credit Facility and for general corporate purposes.

At June 30, 2021, the Group's unsecured borrowings included senior notes and credit facilities.

	At June 30, 2021 <i>HK\$'000</i> (unaudited)	At December 31, 2020 <i>HK\$'000</i> (audited)
Unsecured senior notes repayable:		
Over two years but not exceeding three years	5,823,525	—
Over three years but not exceeding four years	3,882,350	5,814,675
Over four years but not exceeding five years	5,823,525	3,876,450
Over five years	5,823,525	5,814,675
	<u>21,352,925</u>	<u>15,505,800</u>
Less: Debt finance costs	(238,567)	(181,924)
	<u><u>21,114,358</u></u>	<u><u>15,323,876</u></u>
Unsecured credit facilities repayable:		
Over two years but not exceeding three years	1,760,000	5,970,000
	<u>1,760,000</u>	<u>5,970,000</u>
Less: Debt finance costs	(130,298)	(138,836)
	<u><u>1,629,702</u></u>	<u><u>5,831,164</u></u>
Current	—	—
Non-current	<u>22,744,060</u>	<u>21,155,040</u>
	<u><u>22,744,060</u></u>	<u><u>21,155,040</u></u>

Unsecured Senior Notes

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

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

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

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

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

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

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

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

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

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

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

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

As at June 30, 2021, the Group had total available undrawn unsecured credit facilities of HK\$11.11 billion.

Principal and Interest

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

As at June 30, 2021, HK\$1.76 billion of the Revolving Credit Facility was drawn. HK\$7.99 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at June 30, 2021, the Group paid interest at HIBOR plus 2.75 % per annum (June 30, 2020: HIBOR plus 2.75% per annum).

General Covenants

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

Financial Covenants

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

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

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

Accounting Date	Interest Coverage Ratio	Leverage Ratio
March 31, 2020	2.50:1.00	6.00:1.00 ⁽¹⁾
June 30, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
September 30, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
December 31, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
March 31, 2021	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
June 30, 2021	Not Applicable ⁽²⁾	Not Applicable ⁽²⁾
September 30, 2021	Not Applicable ⁽³⁾⁽⁴⁾	Not Applicable ⁽³⁾⁽⁴⁾
December 31, 2021	Not Applicable ⁽³⁾⁽⁴⁾	Not Applicable ⁽³⁾⁽⁴⁾
March 31, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
June 30, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
September 30, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
December 31, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
Each accounting date occurring on and after March 31, 2023	2.50:1.00	4.50:1.00

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

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

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

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

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

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the six months ended June 30, 2021 and the year ended December 31, 2020.

Cancellation

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

Events of Default

The Revolving Credit Facility and the Second Revolving Credit Facility contain certain events of default and certain insolvency related proceedings relating to the Group. If the Group does not own or manage casino or gaming areas or operate casino games of fortune and chance for a period of ten consecutive days or more and such event has a material adverse effect on the financial condition or business, or in case of termination, rescission, revocation or modification of any gaming sub-concession which has a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, excluding any termination or rescission resulting from or in connection with any renewal, tender or other process conducted by the Macau Government in connection with the granting or renewal of any gaming concession; provided that such renewal, tender or other process results in the granting or renewal of the relevant gaming concession, an event of default will be triggered.

Security and Guarantees

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

12. PAYABLES AND ACCRUED CHARGES

	At June 30, 2021 <i>HK\$'000</i> (unaudited)	At December 31, 2020 <i>HK\$'000</i> (audited)
Customer advances and other	687,684	689,567
Outstanding chips liabilities	574,869	1,031,086
Other payables and accrued charges	340,691	284,117
Accrued staff costs	317,380	427,046
Gaming taxes payables	297,771	377,699
Loyalty programs liabilities	160,341	151,278
Construction payables and accruals	83,084	146,586
Trade payables	38,087	36,582
Other casino liabilities	20,011	63,361
	<u>2,519,918</u>	<u>3,207,322</u>
Current	2,508,976	3,199,112
Non-current	10,942	8,210
	<u>2,519,918</u>	<u>3,207,322</u>

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

	At June 30, 2021 <i>HK\$'000</i> (unaudited)	At December 31, 2020 <i>HK\$'000</i> (audited)
Within 30 days	32,104	30,209
31 — 60 days	5,112	3,634
61 — 90 days	532	2,571
91 — 120 days	31	106
Over 120 days	308	62
	<hr/> 38,087 <hr/> <hr/>	<hr/> 36,582 <hr/> <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

Recent Developments

Financial Impact of the COVID-19 Pandemic

The continued spread of COVID-19 and the developments surrounding the global pandemic have had, and we expect that they will likely continue to have, a significant impact on our business, results of operations and financial condition. This is an unprecedented global public health crisis and we place high importance on the health and safety of our employees, guests and all Macau citizens as we continue to fight this pandemic.

In early 2020, the outbreak of COVID-19 around the world led to certain actions taken by the Chinese Government, the Macau Government and the governments of other countries to attempt to mitigate the spread of the virus. As a result, China's individual visa scheme was temporarily suspended and all operations at MGM MACAU and MGM COTAI were suspended for a 15-day period that commenced on February 5, 2020, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Operations at MGM MACAU and MGM COTAI resumed on February 20, 2020. Certain health safeguards, such as limiting the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and health declarations submitted through the Macau Health Code system remain in effect at the date of this announcement.

Since July 15, 2020, certain travel restrictions such as the medical observation period have been eased between cities in mainland China and Macau, subject to other COVID-19 safeguards measures. Additionally, tourist visa issuance (including the individual visa scheme) for residents of Zhuhai, Guangdong Province and all other provinces in mainland China to travel to Macau were resumed on August 12, 2020, August 26, 2020 and September 23, 2020 respectively. Effective from March 3, 2021, all guests entering casinos in Macau are not required to provide a negative nucleic acid test result and effective from March 16, 2021, certain exemptions apply to those individuals entering Macau who are not residents of mainland China, Hong Kong or Taiwan. However, due to reported locally transmitted cases in mainland China from time to time, tightened entry requirements such as the medical observation period were temporarily reinforced for visitors from certain regions or districts.

Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week and throughout the period until May 2021, due to the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments. However, due to the newly reported cases of COVID-19 in late May, stricter travel restrictions were reinforced for visitors from the neighboring Guangdong Province which were only relaxed on July 10, 2021 upon the easing in epidemic-related conditions in that province. The tightened measures together with the impact on travel sentiment due to reported cases slowed down the recovery of Macau's economy in June 2021. According to DSEC, total visitor arrivals decreased by 39.0% and the total visitation from mainland China to Macau decreased by 40.7% in June 2021, respectively, compared to the prior month. The Macau gross gaming revenue decreased by 37.4% to HK\$6.3 billion in June 2021, compared to the prior month. Despite the slowdown, total visitor arrivals increased by 20.2% and the total visitation from mainland China to Macau increased by 52.3% for the six months ended June 30, 2021, respectively, over the comparable periods in 2020. The Macau gross gaming revenue increased by 45.4% to HK\$47.6 billion for the six months ended June 30, 2021 over the comparable period in 2020.

At the date of this announcement, various travel and entry restrictions in Macau, Hong Kong and mainland China remain in place (including the temporary suspension of ferry services from Hong Kong to Macau, the nucleic acid test result certificate and mandatory quarantine requirements for visitors from Hong Kong, Taiwan and high risk areas in mainland China, and bans on entry or enhanced quarantine requirements on other visitors). Given the uncertainties in development of COVID-19, certain travel-related restrictions and conditions for visitation to Macau may be reintroduced. These restrictions significantly impact visitation to MGM MACAU and MGM COTAI, which had a significant adverse impact on the Group's results for the six months ended June 30, 2021 and will likely continue to impact the Group's results due to the uncertainty of the length of time of the pandemic.

Shortly after the newly reported COVID-19 cases of four Macau residents on August 3, 2021, the Macau Government declared a state of immediate prevention and cancelled or suspended a number of events and activities and closed certain public facilities. A mandatory mass nucleic acid testing was imposed, starting on August 4, 2021. All those leaving Macau must present a negative COVID-19 test result valid for 24 hours and for those travelling between Macau and mainland China across its land boundaries with Guangdong Province a negative nucleic acid test result within 12 hours is required, effective from August 4, 2021.

To address the adverse impact of the COVID-19 pandemic on the Group's financial position, while trying to preserve local jobs in response to requests of the Macau Government, a number of initiatives were undertaken by the Group:

- the Company entered into amendments to the financial covenants under the Revolving Credit Facility on February 21, 2020, April 9, 2020 and October 15, 2020, to revise the permitted leverage ratio and permitted interest coverage ratio;
- on May 26, 2020, the Company entered into the Second Revolving Credit Facility, with a final maturity date of May 15, 2024, increasing the available undrawn credit facilities by HK\$2.34 billion, with an option to upsize to HK\$3.9 billion subject to certain conditions. On June 29, 2020, the available undrawn credit facilities of the Second Revolving Credit Facility were increased by HK\$780 million to HK\$3.12 billion;
- on June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million and a final maturity date of June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$8.34 billion after the repayment) and for general corporate purposes. The 2025 Notes were listed on the Hong Kong Stock Exchange on June 18, 2020;
- on October 14, 2020, the Company entered into an amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio;
- on February 24, 2021, a fourth amendment to the financial covenants under the Revolving Credit Facility and a second amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed;
- on March 31, 2021, the Company issued 4.75% senior notes with an aggregate principal amount of US\$750 million and a final maturity date of February 1, 2027. The net proceeds from the issuance were used to repay a portion of amounts outstanding under the Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$11.21 billion after the repayment) and for general corporate purposes. The 2027 Notes were listed on the Hong Kong Stock Exchange on March 31, 2021 and on Chongwa (Macao) Financial Asset Exchange Co., Limited on May 17, 2021;

- a number of measures were implemented to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the pandemic; and
- certain capital expenditures that were planned to begin during the pandemic have been deferred.

MGM MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 28,551 square meters, with 724 slot machines, 287 gaming tables, and multiple VIP and private gaming areas as at June 30, 2021. The hotel comprises a 35-story tower with 585 hotel rooms, suites and villas, and we have a service agreement with the Mandarin Oriental Hotel, through which they supplement our room offerings with additional room availability when there is excess demand by our customers. In addition, the resort offers luxurious amenities, including eight diverse restaurants, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. MGM MACAU is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

MGM COTAI

MGM COTAI opened on February 13, 2018. The resort is conveniently located with multiple access points from other Cotai hotels and public amenities. The casino floor offers approximately 27,696 square meters, with 751 slot machines and 265 gaming tables as at June 30, 2021. The hotel comprises two towers with 1,390 hotel rooms, suites and skylofts, twelve diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM COTAI allows us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. The Spectacle, situated at the heart of MGM COTAI, is enriched with experiential technology elements to entertain our guests. MGM COTAI offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. MGM COTAI also features The Mansion, an ultra-exclusive resort within a resort which is available only to our most selective guests and Mansion One, the private ultra-luxury gaming area for invitation-only premium mass customers attached to The Mansion.

The development of MGM COTAI Emerald Tower suites is the latest project to strengthen our position in the premium mass segment. The additional suites are expected to open in the third quarter of 2021.

Our Competitive Strengths and Operating Strategies

We have a number of competitive strengths including:

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

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

- Develop and diversify our offerings to cater to different market segments;
- Continuously improve scale of operations to create optimal financial performance;
- Utilize The Mansion and Mansion One to attract ultra-high end customers, while maintaining our focus on the high margin mass market gaming segment;
- Maintain strong business relationships with our gaming promoters and identify potential gaming promoters to further grow our VIP business; and

- Identify innovative gaming and non-gaming investment opportunities.

Strategies for business recovery from the COVID-19 pandemic

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

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

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

- implementing new initiatives in hygiene and social distancing to address customer health and safety concerns and changing customer behavior;
- introducing new attractions and experiences that leverage our unique public spaces and MGM Theater, resort technology and family and cultural tourism products to drive property visitation and business growth;
- increasing the intensity and scope of our sales and marketing campaigns to drive visitation and business growth, with a prudent approach to reinvestment in order to maintain profit margin;
- introducing new food and beverage concepts and menu offerings throughout the relaunch process;
- continuing to drive social media awareness and sales through e-commerce channels;
- implementing gaming optimization strategies to drive table yield and minimizing the impact of social distancing restriction; and
- developing the MGM COTAI Emerald Tower suites at an expected total capital cost of HK\$677 million to strengthen our position in the premium mass market.

Factors Affecting Our Results of Operations and Financial Position

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

Macau Gaming Market and Tourism

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

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

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

Visitation to Macau has steadily improved since the October 2020 Golden Week and throughout the first half of 2021, which benefited from the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments. According to the DICJ, the gross gaming revenue of the Macau gaming market bounced back from HK\$4.7 billion in the third quarter of 2020 to HK\$21.2 billion in the fourth quarter of 2020. The gross gaming revenue of the Macau gaming market in the first quarter of 2021 and the second quarter of 2021 were HK\$23.0 billion and HK\$24.6 billion respectively.

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

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

Competition

Currently, there are six gaming operators in Macau, each of which has completed or has expansion plans underway. As at June 30, 2021, there were 41 casinos in Macau. Several development projects in the Cotai area were completed prior to MGM COTAI’s opening on February 13, 2018. In addition, there are several development projects anticipated in the coming years. Our overall gaming market share was 9.5% for the year ended December 31, 2019 before the COVID-19 pandemic. Driven by the premium mass market which both MGM MACAU and MGM COTAI are well positioned to capture, our overall gaming market share increased to 11.4% for the six months ended June 30, 2021.

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

Gaming Sub-concession

Gaming in Macau is administered by the Macau Government through concessions awarded to three different concessionaires and three subconcessionaires, of which a subsidiary of the Group is one. Similar to other concessionaires/subconcessionaires, the Sub-concession Extension Contract of our subsidiary is due to expire on June 26, 2022. Pursuant to the Macau gaming law, upon reaching the maximum duration of twenty years, the term of the concessions may be extended one or more times by order of the Chief Executive, which period may not exceed, in total, five years. Unless the Subconcession is extended, or legislation with regard to reversion of casino premises is amended, the casino area premises and gaming-related equipment subject to reversion will automatically be transferred to the Macau Government on that date, and the Group will cease to generate any revenues from such gaming operations. In addition, certain events relating to the loss, termination, rescission, revocation or modification of our gaming sub-concession in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event under the Unsecured Senior Notes and events of default under the Unsecured Credit Facilities.

The Macau Government has announced that a public consultation of the gaming law will be undertaken in the second half of 2021. This consultation and revision of the gaming law precedes the gaming concessions/subconcessions retendering process. The Group continues to closely monitor developments regarding the gaming concessions retendering or extension including the issuance of guidance by the Macau Government. The Group intends to respond proactively to all relevant Macau Government requirements when known relating to the gaming subconcession extension or renewal.

Gaming Patrons

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

Main Floor Table Gaming Operations

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

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

VIP Gaming Operations

Gaming Promoters

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

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

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

In-house VIP Players

In addition to VIP players introduced to us by gaming promoters, we also have in-house VIP players sourced directly through our own marketing channels. These in-house VIP players typically receive a commission and an allowance for hotel rooms, food and beverage based upon a percentage of their rolling chip turnover.

We selectively grant credit to certain in-house VIP players whose level of play and financial resources meet our approval criteria. We conduct a number of credit checking procedures including the receipt of various signed documents from each credit recipient. If permitted by applicable laws, these documents may aid in legally enforcing collections in countries where the gaming promoters and VIP players reside.

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

GGR Mix

With our focus on premium mass gaming, the Company is strategically positioned to leverage the gaming market's recovery and growth potential. Driven by the premium mass market, our proportion of GGR from the mass and VIP market was 78% and 22%, respectively, for the six months ended June 30, 2021 compared to 66% and 34% for the six months ended June 30, 2020, respectively.

Non-gaming Attractions and Branding Activities

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

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

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

Supporting the diversification goal of the Macau Government, we have been an advocate of cultural tourism and we have actively promoted originality, creativity, and innovation since the opening of MGM MACAU. In 2021, we have successfully organized “Dialogue on Aesthetics — Beauty in Life” and “Ren Dongsheng Scenography Exhibition” to promote cultural tourism. In building Macau into a base for exchange and cooperation with Chinese culture, MGM China, together with Guangzhou Song and Dance Theater, is presenting the “MGM Awakening Lion” Dance Drama Residency Show scheduled to debut in October 2021. This large-scale ethnic dance drama, where lion dance, a symbol of Chinese national heritage and festive culture, stands as the theme of the show. ‘MGM Awakening Lion’ is the first project of the ‘MGM Lion IP (Intellectual Property)’, which is a brand-new style of experiencing Macau with a wide range of events created with the lion persona as the core. We will also present the special exhibition “Awakening” at MGM COTAI from July to October 2021, in the theme of “Art Macao: Macao International Art Biennale 2021”.

Segment Information

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

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

Adjusted EBITDA

Adjusted EBITDA is profit/loss before finance costs, income tax expense, depreciation and amortization, gain/loss on disposal/write-off of property and equipment and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors. The following table presents the reconciliation of the Group's adjusted EBITDA to loss attributable to owners of the Company for the six months ended June 30, 2021 and 2020:

	For the six months ended	
	June 30	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(1,733,311)	(2,860,430)
Income tax expense	11,200	5,194
Net foreign currency loss/(gain)	10,632	(55,096)
Finance costs	664,190	521,312
Interest income	(2,499)	(6,881)
Operating loss	(1,049,788)	(2,395,901)
Depreciation and amortization	1,081,200	1,243,690
Loss on disposal/write-off of property and equipment and other assets	10,027	4,168
Pre-opening costs ⁽¹⁾	649	—
Corporate expenses	134,255	114,902
Share-based payments	24,009	24,755
Adjusted EBITDA	<u>200,352</u>	<u>(1,008,386)</u>
MGM MACAU Adjusted EBITDA	341,369	(356,905)
MGM COTAI Adjusted EBITDA	(141,017)	(651,481)

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

Discussion of Results of Operations

Financial results for the six months ended June 30, 2021 compared to financial results for the six months ended June 30, 2020

Operating Revenue

The following table sets forth the operating revenue for the six months ended June 30, 2021 and 2020.

	For the six months ended	
	June 30	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
MGM MACAU	2,656,495	1,268,615
Casino revenue	2,378,457	1,134,101
Other revenue	278,038	134,514
	<hr/>	<hr/>
MGM COTAI	2,054,562	1,101,779
Casino revenue	1,754,773	911,304
Other revenue	299,789	190,475
	<hr/>	<hr/>
Operating revenue	4,711,057	2,370,394
	<hr/> <hr/>	<hr/> <hr/>

Operating revenue of HK\$4,711.1 million for the six months ended June 30, 2021 was 98.7% higher than the same period in the prior year. The increase was primarily due to the increase in inbound tourists and gradual recovery of business activities, compared to the same period in the prior year. However, our operating revenue for the six months ended June 30, 2021 was 58.3% lower than the same period in 2019 before the COVID-19 pandemic.

Summary Statistics

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

MGM MACAU	For the six months ended	
	June 30	
(in thousands, except for number of gaming units, percentage and REVPAR)	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Main floor table games drop	10,251,952	3,793,503
Main floor gross table games win ⁽¹⁾	2,113,169	804,854
Main floor table games win percentage	20.6%	21.2%
Average daily gross win per main floor gaming table	54.0	25.7
VIP table games turnover	23,968,054	17,545,488
VIP gross table games win ⁽¹⁾	646,700	550,040
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	2.70%	3.13%
Average daily gross win per VIP gaming table	52.7	51.8
Slot machine handle	7,359,126	4,382,039
Slot machine gross win ⁽¹⁾	279,530	147,760
Slot hold percentage	3.8%	3.4%
Average daily win per slot	2.3	1.3
Commissions, complimentaries and other incentives ⁽¹⁾	(660,942)	(368,553)
Room occupancy rate	83.5%	24.8%
REVPAR	1,069	484
	As at June 30	
	2021 (unaudited)	2020 (unaudited)
Gaming Units:		
Tables ⁽²⁾	287	285
Slot machines ⁽³⁾	724	584

MGM COTAI	For the six months ended	
	June 30	
(in thousands, except for number of gaming units, percentage and REVPAR)	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Main floor table games drop	7,613,837	2,749,038
Main floor gross table games win ⁽¹⁾	1,631,095	740,532
Main floor table games win percentage	21.4%	26.9%
Average daily gross win per main floor gaming table	42.2	23.6
VIP table games turnover	14,549,020	12,528,653
VIP gross table games win ⁽¹⁾	511,962	383,653
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	3.52%	3.06%
Average daily gross win per VIP gaming table	54.9	44.5
Slot machine handle	6,946,003	3,968,353
Slot machine gross win ⁽¹⁾	201,040	124,453
Slot hold percentage	2.9%	3.1%
Average daily win per slot	1.6	1.1
Commissions, complimentaries and other incentives ⁽¹⁾	(589,324)	(337,334)
Room occupancy rate	51.9%	17.8%
REVPAR	545	311
	As at June 30	
	2021	2020
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	265	267
Slot machines ⁽³⁾	751	598

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

⁽²⁾ Permanent table count as at June 30, 2021 and 2020.

⁽³⁾ Due to social distancing measures as a result of the COVID-19 pandemic, the slot machines were operated at a reduced capacity.

Casino Revenue

	For the six months ended	
	June 30	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Main floor gross table games win	3,744,264	1,545,386
VIP gross table games win	1,158,662	933,693
Slot machine gross win	480,570	272,213
	<hr/>	<hr/>
Gross casino revenue	5,383,496	2,751,292
Commissions, complimentary and other incentives	(1,250,266)	(705,887)
	<hr/>	<hr/>
Casino revenue	<u>4,133,230</u>	<u>2,045,405</u>

Casino revenue increased by 102.1% to HK\$4,133.2 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. The increase was primarily due to the gradual recovery of business activities following the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments. The components of our gaming operations were:

Main Floor Table Gaming Operations

Main floor gross table games win increased by 142.3% to HK\$3,744.3 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Similarly, main floor table games drop in MGM MACAU and MGM COTAI increased by 170.3% to HK\$10,252.0 million and 177.0% to HK\$7,613.8 million during the current period, respectively.

VIP Gaming Operations

VIP gross table games win increased by 24.1% to HK\$1,158.7 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Similarly, VIP table games turnover in MGM MACAU and MGM COTAI increased by 36.6% to HK\$23,968.1 million and 16.1% to HK\$14,549.0 million during the current period, respectively.

Slot Machine Gaming Operations

Slot machine gross win increased by 76.5% to HK\$480.6 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Similarly, slot machine handle in MGM MACAU and MGM COTAI increased by 67.9% to HK\$7,359.1 million and 75.0% to HK\$6,946.0 million during the current period, respectively.

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and increased by 77.8% to HK\$577.8 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. The increase was primarily due to the increase in inbound tourists and gradual recovery of business activities, compared to the same period in the prior year. As a measure to relieve the economic stress during COVID-19 for our retail tenants, especially the local SMEs, certain rent relief was provided during the current and prior period.

Operating Costs and Expenses

The major operating costs and expenses for the six months ended June 30, 2021 and 2020 were:

	For the six months ended	
	June 30	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gaming taxes	2,165,895	1,137,014
Inventories consumed	224,867	133,208
Staff costs	1,564,102	1,637,929
Loss allowance on trade receivable, net	25,304	105,936
Other expenses and losses	699,477	508,518
Depreciation and amortization	1,081,200	1,243,690
Finance costs	664,190	521,312
Income tax expense	11,200	5,194

Gaming tax

Gaming tax increased by 90.5% to HK\$2,165.9 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This increase was attributable to the higher gross gaming revenue generated during the current period.

Inventories consumed

Inventories consumed increased by 68.8% to HK\$224.9 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This increase was attributable to the gradual recovery of business activities.

Staff costs

Staff costs decreased by 4.5% to HK\$1,564.1 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. To mitigate the impact of the COVID-19 pandemic, we have taken a number of measures to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change, and introducing voluntary unpaid leave during the COVID-19 pandemic, while preserving local jobs in response to requests of the Macau Government.

Loss allowance on trade receivables, net

Loss allowance on trade receivables, net, decreased by 76.1% from HK\$105.9 million for the six months ended June 30, 2020 to HK\$25.3 million for the six months ended June 30, 2021. The decrease was primarily driven by higher expected credit losses arising from the COVID-19 pandemic in the prior period.

Other expenses and losses

Other expenses and losses increased by 37.6% to HK\$699.5 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense increased by 115.9% from HK\$84.2 million for the six months ended June 30, 2020 to HK\$181.7 million for the six months ended June 30, 2021. The increase resulted from increased marketing activities being organized during the current period in light of increased number of visitors due to gradual easing of travel restrictions.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 92.5% from HK\$43.9 million for the six months ended June 30, 2020 to HK\$84.6 million for the six months ended June 30, 2021. This increase primarily resulted from higher revenue generated during the current period.

Depreciation and amortization

Depreciation and amortization decreased by 13.1% to HK\$1,081.2 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. The decrease was attributable to the impact of full depreciation of certain assets in the prior year.

Finance costs

Total finance costs increased from HK\$521.3 million for the six months ended June 30, 2020 to HK\$664.2 million for the six months ended June 30, 2021. The increase was primarily due to a HK\$164.6 million increase in interest expense attributable to unsecured senior notes for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This increase was partly offset by a HK\$36.2 million decrease in interest expense attributable to unsecured credit facilities for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. As discussed above, the Group has undertaken a number of financing initiatives in response to the trading disruption caused by the COVID-19 pandemic.

Income tax expense

Income tax expense in the current and prior years primarily related to the provision for Macau dividend withholding tax. Details of the Macau dividend withholding tax are set out in note 7 to the condensed consolidated financial statements.

Loss attributable to owners of the Company

Loss attributable to owners of the Company decreased from a loss of HK\$2,860.4 million for the six months ended June 30, 2020 to a loss of HK\$1,733.3 million for the six months ended June 30, 2021. This decrease was attributable to the gradual recovery of business activities in the current period as a result of resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

As at June 30, 2021, our cash and cash equivalents, and available undrawn credit facilities were HK\$2.57 billion and HK\$11.11 billion, respectively. These balances are available for operations, implementation of planned new development activities and enhancement of our properties, and response to the challenges of the pandemic.

Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises borrowings, net of debt finance costs, less cash and cash equivalents. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group's gearing ratio as at June 30, 2021 and December 31, 2020.

	As at	
	June 30 2021 <i>HK\$'000</i> (unaudited)	December 31 2020 <i>HK\$'000</i> (audited)
Borrowings, net of debt finance costs	22,744,060	21,155,040
Less: cash and cash equivalents	<u>(2,566,307)</u>	<u>(2,635,511)</u>
Net debt	20,177,753	18,519,529
Total equity	<u>3,281,005</u>	<u>5,017,664</u>
Total capital ⁽¹⁾	<u><u>23,458,758</u></u>	<u><u>23,537,193</u></u>
Gearing ratio	<u><u>86.0%</u></u>	<u><u>78.7%</u></u>

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

Group Cash Flows

The following table presents a summary of the Group's cash flows for the six months ended June 30, 2021 and 2020.

	For the six months ended	
	June 30	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(675,527)	(2,003,915)
Net cash used in investing activities	(326,516)	(518,798)
Net cash generated from financing activities	932,284	1,530,800
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(69,759)	(991,913)
Cash and cash equivalents at the beginning of the period	2,635,511	3,270,296
Effect of foreign exchange rate changes, net	555	(1,013)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>2,566,307</u>	<u>2,277,370</u>

Net cash used in operating activities

The decrease in net cash used in operating activities for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was caused primarily by an increase in cash generated from operating activities due to gradual recovery of business activities.

Net cash used in investing activities

Net cash used in investing activities was HK\$326.5 million for the six months ended June 30, 2021 compared to HK\$518.8 million for the six months ended June 30, 2020. The major components of the cash flow used in investing activities related to payments for the construction and development activities at MGM COTAI including the MGM COTAI Emerald Tower suites and renovation work carried out at MGM MACAU as well as purchase of property and equipment in total amounting to HK\$329.2 million and HK\$521.8 million for the six months ended June 30, 2021 and 2020, respectively.

Net cash generated from financing activities

Net cash generated from financing activities was HK\$932.3 million for the six months ended June 30, 2021 compared to net cash generated from financing activities of HK\$1,530.8 million for the six months ended June 30, 2020.

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

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

Net cash generated from financing activities for the six months ended June 30, 2020 was primarily due to:

- HK\$3,876.2 million of proceeds from the issuance of the 2025 Notes; partially offset by
- HK\$1,450.0 million of net repayments of the Revolving Credit Facility;
- HK\$476.3 million of interest payments; and
- HK\$315.4 million of dividends paid being the final declared dividend for the year ended December 31, 2019.

Capital Commitments

As at June 30, 2021, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the condensed consolidated financial statements:

	As at	
	June 30	December 31
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Contracted but not accounted for	124,338	273,361

Contingent Liabilities

As at June 30, 2021 and 2020, the Group had given bank guarantees totaling HK\$1,095.2 million, in relation to the Sub-concession, land concession and other operating purposes, of which HK\$1,087.4 million was issued in favor of the Macau Government as required in the Sub-Concession Contract and the Sub-Concession Extension Contract (such bank guarantees will be cancelled in case the gaming sub-concession is not extended or renewed, subject to authorization of the Macau Government).

The Group has been named as a defendant in three legal proceedings filed in the Macau courts against two independent Macau gaming promoters by individuals who claim to have placed cash deposits with gaming promoters who had operations at MGM MACAU, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. The Group intends to keep defending its position that it is not liable with respect to these claims.

The Group has been named as the 32nd co-defendant in legal proceedings filed in the Hong Kong Court of First Instance against Mingyi Investments Limited (“Mingyi”), an indirect wholly-owned subsidiary of the Company. The plaintiffs claim that certain funds held by Mingyi consisting of proceeds of the plaintiffs’ business activities and beneficially belonging to the plaintiffs, were misappropriated by a third party. The Group intends to defend the position that it is not liable with respect to the claims and that Mingyi was not involved in the alleged misappropriations and that it has full right and title to the funds claimed by the plaintiffs.

Management does not believe that the outcome of such proceedings will have a material adverse effect on the Group’s financial position, results of operations or cash flows.

Indebtedness

	As at	
	June 30	December 31
	2021	2020
	HK\$’000	HK\$’000
	(unaudited)	(audited)
Unsecured Senior Notes	21,352,925	15,505,800
Unsecured Credit Facilities	1,760,000	5,970,000
Less: debt finance costs	(368,865)	(320,760)
Total borrowings	<u>22,744,060</u>	<u>21,155,040</u>

Unsecured Senior Notes

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

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

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

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

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

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

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

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

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

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

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

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

As at June 30, 2021, the Group had total available undrawn unsecured credit facilities of HK\$11.11 billion.

Principal and Interest

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

As at June 30, 2021, HK\$1.76 billion of the Revolving Credit Facility was drawn. HK\$7.99 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at June 30, 2021, the Group paid interest at HIBOR plus 2.75 % per annum.

General Covenants

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

Financial Covenants

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

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

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

Accounting Date	Interest Coverage Ratio	Leverage Ratio
March 31, 2020	2.50:1.00	6.00:1.00 ⁽¹⁾
June 30, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
September 30, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
December 31, 2020	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
March 31, 2021	Not Applicable ⁽²⁾	Not Applicable ⁽¹⁾
June 30, 2021	Not Applicable ⁽²⁾	Not Applicable ⁽²⁾
September 30, 2021	Not Applicable ⁽³⁾⁽⁴⁾	Not Applicable ⁽³⁾⁽⁴⁾
December 31, 2021	Not Applicable ⁽³⁾⁽⁴⁾	Not Applicable ⁽³⁾⁽⁴⁾
March 31, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
June 30, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
September 30, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
December 31, 2022	Not Applicable ⁽⁵⁾	Not Applicable ⁽⁵⁾
Each accounting date occurring on and after March 31, 2023	2.50:1.00	4.50:1.00

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

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

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

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

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

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the six months ended June 30, 2021 and the year ended December 31, 2020.

Cancellation

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

Events of Default

The Revolving Credit Facility and the Second Revolving Credit Facility contain certain events of default and certain insolvency related proceedings relating to the Group. If the Group does not own or manage casino or gaming areas or operate casino games of fortune and chance for a period of ten consecutive days or more and such event has a material adverse effect on the financial condition or business, or in case of termination, rescission, revocation or modification of any gaming sub-concession which has a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, excluding any termination or rescission resulting from or in connection with any renewal, tender or other process conducted by the Macau Government in connection with the granting or renewal of any gaming concession; provided that such renewal, tender or other process results in the granting or renewal of the relevant gaming concession, an event of default will be triggered.

Security and Guarantees

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

MARKET RISK

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

Foreign Exchange Risk

The Group's principal operations are primarily conducted and recorded in HK\$. The financial statements of foreign operations are translated into HK\$ which is the Company's functional and presentation currency. The cash received from gaming activities is primarily in HK\$. Our operating expenses and capital expenditures are primarily denominated in MOP and HK\$. MOP is pegged to the HK\$ at a constant rate and accordingly we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises liabilities denominated in US\$ including US\$2.75 billion of issued senior notes. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable over the past several years. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates and by utilizing hedging agreements when the Group considers it necessary. The Group did not enter into any hedging agreements during the six months ended June 30, 2021 and 2020.

Interest Rate Risk

The Company manages interest rate risk through a mix of long-term fixed rate borrowings under its unsecured senior notes and variable rate borrowings under our Revolving Credit Facility and Second Revolving Credit Facility, and by utilizing interest rate swap agreements when considered necessary. A change in interest rates generally does not have an impact upon the Company's future earnings and cash flow for fixed rate debt instruments. As fixed rate borrowings mature, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to periods when the debt matures. There were no interest rate swap agreements entered into by the Group during the six months ended June 30, 2021 and 2020.

OFF BALANCE SHEET ARRANGEMENTS

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

OTHER LIQUIDITY MATTERS

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

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

In the current operating environment that has resulted from the impact of the COVID-19 pandemic, we have undertaken a series of actions to minimize our expenses, including reducing or deferring of certain capital expenditures that we had planned to begin during the pandemic, and reducing payroll expenses, including limiting staff on site, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave. Our estimated capital expenditures at present include future development projects to strengthen our position in the premium mass market, including the development of the MGM COTAI Emerald Tower suites which are expected to open in the third quarter of 2021.

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2021, the Group employed 10,065 (December 31, 2020: 10,364) full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM MACAU, MGM COTAI and shared services team members.

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

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

- Developmental — to encourage career and professional development within the workforce and retain quality talents.

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

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

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

During the six months ended June 30, 2021, the Company repurchased a total of 8,979,100 Shares at an aggregate purchase price of HK\$128.0 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share	Lowest price paid per Share	Aggregate consideration paid
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$ '000</i>
March 2021	8,827,800	14.58	13.90	126,181
June 2021	151,300	12.22	12.06	1,842
	8,979,100			128,023
	8,979,100			128,023

New Shares were issued pursuant to the exercise of share options by qualifying grantees under the share option scheme adopted by the Company. The Company repurchased an aggregate number of Shares equivalent to the aggregate number of new Shares issued under the Share Option Scheme during the six months ended June 30, 2021 in accordance with Rule 10.06 of the Listing Rules, and all the repurchased Shares were subsequently cancelled. The total issued share capital of the Company remains the same. The Board considered that such repurchases were made for the benefit of the Company and its Shareholders as a whole with a view of maintaining the same total issued share capital.

Except as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended June 30, 2021.

CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of good corporate governance in the management of the Group. During the six months from January 1, 2021 to June 30, 2021, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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

The Company has adopted its code of conduct regarding securities transactions by Directors and senior management of the Group (the "Securities Code") on terms which are no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry of all Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code and the Model Code throughout the six months ended June 30, 2021.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group's unaudited condensed consolidated financial statements for the reporting period have been reviewed by the Company's Audit Committee members, being Russell Francis Banham (Chairperson), Simon Meng, Ayesha Khanna Molino, Chee Ming Liu and Jonathan S. Halkyard and by the Company's auditor 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.

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

This announcement is published on the Company's and the Hong Kong Stock Exchange's websites. The Company's interim report for the six months ended June 30, 2021 in accordance with the relevant requirements of the Listing Rules will be dispatched to the Shareholders and published on the Company's and the Hong Kong Stock Exchange's websites in due course.

DEFINITIONS AND GLOSSARY USED IN THIS ANNOUNCEMENT

“2024 Notes”	US\$750 million aggregate principal amount of 5.375% senior unsecured notes due May 15, 2024
“2025 Notes”	US\$500 million aggregate principal amount of 5.25% senior unsecured notes due June 18, 2025
“2026 Notes”	US\$750 million aggregate principal amount of 5.875% senior unsecured notes due May 15, 2026
“2027 Notes”	US\$750 million aggregate principal amount of 4.75% senior unsecured notes due February 1, 2027
“Board”	the board of Directors of the Company
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and slot machines gross win), calculated net of commissions, complimentary and other incentives and in accordance with IFRS
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire(s)”	the holder(s) of a concession for the operation of casino games in Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau

“DICJ”	the Gaming Inspection and Coordination Bureau of Macau (“Direcção de Inspeção e Coordenação de Jogos” in Portuguese), a department of the Public Administration of Macau
“Director(s)”	the director(s) of the Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“DSEC”	Statistics and Census Service of the Macau Government
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the DICJ to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Gaming Promoters Regulation”	Macau Administrative Regulation No. 6/2002, as amended by Macau Administrative Regulation No. 27/2009
“GGR” or “gross gaming revenue”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions, complimentaries and other incentives
“gross table games win”	the amount of drop (in our main floor casino operation) or turnover (in our VIP casino operation) that is retained as winnings. We record this amount and slot machine gross win as casino revenue after deduction of commissions, complimentaries and other incentives

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

“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“MGM COTAI”	the integrated casino, hotel and entertainment resort in Cotai owned by MGM Grand Paradise
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“sociedade anónima”) incorporated on June 17, 2004 under the laws of Macau, one of three Sub-Concessionaires and one of our subsidiaries
“MGM Growth Properties”	MGM Growth Properties LLC, a Delaware corporation listed on the New York Stock Exchange under the ticker symbol MGP, a real estate investment trust (REIT) and an associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance)
“MGM MACAU”	the integrated casino, hotel and entertainment resort in Macau peninsula owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

“MOP”	Macau Pataca, the lawful currency of Macau
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Pansy Catilina Chiu King Ho, a substantial Shareholder, the Co-chairperson and an executive Director of the Company
“Revolving Credit Facility”	the revolving credit facility dated August 12, 2019 entered into between the Company and certain lenders, pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024, as amended on February 21, 2020, April 9, 2020, October 15, 2020 and February 24, 2021
“REVPAR”	Revenue per available room includes commissions, complimentary and other incentives
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“Second Revolving Credit Facility”	the second revolving credit facility dated May 26, 2020 entered into between the Company and certain lenders, pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility with a final maturity date on May 15, 2024, in an initial aggregate amount of HK\$2.34 billion, increased to HK\$3.12 billion on June 29, 2020, and with an increase option pursuant to which the Company may increase the amount of the facility up to HK\$3.9 billion, subject to certain conditions, as amended on October 14, 2020 and February 24, 2021
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time

“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machine gross win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of complimentary and other incentives
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“Sub-Concession”, “Sub-Concession Contract” or “Sub-Concession Extension Contract”	the agreement for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into by SJM and MGM Grand Paradise on April 19, 2005, as extended to June 26, 2022 by the Sub-Concession Extension Contract, dated as of March 15, 2019
“Sub-Concessionaire(s)”	the holder(s) of a Sub-Concession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“VIP”, “VIP clients” or “VIP players”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters

“visitation”

with respect to visitation of our properties, the number of times our properties are entered during a fixed time period. Estimates of the number of visits to our properties are based upon information collected from digital cameras placed above every entrance to our properties capable of counting visitors (including repeat visitors) to our properties on a given day

“%”

per cent

By Order of the Board

William Joseph Hornbuckle

Chairperson and Executive Director

Pansy Catilina Chiu King Ho

Co-chairperson and Executive Director

Hong Kong, August 5, 2021

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