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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 ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The Board of MGM China Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended December 31, 2021 as follows:

FINANCIAL HIGHLIGHTS

	For the year ended	
	December 31	
	2021	2020
	HK\$’000	HK\$’000
Casino revenue	8,223,054	4,384,081
Other revenue	1,187,760	711,902
	<hr/>	<hr/>
Operating revenue	9,410,814	5,095,983
Adjusted EBITDA (unaudited)	187,176	(1,371,723)
Operating loss	(2,348,629)	(4,134,192)
Loss for the year attributable to owners of the Company	(3,846,616)	(5,201,531)
Loss per Share		
— Basic	(HK 101.2 cents)	(HK 136.9 cents)
— Diluted	(HK 101.2 cents)	(HK 136.9 cents)

Loss attributable to owners of the Company decreased from a loss of HK\$5,201.5 million in 2020 to a loss of HK\$3,846.6 million in 2021. The loss for the year is due to the significant continued business interruption caused by the COVID-19 pandemic. The decreased loss for the year and improvement in Adjusted EBITDA are attributable to the partial recovery of business activities in the current year as a result of resumption of tourist visa issuance following efforts to control the COVID-19 pandemic by the mainland China and Macau Governments and to measures taken by management to constrain operating expenses.

DIVIDENDS

The Board did not recommend an interim dividend payment for the six months ended June 30, 2021 and 2020, nor a final dividend payment for the year ended December 31, 2020.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31	
	<i>NOTES</i>	2021 HK\$'000	2020 HK\$'000
OPERATING REVENUE			
Casino revenue	4	8,223,054	4,384,081
Other revenue	4	1,187,760	711,902
		<u>9,410,814</u>	<u>5,095,983</u>
OPERATING COSTS AND EXPENSES			
Gaming taxes		(4,242,245)	(2,404,651)
Inventories consumed		(443,773)	(290,639)
Staff costs		(3,147,909)	(2,916,868)
Loss allowance on trade receivable, net		(125,095)	(92,642)
Other expenses and losses	5	(1,642,947)	(1,057,709)
Depreciation and amortization		(2,157,474)	(2,467,666)
		<u>(11,759,443)</u>	<u>(9,230,175)</u>
Operating loss		(2,348,629)	(4,134,192)
Interest income		4,789	9,232
Finance costs	6	(1,383,508)	(1,118,409)
Net foreign currency (loss)/gain		(100,653)	52,024
Loss before tax		(3,828,001)	(5,191,345)
Income tax expense	7	(18,615)	(10,186)
Loss for the year attributable to owners of the Company		<u>(3,846,616)</u>	<u>(5,201,531)</u>
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		2,213	5,212
Total comprehensive loss for the year attributable to owners of the Company		<u>(3,844,403)</u>	<u>(5,196,319)</u>
Loss per Share — Basic	9	<u>(HK101.2 cents)</u>	<u>(HK136.9 cents)</u>
Loss per Share — Diluted	9	<u>(HK101.2 cents)</u>	<u>(HK136.9 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At December 31	
		2021	2020
	NOTES	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property and equipment		23,397,105	24,949,783
Right-of-use assets		1,287,946	1,326,893
Sub-concession premium		46,274	141,698
Other assets		7,681	7,438
Prepayments, deposits and other receivables		31,679	19,029
Restricted cash		—	36,439
		24,770,685	26,481,280
Total non-current assets			
Current assets			
Inventories		164,413	159,847
Trade receivables	10	269,712	292,040
Prepayments, deposits and other receivables		122,527	99,746
Amounts due from related companies		218	330
Cash and cash equivalents		3,112,020	2,635,511
		3,668,890	3,187,474
Total current assets			
TOTAL ASSETS		28,439,575	29,668,754

		At December 31	
		2021	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Capital and reserves			
Share capital		3,800,000	3,800,000
Share premium and (deficit)/reserves		(2,603,084)	1,217,664
		<hr/>	<hr/>
TOTAL EQUITY		1,196,916	5,017,664
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>11</i>	23,929,106	21,155,040
Lease liabilities		188,174	184,826
Payables and accrued charges	<i>12</i>	10,671	8,210
Construction retention payable		1,000	10,932
		<hr/>	<hr/>
Total non-current liabilities		24,128,951	21,359,008
		<hr/>	<hr/>
Current liabilities			
Lease liabilities		27,895	32,110
Payables and accrued charges	<i>12</i>	3,016,350	3,199,112
Construction retention payable		36,471	35,250
Amounts due to related companies		18,332	18,244
Income tax payable		14,660	7,366
		<hr/>	<hr/>
Total current liabilities		3,113,708	3,292,082
		<hr/>	<hr/>
TOTAL LIABILITIES		27,242,659	24,651,090
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		28,439,575	29,668,754
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NOTES TO THE 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 Sub-Concession

Gaming in Macau is administered by the Macau Government through concessions awarded to three different Concessionaires and three Sub-Concessionaires, of which a subsidiary of the Group, MGM Grand Paradise is one. Similar to other Concessionaires/Sub-Concessionaires, the Sub-Concession Extension Contract of the Group's subsidiary is due to expire on June 26, 2022. Unless the Sub-Concession is extended, or legislation with regard to reversion of casino premises is amended, the MGM Grand Paradise's casino area premises and gaming-related equipment subject to reversion will automatically be transferred to the Macau Government on that date without compensation, 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 the Group's gaming sub-concession in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event under the Unsecured Senior Notes and events of default under the Unsecured Credit Facilities as described in note 11 to the consolidated financial statements.

The Macau Government officially launched the gaming concessions retendering process in September 2021 by releasing a public consultation paper on the amendment of the gaming law, which the Macau Government considers a necessary precedent step to the retendering. A final summary report on the public consultation was issued on December 23, 2021, three months ahead of the original deadline in March 2022. On January 14, 2022, the Macau Government held a press conference to announce that the bill to amend the gaming law was sent to the Macau Legislative Assembly for discussion and approval and the bill was made available for consultation at the Macau Legislative Assembly website from January 18, 2022.

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

The bill is subject to debate and approval by the Macau Legislative Assembly. The approval of the new gaming law bill will precede the public tender for the awarding of new gaming concessions and up to the date of this announcement, the Macau Government has provided no indication as to when the public tender will take place, but on March 3, 2022, the Macau Government announced that the gaming concessionaires and sub-concessionaires will be allowed to submit an application for the extension of the existing concessions and sub-concessions beyond their current term on June 26, 2022, for an additional period until December 31, 2022.

The Group intends to apply for an extension of its gaming sub-concession and 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 and believes that it will be in position to satisfy the relevant requirements as they may be set out by the Macau Government relating to the retendering of a gaming concession or the extension of the existing gaming sub-concession.

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, although 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, as local COVID-19 cases were reported in mainland China and Macau from time to time during 2021, in response to the risk of COVID-19 outbreak, tightened safeguard measures such as the medical observation period for visitors from certain regions or districts, shortened validity of negative nucleic acid test result and closedown of certain entertainment and leisure facilities were reinforced on a temporary basis during the year.

Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week, due to the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments, despite certain tightened safeguard measures being temporarily reinforced from time to time.

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 the 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 year ended December 31, 2021 and will likely continue to impact the Group's results due to the uncertainty of the length of time of the pandemic.

Further to the mitigating measures taken in 2020 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, the Group has undertaken the following initiatives:

- 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; and

- on February 10, 2022, a fifth amendment to the financial covenants under the Revolving Credit Facility and a third amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed. Details of the amendments are set out in note 11.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

As described in note 1, the Sub-Concession Extension Contract has an expiry date of June 26, 2022 which falls within twelve months from the end of the reporting period. The Group has prepared a cash flow forecast which involves judgments and estimations based upon management's assessment of key variables including future economic conditions (in particular, the expected duration of the impact of COVID-19); competition in Macau including opening of new properties; and the regulatory environment (including an extension of the gaming sub-concession and/or an award of a new gaming concession). The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon its credit facilities (see note 11) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months from the end of the reporting period.

Application of amendments to IFRS

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

Amendments to IFRS 9, IAS 39, Interest Rate Benchmark Reform — Phase 2
IFRS 7, IFRS 4 and IFRS 16

In addition, the Group has early applied the Amendment to IFRS 16 *COVID-19 Related Rent Concessions beyond June 30, 2021* in the current year. The application of the above amendments to IFRS in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

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 year attributable to owners of the Company:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Adjusted EBITDA (unaudited)	187,176	(1,371,723)
Share-based payments	(51,642)	(68,583)
Corporate expenses (unaudited)	(287,782)	(212,933)
Pre-opening costs ⁽¹⁾ (unaudited)	(19,364)	—
Loss on disposal/write-off of property and equipment and other assets	(19,543)	(13,287)
Depreciation and amortization	(2,157,474)	(2,467,666)
Operating loss	(2,348,629)	(4,134,192)
Interest income	4,789	9,232
Finance costs	(1,383,508)	(1,118,409)
Net foreign currency (loss)/gain	(100,653)	52,024
Loss before tax	(3,828,001)	(5,191,345)
Income tax expense	(18,615)	(10,186)
Loss for the year attributable to owners of the Company	<u>(3,846,616)</u>	<u>(5,201,531)</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Main floor gross table games win	7,506,977	3,623,441
VIP gross table games win	2,112,353	1,648,511
Slot machine gross win	911,598	560,705
	<hr/>	<hr/>
Gross casino revenue	10,530,928	5,832,657
Commissions, complimentaries and other incentives	(2,307,874)	(1,448,576)
	<hr/>	<hr/>
	8,223,054	4,384,081
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Other revenue comprises:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hotel rooms	516,946	289,823
Food and beverage	532,356	312,523
Retail and other	138,458	109,556
	<hr/>	<hr/>
	1,187,760	711,902
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER EXPENSES AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Advertising and promotion	390,970	198,974
Repairs and maintenance	258,350	243,898
Utilities and fuel	240,540	209,294
Other support services	180,780	145,392
License fees	164,689	89,180
Loss on disposal/write-off of property and equipment and other assets	19,543	13,287
Auditor's remuneration	8,332	8,703
Other ⁽¹⁾	379,743	148,981
	<u>1,642,947</u>	<u>1,057,709</u>

⁽¹⁾ Other expenses for the year ended December 31, 2021 includes provisions of HK\$202.7 million relating to expected losses for the Group's joint liabilities with gaming promoters, further details of which are disclosed in note 13.

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on unsecured senior notes	1,067,883	763,299
Interest on unsecured credit facilities	189,667	253,206
Amortization of debt finance costs	92,204	67,735
Interest on lease liabilities	12,776	13,271
Bank fees and charges	20,978	20,898
	<u>1,383,508</u>	<u>1,118,409</u>

7. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax expense:		
Macau Dividend Withholding Tax	14,660	9,612
Mainland China Income Tax	1,070	665
Under/(over) provision in prior year	2,885	(91)
	<hr/>	<hr/>
Income tax expense	18,615	10,186
	<hr/> <hr/>	<hr/> <hr/>

Pursuant to approval notices issued by the Macau Government, MGM Grand Paradise, the Group's principal operating subsidiary, has been exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to June 26, 2022 the date upon which the Sub-Concession Extension Contract expires. 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 years.

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to extended tax concession arrangements issued by the Macau Government, MGM Grand Paradise was required to pay a dividend withholding tax which amounted to MOP15,100,000 (equivalent to approximately HK\$14,660,000) for the year ended December 31, 2021 (2020: MOP13,805,000, equivalent to approximately HK\$13,403,000) in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years.

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

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, 2021 and 2020, nor a final dividend payment for the year ended December 31, 2020.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2021.

9. LOSS PER SHARE

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

	2021	2020
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per Share (HK\$'000)	<u><u>(3,846,616)</u></u>	<u><u>(5,201,531)</u></u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic loss per Share ('000)	3,800,531	3,800,062
Number of dilutive potential Shares arising from exercise of share options ('000) ⁽¹⁾	<u>—</u>	<u>—</u>
Weighted average number of Shares for the purpose of diluted loss per Share ('000)	<u><u>3,800,531</u></u>	<u><u>3,800,062</u></u>
Loss per Share — Basic	<u><u>(HK101.2 cents)</u></u>	<u><u>(HK136.9 cents)</u></u>
Loss per Share — Diluted	<u><u>(HK101.2 cents)</u></u>	<u><u>(HK136.9 cents)</u></u>

⁽¹⁾ The computation of the diluted loss per share for the years ended December 31, 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	513,818	436,848
Less: Loss allowance	(244,106)	(144,808)
	<u>269,712</u>	<u>292,040</u>

Trade receivables mainly consist of casino receivables. The Group issues markers and credit to approved gaming customers (“VIP gaming customers”) following background checks and assessments of creditworthiness. During the year ended December 31, 2021 and 2020, the Group also granted unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based upon pre-approved credit limits. The Group generally allows a credit period up to 14 days to VIP gaming customers and 30 days on issuance of markers to gaming promoters.

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

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	107,210	137,967
31 — 90 days	27,959	5,661
91 — 180 days	52,634	6,540
Over 180 days	81,909	141,872
	<u>269,712</u>	<u>292,040</u>

11. BORROWINGS

During the year ended December 31, 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.

In addition, on February 10, 2022, a fifth amendment to the financial covenants under the Revolving Credit Facility and a third amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed.

At December 31, 2021 the Group's unsecured borrowings included credit facilities and senior notes.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unsecured senior notes repayable:		
Over two years but not exceeding three years	5,847,450	—
Over three years but not exceeding four years	3,898,300	5,814,675
Over four years but not exceeding five years	5,847,450	3,876,450
Over five years	5,847,450	5,814,675
	<u>21,440,650</u>	<u>15,505,800</u>
Less: Debt finance costs	<u>(214,079)</u>	<u>(181,924)</u>
	<u>21,226,571</u>	<u>15,323,876</u>
Unsecured credit facilities repayable:		
Over two years but not exceeding three years	2,810,000	—
Over three years but not exceeding four years	—	5,970,000
	<u>2,810,000</u>	<u>5,970,000</u>
Less: Debt finance costs	<u>(107,465)</u>	<u>(138,836)</u>
	<u>2,702,535</u>	<u>5,831,164</u>
Current	—	—
Non-current	<u>23,929,106</u>	<u>21,155,040</u>
	<u>23,929,106</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, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event. If the special put option triggering event occurs, each holder of the Unsecured Senior Notes will have the right to require the Group to repurchase all or any part of such holder's Unsecured Senior Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts (as defined in the Indenture), if any, calculated up to, but not including, the date of repurchase. Within ten days following the occurrence of a special put option triggering event, the Company shall mail a notice to each holder of the Unsecured Senior Notes stating the repurchase date which shall be no earlier than ten days nor later than sixty days from the date such notice is mailed.

The special put option is considered to be a future uncertain event that had not been triggered at December 31, 2021, and accordingly the Unsecured Senior Notes were classified as non-current liabilities at that date. Refer to Note 1 for further information related to the Gaming Sub-Concession.

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

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

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

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

As at December 31, 2021, the Group had total available undrawn unsecured credit facilities of HK\$10.06 billion.

Principal and Interest

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

As at December 31, 2021, HK\$2.81 billion of the Revolving Credit Facility was drawn. HK\$6.94 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at December 31, 2021, the Group paid interest at HIBOR plus 2.75% per annum (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, a fourth amendment on February 24, 2021 and a fifth amendment on February 10, 2022 under the Revolving Credit Facility. The Company also entered into an amendment of the financial covenant on October 14, 2020, a second amendment on February 24, 2021 and a third amendment on February 10, 2022 under the Second Revolving Credit Facility.

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

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

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

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

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

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

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

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

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the years ended December 31, 2021 and 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. Under the applicable acceleration provisions, if an event of default is outstanding, the facility agent may, and must if so instructed by the majority lenders, by notice to the Company, cancel all or any part of the total commitments; or declare that all or part of any amounts outstanding under the finance documents are immediately due and payable; or payable on demand by the facility agent acting on the instructions of the majority lenders.

Any potential default as a result of the material adverse effect due to the loss of the Sub-Concession is considered to be a future uncertain event at December 31, 2021, and accordingly the Unsecured Credit Facilities was classified as non-current liabilities at that date. Refer to Note 1 for further information related to the Gaming Sub-Concession.

Security and Guarantees

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

12. PAYABLES AND ACCRUED CHARGES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer advances and other	725,440	689,567
Other payables and accrued charges	718,756	284,117
Accrued staff costs	480,692	427,046
Gaming taxes payables	442,198	377,699
Outstanding chips liabilities	366,993	1,031,086
Loyalty programs liabilities	160,192	151,278
Construction payables and accruals	91,967	146,586
Other casino liabilities	6,346	63,361
Trade payables	34,437	36,582
	<u>3,027,021</u>	<u>3,207,322</u>
Current	3,016,350	3,199,112
Non-current	10,671	8,210
	<u>3,027,021</u>	<u>3,207,322</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	33,276	30,209
31 — 60 days	536	3,634
61 — 90 days	92	2,571
91 — 120 days	436	106
Over 120 days	97	62
	<u>34,437</u>	<u>36,582</u>

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

13. PROVISIONS AND CONTINGENT LIABILITIES

a) Guarantees

As at December 31, 2021, the Group has given bank guarantees totaling HK\$1,095.2 million (2020: HK\$1,095.2 million) to certain parties, of which HK\$1,087.4 million (2020: 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), HK\$4.0 million (2020: HK\$4.0 million) was issued in favor of the Macau Government as required in the land-concession contract in respect of MGM COTAI as well as other regulatory requirements, HK\$0.6 million (2020: HK\$0.6 million) was issued in favor of a company in which one of the Directors of the Company has non-controlling beneficial interests and HK\$3.2 million (2020: HK\$3.2 million) was issued in favor of certain vendors.

b) Litigation

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

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

Consequently, considering the similar nature of the three legal proceedings, the Group has estimated the possible financial loss arising from these legal proceedings and recognized a liability of HK\$202.7 million at December 31, 2021 (2020: nil) in payables and accrued charges.

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 the fight continues against 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, although 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, as local COVID-19 cases were reported in mainland China and Macau from time to time during 2021, in response to the risk of COVID-19 outbreak, tightened safeguard measures such as the medical observation period for visitors from certain regions or districts, shortened validity of negative nucleic acid test result and closedown of certain entertainment and leisure facilities were reinforced on a temporary basis during the year.

Visitation to Macau and trading volume across all operations at MGM MACAU and MGM COTAI have steadily improved since the October 2020 Golden Week, due to the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments, despite certain tightened safeguard measures being temporarily reinforced from time to time. Total visitor arrivals increased by 30.7% and the total visitation from mainland China to Macau increased by 48.2% for the year ended December 31, 2021, respectively, over 2020. The Macau gross gaming revenue increased by 43.7% to HK\$84.3 billion for the year ended December 31, 2021 over 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 the 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 year ended December 31, 2021 and will likely continue to impact the Group's results due to the uncertainty of the length of time of the pandemic.

Further to the mitigating measures taken in 2020 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, the Group has undertaken the following initiatives:

- 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; and
- on February 10, 2022, a fifth amendment to the financial covenants under the Revolving Credit Facility and a third amendment to the financial covenants under the Second Revolving Credit Facility, to revise the permitted leverage ratio and permitted interest coverage ratio, were executed.

As at December 31, 2021, the Group had total liquidity of HK\$13.17 billion, consisting of HK\$3.11 billion of cash and cash equivalents and HK\$10.06 billion of available borrowing capacity under the Revolving Credit Facility and the Second Revolving Credit Facility. The Company believes it has sufficient liquidity to support its operations, implement the new development activities underway and respond to the challenges of the pandemic.

MGM MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 28,551 square meters, with 845 slot machines, 289 gaming tables, and multiple VIP and private gaming areas as at December 31, 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 839 slot machines and 263 gaming tables as at December 31, 2021. The hotel comprises two towers with 1,418 hotel rooms, suites and skylofts, twelve diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM COTAI allows us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. The Spectacle, situated at the heart of MGM COTAI, is enriched with experiential technology elements to entertain our guests. MGM COTAI offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. MGM COTAI also features The Mansion, an ultra-exclusive resort within a resort which is available only to our most selective guests. Emerald Villa, the Winner for the SBID International Design Awards 2021 in the Hotel Bedroom & Suites Design category as well as the Platinum Winner at the 2021 MUSE Design Awards in the Interior Design (Hotels & Resorts) category, is the latest addition to the luxurious accommodation at MGM COTAI. We are the first in Macau to have received these two recognitions that honor exceptional interior design. The launch of Emerald Villa during the year enhances our upscale suite offerings and complements our room product portfolio to accommodate a wider breadth of guest types.

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

Strategies for business recovery from the COVID-19 pandemic

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

Factors Affecting Our Results of Operations and Financial Position

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

Macau Gaming Market and Tourism

Macau continues to be the largest casino gaming market in the world. Additional capacity has been added in recent years with several new large-scale integrated resorts being opened in Cotai. 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.

Following the resumption of tourist visa issuance and the efforts to control the COVID-19 pandemic by the mainland China and Macau Governments, total visitor arrivals increased by 30.7% and the total visitation from mainland China to Macau increased by 48.2% for the year ended December 31, 2021, respectively, over 2020. The Macau gross gaming revenue increased by 43.7% to HK\$84.3 billion for the year ended December 31, 2021 over 2020. The total visitor arrivals and Macau gross gaming revenue for the year ended December 31, 2021 were 80% and 70% lower than the pre-pandemic level in 2019 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 Qingmao border and Hengqin border 24-hour checkpoints; the opening of Macau Light Rapid Transit (“Macau LRT”) System; the development of extension of Macau LRT route to Hengqin Island; the ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in mainland China. All are expected to facilitate more convenient travel to Macau;
- Development of Hengqin into a tourism island which together with Macau have been designated as a key tourism hub by the Chinese Government;
- The continuous growth of mainland China outbound tourism, particularly in light of the growing middle class; and
- The strong efforts to control the COVID-19 pandemic by the mainland China and Macau Governments.

Competition

Currently, there are six gaming operators in Macau, each of which has completed or has expansion plans underway. As at December 31, 2021, there were 42 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 12.5% for the year ended December 31, 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 Sub-Concessionaires, of which a subsidiary of the Group, MGM Grand Paradise is one. Similar to other Concessionaires/Sub-Concessionaires, the Sub-Concession Extension Contract of the Group's subsidiary is due to expire on June 26, 2022. Unless the Sub-Concession is extended, or legislation with regard to reversion of casino premises is amended, the MGM Grand Paradise's casino area premises and gaming-related equipment subject to reversion will automatically be transferred to the Macau Government on that date without compensation, 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 the Group's gaming sub-concession in Macau, where such events have a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, may result in a special put option triggering event under the Unsecured Senior Notes and events of default under the Unsecured Credit Facilities.

The Macau Government officially launched the gaming concessions retendering process in September 2021 by releasing a public consultation paper on the amendment of the gaming law, which the Macau Government considers a necessary precedent step to the retendering. A final summary report on the public consultation was issued on December 23, 2021, three months ahead of the original deadline in March 2022. On January 14, 2022, the Macau Government held a press conference to announce that the bill to amend the gaming law was sent to the Macau Legislative Assembly for discussion and approval and the bill was made available for consultation at the Macau Legislative Assembly website from January 18, 2022.

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

The bill is subject to debate and approval by the Macau Legislative Assembly. The approval of the new gaming law bill will precede the public tender for the awarding of new gaming concessions and up to the date of this announcement, the Macau Government has provided no indication as to when the public tender will take place, but on March 3, 2022, the Macau Government announced that the gaming concessionaires and sub-concessionaires will be allowed to submit an application for the extension of the existing concessions and sub-concessions beyond their current term on June 26, 2022, for an additional period until December 31, 2022.

The Group intends to apply for an extension of its gaming sub-concession and 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 and believes that it will be in position to satisfy the relevant requirements as they may be set out by the Macau Government relating to the retendering of a gaming concession or the extension of the existing gaming sub-concession.

Gaming Patrons

Our results of operations are substantially dependent upon casino revenue in the main floor gaming, VIP gaming and slot machines gaming operations. Our gaming patrons include main floor players, in-house VIP players and gaming promoters who help source certain of our 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. We believe this operation represents the most potential for sustainable growth in the future.

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

VIP Gaming Operations

In-house VIP Players

In-house VIP players are sourced directly through our own marketing channels. These in-house VIP players typically receive a commission and an allowance for hotel rooms, food and beverage based upon a percentage of their rolling chip turnover.

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

In order to minimize the credit risk with 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.

Gaming Promoters

A portion of our VIP casino play is referred to us by gaming promoters who introduce high-end VIP players to us and normally assist those customers with their travel and entertainment arrangements. Historically, from time to time and on a case-by-case basis, we granted credit, which was non-interest bearing, to certain gaming promoters at the beginning of each month to facilitate their working capital requirements.

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. 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 December 2021, in view of recent events surrounding the gaming promotion sector and considering the inherent reputational and financial risks posed to the Company, the Group suspended the VIP operations with our primary gaming promoters.

On January 14, 2022, the Macau Government disclosed the content of a draft bill to amend the gaming law as a prerequisite to the gaming concessions retendering process. That bill comprises certain restrictions relating to gaming promoters, including (1) each gaming promoter can only exercise the activity of gaming promotion in one concessionaire; (2) gaming promoters are prohibited to share, in any way or agreement, with the concessionaires, the revenues from casinos; (3) gaming promoters are prohibited to have the exclusive operation of casino reserved areas; and (4) gaming promoters are restricted to providing support only to the concessionaires in the promotion of casino gaming activities, through commissions. The bill is subject to debate and approval by the Macau Legislative Assembly.

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 80% and 20%, respectively, for the year ended December 31, 2021 compared to 72% and 28% in 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 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”, “Ren Dongsheng Scenography Exhibition” and sponsored the MGM Greater Bay Area GT Cup at the 68th Macau Grand Prix 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, has brought into Macau the “MGM Awakening Lion” Dance Drama Residency Show in December 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 also presented 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 years ended December 31, 2021 and 2020:

	For the year ended	
	December 31	
	2021	2020
	HK\$'000	HK\$'000
Loss for the year attributable to owners of the Company	(3,846,616)	(5,201,531)
Income tax expense	18,615	10,186
Net foreign currency loss/(gain)	100,653	(52,024)
Finance costs	1,383,508	1,118,409
Interest income	(4,789)	(9,232)
	<hr/>	<hr/>
Operating loss	(2,348,629)	(4,134,192)
Depreciation and amortization	2,157,474	2,467,666
Loss on disposal/write-off of property and equipment and other assets	19,543	13,287
Pre-opening costs ⁽¹⁾ (unaudited)	19,364	—
Corporate expenses (unaudited)	287,782	212,933
Share-based payments	51,642	68,583
	<hr/>	<hr/>
Adjusted EBITDA (unaudited)	187,176	(1,371,723)
	<hr/> <hr/>	<hr/> <hr/>
MGM MACAU Adjusted EBITDA⁽²⁾ (unaudited)	360,899	(384,012)
MGM COTAI Adjusted EBITDA (unaudited)	(173,723)	(987,711)

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

⁽²⁾ MGM MACAU Adjusted EBITDA for the year ended December 31, 2021 includes a provision for litigation proceedings of HK\$202.7 million, further details of which are disclosed below under Provisions and Contingent Liabilities and in note 13 to the consolidated financial statements.

Discussion of Results of Operations

Financial results for the year ended December 31, 2021 compared to financial results for the year ended December 31, 2020

Operating Revenue

The following table sets forth the operating revenue for the years ended December 31, 2021 and 2020.

	For the year ended	
	December 31	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
MGM MACAU	5,180,280	2,793,858
Casino revenue	4,608,499	2,474,342
Other revenue	571,781	319,516
	<hr/>	<hr/>
MGM COTAI	4,230,534	2,302,125
Casino revenue	3,614,555	1,909,739
Other revenue	615,979	392,386
	<hr/>	<hr/>
Operating revenue	9,410,814	5,095,983
	<hr/> <hr/>	<hr/> <hr/>

Operating revenue of HK\$9,410.8 million for the year ended December 31, 2021 was 84.7% higher than the prior year. This increase was primarily due to the increase in inbound tourists and gradual recovery of business activities compared to the prior year. However, our operating revenue for the year ended December 31, 2021 was 58.7% lower than in 2019 before the COVID-19 pandemic.

Summary Statistics

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

MGM MACAU	For the year ended	
	December 31	
(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	20,299,155	8,907,488
Main floor gross table games win ⁽¹⁾	4,125,052	1,813,594
Main floor table games win percentage	20.3%	20.4%
Average daily gross win per main floor gaming table	52.2	26.3
VIP table games turnover	41,078,818	32,225,466
VIP gross table games win ⁽¹⁾	1,198,775	1,097,452
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	2.92%	3.41%
Average daily gross win per VIP gaming table	48.3	47.5
Slot machine handle	13,276,317	9,105,859
Slot machine gross win ⁽¹⁾	504,795	327,529
Slot hold percentage	3.8%	3.6%
Average daily win per slot	1.9	1.4
Commissions, complimentaries and other incentives ⁽¹⁾	(1,220,123)	(764,233)
Room occupancy rate	79.8%	35.6%
REVPAR	1,155	593

	As at December 31	
	2021	2020
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	289	279
Slot machines ⁽³⁾	845	638
MGM COTAI	For the year ended	
	December 31	
(in thousands, except for number of gaming units, percentage, and REVPAR)	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Main floor table games drop	14,747,578	6,892,861
Main floor gross table games win ⁽¹⁾	3,381,925	1,809,847
Main floor table games win percentage	22.9%	26.3%
Average daily gross win per main floor gaming table	43.5	25.8
VIP table games turnover	24,981,565	22,181,609
VIP gross table games win ⁽¹⁾	913,578	551,059
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	3.66%	2.48%
Average daily gross win per VIP gaming table	50.9	30.1
Slot machine handle	12,015,749	7,454,978
Slot machine gross win ⁽¹⁾	406,803	233,176
Slot hold percentage	3.4%	3.1%
Average daily win per slot	1.4	1.0
Commissions, complimentaries and other incentives ⁽¹⁾	(1,087,751)	(684,343)
Room occupancy rate	47.2%	22.4%
REVPAR	569	327

	As at December 31	
	2021	2020
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	263	273
Slot machines ⁽³⁾	839	655

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

⁽²⁾ Permanent table count as at December 31, 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 year ended	
	December 31	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Main floor gross table games win	7,506,977	3,623,441
VIP gross table games win	2,112,353	1,648,511
Slot machine gross win	911,598	560,705
	<hr/>	<hr/>
Gross casino revenue	10,530,928	5,832,657
	<hr/>	<hr/>
Commissions, complimentary and other incentives	(2,307,874)	(1,448,576)
	<hr/>	<hr/>
Casino revenue	8,223,054	4,384,081
	<hr/> <hr/>	<hr/> <hr/>

Casino revenue increased year-over-year by 87.6% to HK\$8,223.1 million in 2021. 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 year-over-year by 107.2% to HK\$7,507.0 million in 2021. Similarly, main floor table games drop in MGM MACAU and MGM COTAI increased by 127.9% to HK\$20,299.2 million and 114.0% to HK\$14,747.6 million during the current year, respectively.

VIP Gaming Operations

Our VIP gross table games win increased year-over-year by 28.1% to HK\$2,112.4 million in 2021. Similarly, VIP table games turnover in MGM MACAU and MGM COTAI increased by 27.5% to HK\$41,078.8 million and 12.6% to HK\$24,981.6 million during the current year, respectively.

Slot Machine Gaming Operations

Slot machine gross win increased year-over-year by 62.6% to HK\$911.6 million in 2021. Similarly, slot machine handle in MGM MACAU and MGM COTAI increased by 45.8% to HK\$13,276.3 million and 61.2% to HK\$12,015.7 million during the current year, respectively.

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and increased year-over-year by 66.8% to HK\$1,187.8 million in 2021. The increase was primarily due to the increase in inbound tourists and gradual recovery of business activities, compared to the prior year. As a measure to relieve the economic stress during COVID-19 for our retail tenants, especially the local SMEs, certain rent relief was provided during the current and prior year.

Operating Costs and Expenses

The major operating costs and expenses for the years ended December 31, 2021 and 2020 were:

	For the year ended	
	December 31	
	2021	2020
	HK\$'000	HK\$'000
Gaming taxes	4,242,245	2,404,651
Inventories consumed	443,773	290,639
Staff costs	3,147,909	2,916,868
Loss allowance on trade receivable, net	125,095	92,642
Other expenses and losses	1,642,947	1,057,709
Depreciation and amortization	2,157,474	2,467,666
Finance costs	1,383,508	1,118,409
Income tax expense	18,615	10,186

Gaming tax

Gaming tax increased year-over-year by 76.4% to HK\$4,242.2 million in 2021. This increase was attributable to the higher gross gaming revenue generated during the current year.

Inventories consumed

Inventories consumed increased year-over-year by 52.7% to HK\$443.8 million in 2021. This increase was attributable to the gradual recovery of business activities.

Staff costs

Staff costs increased year-over-year by 7.9% to HK\$3,147.9 million in 2021. The increase was attributable to the gradual recovery of business in the current year.

Loss allowance on trade receivables, net

Loss allowance on trade receivables, net, increased by 35.0% from HK\$92.6 million in 2020 to HK\$125.1 million in 2021. The increase was primarily driven by the expected credit losses for receivables from a gaming promoter.

Other expenses and losses

Other expenses and losses increased year-over-year by 55.3% to HK\$1,642.9 million in 2021, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense increased by 96.5% from HK\$199.0 million in 2020 to HK\$391.0 million in 2021. The increase resulted from increased marketing activities being organized during the current year in light of increased number of visitors due to gradual easing of travel restrictions.

Provisions for litigation proceedings. Provisions of HK\$202.7 million were made during the year ended December 31, 2021 (2020: nil) relating to expected losses for the Group's joint liabilities with gaming promoters, further details of which are disclosed below under Provisions and Contingent Liabilities and in note 13 to the consolidated financial statements.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 80.0% from HK\$93.3 million in 2020 to HK\$168.1 million in 2021. This increase primarily resulted from higher revenue generated during the current year.

Depreciation and amortization

Depreciation and amortization decreased year-over-year by 12.6% to HK\$2,157.5 million in 2021. The decrease was attributable to the impact of full depreciation of certain assets in 2021.

Finance costs

Total finance costs increased from HK\$1,118.4 million in 2020 to HK\$1,383.5 million in 2021. The increase was primarily due to a HK\$304.6 million increase in interest expense attributable to unsecured senior notes in 2021 as compared to 2020 following the additional debt raising completed in 2021. This increase was partly offset by a HK\$63.5 million decrease in interest expense attributable to unsecured credit facilities in 2021 as compared to 2020. As discussed above, the Group has undertaken a number of financing initiatives in response to the business 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 consolidated financial statements.

Loss attributable to owners of the Company

Loss attributable to owners of the Company decreased from a loss of HK\$5,201.5 million in 2020 to a loss of HK\$3,846.6 million in 2021. The loss for the year is due to the significant continued business interruption caused by the COVID-19 pandemic. The decreased loss for the year and improvement in Adjusted EBITDA are attributable to the partial recovery of business activities in the current year as a result of resumption of tourist visa issuance following efforts to control the COVID-19 pandemic by the mainland China and Macau Governments and to measures taken by management to constrain operating expenses as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

As at December 31, 2021, our cash and cash equivalents, and available undrawn credit facilities were HK\$3.11 billion and HK\$10.06 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 December 31, 2021 and 2020.

	As at	
	December 31	December 31
	2021	2020
	HK\$'000	HK\$'000
Borrowings, net of debt finance costs	23,929,106	21,155,040
Less: cash and cash equivalents	(3,112,020)	(2,635,511)
Net debt	20,817,086	18,519,529
Total equity	1,196,916	5,017,664
Total capital ⁽¹⁾	22,014,002	23,537,193
Gearing ratio	94.6%	78.7%

⁽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 years ended December 31, 2021 and 2020.

	For the year ended	
	December 31	
	2021	2020
	HK\$'000	HK\$'000
Net cash used in operating activities	(449,607)	(2,969,889)
Net cash used in investing activities	(518,489)	(831,958)
Net cash generated from financing activities	1,442,561	3,162,555
Net increase/(decrease) in cash and cash equivalents	474,465	(639,292)
Cash and cash equivalents at the beginning of the year	2,635,511	3,270,296
Effect of foreign exchange rate changes, net	2,044	4,507
Cash and cash equivalents at the end of the year	3,112,020	2,635,511

Net cash used in operating activities

The decrease in net cash used in operating activities for the current year compared to the prior year 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\$518.5 million in 2021 compared to HK\$832.0 million in 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 Emerald Villa and renovation work carried out at MGM MACAU as well as purchase of property and equipment in total amounting to HK\$527.7 million and HK\$838.8 million in 2021 and 2020, respectively.

Net cash generated from financing activities

Net cash generated from financing activities was HK\$1,442.6 million in 2021 compared to HK\$3,162.6 million in 2020.

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

- HK\$5,813.0 million of proceeds from the issuance of the 2027 Notes; partially offset by
- HK\$3,160.0 million of net repayments on the Revolving Credit Facility; and
- HK\$1,063.2 million of interest payments.

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

- HK\$3,876.2 million of proceeds from the issuance of the 2025 Notes;
- HK\$770.0 million net draw down on the Revolving Credit Facility; partially offset by
- HK\$1,022.2 million of interest payments;
- HK\$315.4 million of dividends paid being the final declared dividend for the year ended December 31, 2019; and
- HK\$107.0 million of debt finance costs paid.

Capital Commitments

As at December 31, 2021, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the consolidated financial statements:

	As at	
	December 31 2021 HK\$'000	December 31 2020 HK\$'000
Contracted but not accounted for	102,538	273,361

Provisions and Contingent Liabilities

As at December 31, 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 claimed to have placed cash deposits with gaming promoters who had operations at MGM MACAU and the gaming promoters failed to honor the withdrawal of such cash deposits. The Group was sued in these proceedings based solely on the joint liability of the concessionaire for the actions and conducts of the gaming promoters engaged by it at its casinos, as contemplated in article 29 of Administrative Regulation no. 6/2002, governing the licensing and activities of gaming promoters.

The Group has defended its position that it was not liable with respect to these claims. However, in February 2022, the Group's appeal to the Court of Final Appeal for one of the legal proceedings was dismissed, confirming the decision that the gaming promoter was liable for the refund of the deposits claimed by the plaintiffs and that the Group was jointly and severally liable for the fulfilment of the gaming promoter's monetary obligation. As there are no further appeals available to the Group and given the Group's assessment of the gaming promoter's inability to honor its financial obligation as ordered by the Court, the Group will need to make the payment directly to

the plaintiffs of the principal amount of HK\$80 million plus interest. The interest calculated up to the end of the reporting period of December 31, 2021 is HK\$37 million. Upon payment to the plaintiffs the Group shall be entitled to claim from the gaming promoter the reimbursement, in all or in part, of the amount paid, in a separate lawsuit, to be filed by the Group against the gaming promoter. In light of the recent developments impacting the gaming promoter's activities, it is predicted that the chance to recover the loss suffered through the payments to be made by the Group is remote.

Consequently, considering the similar nature of the three legal proceedings, the Group has estimated the possible financial loss arising from these legal proceedings and recognized a liability of HK\$202.7 million at December 31, 2021 in payables and accrued charges.

Indebtedness

	As at	
	December 31 2021 <i>HK\$'000</i>	December 31 2020 <i>HK\$'000</i>
Unsecured Senior Notes	21,440,650	15,505,800
Unsecured Credit Facilities	2,810,000	5,970,000
Less: debt finance costs	(321,544)	(320,760)
	23,929,106	21,155,040
Total borrowings	23,929,106	21,155,040

Unsecured Senior Notes

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

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

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

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

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

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

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

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

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

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

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

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

As at December 31, 2021, the Group had total available undrawn unsecured credit facilities of HK\$10.06 billion.

Principal and Interest

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

As at December 31, 2021, HK\$2.81 billion of the Revolving Credit Facility was drawn. HK\$6.94 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at December 31, 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, a fourth amendment on February 24, 2021 and a fifth amendment on February 10, 2022 under the Revolving Credit Facility. The Company also entered into an amendment of the financial covenant on October 14, 2020, a second amendment on February 24, 2021 and a third amendment on February 10, 2022 under the Second Revolving Credit Facility.

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

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

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

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

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

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

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

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

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the years ended December 31, 2021 and 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. Under the applicable acceleration provisions, if an event of default is outstanding, the facility agent may, and must if so instructed by the majority lenders, by notice to the Company, cancel all or any part of the total commitments; or declare that all or part of any amounts outstanding under the finance documents are immediately due and payable; or payable on demand by the facility agent acting on the instructions of the majority lenders.

Security and Guarantees

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

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.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2021, the Group employed 10,117 (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.

DISCLOSURE OF FINANCIAL RESULTS IN MACAU

In March 2022, MGM Grand Paradise, our subsidiary and the holder of our gaming Sub-concession, will file its statutory consolidated financial statements in accordance with Financial Reporting Standards of Macau Special Administrative Region, the People’s Republic of China (“MFRS”) for the year ended December 31, 2021 (“MFRS Consolidated Financial Statements”) to the Gaming Inspection and Coordination Bureau of Macau, in compliance with the relevant provisions of its Sub-Concession Contract and applicable law. In addition, MGM Grand Paradise expects to publish its MFRS Condensed Financial Statements in the Macau Official Gazette and local newspapers in Macau by the end of April 2022. The MFRS Consolidated Financial Statements and the MFRS Condensed Financial Statements may not be directly comparable with our Company’s financial results disclosed herein, which are prepared under IFRS.

ANNUAL GENERAL MEETING

Notice of annual general meeting of the Company will be published and dispatched to the Company’s shareholders in the manner required by the Listing Rules in due course.

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

During the year ended December 31, 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 <i>HK\$</i>	Lowest price paid per Share <i>HK\$</i>	Aggregate consideration paid <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
	<u>8,979,100</u>			<u>128,023</u>

New Shares were issued pursuant to the exercise of share options by qualifying grantees under the share option scheme adopted by the Company. The Company repurchased an aggregate number of Shares equivalent to the aggregate number of new Shares issued under the share option scheme during the year ended December 31, 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 year ended December 31, 2021.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

During the year ended December 31, 2021, the Company has complied with all provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Company has adopted its own code of conduct regarding securities transactions by Directors and senior management of the Group (the “Code”) in terms which are no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.

The Company has made specific inquiries and has received confirmations from all the Directors that they have complied with the required standard as set out in the Code for the year ended December 31, 2021.

AUDIT COMMITTEE

The Audit Committee is currently comprised of three independent non-executive Directors and two non-executive Directors. The major duties of the Audit Committee under its terms of reference adopted by a resolution of the Board passed on February 16, 2012 and amended by a resolution of the Board passed on November 5, 2015 include overseeing the relationship between the Company and its external auditors, monitoring the integrity of the financial statements, annual and interim reports and reviewing significant financial reporting judgments contained therein, monitoring compliance with statutory and the Listing Rules requirements in relation to financial reporting, and reviewing the Group’s financial controls, internal controls and risk management systems. The Management Risk Committee, appointed by and subject to the oversight of the Audit Committee assists the Audit Committee, the Board and senior management as appropriate to oversee the overall risk management framework of the Group and to identify and effectively manage risks considered by the Management Risk Committee to be significant to the Group, including strategic, financial, business, operational, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks on an ongoing basis. The Audit Committee has reviewed the Group’s annual results for the year ended December 31, 2021.

PUBLICATION OF ANNUAL 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 annual report for the year ended December 31, 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
“Audit Committee”	The Audit Committee of the Company, whose terms of reference were adopted by the Board on February 16, 2012 and amended by the Board on November 5, 2015
“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 (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Sub-Concessionaires and one of our subsidiaries
“MGM MACAU”	the integrated casino, hotel and entertainment resort in Macau peninsula owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Pansy Catilina Chiu King Ho, a substantial Shareholder, the Co-chairperson and an executive Director of the Company
“Revolving Credit Facility”	the revolving credit facility dated August 12, 2019 entered into between the Company and certain lenders, pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024, as amended on February 21, 2020, April 9, 2020, October 15, 2020, February 24, 2021 and February 10, 2022
“REVPAR”	Revenue per available room includes commissions, complimentaries 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, February 24, 2021 and February 10, 2022

“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	SJM Resorts, S.A., formerly Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machine gross win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of complimentarys and other incentives
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“Sub-Concession”, “Sub-Concession Contract” or “Sub-Concession Extension Contract”	the agreement for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into by SJM and MGM Grand Paradise on April 19, 2005, as extended to June 26, 2022 by the Sub-Concession Extension Contract, dated as of March 15, 2019
“Sub-Concessionaire(s)”	the holder(s) of a Sub-Concession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“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, March 10, 2022

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