



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



INTERIM REPORT 2020 中期報告

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

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



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Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Zhe Sun
 Sze Wan Patricia Lam
 Russell Francis Banham
 Simon Meng

Audit Committee

Russell Francis Banham (*Chairperson*)
 Zhe Sun
 James Freeman
 Simon Meng

Remuneration Committee

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

Nomination and Corporate Governance Committee

Sze Wan Patricia Lam (*Chairperson*)
 Chen Yau Wong
 Zhe Sun
 Russell Francis Banham
 John M. McManus
 Simon Meng

Company Secretary

Antonio Jose Menano

Authorized Representatives

Antonio Jose Menano
 William Joseph Hornbuckle

Auditor

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

Legal Advisors

As to Hong Kong law:

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

As to Macau law:

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

Registered Office in Cayman Islands

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 George Town
 Grand Cayman KY1-9005
 Cayman Islands

Principal Place of Business and Head Office in Macau

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

Place of Business in Hong Kong Registered Under Part 16 of the Companies Ordinance

1402 China Merchants Tower
 200 Connaught Road
 Central, Hong Kong

Hong Kong Listed Share Registrar

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

Cayman Islands Unlisted Share Registrar and Transfer Office

Intertrust Corporate Services (Cayman) Limited
 190 Elgin Avenue
 George Town, Grand Cayman KY1-9005
 Cayman Islands

Company Website

www.mgmchinaholdings.com

Stock Code

2282

Financial Highlights

	For the six months ended	
	June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino revenue	2,045,405	10,158,920
Other revenue	324,989	1,137,714
Operating revenue	2,370,394	11,296,634
Adjusted EBITDA	(1,008,386)	3,076,803
Operating (loss)/profit	(2,395,901)	1,470,453
(Loss)/profit for the period attributable to owners of the Company	(2,860,430)	1,022,392
(Loss)/earnings per Share		
— Basic	(HK75.3 cents)	HK26.9 cents
— Diluted	(HK75.3 cents)	HK26.9 cents

Management Discussion and Analysis

Business Overview

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

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

On March 15, 2019, a Sub-concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-concessionaire, pursuant to which the Sub-concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022 which now aligns with the expiry date of other gaming Concessionaires/Sub-concessionaires in Macau.

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

Recent Developments

Financial Impact of COVID-19

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

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

Management Discussion and Analysis

Following discussions between the Macau and Guangdong authorities on the need for maintenance of the disease-control effort while also advancing work to boost socioeconomic development, it was announced that, effective from July 15, 2020, those entering mainland China from Macau across its land boundaries with Guangdong are exempted from the 14-day medical observation period. However, they must obtain a negative nucleic acid test result, issued within seven days of their intended departure from Macau and have a valid 'green' code result for the Macau Health Code system and the Guangdong health-declaration system respectively. DICJ has also announced that, effective from July 15, 2020, all guests entering casinos are required to provide a negative nucleic acid test result with a valid "green" Macau Health Code.

As of the date of this report, several travel and entry restrictions in Macau, Hong Kong and mainland China remain in place (including the temporary suspension of the individual visa scheme, the temporary suspension of ferry services, the nucleic acid test result certificate and 14-day mandatory quarantine requirements for visitors from Hong Kong, and bans on entry and enhanced quarantine requirements on other visitors). These restrictions significantly impact visitation to MGM MACAU and MGM COTAI, which has had a negative impact on the Group's results for the six months ended June 30, 2020 and it is currently unclear as to the length of time the pandemic will continue to impact the Group's results. According to the DSEC, total visitor arrivals decreased by 83.9% and the total visitation from mainland China to Macau decreased by 83.7% in the first half of 2020, respectively, over the comparable periods in 2019. The Macau GGR decreased by 77.4% to HK\$32.7 billion in the first half of 2020 over the comparable period in 2019.

To mitigate the impact of the COVID-19 pandemic on the Group's financial position, a number of initiatives have been undertaken in the current financial period:

- the Company entered into an amendment to the financial covenants under its Revolving Credit Facility on February 21, 2020, to revise the permitted leverage ratio and permitted interest coverage ratio. On April 9, 2020, the Company entered into a second amendment to the financial covenants under its Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio. Details of the amendments are set out in note 16 to the condensed consolidated financial statements;
- on May 26, 2020, the Company entered into the Second Revolving Credit Facility, with a final maturity date of May 15, 2024, increasing the available undrawn credit facilities by HK\$2.34 billion, with an option to increase the amount of the facility to up to HK\$3.9 billion subject to certain conditions;
- on June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million and a final maturity date of June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under its Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$8.34 billion after the repayment) and for general corporate purposes;
- on June 29, 2020, the Company increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion;
- a number of measures to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the period; and
- certain capital expenditures that were planned to begin during the second quarter of 2020 have been deferred.

Management Discussion and Analysis

Subsequent to the date of this report, it was announced that, effective from August 12, 2020, those entering mainland China from Macau are exempted from the 14-day medical observation period. Additionally, it was announced that the tourist visas issuance (including individual visa scheme) for residents of Zhuhai to travel to Macau resume on August 12, 2020, with the tourist visas issuance for residents of Guangdong Province and all other provinces resuming on August 26, 2020 and September 23, 2020 respectively.

Retirement of our CEO

On May 11, 2020, we announced the retirement of our CEO Grant R. Bowie. Mr. Bowie's retirement as CEO took effect on May 31, 2020. On August 6, 2020, Mr. Bowie resigned as an executive Director of the Company, due to his retirement plans. Mr. Bowie will remain as an advisor of the Company for a period up to December 31, 2022. Ms. Pansy Ho continues to act as managing director of MGM Grand Paradise. Certain senior executive roles have been restructured to complement the expertise of the management team.

MGM MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 28,551 square meters, with 584 slot machines, 285 gaming tables, and multiple VIP and private gaming areas as at June 30, 2020. The hotel comprises a 35-story tower with 582 hotel rooms, suites and villas, and we have a service agreement with the Mandarin Oriental Hotel, through which they supplement our room offerings with additional room availability when there is excess demand by our customers. In addition, the resort offers luxurious amenities, including eight diverse restaurants, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. MGM MACAU is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

MGM COTAI

MGM COTAI opened on February 13, 2018. The resort is conveniently located with multiple access points from other Cotai hotels and public amenities. The casino floor offers approximately 27,696 square meters, with 598 slot machines and 267 gaming tables as at June 30, 2020. The hotel comprises two towers with 1,390 hotel rooms, suites and skylofts, twelve diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM COTAI allows us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. The Spectacle, situated at the heart of MGM COTAI, is enriched with experiential technology elements to entertain our guests. MGM COTAI offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. The Mansion, an ultra-exclusive resort within a resort, which is available only to our most selective guests, was launched in late March 2019. Mansion One, the private ultra-luxury gaming area for invitation-only premium mass customers, attached to The Mansion was introduced in December 2018. The new gaming area allowed us to expand our gaming operations and enhance our competitiveness.

The Company reached a settlement agreement with the principal contractors in connection with the construction costs of MGM COTAI in December 2019. Under the settlement agreement, the parties agreed that the final contract sums in respect of the builders' work executed under the main construction contract and the work under the mechanical, electric and plumbing (MEP) nominated sub-contracts was MOP10,270.5 million (approximately HK\$9,971.4 million). The Company agreed to pay to the principal contractors MOP612.5 million (approximately HK\$594.7 million), being the settlement amount of MOP10,270.5 million (approximately HK\$9,971.4 million) less the total amount previously certified and paid by the Company to the principal contractors of MOP9,658.0 million (approximately HK\$9,376.7 million). The required amounts had been fully settled as at June 30, 2020. In addition, the Company had closed out substantially all of its construction liabilities related to the nominated sub-contracts of the MGM COTAI development.

Management Discussion and Analysis

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 and entertainment offerings in the world's largest gaming market;
- 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;
- Maintain strong business relationships with our gaming promoters and identify potential gaming promoters to further grow our VIP business;
- Utilize The Mansion and Mansion One to attract ultra-high end customers, while maintaining our focus on the high margin mass market gaming segment; and
- Identify innovative gaming and non-gaming investment opportunities.

Recovery strategies for business recovery from COVID-19

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

Management Discussion and Analysis

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

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

- implementing new initiatives in hygiene and social distancing to address customer safety concerns and changing customer behavior;
- introducing new attractions and experiences that leverage our unique public spaces, resort technology and family and cultural tourism products to drive property visitation and new business growth;
- increasing the intensity and scope of our sales and marketing campaigns with a view to capitalizing on the resumption of the individual visit scheme 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 planned gaming floor enhancement projects while traffic is low to prepare for future growth; and
- developing the MGM COTAI South Tower suites to strengthen our position in premium mass market.

Factors Affecting Our Results of Operations and Financial Position

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

Macau Gaming Market and Tourism

Macau continues to be the largest gaming market in the world. Additional capacity has been added in recent years with several large-scale integrated resorts opening in Cotai. Additionally, infrastructure investment and growth in room supply have supported increased visitation, including overnight visitors to Macau.

Management Discussion and Analysis

Customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. According to the Statistics and Census Services of the Macau Government, approximately 70.9% of visitors to Macau in 2019 were from mainland China.

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

According to Macau Government statistics, total gross gaming revenue in the Macau gaming market increased by 14.0% to HK\$294.0 billion for the year ended December 31, 2018 over 2017. However, the monthly gross gaming revenue of the Macau gaming market experienced inconsistent months of growth and decline, resulting in a year-over-year decline of 3.4% to HK\$283.9 billion for the year ended December 31, 2019 over 2018. Due to the COVID-19 related closures and other related restrictions on travel and capacity at the facilities in the Macau gaming market, the monthly gross gaming revenue of the Macau gaming market decreased by 77.4% for the six months ended June 30, 2020 over the comparable periods in 2019. According to the DSEC, total visitor arrivals in Macau decreased by 83.9% and the total visitation from mainland China to Macau decreased by 83.7% in the first half of 2020, respectively, over the comparable periods in 2019.

Despite the slowdown in 2019 and the rapid spread of COVID-19 in early 2020, we are 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 further position Macau as a world class tourism center;
- Infrastructure improvements in Macau and Greater Bay area, such as the opening of the Hong Kong-Zhuhai-Macau bridge in October 2018; the expansion of the Macau Airport; the Zhuhai and Macau border gate 24-hour single check point; the opening of Macau Light Rapid Transit System in December 2019; the ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in China. All are expected to facilitate more convenient travel to Macau;
- Development of Hengqin into a tourism island, together with Macau designated as a key tourism hub by the Chinese Government; and
- The continuous growth of China outbound tourism, particularly in light of the growing middle class.

Management Discussion and Analysis

Competition

Currently, there are six gaming operators in Macau, each of which has completed or has expansion plans underway. As at June 30, 2020, there were 41 casinos in Macau. Several development projects in the Cotai area were completed prior to MGM COTAI's opening on February 13, 2018. In addition, there are several development projects anticipated in the coming years. There is a continuing market share migration from the Macau Peninsula to Cotai. Our overall gaming market share increased to 9.5% for the year ended December 31, 2019 before the COVID-19 pandemic due in part to the opening and continued ramp-up of MGM COTAI.

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, Saipan, South Korea, Singapore, the Philippines, Australia and Las Vegas.

Gaming Patrons

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

VIP Gaming Operations

Gaming Promoters

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

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

The quality of gaming promoters with whom we engage in business is important to our reputation and ability to operate in compliance with our Sub-concession Contract and Macau gaming laws. We continue to review our business relationship with each of our gaming promoters and identify potential new gaming promoters to partner with while having a particular awareness of their financial performance, reputation and management capability.

Management Discussion and Analysis

In-house VIP Players

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

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

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

Main Floor Table Gaming Operations

Main floor table gaming operations in the Macau market are also referred to as the "mass market gaming operation". Unlike VIP players, main floor 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 high value main floor players by renovating the dedicated exclusive gaming space for their use. We continued to reallocate tables from VIP gaming to our main floor gaming areas to maximize our yield. We leveraged our Golden Lion Club as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotions.

GGR Mix

With our focus on premium mass gaming, the Company is strategically positioned to leverage the gaming market's recovery and growth potential. Our proportion of GGR from the mass and VIP market was 66% and 34%, respectively, for the six months ended June 30, 2020 compared to 62% and 38% for the six months ended June 30, 2019, respectively. However, as described above, our revenues were reduced substantially in the six months ended June 30, 2020, and therefore our proportion of GGR from the mass and VIP markets for the six months ended June 30, 2020 is not comparable to our proportion of GGR from the mass and VIP markets for the six months ended June 30, 2019.

Management Discussion and Analysis

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. In addition, we continue to improve our customer experience by enhancing our hotel rooms, food, beverage, retail and entertainment offerings by expanding and refurbishing our non-gaming areas.

With the opening of MGM COTAI on February 13, 2018, we continue to deliver exciting and memorable events at our properties for the benefit of our customers in support of the Macau Government's vision for diversification. Such elements include the magnificent Art Collection of 28 Chinese imperial carpets dating from Qing Dynasty that once adorned the Forbidden City in Beijing; the innovative Spectacle and Asia's first dynamic theater featuring multi-dimensional sensory experience enriched with experiential technology elements which we believe they can break the boundaries between imagination and reality to delight and captivate our guests.

As a result of the suspension of casino operations for a 15-day period, certain non-gaming facilities closed down in February 2020. Although those facilities have gradually reopened beginning February 20, 2020, a number of restaurants and bars are currently opened with shorter operating hours or closed due to reduced demand caused by travel restrictions. We are currently focused on providing non-gaming offerings to attract local resident customers and are preparing events and attractions to be delivered upon the recovery from COVID-19.

Segment Information

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

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

Management Discussion and Analysis

Adjusted EBITDA

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

The following table presents the reconciliation of the Group's adjusted EBITDA to (loss)/profit attributable to owners of the Company for the six months ended June 30, 2020 and 2019:

	For the six months ended	
	June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit for the period attributable to owners of the Company	(2,860,430)	1,022,392
Income tax expense	5,194	5,768
Net foreign currency gain	(55,096)	(56,600)
Finance costs	521,312	511,190
Interest income	(6,881)	(12,297)
Operating (loss)/profit	(2,395,901)	1,470,453
Depreciation and amortization	1,243,690	1,286,026
Loss on disposal/write-off of property and equipment, construction in progress and other assets	4,168	3,210
Pre-opening costs ⁽¹⁾	—	20,548
Corporate expenses	114,902	263,511
Share-based payments	24,755	33,055
Adjusted EBITDA	(1,008,386)	3,076,803
MGM MACAU Adjusted EBITDA	(356,905)	2,045,595
MGM COTAI Adjusted EBITDA	(651,481)	1,031,208

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

Management Discussion and Analysis

Discussion of Results of Operations

Financial results for the six months ended June 30, 2020 compared to financial results for the six months ended June 30, 2019

Operating Revenue

The following table sets forth the operating revenue for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
MGM MACAU	1,268,615	6,459,349
Casino revenue	1,134,101	5,980,908
Other revenue	134,514	478,441
MGM COTAI	1,101,779	4,837,285
Casino revenue	911,304	4,178,012
Other revenue	190,475	659,273
Operating revenue	2,370,394	11,296,634

Operating revenue of HK\$2,370.4 million for the six months ended June 30, 2020 was 79.0% lower than the same period in the prior year. This decrease was caused by the impact of the temporary COVID-19 related closures and restrictions on travel and capacity at our facilities as discussed above.

Management Discussion and Analysis

Casino Revenue

	For the six months ended June 30	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
VIP gross table games win	933,693	4,937,958
Main floor gross table games win	1,545,386	7,075,798
Slot machine gross win	272,213	1,097,114
Gross casino revenue	2,751,292	13,110,870
Commissions, complimentary and other incentives	(705,887)	(2,951,950)
Casino revenue	2,045,405	10,158,920

Casino revenue decreased by 79.9% to HK\$2,045.4 million for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019. The decrease was primarily due to the impact of the temporary COVID-19 related closures and restrictions on travel and capacity at our facilities which affected all components of our operations. The components of our gaming operations were:

VIP Gaming Operations

Our VIP gross table games win decreased by 81.1% to HK\$933.7 million for six months ended June 30, 2020 as compared to the same period in the prior year. Similarly, VIP table games turnover in MGM MACAU decreased by 83.3% to HK\$17,545.5 million and VIP table games turnover in MGM COTAI decreased by 79.0% to HK\$12,528.7 million during the current period.

Main Floor Table Gaming Operations

Main floor gross table games win decreased by 78.2% to HK\$1,545.4 million for the six months ended June 30, 2020 as compared to the same period in the prior year.

Slot Machine Gaming Operations

Slot machine gross win decreased by 75.2% to HK\$272.2 million for the six months ended June 30, 2020 as compared to the same period in the prior year.

Management Discussion and Analysis

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and decreased by 71.4% to HK\$325.0 million for the six months ended June 30, 2020. These sources of revenue were also directly impacted by the temporary closures and subsequent substantial decrease in inbound tourists, compared to the same period in the prior year.

Due to the travel restrictions, we are currently focused on providing non-gaming offerings to attract local resident customers. As part of business relaunch, we have introduced MGM Mixy-Go-Matchy offerings, including bespoke hospitality packages, continue to enhance food and beverage selections and cultural entertainment. MGM COTAI has launched a series of family, cultural activities from kids' interactive art tours to fun creative workshops for all ages. Meanwhile MGM MACAU has introduced a Sino-Portuguese Cultural Experience exploring the artistry of Sino-Portuguese culture through various forms of architecture, food, music and art.

Operating Costs and Expenses

The major operating costs and expenses for the six months ended June 30, 2020 and 2019 were:

	For the six months ended	
	June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gaming taxes	1,137,014	5,288,587
Inventories consumed	133,208	330,544
Staff costs	1,637,929	1,824,775
Loss allowance on trade receivables, net	105,936	40,285
Other expenses and losses	508,518	1,055,964
Depreciation and amortization	1,243,690	1,286,026
Finance costs	521,312	511,190
Income tax expense	5,194	5,768

Gaming taxes

Gaming taxes decreased by 78.5% to HK\$1,137.0 million for the six months ended June 30, 2020. This decrease was attributable to the lower gross casino win generated during the first half of 2020.

Inventories consumed

Inventories consumed decreased by 59.7% to HK\$133.2 million for the six months ended June 30, 2020. This decrease was attributable to the substantial reduction in consumption of food and beverage and other supplies in response to our business activities.

Management Discussion and Analysis

Staff costs

Staff costs decreased by 10.2% to HK\$1,637.9 million for the six months ended June 30, 2020. To mitigate the impact of the COVID-19 pandemic, we have taken a number of measures to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the period, while trying to preserve local jobs in response to requests of the Macau Government.

Loss allowance on trade receivables, net.

Loss allowance on trade receivables, net, increased by 163.0% from HK\$40.3 million for the six months ended June 30, 2019 to HK\$105.9 million for the six months ended June 30, 2020. The increase was primarily driven by higher expected credit losses arising from the COVID-19 pandemic.

Other expenses and losses

Other expenses and losses decreased by 51.8% to HK\$508.5 million for the six months ended June 30, 2020 as compared to the same period in the prior year, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense decreased by 72.1% from HK\$301.8 million for the six months ended June 30, 2019 to HK\$84.2 million for the six months ended June 30, 2020. The decrease resulted from reduced marketing activities being organized during the first half of 2020 in light of travel restrictions and temporary suspension of individual visa scheme for mainland Chinese visitors.

License fee and marketing fees. License fee and marketing fees due to related companies decreased by 78.5% from HK\$204.2 million for the six months ended June 30, 2019 to HK\$43.9 million for the six months ended June 30, 2020. This decrease primarily resulted from lower revenue generated during the first half of 2020.

Depreciation and amortization

Depreciation and amortization remained relatively flat for the six months ended June 30, 2020 as compared to the same period in the prior year.

Finance costs

Finance costs increased from HK\$511.2 million for the six months ended June 30, 2019 to HK\$521.3 million for the six months ended June 30, 2020. This increase was primarily due to a HK\$251.1 million increase in interest expense attributable to the unsecured senior notes issued in May 2019 and June 2020. This increase was partly offset by a HK\$202.7 million decrease in interest expense as a result of the replacement of the Senior Secured Credit Facility in 2019. The replacement of secured debt with unsecured debt provides the Group with additional financial flexibility beyond the date of extension of the gaming Sub-concession.

Income tax expense

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

Management Discussion and Analysis

Loss/Profit attributable to owners of the Company

Loss/profit attributable to owners of the Company decreased significantly from a profit of HK\$1,022.4 million for the six months ended June 30, 2019 to a loss of HK\$2,860.4 million for the six months ended June 30, 2020. This decrease was attributable to the substantial reduction in activity in the first half of 2020 as a result of the COVID-19 pandemic related closures and restrictions described above.

Liquidity and Capital Resources

Capital Resources

As at June 30, 2020, our bank balances and cash, and available undrawn credit facilities were HK\$2.28 billion and HK\$9.12 billion, respectively. These balances are available for operations, new development activities and enhancement to our properties, repayment of bank borrowings and other corporate purposes.

Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises borrowings, net of debt finance costs, less bank balances and cash. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group's gearing ratio as at June 30, 2020 and December 31, 2019.

	As at	
	June 30 2020 HK\$'000 (unaudited)	December 31 2019 HK\$'000 (audited)
Borrowings, net of debt finance costs	18,901,267	16,604,526
Less: bank balances and cash	(2,277,370)	(3,270,296)
Net debt	16,623,897	13,334,230
Total equity	7,308,497	10,460,134
Total capital ⁽¹⁾	23,932,394	23,794,364
Gearing ratio	69.5%	56.0%

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

Management Discussion and Analysis

Group Cash Flows

The following table presents a summary of the Group's cash flows for the six months ended June 30, 2020 and 2019.

	For the six months ended June 30	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash (used in)/generated from operating activities	(2,003,915)	2,543,342
Net cash used in investing activities	(518,798)	(653,276)
Net cash generated from/(used in) financing activities	1,530,800	(2,466,146)
Net decrease in cash and cash equivalents	(991,913)	(576,080)
Cash and cash equivalents at the beginning of the period	3,270,296	3,992,107
Effect of foreign exchange rate changes, net	(1,013)	(288)
Cash and cash equivalents at the end of the period	2,277,370	3,415,739

Net cash (used in)/generated from operating activities

The significant reduction in operating cash flow for the six months ended June 30, 2020 compared to the prior year period was caused primarily by the COVID-19 related closures and restrictions.

Net cash used in investing activities

Net cash used in investing activities was HK\$518.8 million for the six months ended June 30, 2020 compared to HK\$653.3 million for the six months ended June 30, 2019. The major components of the cash flow used in investing activities related to payments for the construction and development activities at MGM COTAI and renovation work carried out at MGM MACAU as well as purchase of property and equipment in total amounting to HK\$521.8 million and HK\$444.7 million for the six months ended June 30, 2020 and 2019, respectively. Other significant payments for the six months ended June 30, 2019 included an amount of HK\$213.6 million related to the extension of the Sub-concession from April 1, 2020 to June 26, 2022.

Management Discussion and Analysis

Net cash generated from/(used in) financing activities

Net cash generated from financing activities was HK\$1,530.8 million for the six months ended June 30, 2020 compared to net cash used in financing activities of HK\$2,466.1 million for the six months ended June 30, 2019.

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

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

Net cash used in financing activities for the six months ended June 30, 2019 was primarily due to:

- HK\$13,580.0 million of net repayments of the Senior Secured Credit Facility;
- HK\$345.8 million of interest payments; and
- HK\$129.2 million of dividends paid; partially offset by
- HK\$11,772.5 million of proceeds from the issuance of the 2024 Notes and the 2026 Notes.

Capital Commitments

As at June 30, 2020, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the condensed consolidated financial statements:

	As at	
	June 30 2020	December 31 2019
	HK\$'000 (unaudited)	HK\$'000 (audited)
Contracted but not accounted for	58,768	110,651

Management Discussion and Analysis

Contingent Liabilities

As at June 30, 2020 and 2019, the Group had given bank guarantees totaling HK\$1,095.2 million and HK\$1,095.2 million, respectively, in relation to the Sub-Concession, land concession and other operating purposes.

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

Indebtedness

	As at	
	June 30 2020 HK\$'000 (unaudited)	December 31 2019 HK\$'000 (audited)
Unsecured Senior Notes	15,501,020	11,687,070
Unsecured Credit Facilities	3,750,000	5,200,000
Less: debt finance costs	(349,753)	(282,544)
Total borrowings	18,901,267	16,604,526

Unsecured Senior Notes

2024 Notes and 2026 Notes

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

The 2024 Notes and 2026 Notes are general unsecured obligations of the Company. The 2024 Notes and 2026 Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness and ranks senior to all of the Company's future subordinated indebtedness, if any. The 2024 Notes and 2026 Notes are effectively subordinated to all of the Company's existing and future secured indebtedness to the extent of the value of the collateral securing such debt. None of the Company's subsidiaries have guaranteed the 2024 Notes and 2026 Notes.

Management Discussion and Analysis

Each of the 2024 Notes and the 2026 Notes was issued pursuant to an indenture, dated May 16, 2019, between the Company and U.S. Bank National Association, as trustee.

The 2024 Notes and 2026 Notes contain covenants that limit the ability of the Company to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another entity; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

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

2025 Notes

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

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

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

The 2025 Notes contain covenants that limit the ability of the Company to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another entity; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

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

Management Discussion and Analysis

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024. The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility were used to replace the Senior Secured Credit Facility, which was cancelled on August 14, 2019, and are used for ongoing working capital needs and general corporate purposes of the Group.

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

As at June 30, 2020, the Group had total available unsecured credit facilities of HK\$9.12 billion.

Principal and Interest

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

As at June 30, 2020, HK\$3.75 billion of the Revolving Credit Facility was drawn. HK\$6.0 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at June 30, 2020, 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.

Management Discussion and Analysis

Financial Covenants

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

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

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

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

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

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.

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the six months ended June 30, 2020 and the year ended December 31, 2019.

Management Discussion and Analysis

Mandatory Prepayments

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

Events of Default

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

Security and Guarantees

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

Market Risk

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

Foreign Exchange Risk

The Group's principal operations are primarily conducted and recorded in HK\$. The financial statements of foreign operations are translated into HK\$ which is the Company's functional and presentation currency. The cash received from gaming activities is primarily in HK\$. The Group reports gross gaming revenue to the Macau Government in MOP and gaming taxes are paid in HK\$. Our operating expenses and capital expenditures are primarily denominated in MOP and HK\$. MOP is pegged to the HK\$ at a constant rate and accordingly we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The Group holds bank balances, cash, deposits and borrowings denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises assets and liabilities denominated in US\$ including US\$2 billion of issued senior notes. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable over the past several years. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates and by utilizing hedging agreements when the Group considers it necessary.

Interest Rate Risk

The Company is primarily exposed to cash flow interest rate risk in relation to borrowings which bear interest at floating rates. The Company manages interest rate risk through a mix of long-term fixed rate borrowings under its unsecured senior notes and variable rate borrowings under our Revolving Credit Facility and by utilizing interest rate swap agreements when considered necessary. A change in interest rates generally does not have an impact upon the Company's future earnings and cash flow for fixed rate debt instruments. As fixed rate borrowings mature, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to periods when the debt matures.

Management Discussion and Analysis

Off Balance Sheet Arrangements

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

Other Liquidity Matters

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

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

In the current operating environment that has resulted from the impact of the COVID-19 pandemic, we have undertaken a series of actions to minimize our expenses, including reducing or deferring of certain capital expenditures that we had planned to begin during the second quarter of 2020, and reducing payroll expenses, including limiting staff on site, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave. Our estimated capital expenditures at present include future development projects to strengthen our position in the premium mass market, including the development of the MGM COTAI South Tower suites.

Employees and Remuneration Policy

As at June 30, 2020, the Group employed 10,703 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, etc.
- Objective — to be consistent with local market rates.
- Developmental — to encourage career and professional development within the workforce and retain quality talents.

Management Discussion and Analysis

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

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

Other Information

Dividends

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

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at June 30, 2020, the interests and short positions of the Directors of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code or as the Company was aware, were as follows:

(a) Long Position in the Shares and Underlying Shares of the Company

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

(b) Long Position in the Shares of Associated Corporations — MGM Grand Paradise

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares held	Percentage of issued share capital
Pansy Ho	20,000 ⁽⁵⁾	—	—	20,000	10.00%

Other Information

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

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interest	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
William Joseph Hornbuckle	45,940 ⁽⁷⁾	—	—	—	45,940	0.0093%
	486,997 ⁽⁸⁾	—	—	—	486,997	0.0987%
	4,586 ⁽⁹⁾	—	—	—	4,586	0.0009%
	278,272 ⁽¹⁰⁾	—	—	—	278,272	0.0564%
	9,627 ⁽¹¹⁾	—	—	—	9,627	0.0020%
	—	8,500 ⁽¹²⁾	—	—	8,500	0.0017%
	—	—	—	227,884 ⁽¹³⁾	227,884	0.0462%
	148,730 ⁽¹⁴⁾	—	—	—	148,730	0.0302%
Pansy Ho	—	—	9,200,121 ⁽¹⁵⁾	—	9,200,121	1.8651%
John M. McManus	3,980 ⁽¹⁶⁾	—	—	—	3,980	0.0008%
	89,049 ⁽¹⁷⁾	—	—	—	89,049	0.0181%
	1,517 ⁽¹⁸⁾	—	—	—	1,517	0.0003%
	122,523 ⁽¹⁹⁾	—	—	—	122,523	0.0248%
	4,164 ⁽²⁰⁾	—	—	—	4,164	0.0008%
	132,567 ⁽²¹⁾	—	—	—	132,567	0.0269%
Kenneth Xiaofeng Feng	46,007 ⁽²²⁾	—	—	—	46,007	0.0093%
	3,871 ⁽²³⁾	—	—	—	3,871	0.0008%
	8,008 ⁽²⁴⁾	—	—	—	8,008	0.0016%
	350 ⁽²⁵⁾	—	—	—	350	0.00007%
	11,074 ⁽²⁶⁾	—	—	—	11,074	0.0022%
	875 ⁽²⁷⁾	—	—	—	875	0.0002%
James Freeman	26,599 ⁽²⁸⁾	—	—	—	26,599	0.0054%
	23,454 ⁽²⁹⁾	—	—	—	23,454	0.0048%
	480 ⁽³⁰⁾	—	—	—	480	0.0001%
	43,308 ⁽³¹⁾	—	—	—	43,308	0.0088%
	1,477 ⁽³²⁾	—	—	—	1,477	0.0003%
	37,778 ⁽³³⁾	—	—	—	37,778	0.0077%
Daniel J. Taylor (**)	233 ⁽³⁴⁾	—	—	—	233	0.00005%
	79,427 ⁽³⁵⁾	—	—	—	79,427	0.0161%
	57,337 ⁽³⁶⁾	—	—	—	57,337	0.0116%
	26,352 ⁽³⁷⁾	—	—	—	26,352	0.0053%
	3,402 ⁽³⁸⁾	—	—	—	3,402	0.0007%
Ayesha Khanna Molino (***)	1,637 ⁽³⁹⁾	—	—	—	1,637	0.0003%
	18,750 ⁽⁴⁰⁾	—	—	—	18,750	0.0038%
	6,250 ⁽⁴¹⁾	—	—	—	6,250	0.0013%
	20,743 ⁽⁴²⁾	—	—	—	20,743	0.0042%
	575 ⁽⁴³⁾	—	—	—	575	0.0001%
	3,795 ⁽⁴⁴⁾	—	—	—	3,795	0.0008%

Other Information

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

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interest	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren (***)	692,981 ⁽⁴⁵⁾	—	—	—	692,981	0.1407%
	307,423 ⁽⁴⁶⁾	—	—	—	307,423	0.0624%
	15,586 ⁽⁴⁷⁾	—	—	—	15,586	0.0032%
	697,755 ⁽⁴⁸⁾	—	—	—	697,755	0.1416%
	23,849 ⁽⁴⁹⁾	—	—	—	23,849	0.0048%
	98,349 ⁽⁵⁰⁾	—	—	—	98,349	0.0200%
	—	—	—	175,152 ⁽⁵¹⁾	175,152	0.0356%
	—	175,152 ⁽⁵²⁾	—	—	175,152	0.0356%
	—	106,707 ⁽⁵³⁾	—	—	106,707	0.0217%
	—	29,446 ⁽⁵⁴⁾	—	—	29,446	0.0060%
	—	99,873 ⁽⁵⁵⁾	—	—	99,873	0.0203%
	—	99,872 ⁽⁵⁶⁾	—	—	99,872	0.0203%
	—	144,997 ⁽⁵⁷⁾	—	—	144,997	0.0294%

(d) Long Positions in the Common Stocks and Underlying Shares of Associated Corporations — MGM Growth Properties ⁽⁵⁸⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
William Joseph Hornbuckle	31,671 ⁽⁵⁹⁾	—	—	—	31,671	0.0241%
	—	—	—	7,541 ⁽⁶⁰⁾	7,541	0.0057%
Pansy Ho	—	—	1,000,000 ⁽⁶¹⁾	—	1,000,000	0.7607%
John M. McManus	27,582 ⁽⁶²⁾	—	—	—	27,582	0.0210%
James Freeman	14,311 ⁽⁶³⁾	—	—	—	14,311	0.0109%
Daniel J. Taylor (**)	28,039 ⁽⁶⁴⁾	—	—	—	28,039	0.0213%
	23,424 ⁽⁶⁵⁾	—	—	—	23,424	0.0178%
	5,616 ⁽⁶⁶⁾	—	—	—	5,616	0.0043%
	4,615 ⁽⁶⁷⁾	—	—	—	4,615	0.0035%
James Joseph Murren (***)	37,705 ⁽⁶⁸⁾	—	—	—	37,705	0.0287%
	—	250,500 ⁽⁶⁹⁾	—	—	250,500	0.1907%

Other Information

Notes:

- (1) These represent the Shares beneficially held by Pansy Ho in her personal capacity.
- (2) These represent the Shares held by Grand Paradise Macau Limited, a company which Pansy Ho has control.
- (3) This represents 22,937,200 share options of the Company granted to Grant R. Bowie pursuant to the share option scheme of the Company, details of which are set out in note 19 to the condensed consolidated financial statements.
- (4) This represents 1,900,000 share options of the Company granted to Kenneth Xiaofeng Feng pursuant to the share option scheme of the Company, details of which are set out in note 19 to the condensed consolidated financial statements.
- (5) These represent 50% of total issued class B shares of MGM Grand Paradise which carry 10% of the total voting power at any meetings of shareholders of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise, each holder of class B shares will be entitled to receive dividends of up to MOP1 only.
- (6) MGM Resorts International adopted an omnibus incentive plan in 2005 which, as amended, allows it to grant stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other stock-based awards to eligible directors, officers and employees of MGM Resorts International and its subsidiaries. Stock options and SARs granted under all plans generally have terms of either seven or ten years, and in most cases vest in either four or five equal annual installments. RSUs and PSUs granted vest ratably over four and three years, respectively. MGM Resorts International's practice is to issue new shares upon exercise or vesting of awards.
- (7) This represents 45,940 vested RSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (8) This represents 486,997 unvested RSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (9) This represents 4,586 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.
- (10) This represents 173,920 unvested PSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (11) This represents 6,017 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (12) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle's spouse.
- (13) These represent the common stock of MGM Resorts International indirectly held through trust.
- (14) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (15) These represent the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Pansy Ho has control.
- (16) This represents 3,980 vested RSUs in the common stock of MGM Resorts International held by John M. McManus.
- (17) This represents 89,049 unvested RSUs in the common stock of MGM Resorts International held by John M. McManus.

Other Information

- (18) This represents 1,517 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by John M. McManus.
- (19) This represents 76,577 unvested PSUs in the common stock of MGM Resorts International granted to John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (20) This represents 2,602 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (21) These represent the common stock of MGM Resorts International held by John M. McManus.
- (22) This represents 46,007 vested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (23) This represents 3,871 unvested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (24) This represents 8,008 unvested RSUs in the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (25) This represents 350 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (26) These represent the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (27) These represent the common stock of MGM Resorts International directly held through Morgan Stanley.
- (28) This represents 26,599 vested SARs in the common stock of MGM Resorts International held by James Freeman.
- (29) This represents 23,454 unvested RSUs in the common stock of MGM Resorts International held by James Freeman.
- (30) This represents 480 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Freeman.
- (31) This represents 27,068 unvested PSUs in the common stock of MGM Resorts International granted to James Freeman. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (32) This represents 923 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by James Freeman. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (33) These represent the common stock of MGM Resorts International held by James Freeman.
- (34) These represent the common stock of MGM Resorts International directly held through Morgan Stanley.
- (35) This represents 79,427 deferred stock units in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (36) This represents 57,337 vested RSUs in the common stock of MGM Resorts International granted to Daniel J. Taylor.
- (37) This represents 26,352 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. Taylor.
- (38) This represents 3,402 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. Taylor.

Other Information

- (39) These represent the common stock of MGM Resorts International held by Daniel J. Taylor.
- (40) This represents 18,750 vested SARs in the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (41) This represents 6,250 unvested SARs in the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (42) This represents 20,743 unvested RSUs in the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (43) This represents 575 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Ayesha Khanna Molino.
- (44) These represent the common stock of MGM Resorts International held by Ayesha Khanna Molino.
- (45) This represents 692,981 vested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.
- (46) This represents 307,423 unvested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.
- (47) This represents 15,586 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Joseph Murren.
- (48) This represents 436,097 unvested PSUs in the common stock of MGM Resorts International granted to James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (49) This represents 14,906 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (50) These represent the common stock of MGM Resorts International held by James Joseph Murren.
- (51) These represent the common stock of MGM Resorts International indirectly held through Grantor Retained Annuity Trust.
- (52) These represent the common stock of MGM Resorts International held by GRAT FBO HM.
- (53) These represent the common stock of MGM Resorts International held by SLAT FBO HM.
- (54) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (55) These represent the common stock of MGM Resorts International held by Trust FBO JM.
- (56) These represent the common stock of MGM Resorts International held by Trust FBO TM.
- (57) These represent the common stock of MGM Resorts International held by J&H Investments LLC.
- (58) MGM Growth Properties adopted an omnibus incentive plan in 2016 which allows it to grant share options, share appreciation rights, restricted shares, RSUs, performance shares, PSUs and other share-based awards to eligible directors, officers and employees of MGM Growth Properties and its affiliates. RSUs granted to non-employee directors and employees of affiliates (including MGM Resorts International) vest over one year, and RSUs and PSUs granted to officers and employees of MGM Growth Properties vest ratably over four and three years, respectively. MGM Growth Properties's practice is to issue new shares upon vesting of awards.

Other Information

- (59) These represent the common stock of MGM Growth Properties held by William Joseph Hornbuckle.
- (60) These represent the common stock of MGM Growth Properties indirectly held through trust.
- (61) These represent the common stock of MGM Growth Properties held by August City Limited, a company which Pansy Ho has control.
- (62) These represent the common stock of MGM Growth Properties held by John M. McManus.
- (63) These represent the common stock of MGM Growth Properties held by James Freeman.
- (64) This represents 28,039 deferred stock units in the common stock of MGM Growth Properties granted to Daniel J. Taylor.
- (65) This represents 23,424 vested RSUs in the common stock of MGM Growth Properties granted to Daniel J. Taylor.
- (66) This represents 5,616 unvested RSUs in the common stock of MGM Growth Properties granted to Daniel J. Taylor.
- (67) This represents 4,615 dividend equivalent rights for the outstanding RSUs equity awards of MGM Growth Properties held by Daniel J. Taylor.
- (68) These represent the common stock of MGM Growth Properties held by James Joseph Murren.
- (69) These represent the common stock of MGM Growth Properties held by Spousal Limited Access Trusts.
- (*) Grant R. Bowie resigned as executive director with effect from August 6, 2020.
- (**) Daniel J. Taylor was appointed as non-executive director on March 26, 2020.
- (***) Ayesha Khanna Molino was appointed as non-executive director on August 6, 2020.
- (****) James Joseph Murren resigned as a chairperson and executive director with effect from March 26, 2020.

Save as disclosed above, as at June 30, 2020, none of the Directors of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at June 30, 2020, so far as is known to any Director of the Company, the persons who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company were as follows:

Other Information

(a) Long Position in the Shares of the Company

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

Notes:

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

Except as disclosed above, the Company had not been notified of any other corporation or person, who, as at June 30, 2020, had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed in this interim report, pursuant to paragraph 40 of Appendix 16 to the Listing Rules, there has been no material change to the information disclosed in the Company's 2019 Annual Report in relation to the matters set out in paragraph 32 of Appendix 16 to the Listing Rules.

Share Option Scheme

The Company operates a share option scheme which was adopted by the Company on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administration matters and further amended by the Shareholders at the Annual General Meeting held on May 24, 2017 (the "Share Option Scheme"). On May 28, 2020, the Share Option Scheme was renewed by the Company in its exact terms and conditions and for an additional period of 10 years (the "Renewed Share Option Scheme").

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

Other Information

As at June 30, 2020, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme and the Renewed Share Option Scheme was 109,208,588, representing approximately 2.9% of the Shares of the Company in issue at that date.

The total number of Shares available for issue under the Share Option Scheme and of the Renewed Share Option Scheme of the Company as at the date of this interim report is 271,262,412, which is approximately 7.1% of the issued share capital as at the date of this interim report.

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

A summary of the movements of the outstanding options under the scheme during the six months ended June 30, 2020 is as follows:

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Number of share options			
					Granted during the period	Exercised during the period ⁽¹⁾	Forfeited during the period	Outstanding at June 30, 2020
Grant R. Bowie*	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,109,400	—	—	(80,000)	4,029,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	—	—	—	750,000
Consultant	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	775,000	—	—	—	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	50,000	—	—	—	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	—	—	—	25,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Grant R. Bowie*	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,350,000	—	—	(470,000)	10,880,000
Consultant	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	180,000	—	—	—	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	800,000	—	—	—	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	257,500	—	—	(50,000)	207,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	170,000	—	—	—	170,000

Other Information

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Number of share options			
					Granted during the period	Exercised during the period ⁽¹⁾	Forfeited during the period	Outstanding at June 30, 2020
Grant R. Bowie*	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,164,388	—	—	(67,000)	5,097,388
Consultant	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	285,000	—	—	—	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	780,000	—	—	(40,000)	740,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	135,000	—	—	—	135,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	137,500	—	—	—	137,500
Grant R. Bowie*	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	8,064,600	—	(168,200)	(157,600)	7,738,800
Consultant	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Grant R. Bowie*	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	6,972,200	—	(81,000)	(67,300)	6,823,900
Consultant	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	350,000	—	—	(12,500)	337,500
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,275,000	—	—	(75,000)	1,200,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	370,000	—	—	—	370,000
Grant R. Bowie*	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	7,196,100	—	—	(531,200)	6,664,900
Consultant	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	330,000	—	—	—	330,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	362,500	—	—	(62,500)	300,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	1,165,000	—	—	(197,500)	967,500
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	370,000	—	—	(127,500)	242,500
Grant R. Bowie*	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	1,629,600	—	—	—	1,629,600

Other Information

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020	Number of share options			
					Granted during the period	Exercised during the period ⁽¹⁾	Forfeited during the period	Outstanding at June 30, 2020
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	5,955,400	—	—	(750,100)	5,205,300
Consultant	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	—	—	—	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	200,000	—	—	—	200,000
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	50,000	—	—	—	50,000
Employees	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	150,000	—	—	(75,000)	75,000
Employees	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	500,000	—	—	(60,000)	440,000
Grant R. Bowie*	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	3,992,400	—	—	—	3,992,400
Employees	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	11,679,600	—	—	(1,806,400)	9,873,200
Consultant	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	275,200	—	—	—	275,200
Employees	August 15, 2019	August 15, 2020 - August 14, 2029	11.564	410,000	—	—	(80,000)	330,000
Kenneth Feng	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	1,000,000	—	—	—	1,000,000
Employees	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	200,000	—	—	—	200,000
Employees	April 1, 2020	April 1, 2021 - March 31, 2030	7.976	—	180,000 ⁽²⁾	—	—	180,000
Employees	May 15, 2020	May 15, 2021 - May 14, 2030	9.316	—	220,000 ⁽³⁾	—	—	220,000
Kenneth Feng	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	—	900,000 ⁽⁴⁾	—	—	900,000
Employees	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	—	15,350,000 ⁽⁴⁾	—	(650,000)	14,700,000
				98,167,388	16,650,000	(249,200)	(5,359,600)	109,208,588

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

Notes:

- (1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$13.57.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$7.93 and the estimated weighted average fair value of share options granted on that date was HK\$2.90 per share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$9.02 and the estimated weighted average fair value of share options granted on that date was HK\$3.31 per share.
- (4) The closing price of the Shares immediately before the date of this grant was HK\$9.48 and the estimated weighted average fair value of share options granted on that date was HK\$3.34 per share.

Other Information

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

During the six months ended June 30, 2020, the Company repurchased a total of 249,200 Shares at an aggregate purchase price of HK\$2.05 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2020	249,200	8.22	8.17	2,052

New shares were issued pursuant to the exercise of share options by qualifying grantees under the Share Option Scheme. The Company repurchased the aggregate number of Shares equivalent to the aggregate number of all such new Shares being issued during the six months ended June 30, 2020 in accordance with Rule 10.06 of the Listing Rules, and all 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 the view of maintaining the same total issued share capital and enhancing stability of the Company's share capital and hence the net value of the Company and its assets and/or earnings per Share.

Save as disclose above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended June 30, 2020.

Corporate Governance Practices

The Directors recognize the importance of good corporate governance in the management of the Group. During the six months from January 1, 2020 to June 30, 2020, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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

The Company has adopted its code of conduct regarding securities transactions by Directors and senior management of the Group (the "Securities Code") on terms which are no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry of all Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code and the Model Code throughout the six months ended June 30, 2020.

Other Information

Update on Directors' Information

Changes in the information of the Directors since disclosure made in the Company's 2019 annual report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. William Joseph Hornbuckle is a member of the CityCenter Board of Directors (a joint venture with Dubai World), T-Mobile Arena (a joint venture with AEG), and the Las Vegas Stadium Authority. He resigned as member of the Remuneration Committee on May 28, 2020 and was appointed as the Chief Executive Officer and President of MGM Resorts International on July 29, 2020;
2. Pansy Catilina Chiu King Ho was appointed as the Chairperson of the Board of Directors of Estoril-Sol, SGPS, SA, a Portuguese listed gaming company;
3. Grant R. Bowie retired as Chief Executive Officer of the Company on May 11, 2020, with effect from May 31, 2020. He resigned as Executive Director effective from August 6, 2020;
4. Kenneth Xiaofeng Feng was appointed as President, Strategic & Chief Financial Officer, with effect from June 22, 2020;
5. Daniel J. Taylor was appointed as member of the Remuneration Committee on May 28, 2020;
6. Simon Meng was appointed as member of the International Advisory Board of the Shanghai Symphony Orchestra. He retired from Linklaters on June 30, 2020 and was appointed as consultant of King & Wood Mallesons and registered as "foreign lawyer" in Hong Kong. He holds a CERT certificate in Cybersecurity Oversight from the Software Engineering Institute at Carnegie Mellon University;
7. Ayesha Khanna Molino was appointed as Non-Executive Director effective from August 6, 2020.

Review of Unaudited Condensed Consolidated Financial Statements

The Group's unaudited condensed consolidated financial statements for the reporting period have been reviewed by the Company's Audit Committee members, being Russell Francis Banham (Chairperson), Zhe Sun, James Freeman and Simon Meng and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

Hong Kong, August 6, 2020

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

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TO THE BOARD OF DIRECTORS OF MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of MGM China Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 45 to 79, which comprise the condensed consolidated statement of financial position as of June 30, 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Report on Review of Condensed Consolidated Financial Statements

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 6, 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2020

	NOTES	Six months ended June 30	
		2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
OPERATING REVENUE			
Casino revenue	4	2,045,405	10,158,920
Other revenue	4	324,989	1,137,714
		2,370,394	11,296,634
OPERATING COSTS AND EXPENSES			
Gaming taxes		(1,137,014)	(5,288,587)
Inventories consumed		(133,208)	(330,544)
Staff costs		(1,637,929)	(1,824,775)
Loss allowance on trade receivables, net		(105,936)	(40,285)
Other expenses and losses	5	(508,518)	(1,055,964)
Depreciation and amortization		(1,243,690)	(1,286,026)
		(4,766,295)	(9,826,181)
Operating (loss)/profit		(2,395,901)	1,470,453
Interest income		6,881	12,297
Finance costs	6	(521,312)	(511,190)
Net foreign currency gain		55,096	56,600
(Loss)/profit before tax		(2,855,236)	1,028,160
Income tax expense	7	(5,194)	(5,768)
(Loss)/profit for the period attributable to owners of the Company	8	(2,860,430)	1,022,392
Other comprehensive expense:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(1,295)	(54)
Total comprehensive (loss)/income for the period attributable to owners of the Company		(2,861,725)	1,022,338
(Loss)/earnings per Share — Basic	10	(HK75.3 cents)	HK26.9 cents
(Loss)/earnings per Share — Diluted	10	(HK75.3 cents)	HK26.9 cents

Condensed Consolidated Statement of Financial Position

At June 30, 2020

	NOTES	At June 30 2020 HK\$'000 (unaudited)	At December 31 2019 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment	11	25,577,066	26,603,943
Construction in progress	11	114,416	104,396
Right-of-use assets	12	1,345,699	1,382,457
Sub-concession premium	13	189,802	244,845
Other assets		14,127	32,137
Prepayments, deposits and other receivables		30,896	37,385
Total non-current assets		27,272,006	28,405,163
Current assets			
Inventories		181,426	163,723
Trade receivables	14	289,004	531,943
Prepayments, deposits and other receivables		167,198	133,727
Amounts due from related companies	23	84	1,370
Bank balances and cash		2,277,370	3,270,296
Total current assets		2,915,082	4,101,059
TOTAL ASSETS		30,187,088	32,506,222

Condensed Consolidated Statement of Financial Position

At June 30, 2020

	NOTES	At June 30 2020 HK\$'000 (unaudited)	At December 31 2019 HK\$'000 (audited)
EQUITY			
Capital and reserves			
Share capital	15	3,800,000	3,800,000
Share premium and reserves		3,508,497	6,660,134
TOTAL EQUITY		7,308,497	10,460,134
LIABILITIES			
Non-current liabilities			
Borrowings	16	18,901,267	16,604,526
Lease liabilities		173,113	191,120
Payables and accrued charges	17	6,716	13,100
Construction retention payable		748	813
Total non-current liabilities		19,081,844	16,809,559
Current liabilities			
Lease liabilities		46,303	45,349
Payables and accrued charges	17	3,694,913	4,825,255
Construction retention payable		47,732	307,564
Amounts due to related companies	23	5,170	48,085
Income tax payable		2,629	10,276
Total current liabilities		3,796,747	5,236,529
TOTAL LIABILITIES		22,878,591	22,046,088
TOTAL EQUITY AND LIABILITIES		30,187,088	32,506,222

The condensed consolidated financial statements on pages 45 to 79 were approved and authorized for issue by the Board of Directors on August 6, 2020 and are signed on its behalf by:

William Joseph Hornbuckle
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2020

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Equity reserve	Other reserves	Currency translation reserves	Retained earnings	Share premium and reserves total	Shareholders' funds total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2020 (unaudited)	3,800,000	10,404,373	14,380	470,142	293,725	(13,133,305)	(2,647)	8,613,466	6,660,134	10,460,134
Loss for the period	—	—	—	—	—	—	—	(2,860,430)	(2,860,430)	(2,860,430)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(1,295)	—	(1,295)	(1,295)
Total comprehensive loss	—	—	—	—	—	—	(1,295)	(2,860,430)	(2,861,725)	(2,861,725)
Exercise of share options	249	3,380	—	(844)	—	—	—	—	2,536	2,785
Share repurchase and cancellation										
— repurchases of Shares	(249)	(1,803)	—	—	—	—	—	—	(1,803)	(2,052)
— transfer	—	—	249	—	—	—	—	(249)	—	—
Forfeiture of share options	—	—	—	(7,108)	—	—	—	7,108	—	—
Recognition of share-based payments	—	—	—	24,755	—	—	—	—	24,755	24,755
Dividends paid	—	—	—	—	—	—	—	(315,400)	(315,400)	(315,400)
At June 30, 2020 (unaudited)	3,800,000	10,405,950	14,629	486,945	293,725	(13,133,305)	(3,942)	5,444,495	3,508,497	7,308,497
At January 1, 2019 (unaudited)	3,800,000	10,403,377	13,876	406,505	293,725	(13,133,305)	(2,770)	7,164,371	5,145,779	8,945,779
Profit for the period	—	—	—	—	—	—	—	1,022,392	1,022,392	1,022,392
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(54)	—	(54)	(54)
Total comprehensive income	—	—	—	—	—	—	(54)	1,022,392	1,022,338	1,022,338
Exercise of share options	305	4,772	—	(1,232)	—	—	—	—	3,540	3,845
Share repurchase and cancellation										
— repurchases of Shares	(305)	(4,057)	—	—	—	—	—	—	(4,057)	(4,362)
— transfer	—	—	305	—	—	—	—	(305)	—	—
Forfeiture of share options	—	—	—	(2,919)	—	—	—	2,919	—	—
Recognition of share-based payments	—	—	—	33,055	—	—	—	—	33,055	33,055
Dividends paid	—	—	—	—	—	—	—	(129,204)	(129,204)	(129,204)
At June 30, 2019 (unaudited)	3,800,000	10,404,092	14,181	435,409	293,725	(13,133,305)	(2,824)	8,060,173	6,071,451	9,871,451

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2020

	NOTES	Six months ended June 30	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	18	(2,003,915)	2,543,342
INVESTING ACTIVITIES			
Purchase of property and equipment and construction in progress		(521,781)	(444,714)
Payment of Sub-concession premium	13	—	(213,592)
Proceeds from disposal of property and equipment		—	538
Proceeds from insurance claims		2,983	4,492
NET CASH USED IN INVESTING ACTIVITIES		(518,798)	(653,276)
FINANCING ACTIVITIES			
Proceeds from draw down on credit facilities		2,950,000	400,000
Proceeds from issuance of unsecured senior notes	16	3,876,173	11,772,525
Repayment of credit facilities		(4,400,000)	(13,980,000)
Payment of debt finance costs		(85,237)	(168,543)
Payment of lease liabilities		(19,291)	(14,729)
Interest paid		(476,253)	(345,836)
Dividends paid		(315,400)	(129,204)
Proceeds from exercise of share options		2,860	4,003
Payments on repurchase of Shares		(2,052)	(4,362)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		1,530,800	(2,466,146)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(991,913)	(576,080)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,270,296	3,992,107
Effect of foreign exchange rate changes, net		(1,013)	(288)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		2,277,370	3,415,739

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

1. General

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

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

Impact of COVID-19

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

Following discussions between the Macau and Guangdong authorities on the need for maintenance of the disease-control effort while also advancing work to boost socioeconomic development, it was announced that, effective from July 15, 2020, those entering mainland China from Macau across its land boundaries with Guangdong are exempted from the 14-day medical observation period. However, they must obtain a negative nucleic acid test result, issued within seven days of their intended departure from Macau and have a valid ‘green’ code result for the Macau Health Code system and the Guangdong health-declaration system respectively. DICJ has also announced that, effective from July 15, 2020, all guests entering casinos are required to provide a negative nucleic acid test result with a valid “green” Macau Health Code.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

1. General (Continued)

Impact of COVID-19 (Continued)

As of the date of this report, several travel and entry restrictions in Macau, Hong Kong and mainland China remain in place (including the temporary suspension of the individual visa scheme, the temporary suspension of ferry services, the nucleic acid test result certificate and 14-day mandatory quarantine requirements for visitors from Hong Kong, and bans on entry and enhanced quarantine requirements on other visitors). These restrictions significantly impact visitation to MGM MACAU and MGM COTAI, which has had a negative impact on the Group's results for the six months ended June 30, 2020 and may continue to impact future results.

To mitigate the impact of the COVID-19 pandemic on the Group's financial position, a number of initiatives have been undertaken in the current financial period:

- the Company entered into an amendment to the financial covenants under its Revolving Credit Facility on February 21, 2020, to revise the permitted leverage ratio and permitted interest coverage ratio. On April 9, 2020, the Company entered into a second amendment to the financial covenants under its Revolving Credit Facility, to further revise the permitted leverage ratio and permitted interest coverage ratio. Details of the amendments are set out in note 16 to the condensed consolidated financial statements;
- on May 26, 2020, the Company entered into the Second Revolving Credit Facility, with a final maturity date of May 15, 2024, increasing the available undrawn credit facilities by HK\$2.34 billion, with an option to increase the amount of the facility to up to HK\$3.9 billion subject to certain conditions;
- on June 18, 2020, the Company issued 5.25% senior notes with an aggregate principal amount of US\$500 million and a final maturity date of June 18, 2025. The net proceeds from the issuance were used to repay a portion of amounts outstanding under its Revolving Credit Facility (the total available unsecured credit facilities limit was HK\$8.34 billion after the repayment) and for general corporate purposes;
- on June 29, 2020, the Company increased the available undrawn credit facilities of the Second Revolving Credit Facility by HK\$780 million to HK\$3.12 billion;
- a number of measures to reduce payroll expenses, including limiting staff onsite, implementing a hiring freeze and organizational change and introducing voluntary unpaid leave during the period; and
- certain capital expenditures that were planned to begin during the second quarter of 2020 have been deferred.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

1. General (Continued)

Impact of COVID-19 (Continued)

Due to the uncertainties in connection with the COVID-19 pandemic, the Group has estimated the recoverable amount of non-financial assets following the guidance of International Accounting Standard (“IAS”) 36 *Impairment of Assets* to determine whether non-financial assets are impaired. The recoverable amount of the non-financial assets has been determined based on value-in-use calculations, which requires significant judgment. These calculations require the use of estimates of future cash flows based on projected income and expenses of the business and working capital needs that take into consideration the future economic conditions, increased competition in Macau, the regulatory environment and in particular the impact to be caused by the COVID-19 pandemic. Management is also required to choose suitable discount rates in order to calculate the present values of those cash flows. No impairment loss was recognized as the recoverable amounts of the assets are greater than the carrying value. Changes in the key assumptions and estimates on which the recoverable amount of the assets are based could significantly affect the Group’s assessment resulting in an impairment loss being recognized.

2. Basis of Preparation and Principal Accounting Policies

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

As at June 30, 2020, the Group had net current liabilities of approximately HK\$881.7 million (December 31, 2019: HK\$1,135.5 million) and due to the impact of COVID-19, the Group has experienced significant declines in results given the continued impact of restrictions on travel and operations during the six months ended June 30, 2020. As a result, the Group has prepared a cash flow forecast which involves judgments and estimations based upon management’s input of key variables and market conditions including the future economic conditions, increased competition in Macau, the regulatory environment and in particular the impact to be caused by COVID-19. The cash flow forecast has been determined using estimations of future cash flows based upon projected income and expenses of the business and working capital needs. Despite the fact that cash to be generated from operations is severely affected due to COVID-19, the Group believes it has sufficient liquidity based upon the credit facilities (see note 16) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

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

Application of amendments to IFRSs

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

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

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

In addition, the Group has early applied the amendment to IFRS 16 *COVID-19 Related Rent Concessions* in the current period. This early application had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. Segment Information

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

3. Segment Information (Continued)

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

	Six months ended June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA	(1,008,386)	3,076,803
Share-based payments	(24,755)	(33,055)
Corporate expenses	(114,902)	(263,511)
Pre-opening costs ⁽¹⁾	—	(20,548)
Loss on disposal/write-off of property and equipment, construction in progress and other assets	(4,168)	(3,210)
Depreciation and amortization	(1,243,690)	(1,286,026)
Operating (loss)/profit	(2,395,901)	1,470,453
Interest income	6,881	12,297
Finance costs	(521,312)	(511,190)
Net foreign currency gain	55,096	56,600
(Loss)/profit before tax	(2,855,236)	1,028,160
Income tax expense	(5,194)	(5,768)
(Loss)/profit for the period attributable to owners of the Company	(2,860,430)	1,022,392

(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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

4. Casino and Other Revenue

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

	Six months ended June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
VIP gross table games win	933,693	4,937,958
Main floor gross table games win	1,545,386	7,075,798
Slot machine gross win	272,213	1,097,114
Gross casino revenue	2,751,292	13,110,870
Commissions, complimentarys and other incentives	(705,887)	(2,951,950)
	2,045,405	10,158,920

Other revenue comprises:

	Six months ended June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	132,087	552,064
Food and beverage	133,670	483,295
Retail and other	59,232	102,355
	324,989	1,137,714

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

5. Other Expenses and Losses

	Six months ended June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Repairs and maintenance	123,124	113,757
Utilities and fuel	97,504	124,261
Advertising and promotion	84,167	301,808
Other support services	75,198	154,892
License fees	41,482	197,028
Loss on disposal/write-off of property and equipment, construction in progress and other assets	4,168	3,210
Other	82,875	161,008
	508,518	1,055,964

6. Finance Costs

	Six months ended June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on secured credit facilities	—	343,245
Interest on unsecured senior notes	334,581	83,456
Interest on unsecured credit facilities	140,515	—
Loss on extinguishment of debt	—	75,513
Amortization of debt finance costs	29,056	11,756
Interest on lease liabilities	6,756	6,838
Bank fees and charges	10,404	5,479
Total borrowing costs	521,312	526,287
Less: capitalized interest allocated to construction in progress (note 11)	—	(15,097)
	521,312	511,190

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

7. Income Tax Expense

	Six months ended June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax expense:		
Macau Dividend Withholding Tax	(4,806)	(4,806)
Mainland China Income Tax	(448)	(995)
Hong Kong Profits Tax	—	(27)
Over provision in prior year	60	60
Income tax expense	(5,194)	(5,768)

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

The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. However, pursuant to an extended tax concession arrangement issued by the Macau Government in dispatch 003/DIR/2018 which MGM Grand Paradise confirmed on March 15, 2018, MGM Grand Paradise was required to pay a dividend withholding tax of MOP9,900,000 (equivalent to approximately HK\$9,612,000) for each of the years ended December 31, 2017 through to December 31, 2019, and MOP2,475,000 (equivalent to approximately HK\$2,403,000) for the period from January 1, 2020 to March 31, 2020 as payments in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years. In May 2019, MGM Grand Paradise applied for an extension of this agreement through June 26, 2022, the date of the Sub-Concession Extension Contract expires. This extension is subject to approval and the amount of the dividend withholding tax has not been determined by the Macau Government up to the date of approval of these condensed consolidated financial statements.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

8. (Loss)/Profit for the Period

	Six months ended June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit for the period has been arrived at after charging:		
Directors' and chief executive's emoluments	41,934	33,103
Retirement benefits scheme contributions for other staff	50,953	42,985
Share-based payments for other staff	15,732	24,407
Salaries and other benefits for other staff	1,529,310	1,724,280
	1,637,929	1,824,775
Amortization in respect of:		
— Sub-concession premium	55,043	62,928
— other assets	19,073	51,982
Depreciation in respect of:		
— Property and equipment	1,130,060	1,141,383
— Right-of-use assets	39,514	29,733
	1,243,690	1,286,026
Loss on disposal/write-off of property and equipment, construction in progress and other assets	4,168	3,210

9. Dividends

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

On August 1, 2019, an interim dividend of HK\$0.094 per Share for the six months ended June 30, 2019, amounting to approximately HK\$357.2 million was declared by the Directors of the Company. The dividend was paid to Shareholders on August 29, 2019.

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

10. (Loss)/Earnings Per Share

The calculation of the basic loss/earnings per Share for the six months ended June 30, 2020 and 2019 is based upon the consolidated loss/profit attributable to owners of the Company and the weighted average number of Shares in issue during the period.

The calculation of diluted loss/earnings per Share for the six months ended June 30, 2020 and 2019 is based upon the consolidated loss/profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the period plus the potential Shares arising from exercise of share options (see note 19).

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

	Six months ended June 30	
	2020 (unaudited)	2019 (unaudited)
(Loss)/profit		
(Loss)/profit for the period attributable to owners of the Company for the purposes of basic and diluted loss/earnings per Share (HK\$'000)	(2,860,430)	1,022,392
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic loss/earnings per Share ('000)	3,800,104	3,800,079
Number of dilutive potential Shares arising from exercise of share options ('000) ⁽¹⁾	—	4,874
Weighted average number of Shares for the purpose of diluted loss/earnings per Share ('000)	3,800,104	3,804,953
(Loss)/earnings per Share — Basic	(HK75.3 cents)	HK26.9 cents
(Loss)/earnings per Share — Diluted	(HK75.3 cents)	HK26.9 cents

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

11. Property and Equipment and Construction In Progress

	At June 30, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Carrying amount at January 1	26,708,339	29,003,445
Additions	120,721	519,128
Transfers to other assets	(20)	(12,076)
Adjustment upon finalization of costs	—	(515,765)
Disposal/write-off	(7,178)	(17,603)
Depreciation	(1,130,060)	(2,269,022)
Foreign exchange difference	(320)	232
Carrying amount at June 30/December 31	25,691,482	26,708,339
Property and equipment	25,577,066	26,603,943
Construction in progress	114,416	104,396
	25,691,482	26,708,339

During the year ended December 31, 2019, borrowing costs of HK\$15.1 million (six months ended June 30, 2020: nil) were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.00% per annum to expenditure on qualifying assets during the year ended December 31, 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

12. Right-of-Use Assets

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

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

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

	At June 30, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Leasehold land	1,284,898	1,303,378
Buildings	31,917	39,765
Equipment and other	28,884	39,314
	1,345,699	1,382,457

13. Sub-Concession Premium

	At June 30, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Carrying amount at January 1	244,845	158,153
Additions	—	213,592
Amortization	(55,043)	(126,900)
Carrying amount at June 30/December 31	189,802	244,845

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended to June 26, 2022. MGM Grand Paradise paid the Macau Government MOP200 million (equivalent to approximately HK\$194.17 million) as a contract premium for the extension. MGM Grand Paradise also submitted a bank guarantee to the Macau Government to warrant the fulfillment of an existing commitment of labor liabilities upon expiry of the Sub-Concession Extension Contract (refer note 20). In addition, MGM Grand Paradise paid SJM MOP20 million (equivalent to approximately HK\$19.42 million) in connection with the extension of the gaming sub-concession.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

14. Trade Receivables

	At June 30, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Trade receivables	520,262	654,241
Less: Loss allowance	(231,258)	(122,298)
	289,004	531,943

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

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

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

	At June 30, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Within 30 days	65,834	218,010
31 — 90 days	27,260	202,759
91 — 180 days	95,421	88,732
Over 180 days	100,489	22,442
	289,004	531,943

For the six months ended June 30, 2020, the Group has specifically provided HK\$43.2 million of loss allowance on certain credit-impaired debtors because of the long aged balance and increasing uncertainty on their financial standing.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

15. Share Capital

	Notes	Number of Shares	Share Capital HK\$
Issued and fully paid			
At January 1, 2019 (unaudited)		3,800,000,001	3,800,000,001
Share options exercised	19	305,000	305,000
Share repurchase and cancellation	(i)	(305,000)	(305,000)
At June 30, 2019 (unaudited)		3,800,000,001	3,800,000,001
At January 1, 2020 (unaudited)		3,800,000,001	3,800,000,001
Share options exercised	19	249,200	249,200
Share repurchase and cancellation	(i)	(249,200)	(249,200)
At June 30, 2020 (unaudited)		3,800,000,001	3,800,000,001

- (i) During the six months ended June 30, 2020, 249,200 Shares (six months ended June 30, 2019: 305,000) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$2.1 million (six months ended June 30, 2019: HK\$4.4 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

16. Borrowings

At June 30, 2020, the Group's borrowings included unsecured senior notes and unsecured credit facilities.

	At June 30, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Unsecured senior notes repayable:		
Over three years but not exceeding four years	5,812,883	—
Over four years but not exceeding five years	3,875,254	5,843,535
Over five years	5,812,883	5,843,535
	15,501,020	11,687,070
Less: Debt finance costs	(198,446)	(157,712)
	15,302,574	11,529,358
Unsecured credit facilities repayable:		
Over three years but not exceeding four years	3,750,000	—
Over four years but not exceeding five years	—	5,200,000
	3,750,000	5,200,000
Less: Debt finance costs	(151,307)	(124,832)
	3,598,693	5,075,168
Current	—	—
Non-current	18,901,267	16,604,526
	18,901,267	16,604,526

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

16. Borrowings (Continued)

Unsecured Senior Notes

2024 Notes and 2026 Notes

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

The 2024 Notes and 2026 Notes are general unsecured obligations of the Company. The 2024 Notes and 2026 Notes rank equally in right of payment with all of the Company's existing and future senior indebtedness and ranks senior to all of the Company's future subordinated indebtedness, if any. The 2024 Notes and 2026 Notes are effectively subordinated to all of the Company's existing and future secured indebtedness to the extent of the value of the collateral securing such debt. None of the Company's subsidiaries have guaranteed the 2024 Notes and 2026 Notes.

Each of the 2024 Notes and the 2026 Notes was issued pursuant to an indenture, dated May 16, 2019, between the Company and U.S. Bank National Association, as trustee.

The 2024 Notes and 2026 Notes contain covenants that limit the ability of the Company to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another entity; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

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

2025 Notes

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

16. Borrowings (Continued)

Unsecured Senior Notes (Continued)

2025 Notes (Continued)

The 2025 Notes contain covenants that limit the ability of the Company to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another entity; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

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

Unsecured Credit Facilities

Revolving Credit Facility and Second Revolving Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company an unsecured revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024. The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility were used to replace the Senior Secured Credit Facility, which was cancelled on August 14, 2019, and are used for ongoing working capital needs and general corporate purposes of the Group.

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

As at June 30, 2020, the Group had total available unsecured credit facilities of HK\$9.12 billion.

Principal and Interest

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

As at June 30, 2020, HK\$3.75 billion of the Revolving Credit Facility was drawn. HK\$6.0 billion of the Revolving Credit Facility and HK\$3.12 billion of the Second Revolving Credit Facility was undrawn and available for utilization up to and including the date falling one month prior to the final maturity date, on May 15, 2024. Each drawdown is to be repaid in full no later than May 15, 2024. As at June 30, 2020, the Group paid interest at HIBOR plus 2.75% per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

16. Borrowings (Continued)

Unsecured Credit Facilities (Continued)

Revolving Credit Facility and Second Revolving Credit Facility (Continued)

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.

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

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

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

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

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

16. Borrowings (Continued)

Unsecured Credit Facilities (Continued)

Revolving Credit Facility and Second Revolving Credit Facility (Continued)

Compliance with Covenants

The Group has complied with the general and financial covenants under the Revolving Credit Facility for the six months ended June 30, 2020 and the year ended December 31, 2019.

Mandatory Prepayments

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

Events of Default

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

Security and Guarantees

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

17. Payables and Accrued Charges

	At June 30, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Outstanding chips liabilities ⁽¹⁾	2,065,757	1,682,714
Customer advances and other ⁽¹⁾	569,997	619,946
Accrued staff costs	516,963	664,026
Other payables and accrued charges	254,482	377,809
Loyalty programs liabilities ⁽¹⁾	146,390	145,875
Construction payables and accruals	81,067	224,822
Trade payables	32,676	69,066
Gaming taxes payables	26,888	838,340
Other casino liabilities	7,409	215,757
	3,701,629	4,838,355
Current	3,694,913	4,825,255
Non-current	6,716	13,100
	3,701,629	4,838,355

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

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

	At June 30, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Within 30 days	8,894	60,316
31 — 60 days	903	6,831
61 — 90 days	17,882	1,025
91 — 120 days	563	68
Over 120 days	4,434	826
	32,676	69,066

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

18. Note to Condensed Statement of Cash Flows

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

	Six months ended June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating cash flows before movements in working capital	(1,035,310)	2,826,338
Decrease in payables and accrued charges	(1,004,379)	(163,877)
Other changes in working capital	41,367	(120,028)
Cash (used in)/generated from operations	(1,998,322)	2,542,433
Income tax paid	(12,835)	(11,487)
Income tax refunded	—	170
Interest received	7,242	12,226
Net cash (used in)/generated from operating activities	(2,003,915)	2,543,342

19. Share-Based Payments

As at June 30, 2020, the number of Shares in respect of which options had been granted and remained outstanding under the Company's share option scheme (the "Scheme") was 109,208,588 (December 31, 2019: 98,167,388), representing approximately 2.9% (December 31, 2019: 2.6%) of the Shares of the Company in issue at that date.

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

June 30, 2020

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020 (unaudited)	Number of share options			Outstanding at June 30, 2020 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Director	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,109,400	—	—	(80,000)	4,029,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	—	—	—	750,000
Consultant	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	775,000	—	—	—	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	50,000	—	—	—	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	—	—	—	25,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

19. Share-Based Payments (Continued)

June 30, 2020 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020 (unaudited)	Granted during the period (unaudited)	Number of share options Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2020 (unaudited)
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Director	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,350,000	—	—	(470,000)	10,880,000
Consultant	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	180,000	—	—	—	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	800,000	—	—	—	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	257,500	—	—	(50,000)	207,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	170,000	—	—	—	170,000
Director	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,164,388	—	—	(67,000)	5,097,388
Consultant	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	285,000	—	—	—	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	780,000	—	—	(40,000)	740,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	135,000	—	—	—	135,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	137,500	—	—	—	137,500
Director	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	8,064,600	—	(168,200)	(157,600)	7,738,800
Consultant	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Director	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	6,972,200	—	(81,000)	(67,300)	6,823,900
Consultant	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	350,000	—	—	(12,500)	337,500
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,275,000	—	—	(75,000)	1,200,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	370,000	—	—	—	370,000
Director	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	7,196,100	—	—	(531,200)	6,664,900

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

19. Share-Based Payments (Continued)

June 30, 2020 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2020 (unaudited)	Granted during the period (unaudited)	Number of share options Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2020 (unaudited)
Consultant	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	330,000	—	—	—	330,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	362,500	—	—	(62,500)	300,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	1,165,000	—	—	(197,500)	967,500
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	370,000	—	—	(127,500)	242,500
Director	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	1,629,600	—	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	5,955,400	—	—	(750,100)	5,205,300
Consultant	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	—	—	—	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	200,000	—	—	—	200,000
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	50,000	—	—	—	50,000
Employees	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	150,000	—	—	(75,000)	75,000
Employees	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	500,000	—	—	(60,000)	440,000
Director	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	3,992,400	—	—	—	3,992,400
Employees	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	11,679,600	—	—	(1,806,400)	9,873,200
Consultant	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	275,200	—	—	—	275,200
Employees	August 15, 2019	August 15, 2020 - August 14, 2029	11.564	410,000	—	—	(80,000)	330,000
Director	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	1,000,000	—	—	—	1,000,000
Employees	November 15, 2019	November 15, 2020 - November 14, 2029	12.176	200,000	—	—	—	200,000
Employees	April 1, 2020	April 1, 2021 - March 31, 2030	7.976	—	180,000	—	—	180,000
Employees	May 15, 2020	May 15, 2021 - May 14, 2030	9.316	—	220,000	—	—	220,000
Director	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	—	900,000	—	—	900,000
Employees	June 3, 2020	June 3, 2021 - June 2, 2030	9.470	—	15,350,000	—	(650,000)	14,700,000
				98,167,388	16,650,000	(249,200)	(5,359,600)	109,208,588
Weighted average exercise price per Share				HK\$16.51	HK\$9.45	HK\$11.17	HK\$15.90	HK\$15.48
Exercisable at end of the reporting period								71,301,788

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

19. Share-Based Payments (Continued)

June 30, 2019

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019 (unaudited)	Granted during the period (unaudited)	Number of share options Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2019 (unaudited)
Director	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,109,400	—	—	—	4,109,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	—	—	—	750,000
Consultant	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	775,000	—	—	—	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	50,000	—	—	—	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	—	—	—	25,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Director	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,625,000	—	—	(275,000)	11,350,000
Consultant	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	180,000	—	—	—	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	800,000	—	—	—	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	257,500	—	—	—	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	595,000	—	(87,500)	(187,500)	320,000
Director	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,219,888	—	(27,100)	(28,400)	5,164,388
Consultant	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	285,000	—	—	—	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	780,000	—	—	—	780,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	135,000	—	—	—	135,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	—	(25,000)	(25,000)	137,500
Director	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	8,674,000	—	(115,000)	(265,100)	8,293,900
Consultant	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Director	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	7,101,300	—	(37,900)	—	7,063,400

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

19. Share-Based Payments (Continued)

June 30, 2019 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019 (unaudited)	Granted during the period (unaudited)	Number of share options Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2019 (unaudited)
Consultant	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	400,000	—	—	(25,000)	375,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,307,500	—	(12,500)	—	1,295,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	382,500	—	—	(12,500)	370,000
Director	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	7,719,200	—	—	(295,500)	7,423,700
Consultant	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	355,000	—	—	(25,000)	330,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	400,000	—	—	—	400,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	1,215,000	—	—	(37,500)	1,177,500
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	370,000	—	—	—	370,000
Director	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	1,629,600	—	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	6,358,800	—	—	(251,000)	6,107,800
Consultant	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	—	—	—	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	200,000	—	—	—	200,000
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	110,000	—	—	—	110,000
Employees	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	—	150,000	—	—	150,000
Employees	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	—	550,000	—	—	550,000
Director	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	3,992,400	—	—	3,992,400
Employees	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	11,806,000	—	—	11,806,000
Consultant	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	275,200	—	—	275,200
				82,698,188	16,773,600	(305,000)	(1,427,500)	97,739,288
Weighted average exercise price per Share				HK\$17.54	HK\$11.88	HK\$12.61	HK\$18.44	HK\$16.57
Exercisable at end of the reporting period								57,500,838

25% of the options granted will vest on each of the first, second, third and fourth anniversaries from the date of grant of the share options. During the six months ended June 30, 2020, options were granted on April 1, 2020, May 15, 2020 and June 3, 2020 and their estimated weighted average fair values were HK\$2.90, HK\$3.31 and HK\$3.34 per Share, respectively.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based upon the management's best estimate, changes in which could materially affect the fair value estimate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

19. Share-Based Payments (Continued)

The significant inputs into the model for the options granted during the period are as follows:

Options granted on April 1, 2020 and May 15, 2020

Risk-free interest rate	1.573% to 1.614% per annum
Expected dividend yield	0.87% per annum
Expected life	4.44 to 6.35 years
Expected volatility	43.17% per annum

Options granted on June 3, 2020

Risk-free interest rate	0.590% to 0.611% per annum
Expected dividend yield	1.21% per annum
Expected life	4.54 to 6.41 years
Expected volatility	43.36% per annum

Expected volatility used in the valuation of options granted during the period was determined by using the historical volatility of the Company's Share price. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of the vesting period, exercise period and employee's behavioral considerations.

The Group recognized a total expense of HK\$24.8 million for the six months ended June 30, 2020 (six months ended June 30, 2019: HK\$33.1 million) in relation to share options granted by the Company.

20. Contingent Liabilities

a) Guarantees

As at June 30, 2020, the Group has given bank guarantees totalling HK\$1,095.2 million (December 31, 2019: HK\$1,095.2 million) to certain parties, of which HK\$1,091.4 million (December 31, 2019: HK\$1,091.4 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and land-concession contract in respect of MGM COTAI, HK\$0.6 million (December 31, 2019: HK\$0.6 million) was issued in favor of a company in which one of the Directors of the Company has non-controlling beneficial interests and HK\$3.2 million (December 31, 2019: HK\$3.2 million) was issued in favor of certain vendors.

b) Litigation

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

21. Capital Commitments

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

	At June 30, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Contracted but not accounted for	58,768	110,651

22. Other Commitments

Sub-Concession

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

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

Based upon the number and types of gaming tables employed and gaming machines in operation as at June 30, 2020, the Group is obligated under its Sub-Concession Contract to make minimum future payments of approximately MOP272.6 million (equivalent to approximately HK\$264.6 million).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

23. Related Party Transactions

Apart from the guarantees as described in note 20, details of transactions between the Group and other related parties are disclosed below.

- (a)(i) Amounts due from related companies represent balances with companies owned by the immediate holding company and companies in which one of the Directors has non-controlling beneficial interests. The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(ii) Amounts due to related companies represent balances with companies in which one of the Directors of the Company has non-controlling beneficial interests amounting to HK\$0.9 million (December 31, 2019: HK\$12.6 million), and the ultimate holding company of the Company amounting to HK\$4.3 million (December 31, 2019: HK\$35.5 million). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies in respect of trade balance:

	At June 30, 2020 HK\$'000 (unaudited)	At December 31, 2019 HK\$'000 (audited)
Within 30 days	5,170	35,962
31 — 60 days	—	306
61 — 90 days	—	3,818
91 — 120 days	—	4,004
Over 120 days	—	3,995
	5,170	48,085

- (a)(iii) As at June 30, 2020, the Group had lease liabilities of HK\$6.9 million (December 31, 2019: HK\$7.7 million) relating to lease agreements entered into with companies in which one of the Directors of the Company has non-controlling beneficial interests.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

23. Related Party Transactions (Continued)

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

Related parties	Type of transaction	Six months ended June 30	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Expenses relating to leases on premises	648	2,285
	Travelling, accommodation and transportation, net of discounts	16,536	42,650
	Interest expense on lease liabilities	115	135
Ultimate holding company	Marketing referral fees	2,457	7,176
	Marketing referral income	—	(17)
Company jointly-owned by Shareholders	License fee (Note)	41,482	197,028

Note:

Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement was effective from June 3, 2011 and expired on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group was required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which was subject to an annual cap. In the event that the Group opened additional properties during the term of the Branding Agreement, the amount of the annual cap would increase by US\$20 million during the calendar year in which the relevant property is opened for business (the "Additional Property Cap Increase"). The Additional Property Cap Increase would also apply to subsequent calendar years, and would increase at the rate of 20% per year. For the year ending December 31, 2020, the annual caps of MGM MACAU and MGM COTAI were US\$129.0 million (equivalent to approximately HK\$1,002.5 million) and US\$28.8 million (equivalent to approximately HK\$223.8 million), respectively. For the year ended December 31, 2019, the annual caps of MGM MACAU and MGM COTAI were US\$107.5 million (equivalent to approximately HK\$842.4 million) and US\$24.0 million (equivalent to approximately HK\$188.1 million) respectively. The First Renewed Branding Agreement was entered on September 30, 2019 to replace and renew the Branding Agreement with effect from April 1, 2020 and will expire on June 26, 2022. Pursuant to the First Renewed Branding Agreement, the annual caps for MGM MACAU and MGM COTAI are US\$82,300,000 (equivalent to approximately HK\$639.4 million) for the year ending December 31, 2020.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

23. Related Party Transactions (Continued)

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	Six months ended June 30	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	82,674	73,483
Post-employment benefits	1,585	1,473
Share-based payments	13,345	18,818
	97,604	93,774

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

Glossary

Definitions and Glossary Used in this Interim Report

“2024 Notes”	US\$750 million (approximately HK\$5.85 billion) aggregate principal amount of 5.375% senior unsecured notes due May 15, 2024
“2025 Notes”	US\$500 million (approximately HK\$3.75 billion) aggregate principal amount of 5.25% senior unsecured notes due June 18, 2025
“2026 Notes”	US\$750 million (approximately HK\$5.85 billion) aggregate principal amount of 5.875% senior unsecured notes due May 15, 2026
“affiliate”	in relation to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Board of Directors” or “Board”	the board of Directors of the Company
“Branding Agreement”	the Branding Agreement dated May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and slot machines gross win), calculated net of commissions, complimentary and other incentives and in accordance with IFRS
“China” or “mainland China”	the People’s Republic of China excluding, for the purpose of this interim report for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“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
“Cotai Land”	a plot of land with an area of 71,833 square meters located in Cotai leased from the Macau Government for an initial term of 25 years since January 9, 2013
“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

Glossary

“Director(s)”	the director(s) of our Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“DSEC”	Statistics and Census Service of the Macau Government
“First Renewed Branding Agreement”	the first renewed Branding Agreement, dated September 30, 2019, entered into among the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the DICJ to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Gaming Promoters Regulation”	Macau Administrative Regulation No. 6/2002, as amended by Macau Administrative Regulation No. 27/2009
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Pansy Ho
“GGR” or “gross gaming revenue”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions, complimentaries and other incentives
“gross table games win”	the amount of drop (in our main floor casino operation) or turnover (in our VIP casino operation) that is retained as winnings. We record this amount and slot machine gross win as casino revenue after deduction of commissions, complimentaries and other incentives
“Group”, “we”, “us” or “our”	our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group
“HIBOR”	Hong Kong InterBank Offer Rate
“high value main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from 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

Glossary

“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 Branding”	MGM Branding and Development Holdings, Ltd., a company incorporated in the BVI and jointly wholly-owned, directly or indirectly, by MGM Resorts International and Pansy Ho in equal portions
“MGM COTAI”	the integrated casino, hotel and entertainment complex on the Cotai Land
“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 Growth Properties”	MGM Growth Properties LLC, a Delaware corporation listed on the New York Stock Exchange under the ticker symbol MGP, a real estate investment trust (REIT) and an associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance)
“MGM MACAU”	the resort and casino property in Macau 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

Glossary

“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“NCE”	New Corporate Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly-owned by Ms. Pansy Ho
“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 and April 9, 2020
“REVPAR”	Revenue per available room includes commissions, complimentarys 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 to up to HK\$3.9 billion, subject to certain conditions
“Senior Secured Credit Facility”	the Second Amended Credit Agreement, entered into between MGM China, MGM Grand Paradise, MGM Grand Paradise (HK) Limited, Superemrego Limitada, MGM — Security Services, Ltd. and Bank of America, N.A., dated June 9, 2015, as amended by the Third Supplemental Agreement, dated February 2, 2016, the Fourth Supplemental Agreement, dated February 15, 2017, the Fifth Supplemental Agreement, dated June 15, 2018 and the Sixth Supplemental Agreement, dated April 15, 2019
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Glossary

“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“slot machine gross win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of complimentary and other incentives
“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

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