



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



INTERIM REPORT 2017 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

James Joseph Murren (*Chairperson*)
 Pansy Catilina Chiu King Ho (*Co-Chairperson*)
 Chen Yau Wong
 William Joseph Hornbuckle
 Grant R. Bowie (*Chief Executive Officer*)

Non-executive Directors

William M. Scott IV
 Daniel J. D'Arrigo
 Kenneth A. Rosevear

Independent Non-executive Directors

Zhe Sun
 Sze Wan Patricia Lam
 Peter Man Kong Wong
 Russell Francis Banham

Audit Committee

Russell Francis Banham (*Chairperson*)
 Daniel J. D'Arrigo
 Zhe Sun
 Peter Man Kong Wong

Remuneration Committee

Zhe Sun (*Chairperson*)
 Pansy Catilina Chiu King Ho
 William Joseph Hornbuckle
 Sze Wan Patricia Lam
 Peter Man Kong Wong
 Russell Francis Banham

Nomination and Corporate Governance Committee

Sze Wan Patricia Lam (*Chairperson*)
 William M. Scott IV
 Chen Yau Wong
 Zhe Sun
 Peter Man Kong Wong
 Russell Francis Banham

Company Secretary

Antonio Jose Menano

Authorized Representatives

Antonio Jose Menano
 William M. Scott IV

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

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, Edificio 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
 Shops 1712-1716, 17th 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Casino revenue	7,259,741	7,012,331
Other revenue	133,843	142,291
Total revenue	7,393,584	7,154,622
Adjusted EBITDA	2,243,211	2,028,779
Operating profit	1,431,461	1,332,469
Profit attributable to owners of the Company	1,268,335	1,298,545
Earnings per Share		
— Basic	HK33.4 cents	HK34.2 cents
— Diluted	HK33.3 cents	HK34.2 cents

Management Discussion and Analysis

Business Overview

MGM MACAU opened in December 2007 and has a casino floor area of approximately 31,655 square meters, with 1,025 slot machines, 427 gaming tables and multiple VIP and private gaming areas. The hotel comprises a 35-storey tower with 582 deluxe rooms including 468 standard guest rooms, 99 luxury suites and 15 private luxury villas. In addition, the resort offers luxurious amenities, including 8 diverse restaurants and bars, retail outlets, first-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 that features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. Our property is directly connected to the One Central complex, boasting many of the world's leading luxury retailers, Mandarin Oriental Hotel and serviced apartments.

The Macau and China governments implemented numerous policy changes starting in the middle of 2014 which led to a decline in the gross gaming revenues in the Macau market. At the same time, competition for gaming customers has increased which creates an extremely competitive environment. We are encouraged that total gross gaming revenue has grown from August 2016 through June 2017. We believe that the recovery has been driven by new gaming and non-gaming offerings in the Macau market.

The Group continues to respond to the current market conditions by focusing on profitability, actively managing the gaming floor and room yields and lowering the operating cost base. We are selectively allocating capital expenditure to enhance and refine MGM MACAU and progress the development of our new MGM COTAI property. Our revenue and adjusted EBITDA increased by 3.3% and 10.6% to HK\$7,393.6 million and HK\$2,243.2 million respectively for the six months ended June 30, 2017 over the comparable period in 2016. For the six months ended June 30, 2017 our operating profit increased by 7.4% to HK\$1,431.5 million but profit attributable to owners of the Company decreased by 2.3% to HK\$1,268.3 million due to a deferred tax liability of HK\$174.1 million that the Company provided on the distributable profit of MGM Grand Paradise during the current period.

Cotai Development

Project progress through the first half of 2017 continued at a good pace on MGM COTAI. As reported at the end of 2016, all building enclosure works have been completed across the tower and podium as has the majority of all external works at the perimeter — final cleaning efforts have commenced in multiple locations as has the installation of exterior LED video screens at the northeast and northwest corners of the property. The majority of all fit out areas within the podium and tower are approaching completion with a significant effort now focused on detailed finish defect rectification and efforts related to completion and handover (including final testing and commissioning of building systems and network). As a part of these final completion efforts, furniture and fixture installation is also continuing which will lead into operating supplies and equipment install at the final stage.

We are maintaining our expectation to open MGM COTAI in the fourth quarter of this year, and as such, we are continuing to work with the Macau Government on the necessary inspections and approvals to accomplish the same.

The expected total development cost is approximately HK\$26 billion, excluding land costs and capitalized interest.

Management Discussion and Analysis

Macau's Gaming and Tourism Markets

A number of factors have adversely impacted the Macau gaming market commencing from the second half of 2014 as a result of China and Macau Government policies that began to take effect including:

- The introduction of smoking restrictions implemented in October 2014;
- Certain political initiatives introduced by the China Government, including an anti-corruption campaign and currency transfer restrictions. This particularly affected the number of high-end or premium players visiting the Group's VIP, main floor and slot machine gaming operations;
- Tightened regulations on financial accounting, anti-money laundering reporting and accounting records maintaining for gaming promoters (started in the fourth quarter of 2015) and a ban on mobile telephone usage at VIP gaming tables from May 2016. These changes particularly impacted the Group's VIP gaming performance; and
- The slowing of economic growth in China further impacted the Group's gaming operations.

Total gross gaming revenue in the Macau market decreased by 11.4% to HK\$104.6 billion in the first half of 2016 over the comparable period in 2015. Since that time, total gross gaming revenue has stabilized with growth occurring in consecutive months from August 2016 through June 2017 mainly attributable to openings of new large-scale integrated resorts in Cotai in that period. Total gross gaming revenue increased by 17.3% to HK\$122.7 billion in the first half of 2017 over the comparable period in 2016.

The Statistics and Census Service of the Macau Government reported that visitor arrivals reached 15.6 million in the first half of 2017 which increased by 5.4% over the comparable period in 2016. Customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. Approximately 66.4% of visitors to Macau in the first half of 2017 were from mainland China which increased by 6.1% over the same period in 2016 and reached 10.3 million in the first half of 2017.

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

- The financial investments made by gaming concessionaires, including MGM China, in the opening of new properties providing superior and diversified products to further position Macau as a world class tourism center;
- Infrastructure improvements, such as the opening of Taipa Ferry Terminal in June 2017; the expansion of the Macau Airport; the Hong Kong — Zhuhai — Macau bridge; the Zhuhai and Macau border gate 24-hour single check point; the Macau Light Rapid Transit System, that are all expected to facilitate more convenient travel to Macau;
- The ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in China; and
- The continuous growth of Chinese outbound tourism, in particular the growing middle class people.

Management Discussion and Analysis

Competition

Currently, there are six gaming concessionaires operating in Macau, each of which has completed or has expansion plans underway. As at June 30, 2017, there were 39 casinos in Macau. Four development projects in the Cotai area were completed in 2015 and 2016 with further development projects to be completed within the next three years including our MGM COTAI property which is scheduled to open in the fourth quarter of 2017. There is an ongoing market share migration from the Macau Peninsula to Cotai. As a result, our overall gaming market share declined from 8.3% for the six months ended June 30, 2016 to 7.2% for the six months ended June 30, 2017 due primarily to the migration of casino patronage to Cotai following the new property openings in Cotai. Competitive pressures in the Macau market will continue to increase in the future especially as more capacity is brought into line.

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

Our Competitive Strengths and Operating Strategies

Our competitive strengths lie in our high quality product and service offerings; our ability to segment and conduct targeted marketing to various customer groups through our Mlife customer relationship program; our strong analytical capability and effective execution of our strategies by our operations team.

We continue to execute our strategies on improving customer experience, employee engagement and operational efficiency. We are refurbishing key gaming areas in MGM MACAU to improve traffic flow and to capture more high-end mass business. We continue to improve operating efficiencies to further enhance our first-class property which embodies luxury, intimacy and inspiration while introducing new innovative gaming products to enhance our customer experience. We are working on technologies to enhance our analytical capability for operations and marketing to enable us to deliver focused personalized marketing programs. We continue to review our business relationship with each of our gaming promoters and identify potential gaming promoters to grow our VIP business. We manage our gaming mix by continuously evaluating table yield, focusing on measuring the number of table open hours in relation to business volume. We are always evaluating the table limits and constantly reviewing the possible reallocation of tables to maximize our table utilization and profitability.

Beyond gaming, we continue to improve our customer experiences by adding and enhancing our non-gaming offerings. We are adding retail offerings and refurbishing our restaurants to maintain our competitiveness in the Macau market. We continue to organize and sponsor exhibits and events in our Grande Praça and Art Space. With almost twice the square footage of MGM MACAU, the scale of our new MGM COTAI property will allow us to capitalize on our international expertise in providing exciting, diversified entertainment offerings. Our MGM COTAI theater will be a transformable space, the first of its kind in Asia and the only one in the world at this scale, offering a wide range of entertainment options to draw visitors from around the world. Our Spectacle, situated at the heart of MGM COTAI, will be enriched with incredible experiential technology elements to entertain our guests. We will continue to deliver exciting and memorable events to our properties in support of the Macau Government's vision for diversification.

We continue to provide professional and service training to our employees with the goal of building a culture of executional excellence.

Management Discussion and Analysis

Operational Efficiency

Given present market conditions in Macau, we have adopted various strategies to protect our earnings by focusing on customer experience, employee engagement and operating efficiency.

We continue to use key performance indicators (“KPIs”) in all of our operating units. Decisions on hiring, scheduling and staffing are made in accordance with KPIs which are linked to our business volume and target productivity goals. In addition, we continue to monitor and manage costs and run our operations in a disciplined manner. Our adjusted EBITDA margin increased from 28.4% to 30.3% during the first half of 2017 over the comparable period in 2016.

In December 2015, we opened our shared service operation in Zhuhai, China. The shared service center currently consists of Finance, Human Resources, Digital & Technology Solutions and Hospitality Marketing departments. This operation allows us to mitigate the risk of a labor shortage in Macau by tapping into the mainland China talent pool.

Segment Information

The Group currently operates in one operating segment which is the ownership and management of its casino, hotel, food and beverage, and retail operations in Macau. A single management team reports to the Group’s Chief Executive Officer (being the chief operating decision-maker) who allocates resources and assesses performance based on the consolidated revenue, net results, assets and liabilities prepared under IFRSs for the entire business. Accordingly, the Group does not present separate segment information.

Management Discussion and Analysis

Discussion of Results of Operations

Financial results for the six months ended June 30, 2017 compared to financial results for the six months ended June 30, 2016

Operating Revenue

The following table sets forth the operating revenue for the six months ended June 30, 2017 and 2016.

	For the six months ended	
	June 30	
	2017	2016
	HK\$'000	HK\$'000
Casino revenue	7,259,741	7,012,331
VIP gaming operations	2,597,045	2,648,501
Main floor gaming operations	4,007,207	3,738,968
Slot machine gaming operations	655,489	624,862
Other revenue	133,843	142,291
Hotel rooms	38,119	37,017
Food and beverage	70,827	82,307
Retail and others	24,897	22,967
Operating revenue	7,393,584	7,154,622

Total operating revenue of HK\$7,393.6 million for the six months ended June 30, 2017 was 3.3% higher than the prior period.

The increase in operating revenue was directly attributable to the recovery of the Macau gaming market from August 2016 through June 2017, although our overall gaming market share declined in the current period due to an ongoing migration of patronage from the Macau Peninsula to Cotai.

Management Discussion and Analysis

Summary Statistics

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

(in thousands, except for number of gaming tables and slot machines, percentage, and REVPAR)	For the six months ended June 30	
	2017 HK\$'000	2016 HK\$'000
Number of VIP gaming tables	147	163
VIP table games turnover	127,887,296	137,712,308
VIP gross table games win ⁽¹⁾	4,035,162	4,226,356
VIP table games win percentage	3.2%	3.1%
Average daily gross win per VIP gaming table	151.6	142.3
Number of main floor gaming tables	271	255
Main floor table games drop	19,183,744	20,492,866
Main floor gross table games win ⁽¹⁾	3,981,479	3,709,157
Main floor table games win percentage	20.8%	18.1%
Average daily gross win per main floor gaming table	81.3	79.9
Number of slot machines	1,025	1,104
Slot machine handle	14,581,124	13,540,166
Slot machine gross win ⁽¹⁾	654,998	627,355
Slot hold percentage	4.5%	4.6%
Average daily win per slot	3.5	3.1
Room occupancy rate	95.4%	95.0%
REVPAR ⁽²⁾	2,004	2,159

Notes:

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

	For the six months ended June 30	
	2017 HK\$'000	2016 HK\$'000
VIP gross table games win	4,035,162	4,226,356
Main floor gross table games win	3,981,479	3,709,157
Slot machine gross win	654,998	627,355
Gross casino revenue	8,671,639	8,562,868
Commissions and incentives	(1,411,898)	(1,550,537)
Casino revenue	7,259,741	7,012,331

- (2) Revenue per available room, expressed in HK\$, arrived after inclusion of services provided for hotel rooms to certain customers and guests without charge.

Management Discussion and Analysis

Casino Revenue

Casino revenue increased by 3.5% to HK\$7,259.7 million for the six months ended June 30, 2017. The components of our gaming operations were:

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 good 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. In addition, gaming promoters may extend credit to their players.

From time to time and on a case-by-case basis, we grant credit, which is non-interest bearing, to certain gaming promoters at the beginning of each month to facilitate their working capital requirements. The credit is typically secured by the commissions earned along with business or personal cheques, promissory notes and financial guarantors.

In exchange for their services, we compensate the gaming promoters by paying them a commission based on 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 on a percentage of the table games turnover they generate, which can be applied to hotel rooms, food, beverage and other discretionary customer-related expenses.

Given present market conditions in Macau as previously discussed, gaming promoters have encountered difficulties in attracting patrons to visit Macau. This has resulted in decreased liquidity, limiting their ability to extend credit to their patrons which has resulted in decreased gaming volume at our property. Credit already granted by gaming promoters to their patrons has become more difficult for them to collect.

The quality of gaming promoters with whom we engage in business is important to our reputation and ability to operate in compliance with our Subconcession Contract and Macau gaming laws. We continue to review our business relationship with each of our gaming promoters and identify potential new gaming promoters having particular regard to their financial performance and management capability.

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 on 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. This credit is typically unsecured although we may be provided front money as a deposit, or security by personal cheques as collateral.

We conduct a number of credit checking procedures including the receipt of various signed documents from each credit recipient. If permitted by applicable laws, these documents may aid in legally enforcing collections in countries where the gaming promoters and VIP players reside.

In order to minimize the credit risk with gaming promoters and in-house VIP players, the Group has a designated management team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover all receivables. The Group has 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 impairment losses are made for irrecoverable amounts.

While revenue for the VIP gaming operations increased in the Macau market in the six months ended 30 June 2017, we lost market share following the migration of patronage to the new Cotai properties. Our revenue from VIP gaming operations decreased by 1.9% to HK\$2,597.0 million for the six months ended June 30, 2017 due to a decline in our VIP table games turnover by 7.1% to HK\$127,887.3 million. This was partially offset by an increase in VIP table games win percentage from 3.1% to 3.2% during the first half of 2017 over the comparable period in 2016. We expect to improve our competitiveness in the Macau market following the completion and opening of our new MGM COTAI property. We will continue to pursue additional VIP business opportunities for MGM MACAU.

Approximately 80% of the commissions paid to gaming promoters are netted against reported casino revenue (which corresponds to the approximate amount of the commission returned to the VIP players by the gaming promoters) and approximately 20% of the commissions are included in operating expenses (which corresponds to the approximate amount ultimately retained by gaming promoters for their compensation). The total amount of commissions netted against casino revenue was HK\$1,440.4 million and HK\$1,579.8 million for the six months ended June 30, 2017 and 2016 respectively.

Management Discussion and Analysis

Main Floor Gaming Operations

Main floor gaming operations in the Macau market are also referred to as the “mass marketing 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.

For the six months ended June 30, 2017, revenue from main floor gaming operations increased by 7.2% to HK\$4,007.2 million compared to the corresponding period in 2016. Despite the changing business conditions in the Macau gaming market and market share migration from the Macau Peninsula to Cotai, the effect on our revenues was mitigated by our continuous efforts to improve the gaming experience of our high value main floor players in MGM MACAU 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. We also benefited from the recovery of the Macau gaming market especially in mass gaming operations from August 2016 through June 2017. For the six months ended June 30, 2017, MGM MACAU had 271 main floor gaming tables in operation compared with 255 main floor gaming tables for the six months ended June 30, 2016.

Going forward, we will continue to evaluate our main floor gaming areas to maximize table utilization, to refurbish our gaming areas, to innovate our gaming products and to invest in technologies and analytical capability to enhance table productivity and customer retention.

Slot Machine Gaming Operations

Revenue from slot machine gaming operations increased by 4.9% to HK\$655.5 million for the six months ended June 30, 2017. The increase in revenue was due to an increase in slot handle by 7.7% to HK\$14,581.1 million for the six months ended June 30, 2017 primarily due to the recovery of the Macau gaming market from August 2016 through June 2017 especially in mass business. This increase was partly offset by a slight decline in slot hold percentage from 4.6% for the six months ended June 30, 2016 to 4.5% for the six months ended June 30, 2017.

We continuously monitor the mix of our casino games in order to maximize our casino profitability. We continue to develop Mlife in order to increase brand awareness and customer loyalty. In conjunction with the Mlife rollout, we are developing technologies to enhance our analytical capability to enable us to deliver personalized marketing programs.

Management Discussion and Analysis

Other Revenue

Other revenue, including hotel rooms, food and beverage and retail, decreased by 5.9% to HK\$133.8 million for the six months ended June 30, 2017 primarily due to more non-gaming offerings brought on line with the new property openings in Cotai. The non-gaming facilities and services are important for MGM MACAU to establish our brand and maintain our popularity in Macau and the region in order to encourage visitation and extend the length of customers' stay within MGM MACAU.

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 relation activities.

The following are some of the exhibits and events we conducted in the first half of 2017:

- Art Exhibition in L2 Showcase featuring themed artworks by artists from Macau;
- MGM Water Aurora featuring an eight-meter-tall water-sky aquarium with fish darting among multi-hued corals located in our Grande Praça;
- “Beauty in the Air” featuring 40 vibrant glass butterflies flit through the air, chasing each other around the 17 enormous flowers blooming throughout our Grande Praça as well as our spacious nests, which have emerged as the perfect places for our guests to relax and enjoy the garden; and
- “A Golden Way of Life — Très’Ors” presenting a unique selection of gold creations and artifacts, with over 250 works dating from the 17th century to the present.

These exhibits and events attracted visitors to our property and have created a sense of anticipation among our customers, local communities and tourists about the activities at MGM MACAU. In addition, we continue to improve our customer experience by enhancing our hotel, food, beverage and retail offerings by expanding and refurbishing the non-gaming areas in MGM MACAU.

Management Discussion and Analysis

Operating Costs and Expenses

The major operating costs and expenses for the six months ended June 30, 2017 and 2016 were:

	For the six months ended	
	June 30	
	2017	2016
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	3,449,619	3,409,448
Inventories consumed	133,789	133,955
Staff costs	1,052,940	1,001,019
Other expenses and losses	898,859	883,129
Depreciation and amortization	426,916	394,602
Finance costs	3,507	45,796
Income tax expense	174,212	7,476

Special gaming tax and special levy to the Macau Government

Special gaming tax and special levy to the Macau Government increased by 1.2% to HK\$3,449.6 million for the six months ended June 30, 2017. This increase is attributable to the higher gross casino revenue during the current period.

Staff costs

Staff costs increased by 5.2% to HK\$1,052.9 million for the six months ended June 30, 2017 which was primarily due to hiring of additional staff for preparation works of MGM COTAI and the salary increment for staff promotions in 2017.

Other expenses and losses

Other expenses and losses increased by 1.8% to HK\$898.9 million for the six months ended June 30, 2017, which mainly result from:

Junket commission. Commission to gaming promoters decreased by 7.3% from HK\$340.7 million for the six months ended June 30, 2016 to HK\$315.9 million for the six months ended June 30, 2017. The decrease resulted directly from the lower VIP gross table games win during the current period.

Advertising and promotion expense. Advertising and promotion expense increased by 7.3% from HK\$199.3 million for the six months ended June 30, 2016 to HK\$213.8 million for the six months ended June 30, 2017. The increase resulted from more marketing activities being organized during the current period in response to the recovery of the Macau gaming market and increased competition due to new properties openings in Cotai.

Management Discussion and Analysis

License fee and marketing fees. License fee and marketing fees due to related companies increased by 3.8% from HK\$132.3 million for the six months ended June 30, 2016 to HK\$137.3 million for the six months ended June 30, 2017. The increase resulted from the higher revenue during the current period.

Reversal of allowance for doubtful debts, net. Allowance for doubtful debts, net, was a gain of HK\$28.8 million and a gain of HK\$45.0 million for the six months ended June 30, 2017 and 2016 respectively. There was no change in the policy on the allowance for doubtful debts. The gain primarily resulted from recovery of doubtful debts provided for in previous years.

Depreciation and amortization

Depreciation and amortization increased by 8.2% to HK\$426.9 million for the six months ended June 30, 2017 compared to the corresponding period in the prior year. This increase was primarily due to new furniture and equipment placed into service which partly offset by the impact of full depreciation of certain assets during the current period.

Finance costs

Total borrowing costs increased by HK\$28.1 million during the current period to HK\$316.8 million mainly due to HK\$67.1 million increase in interest incurred for additional bank borrowings related to funding requirements for MGM COTAI development as well as an increase in interest margin, partly offset by HK\$33.6 million decline in amortization of debt finance costs.

Finance costs expense decreased by 92.3% from HK\$45.8 million for the six months ended June 30, 2016 to HK\$3.5 million for the six months ended June 30, 2017 as HK\$313.3 million of total borrowing costs was capitalized to construction in progress for the six months ended June 30, 2017 (six months ended June 30, 2016: HK\$242.9 million).

Income tax expense

Income tax expense for the six months ended June 30, 2017 primarily related to a deferred tax liability of HK\$174.1 million the Company provided on the distributable profit of MGM Grand Paradise, calculated at the applicable statutory rate at the reporting date. Prior period expense was related to the Macau dividend withholding tax under the extended tax concession arrangement entered with the Macau Government in 2012. Details of income tax expense are set out in note 8 to the condensed consolidated financial statements.

Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased by 2.3% from HK\$1,298.5 million to HK\$1,268.3 million over the comparable periods in 2016 and 2017.

Management Discussion and Analysis

Adjusted EBITDA

The following table sets forth a reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement, profit attributable to owners of the Company, for the six months ended June 30, 2017 and 2016.

	For the six months ended	
	June 30	
	2017	2016
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	1,268,335	1,298,545
Add/(less):		
Depreciation and amortization	426,916	394,602
Interest income	(2,094)	(4,138)
Finance costs	3,507	45,796
Net foreign currency difference	(12,499)	(15,210)
Income tax expense	174,212	7,476
Share-based payments	38,864	33,908
Corporate expenses	190,268	188,203
Pre-opening costs ⁽¹⁾	153,120	69,729
Loss on disposal or write-off of property and equipment, construction in progress	2,582	9,868
Adjusted EBITDA ⁽²⁾	2,243,211	2,028,779

Notes:

- (1) Pre-opening costs mainly represented staff costs, marketing and advertising expenses incurred prior to the opening of our MGM COTAI property. Pre-opening costs increased by 119.6% from HK\$69.7 million for the six months ended June 30, 2016 to HK\$153.1 million for the six months ended June 30, 2017. The increase was mainly attributable to preparation for the opening of MGM Cotai and it is typical that pre-opening costs accelerate as the project approaches its opening date.
- (2) Adjusted EBITDA is profit before finance costs, income tax expense, depreciation and amortization, interest income, net foreign currency difference, share-based payments, pre-opening costs, corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company, and property charges and other non-recurring expenses. 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.

Management Discussion and Analysis

Liquidity and Capital Resources

Capital Resources

We funded our working capital, operating expenses and capital expenditures from equity, bank borrowings and cash generated from our operations. As at June 30, 2017, our bank and cash balances were HK\$3,147.4 million. This balance is available for operations, new development activities including MGM COTAI and enhancement to MGM MACAU. As at June 30, 2017, the HK\$12.09 billion term loan facility was fully drawn, while HK\$6.61 billion of the revolving credit facility remained undrawn and available for utilization up to March 2019 for corporate purposes of the Group and future development activities including MGM COTAI.

Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises bank 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, 2017 and December 31, 2016.

	As at	
	June 30 2017 HK\$'000	December 31 2016 HK\$'000
Bank borrowings, net of debt finance costs	16,554,011	14,708,630
Less: bank balances and cash	(3,147,407)	(3,547,130)
Net debt	13,406,604	11,161,500
Total equity	7,911,677	7,216,696
Total capital	21,318,281	18,378,196
Gearing ratio	62.9%	60.7%

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, 2017 and 2016.

	For the six months ended	
	June 30	
	2017	2016
	HK\$'000	HK\$'000
Net cash generated from operating activities	2,648,004	1,355,979
Net cash used in investing activities	(3,967,066)	(3,498,278)
Net cash generated from financing activities	918,847	193,285
Net decrease in cash and cash equivalents	(400,215)	(1,949,014)
Cash and cash equivalents at the beginning of the period	3,547,130	5,421,058
Effect of foreign exchange rate changes, net	492	(369)
Cash and cash equivalents at the end of the period	3,147,407	3,471,675

Net cash generated from operating activities

Our net cash generated from operating activities was primarily affected by operating income generated by MGM Grand Paradise and changes in working capital. Net cash from operating activities was HK\$2,648.0 million for the six months ended June 30, 2017 compared to HK\$1,356.0 million for the six months ended June 30, 2016. The increase mainly resulted from the changes in our working capital accounts and the increase in profit before tax as a result of higher gaming revenue during the current period.

Net cash used in investing activities

Net cash used in investing activities was HK\$3,967.1 million for the six months ended June 30, 2017 compared to HK\$3,498.3 million for the six months ended June 30, 2016. The major components of the cash flow used in investing activities related to payments for the design and construction of MGM COTAI and renovation work carried out at MGM MACAU as well as purchase of property and equipment in total amounting to HK\$3,682.6 million and HK\$3,285.4 million for the six months ended June 30, 2017 and 2016 respectively. Other amounts paid are related to land use right premium and developers' fees due to a related company in both periods.

Management Discussion and Analysis

Net cash generated from financing activities

Net cash generated from financing activities was HK\$918.8 million for the six months ended June 30, 2017 compared to HK\$193.3 million for the six months ended June 30, 2016. The increase mainly resulted from HK\$1,800.0 million of revolving credit facility drawn during the current period compared to HK\$800.0 million of revolving credit facility drawn in the prior period, partially offset by dividend payments of HK\$608.0 million and HK\$353.4 million in the respective periods.

Capital Commitments

As at June 30, 2017, 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 2017 HK\$'000	December 31 2016 HK\$'000
Contracted but not accounted for	2,640,374	4,224,259

Indebtedness

As at June 30, 2017 and December 31, 2016, the Group had drawn down amounts of HK\$16.79 billion and HK\$14.99 billion under the terms of its Fourth Supplemental Agreement and Third Supplemental Agreement, respectively. The Group had HK\$6.61 billion and HK\$8.41 billion available to draw as at June 30, 2017 and December 31, 2016 respectively under those agreements.

Contingent Liabilities

As at June 30, 2017 and December 31, 2016, the Group had given bank guarantees totaling HK\$302.9 million in relation to the Subconcession, land concession and other operating purposes.

Management Discussion and Analysis

Term Loan Facility and Revolving Credit Facility

Overview

On October 22, 2012, the Company and MGM Grand Paradise as co-borrowers entered into an amended and restated credit agreement (the “Amended Credit Facilities”) with certain lenders. The Amended Credit Facilities included a HK\$4.29 billion term loan facility and a HK\$11.31 billion revolving credit facility.

On June 9, 2015, the Company and MGM Grand Paradise as co-borrowers entered into a second amended and restated credit agreement (the “Second Amended Credit Facilities”) with certain lenders. The Second Amended Credit Facilities were effective on June 12, 2015, which extended the maturity of the Amended Credit Facilities to April 29, 2019 and expanded the term loan facility set out in the Amended Credit Facilities to HK\$12.09 billion. The aggregate amount of the Second Amended Credit Facilities is HK\$23.40 billion, consisting of a HK\$12.09 billion term loan facility and a HK\$11.31 billion revolving credit facility. Borrowings under the Second Amended Credit Facilities may be used for proper corporate purposes of the Group and future development opportunities including MGM COTAI.

On February 2, 2016, an amendment to the Second Amended Credit Facilities was executed (the “Third Supplemental Agreement”) to provide the Group with the necessary covenant flexibility while MGM COTAI is in the construction phase as discussed below.

An amendment to the Third Supplemental Agreement was executed (the “Fourth Supplemental Agreement”) on February 15, 2017 to continue to provide the Group with further covenant flexibility while MGM COTAI is in the construction phase, but with a view to deleveraging following MGM COTAI opening as discussed below. The Group incurred and paid miscellaneous charges and bank fees of approximately HK\$34.0 million in relation to the Fourth Supplemental Agreement during the current period.

Principal and Interest

As at June 30, 2017, HK\$12.09 billion of the term loan facility was fully drawn while HK\$6.61 billion of revolving credit facility was undrawn and available for utilization up to March 2019. The term loan facility is repayable on a quarterly basis commencing in October 2017 and is to be fully repaid in April 2019. Each drawdown under the revolving credit facility is repaid in full on the last date of the respective term but no later than April 2019.

The Second Amended Credit Facilities bear interest at HIBOR plus a fixed margin of 1.75% per annum for the first six months and thereafter a variable margin ranging from 1.375% to 2.5% per annum based on the Group’s leverage ratio. As at June 30, 2017, the Group paid interest at HIBOR plus 2.25% per annum (December 31, 2016: HIBOR plus 2.00% per annum).

Management Discussion and Analysis

General Covenants

The Second Amended Credit Facilities contain general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the Restricted Group) to, among other things, enter into, dispose of or amend to certain commitments and/or investments. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

Under the Second Amended Credit Facilities, the Restricted Group was required to maintain a leverage ratio at the end of each quarter while the loans are outstanding. The leverage ratio was to be kept within 4.5 to 1.0 for each quarter and reduced to no greater than 4.0 to 1.0 for each quarter after the first anniversary of opening of MGM COTAI. In addition, the Group was required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end.

The leverage ratio under the Third Supplemental Agreement was required to be maintained within 4.5 to 1.0 for quarters ended March 31, 2016 and June 30, 2016. This ratio would be increased to no greater than 6.0 to 1.0 for each quarter ended September 30, 2016 through June 30, 2017 and reduced to no greater than 5.5 to 1.0 and 5.0 to 1.0 for quarters ended September 30, 2017 and December 31, 2017, respectively. The leverage ratio would be reduced to no greater than 4.5 to 1.0 for each quarter thereafter through maturity.

The leverage ratio under the Fourth Supplemental Agreement is required to be maintained within 4.5 to 1.0 for quarters ended March 31, 2016 and June 30, 2016. This ratio is increased to no greater than 6.0 to 1.0 for each quarter ended September 30, 2016 through December 31, 2017 and reduced to no greater than 5.5 to 1.0 and 5.0 to 1.0 for quarters ended March 31, 2018 and June 30, 2018, respectively. The leverage ratio will be reduced to no greater than 4.5 to 1.0 for each quarter thereafter through maturity.

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.

Compliance with Covenants

The Group has complied with the general and financial covenants contained in the Forth Supplemental Agreement and the Third Supplemental Agreement as set forth above for the six months ended June 30, 2017 and 2016.

Mandatory Prepayments

The Second Amended Credit Facilities contain mandatory prepayment provisions which include, among other things, prepayment of all outstanding loans, together with accrued interest and all other amounts due thereunder, upon a change of control or sale of the MGM Grand Paradise business or COTAI project.

Management Discussion and Analysis

Dividend Restrictions

Under the Second Amended Credit Facilities, the Group was not allowed to declare, make or pay any dividends while any default is outstanding or would result from such dividend payment or if the pro forma leverage ratio exceeded 4.0 multiples as result of such dividend payment. To the extent its leverage ratio fell below 4.0 multiples but still exceeded 3.5, the Group might only pay dividends up to US\$300 million, including if any dividends paid during preceding 12-month period.

Under the Third Supplemental Agreement, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million, including any dividends paid during preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million, including if any dividends paid during preceding 12-month period. As at June 30, 2017, our leverage ratio was approximately 3.89.

Events of Default

The Second Amended Credit Facilities contain certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Second Amended Credit Facilities, a divestment of holdings in the Company by MGM Resorts International below 50% control or any holdings in MGM Grand Paradise by the Company would constitute a change of control and trigger mandatory prepayment of the outstanding loan balances.

Security and Guarantees

Collateral for the term loan and revolving credit facility consists of most of the assets, including but not limited to property and equipment, land use right and bank balances and cash of the Group and the shares of MGM Grand Paradise and some of its subsidiaries. Certain of the Company's direct and indirect subsidiaries (where applicable) have executed guarantees as security.

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 win to the Macau Government in MOP and gaming taxes are paid in HK\$. Our operating expenses and capital expenditures are primarily denominated in MOP and HK\$. MOP is pegged to the HK\$ at a constant rate and accordingly we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The Group holds bank balances and deposits denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises assets denominated in US\$, Canadian Dollars, Taiwan Dollars and Singapore Dollars. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates.

Management Discussion and Analysis

Interest Rate Risk

The Group is primarily exposed to cash flow interest rate risk associated with our credit facilities which bear variable-rate. Interest rate risk is managed by maintaining a level of cash and cash equivalents which management considers adequate to finance our operations and mitigate the effects of fluctuations in cash flows. We do not hedge our interest rate risk.

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

In the ordinary course of business, in response to market demands and client preferences and in order to increase revenue, we have made and will continue to make enhancements and refinements to MGM MACAU. We have incurred and will continue to incur capital expenditures related to these enhancements and refinements. In addition, we are focusing on the development of MGM COTAI and will continue to incur capital expenditure for constructing this property.

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

Employees and Remuneration Policy

As at June 30, 2017, MGM Grand Paradise employed 6,525 full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM MACAU, shared service operation and MGM COTAI pre-opening 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 its 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 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.

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 on 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

On August 2, 2017, our principal subsidiary, MGM Grand Paradise declared the payment of a dividend to the Company of approximately MOP746.0 million (approximately HK\$724.3 million). This dividend declaration complied with MGM Grand Paradise's constitutional documents and the laws and regulations of Macau.

On August 3, 2017, the Board announced that it had resolved to declare the payment of an interim dividend of HK\$0.116 per Share (the "Interim Dividend"), amounting to approximately HK\$440.8 million in aggregate, representing approximately 35% of the Group's profit attributable to owners of the Company for the six months ended June 30, 2017. The register of members will be closed from August 18, 2017 to August 22, 2017, both days inclusive, for the purpose of ascertaining the members who are entitled to the Interim Dividend. This Interim Dividend is expected to be paid on or about September 8, 2017 to the Shareholders whose names would appear on the register of members on August 22, 2017. The Board has resolved to declare the Interim Dividend after reviewing the Group's general financial position as at August 3, 2017, its capital requirements going forward and other factors that the Board considered relevant, and determined that the Group had sufficient resources after the payment of the Interim Dividend to finance its operations and expansion of its business, including the development of an additional casino and hotel complex in Cotai. The Interim Dividend should not be taken as an indication of the level of profit or dividend for the full year.

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, 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and 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	17,315,200 ⁽³⁾	—	—	17,315,200	0.46%

(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 ⁽⁴⁾	—	—	20,000	10.00%

Other Information

(c) Long Position in the Common Stocks and Underlying Shares of Associated Corporations — MGM Resorts International⁽⁵⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren	262,500 ⁽⁶⁾	—	—	262,500	0.0457%
	207,116 ⁽⁷⁾	—	—	207,116	0.0360%
	1,551 ⁽⁸⁾	—	—	1,551	0.0003%
	1,546,062 ⁽⁹⁾	—	—	1,546,062	0.2689%
	11,582 ⁽¹⁰⁾	—	—	11,582	0.0020%
	969,111 ⁽¹¹⁾	—	—	969,111	0.1685%
	—	175,329 ⁽¹²⁾	—	175,329	0.0305%
Pansy Ho	—	—	16,149,210 ⁽¹³⁾	16,149,210	2.8085%
	—	—	11,060,492 ⁽¹⁴⁾	11,060,492	1.9235%
William Joseph Hornbuckle	49,252 ⁽¹⁵⁾	—	—	49,252	0.0086%
	368 ⁽¹⁶⁾	—	—	368	0.0001%
	561,134 ⁽¹⁷⁾	—	—	561,134	0.0976%
	4,203 ⁽¹⁸⁾	—	—	4,203	0.0007%
	159,738 ⁽¹⁹⁾	—	—	159,738	0.0278%
William M. Scott IV	45,018 ⁽²⁰⁾	—	—	45,018	0.0078%
	18,768 ⁽²¹⁾	—	—	18,768	0.0033%
	13,492 ⁽²²⁾	—	—	13,492	0.0023%
	101 ⁽²³⁾	—	—	101	0.00002%
	61,931 ⁽²⁴⁾	—	—	61,931	0.0108%
	463 ⁽²⁵⁾	—	—	463	0.0001%
	51,380 ⁽²⁶⁾	—	—	51,380	0.0089%
Daniel J. D'Arrigo	300,000 ⁽²⁷⁾	—	—	300,000	0.0522%
	30,627 ⁽²⁸⁾	—	—	30,627	0.0053%
	229 ⁽²⁹⁾	—	—	229	0.00004%
	371,920 ⁽³⁰⁾	—	—	371,920	0.0647%
	2,786 ⁽³¹⁾	—	—	2,786	0.0005%
	137,467 ⁽³²⁾	—	—	137,467	0.0239%
Kenneth A. Rosevear	23,393 ⁽³³⁾	—	—	23,393	0.0041%
	12,373 ⁽³⁴⁾	—	—	12,373	0.0022%
	92 ⁽³⁵⁾	—	—	92	0.00002%
	58,630 ⁽³⁶⁾	—	—	58,630	0.0102%
	439 ⁽³⁷⁾	—	—	439	0.0001%

Other Information

(d) Long Positions in the Common Stocks and Underlying Shares of Associated Corporations — MGM Growth Properties⁽³⁸⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren	37,705 ⁽³⁹⁾	250,000 ⁽⁴⁰⁾	—	287,705	0.4989%
Pansy Ho	—	—	1,000,000 ⁽⁴¹⁾	1,000,000	1.7342%
William Joseph Hornbuckle	39,212 ⁽⁴²⁾	—	—	39,212	0.0680%
Daniel J. D'Arrigo	27,623 ⁽⁴³⁾	—	—	27,623	0.0479%
Kenneth A. Rosevear	100,000 ⁽⁴⁴⁾	—	—	100,000	0.1734%

Notes:

- (1) These represent the Shares beneficially held by Pansy Ho in her personal capacity.
- (2) Pansy Ho was deemed to be interested in 474,561,200 Shares held by Grand Paradise Macau Limited, a company which she controls.
- (3) This represents 17,315,200 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 18 to the condensed consolidated financial statements.
- (4) 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.
- (5) 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.
- (6) This represents 262,500 vested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (7) This represents 207,116 unvested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.
- (8) This represents 1,551 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Joseph Murren.

Other Information

- (9) This represents 966,289 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.
- (10) This represents 7,239 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.
- (11) These represent the common stock of MGM Resorts International held by James Joseph Murren.
- (12) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (13) These represent the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Pansy Ho has control.
- (14) These represent the common stock of MGM Resorts International held by Expert Angels Limited, a company which Pansy Ho has control.
- (15) This represents 49,252 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (16) This represents 368 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.
- (17) This represents 350,709 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.
- (18) This represents 2,627 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.
- (19) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (20) This represents 45,018 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (21) This represents 18,768 unvested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (22) This represents 13,492 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.
- (23) This represents 101 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William M. Scott IV.
- (24) This represents 38,707 unvested PSUs in the common stock of MGM Resorts International granted to William M. Scott IV. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (25) This represents 289 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by William M. Scott IV. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (26) These represent the common stock of MGM Resorts International held by William M. Scott IV.
- (27) This represents 300,000 vested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (28) This represents 30,627 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.

Other Information

- (29) This represents 229 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. D'Arrigo.
- (30) This represents 232,450 unvested PSUs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (31) This represents 1,741 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by Daniel J. D'Arrigo. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (32) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (33) This represents 23,393 unvested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (34) This represents 12,373 unvested RSUs in the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (35) This represents 92 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth A. Rosevear.
- (36) This represents 36,644 unvested PSUs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (37) This represents 274 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by Kenneth A. Rosevear. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (38) 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.
- (39) These represent the common stock of MGM Growth Properties held by James Joseph Murren.
- (40) These represent the common stock of MGM Growth Properties held by Spousal Limited Access Trusts.
- (41) These represent the common stock of MGM Growth Properties held by August City Limited, a company which Pansy Ho has control.
- (42) These represent the common stock of MGM Growth Properties held by William Joseph Hornbuckle.
- (43) These represent the common stock of MGM Growth Properties held by Daniel J. D'Arrigo.
- (44) These represent the common stock of MGM Growth Properties held by Kenneth A. Rosevear.

Save as disclosed above, as at June 30, 2017, none of the Directors or the chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Other Information

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

As at June 30, 2017, so far as is known to any Director or the chief executive of the Company, the persons who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company were as follows:

(a) Long Position in the Shares of the Company

Name	Capacity/nature of interest	Number of Shares held	Percentage of shareholding
MGM Resorts International ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	56.00%
MGM International, LLC ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	56.00%
MRIH ⁽¹⁾	Direct interest	2,126,100,001	56.00%
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, 2017, 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 2016 Annual Report in relation to the matters set out in paragraph 32 of Appendix 16 to the Listing Rules.

Other Information

Share Option Scheme

The Company operates a share option scheme which was first adopted by the Company on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administration matters and further amended and adopted by the Shareholders of the Company on May 24, 2017 (“Share Option Scheme”).

The purpose of the 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, options to subscribe for ordinary shares in the Company are granted to any director or employee of the Group and any other person (including a consultant or adviser) who in the sole discretion of the Board has contributed or will contribute to the Group (Eligible Persons).

As at June 30, 2017, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 82,908,000, representing approximately 2.2% of the Shares of the Company in issue at that date.

The total number of Shares available for issue under the Share Option Scheme of the Company as at June 30, 2017 is 297,092,000, which is approximately 7.8% 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.

Other Information

A summary of the movements of the outstanding options under the scheme during the six months ended June 30, 2017 is as follows:

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017	Number of share options			Outstanding at June 30, 2017
					Granted during the period	Exercised during the period	Forfeited during the period	
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	5,832,000	—	—	(25,000)	5,807,000
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	770,000	—	—	—	770,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.800	60,000	—	—	—	60,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	50,000	—	—	—	50,000
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.250	750,000	—	—	(750,000)	—
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	12,100,000	—	—	(475,000)	11,625,000
Consultants	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	260,000	—	—	—	260,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	—	—	—	850,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	460,000	—	—	—	460,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	—	—	—	1,020,000
Grant R. Bowie	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	8,122,100	—	(45,000)	(489,400)	7,587,700
Consultants	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	360,000	—	—	(50,000)	310,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	1,135,000	—	—	—	1,135,000

Other Information

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017	Number of share options			Outstanding at June 30, 2017
					Granted during the period	Exercised during the period	Forfeited during the period	
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	230,000	—	(57,500)	—	172,500
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	260,000	—	(10,000)	—	250,000
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	12,885,200	—	(644,000)	(823,600)	11,417,600
Consultants	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	8,884,000	—	—	(49,600)	8,834,400
Consultants	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	460,000	—	—	—	460,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	—	1,380,000 ⁽¹⁾	—	—	1,380,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	—	470,000 ⁽²⁾	—	—	470,000
Grant R. Bowie	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	2,220,000 ⁽³⁾	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	8,466,400 ⁽³⁾	—	—	8,466,400
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	214,800 ⁽³⁾	—	—	214,800
				73,575,900	12,751,200	(756,500)	(2,662,600)	82,908,000

Notes:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$13.98 and the estimated weighted average fair value of share options granted on that date was HK\$4.01 per Share.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$16.84 and the estimated weighted average fair value of share options granted on that date was HK\$5.11 per Share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$17.00 and the estimated weighted average fair value of share options granted on that date was HK\$5.48 per Share.

Other Information

Purchase, Sale or Redemption of Company's Listed Securities

During the six months ended June 30, 2017, the Company repurchased a total of 756,500 Shares at an aggregate purchase price of HK\$13.0 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2017	12,500	15.24	15.24	191
June 2017	744,000	17.20	16.94	12,793

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, 2017 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, 2017.

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, 2017 to June 30, 2017, 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, 2017.

Other Information

Update on Directors' Information

Changes in the information of the Directors since disclosure made in the Company's 2016 annual report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Pansy Catilina Chiu King Ho was appointed as Group Executive Chairman of Shun Tak Holdings Limited in June 2017 and she is also a chairperson of Hong Kong Federation of Women.
2. Zhe Sun was appointed as an Independent Non-executive Director of China Resources Land Limited, a company listed on the Hong Kong Stock Exchange since April 2017.

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), Daniel J. D'Arrigo, Zhe Sun and Peter Man Kong Wong 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

James Joseph Murren
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

Hong Kong, August 3, 2017

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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 set out on pages 38 to 64, which comprise the condensed consolidated statement of financial position as of June 30, 2017 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 3, 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2017

	NOTES	Six months ended June 30	
		2017	2016
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
OPERATING REVENUE			
Casino revenue	4	7,259,741	7,012,331
Other revenue	5	133,843	142,291
		7,393,584	7,154,622
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government		(3,449,619)	(3,409,448)
Inventories consumed		(133,789)	(133,955)
Staff costs		(1,052,940)	(1,001,019)
Other expenses and losses	6	(898,859)	(883,129)
Depreciation and amortization		(426,916)	(394,602)
		(5,962,123)	(5,822,153)
Operating profit		1,431,461	1,332,469
Interest income		2,094	4,138
Finance costs	7	(3,507)	(45,796)
Net foreign currency gain		12,499	15,210
Profit before tax		1,442,547	1,306,021
Income tax expense	8	(174,212)	(7,476)
Profit for the period attributable to owners of the Company	9	1,268,335	1,298,545
Other comprehensive income/(expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		492	(369)
Total comprehensive income for the period attributable to owners of the Company		1,268,827	1,298,176
Earnings per Share — Basic	11	HK33.4 cents	HK34.2 cents
Earnings per Share — Diluted	11	HK33.3 cents	HK34.2 cents

Condensed Consolidated Statement of Financial Position

At June 30, 2017

NOTES	At June 30 2017 HK\$'000 (unaudited)	At December 31 2016 HK\$'000 (audited)
ASSETS		
Non-current assets		
Property and equipment	12	3,117,210
Construction in progress	12	21,825,993
Sub-concession premium		349,024
Land use right premium		1,225,935
Other assets		114,176
Prepayments and deposits	13	74,080
Total non-current assets		26,706,418
Current assets		
Inventories		101,406
Trade receivables	14	217,310
Prepayments, deposits and other receivables	13	135,700
Land use right premium		69,406
Amounts due from related companies	23(a)(i)	444
Bank balances and cash		3,147,407
Total current assets		3,671,673
TOTAL ASSETS		30,378,091

Condensed Consolidated Statement of Financial Position

At June 30, 2017

	NOTES	At June 30 2017 HK\$'000 (unaudited)	At December 31 2016 HK\$'000 (audited)
EQUITY			
Capital and reserves			
Share capital	17	3,800,000	3,800,000
Share premium and reserves		4,111,677	3,416,696
TOTAL EQUITY		7,911,677	7,216,696
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	13,531,511	14,104,130
Payables and accrued charges	16	17,478	8,028
Construction retention payable		258,103	259,163
Deferred tax liability	8	174,056	—
Total non-current liabilities		13,981,148	14,371,321
Current liabilities			
Bank borrowings	15	3,022,500	604,500
Payables and accrued charges	16	5,157,011	4,469,245
Land use right payable		—	111,121
Construction retention payable		279,775	266,058
Amounts due to related companies	23(a)(ii)	25,980	26,318
Income tax payable		—	14,951
Total current liabilities		8,485,266	5,492,193
TOTAL LIABILITIES		22,466,414	19,863,514
TOTAL EQUITY AND LIABILITIES		30,378,091	27,080,210

The condensed consolidated financial statements on pages 38 to 64 were approved and authorized for issue by the Board of Directors on August 3, 2017 and are signed on its behalf by:

James Joseph Murren
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, 2017

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000	Other reserves HK\$'000	Currency translation reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000	Shareholders' funds total HK\$'000
At January 1, 2017 (audited)	3,800,000	10,435,363	4,178	306,553	293,725	(13,133,305)	(1,853)	5,512,035	3,416,696	7,216,696
Profit for the period	—	—	—	—	—	—	—	1,268,335	1,268,335	1,268,335
Exchange differences on translation of foreign operations	—	—	—	—	—	—	492	—	492	492
Total comprehensive income	—	—	—	—	—	—	492	1,268,335	1,268,827	1,268,827
Exercise of share options	756	9,892	—	(2,365)	—	—	—	—	7,527	8,283
Share repurchase and cancellation										
— repurchases of Shares	(756)	(12,228)	—	—	—	—	—	—	(12,228)	(12,984)
— transfer	—	—	756	—	—	—	—	(756)	—	—
Forfeiture of share options	—	—	—	(7,761)	—	—	—	7,761	—	—
Recognition of share-based payments	—	—	—	38,864	—	—	—	—	38,864	38,864
Dividends paid	—	—	—	—	—	—	—	(608,009)	(608,009)	(608,009)
At June 30, 2017 (unaudited)	3,800,000	10,433,027	4,934	335,291	293,725	(13,133,305)	(1,361)	6,179,366	4,111,677	7,911,677
At January 1, 2016 (audited)	3,800,000	10,433,107	3,712	253,858	293,725	(13,133,305)	—	3,263,954	1,115,051	4,915,051
Profit for the period	—	—	—	—	—	—	—	1,298,545	1,298,545	1,298,545
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(369)	—	(369)	(369)
Total comprehensive income	—	—	—	—	—	—	(369)	1,298,545	1,298,176	1,298,176
Forfeiture of share options	—	—	—	(11,761)	—	—	—	11,761	—	—
Recognition of share-based payments	—	—	—	33,908	—	—	—	—	33,908	33,908
Dividends paid	—	—	—	—	—	—	—	(353,400)	(353,400)	(353,400)
At June 30, 2016 (unaudited)	3,800,000	10,433,107	3,712	276,005	293,725	(13,133,305)	(369)	4,220,860	2,093,735	5,893,735

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2017

	Six months ended June 30	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,648,004	1,355,979
INVESTING ACTIVITIES		
Payments for construction in progress	(3,631,722)	(3,218,032)
Purchase of property and equipment	(50,892)	(67,374)
Proceeds from disposal of property and equipment	917	1,148
Payments of developers' fee capitalized to construction in progress	(99,461)	(90,682)
Payments for land use right premium	(113,899)	(113,899)
Purchase of other assets	(72,009)	(9,439)
NET CASH USED IN INVESTING ACTIVITIES	(3,967,066)	(3,498,278)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	1,800,000	800,000
Payment of debt finance costs	(33,980)	(85,703)
Interest paid	(234,992)	(167,612)
Dividends paid	(608,009)	(353,400)
Proceeds from exercise of share options	8,812	—
Payments on repurchase of Shares	(12,984)	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	918,847	193,285
NET DECREASE IN CASH AND CASH EQUIVALENTS	(400,215)	(1,949,014)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,547,130	5,421,058
Effect of foreign exchange rate changes, net	492	(369)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	3,147,407	3,471,675

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

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 which opened in December 2007 and is developing MGM COTAI which is expected to open in the second half of 2017. 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, Edificio 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.

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 the applicable disclosure requirements of Appendix 16 to the Listing Rules of the Hong Kong Stock Exchange and with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”).

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2017 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2016.

Application of amendments to International Financial Reporting Standards (“IFRSs”)

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual improvement 2014 — 2016 cycle	Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirement in IFRS 12

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

3. Segment Information

The Group currently operates in one operating segment which is the ownership and management of its casino, hotel, food and beverage and retail operations in Macau. A single management team reports to the Group's Chief Executive Officer (being the chief operating decision-maker) who allocates resources and assesses performance based on the consolidated revenue, net results, assets and liabilities for the entire business. Accordingly, the Group does not present separate segment information.

4. Casino Revenue

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

	Six months ended June 30	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
VIP gross table games win	4,035,162	4,226,356
Main floor gross table games win	3,981,479	3,709,157
Slot machine gross win	654,998	627,355
Gross casino revenue	8,671,639	8,562,868
Commissions and incentives	(1,411,898)	(1,550,537)
	7,259,741	7,012,331

5. Other Revenue

Other revenue comprises:

	Six months ended June 30	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	38,119	37,017
Food and beverage	70,827	82,307
Retail and others	24,897	22,967
	133,843	142,291

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

5. Other Revenue (Continued)

From time to time, the Group provides hotel rooms, food and beverage, retail and other services to certain guests and customers without charge (the “Promotional Allowances”) and no revenue is received for such promotional activities. The retail value of the Promotional Allowances incurred during the period is as follows:

	Six months ended June 30	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	177,886	191,717
Food and beverage	113,547	123,082
Retail and others	4,075	3,716
	295,508	318,515

6. Other Expenses and Losses

	Six months ended June 30	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Junket commission	315,916	340,733
Advertising and promotion	213,809	199,317
License fees	129,518	125,206
Repairs and maintenance	53,663	44,550
Other support services	48,065	42,570
Utilities and fuel	44,102	46,786
Loss on disposal or write-off of property and equipment, construction in progress	2,582	9,868
Reversal of allowance for doubtful debts, net	(28,819)	(44,986)
Other	120,023	119,085
	898,859	883,129

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

7. Finance Costs

	Six months ended June 30	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	233,897	166,844
Land use right payable	—	5,488
Amortization of debt finance costs	79,361	112,920
Bank fees and charges	3,507	3,399
Total borrowing costs	316,765	288,651
Less: capitalized interest allocated to construction in progress (see note 12)	(313,258)	(242,855)
	3,507	45,796

8. Income Tax Expense

	Six months ended June 30	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax expense:		
Mainland China income tax	(156)	—
Macau dividend withholding tax	—	(7,476)
	(156)	(7,476)
Deferred tax:		
Current period	(174,056)	—
	(174,212)	(7,476)

Macau Complementary Tax is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the current and prior periods. Pursuant to the approval notice 186/2008 issued by the Macau Government dated June 19, 2008, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for income generated from gaming operations for 5 years from 2007 to 2011. This exemption was renewed for another 5 years from 2012 to 2016 pursuant to the approval notice 267/2011 issued by the Macau Government dated September 22, 2011. Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, this exemption was renewed for the period from January 1, 2017 to March 31, 2020. Accordingly, no liability for Macau Complementary Tax has been recognized by the Group for the six months ended June 30, 2017 and 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

8. Income Tax Expense (Continued)

MGM Grand Paradise's exemption from Macau Complementary Tax does not apply to dividends to be distributed by MGM Grand Paradise. 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. Accordingly, the Company is required to recognize deferred tax liabilities for taxable temporary differences associated with its investment in MGM Grand Paradise except where the Company will be able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

On December 18, 2012, the Macau Government informed MGM Grand Paradise of the terms of an extended tax concession arrangement pursuant to which MGM Grand Paradise was required to pay a dividend withholding tax of MOP15,400,000 (equivalent to approximately HK\$14,951,000) for each of the years ended December 31, 2012 through 2016 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. During the six months ended June 30, 2017, MGM Grand Paradise has made an application to the Macau Government for an extension of this arrangement for an additional five years through 2021. As at June 30, 2017 and at the date of approval of these condensed consolidated financial statements, this application is still being processed and subject to approval by the Macau Government. Also, the various terms and conditions of the tax concession arrangement, including the duration of the tax concession and the amount of the annual lump sum payment required to be paid are still to be determined by the Macau Government.

As at June 30, 2017, the Company has reviewed its position and considered that cash dividends will be distributed to the shareholders of MGM Grand Paradise in the foreseeable future. Consequently a deferred tax charge and a corresponding liability of HK\$174.1 million pertaining to the distributable profit of MGM Grand Paradise for the six months ended June 30, 2017 was recognized during the period. Should the Company obtain the necessary approval of the tax concession arrangement in the future, the amount of the deferred tax liability associated with this temporary difference, or income tax liability where appropriate, may be adjusted accordingly in the period when the tax concession arrangement is granted.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods. For the six months ended June 30, 2017 and June 30, 2016, no provision for Hong Kong Profits Tax has been recognized since the Company's subsidiary did not have estimated assessable profit. 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. These rates range from 20% to 25%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

9. Profit for the Period

	Six months ended June 30	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' and chief executive's emoluments	34,540	20,227
Retirement benefits scheme contributions for other staff	29,813	27,813
Share-based payments for other staff	28,869	26,216
Salaries and other benefits for other staff	959,718	926,763
	1,052,940	1,001,019
Amortization in respect of:		
— sub-concession premium	62,929	63,276
— land use right premium	9,544	9,597
— other assets	2,114	9,481
Depreciation of property and equipment	352,329	312,248
	426,916	394,602
Loss on disposal or write-off of property and equipment, construction in progress	2,582	9,868
Operating lease rentals in respect of:		
— equipment	7,512	7,701
— warehouse	5,402	4,374
— leasehold land	2,468	2,468
— office premises	8,198	5,993

10. Dividends

On May 25, 2016, a final dividend of HK\$0.093 per Share, amounting to approximately HK\$353.4 million in aggregate for the year ended December 31, 2015 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 17, 2016.

On August 4, 2016, an interim dividend of HK\$0.119 per Share, amounting to approximately HK\$452.2 million in aggregate for the six months ended June 30, 2016 was declared by the Directors of the Company. The dividend was paid to Shareholders on August 30, 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

10. Dividends (Continued)

On May 24, 2017, a final dividend of HK\$0.160 per Share, amounting to approximately HK\$608.0 million in aggregate for the year ended December 31, 2016 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 16, 2017.

On August 3, 2017, an interim dividend of HK\$0.116 per Share, amounting to approximately HK\$440.8 million in aggregate for the six months ended June 30, 2017 was declared by the Directors of the Company.

11. Earnings per Share

The calculation of the basic earnings per Share for the six months ended June 30, 2017 and 2016 is based on the consolidated profit attributable to owners of the Company and the weighted average number of Shares in issue during the period.

The calculation of diluted earnings per Share for the six months ended June 30, 2017 and 2016 is based on the consolidated profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the period plus the potential Shares arising from exercise of share options (see note 18).

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

	Six months ended June 30	
	2017 (unaudited)	2016 (unaudited)
Profit		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	1,268,335	1,298,545
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,055	3,800,000
Number of dilutive potential Shares arising from exercise of share options ('000)	5,792	—
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	3,805,847	3,800,000
Earnings per Share — Basic	HK33.4 cents	HK34.2 cents
Earnings per Share — Diluted	HK33.3 cents	HK34.2 cents

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

12. Property and Equipment and Construction in Progress

	At June 30, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
Carrying amount at January 1	21,209,964	13,827,531
Additions	4,088,397	8,005,929
Disposal/write-off	(3,098)	(13,855)
Depreciation	(352,329)	(609,641)
Exchange difference	269	—
Carrying amount at June 30/December 31	24,943,203	21,209,964
Property and equipment	3,117,210	3,294,672
Construction in progress	21,825,993	17,915,292
	24,943,203	21,209,964

During the six months ended June 30, 2017, borrowing costs (including interest on land use right payable) and developers' fees of HK\$313.3 million (six months ended June 30, 2016: HK\$242.9 million) and HK\$47.5 million (six months ended June 30, 2016: HK\$47.5 million) respectively were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 3.98% (six months ended June 30, 2016: 4.58%) to expenditure on qualifying assets during the six months ended June 30, 2017.

13. Prepayments, Deposits and Other Receivables

	At June 30, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
Prepaid goods and services	72,252	46,146
Deposits	46,797	40,863
Advances to construction contractor and sub-contractors	61,213	102,548
Other receivables	29,518	28,117
	209,780	217,674
Current	135,700	107,921
Non-current	74,080	109,753
	209,780	217,674

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

14. Trade Receivables

	At June 30, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
Trade receivables	284,728	288,354
Less: Allowance for doubtful debts	(67,418)	(63,616)
	217,310	224,738

Trade receivables mainly consist of casino receivables. The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based on pre-approved credit limits. The Group also issues markers and credit to approved casino customers ("VIP gaming customers") following background checks and investigations 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.

The following is an analysis of trade receivables, net of allowance for doubtful debts, by age presented based on marker issuance date or invoice date:

	At June 30, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
Within 30 days	165,878	149,314
31 — 60 days	25,696	62,168
61 — 90 days	20,375	11,711
91 — 120 days	2,361	1,545
Over 120 days	3,000	—
	217,310	224,738

The Group assesses the recoverability of trade receivables on an individual basis. An allowance for doubtful debts is recognized against trade receivables based on estimated recoverable amounts taking into account past default experience of the individual counterparty and an ongoing assessment of the counterparty's current financial position. The Group usually recognizes a full allowance against receivables due from casino customers that are long overdue without subsequent settlement because historical experience has been that receivables with prolonged outstanding balances are generally irrecoverable. Trade receivables from hotel customers are not significant at the end of the reporting period.

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the relevant counterparties from the date credit was initially granted up to the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

15. Bank Borrowings

	At June 30, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
The secured credit facilities are repayable:		
Within one year	3,022,500	604,500
Between one to two years	13,767,500	6,045,000
Between two to five years	—	8,340,500
	16,790,000	14,990,000
Less: Debt finance costs	(235,989)	(281,370)
	16,554,011	14,708,630
Current	3,022,500	604,500
Non-current	13,531,511	14,104,130
	16,554,011	14,708,630

On October 22, 2012, the Company and MGM Grand Paradise as co-borrowers entered into an amended and restated credit agreement (the "Amended Credit Facilities") with certain lenders. The Amended Credit Facilities included a HK\$4.29 billion term loan facility and a HK\$11.31 billion revolving credit facility. These facilities bore interest at HIBOR plus a margin ranging from 1.75% to 2.5% per annum based on the Group's leverage ratio and were to be fully repaid in October 2017.

In June 2015, the Company and MGM Grand Paradise as co-borrowers entered into a second amended and restated credit agreement (the "Second Amended Credit Facilities") which extended the maturity of the Amended Credit Facilities with most of the lenders to April 29, 2019 and expanded the term loan facility set out in the Amended Credit Facilities to HK\$12.09 billion. The aggregate amount of the Second Amended Credit facilities is HK\$23.40 billion, consisting of a HK\$12.09 billion term loan facility and a HK\$11.31 billion revolving credit facility.

As at June 30, 2017, the term loan facility has been fully drawn while HK\$6.61 billion of the revolving credit facility is undrawn and available for utilization up to March 2019. The term loan facility is repayable on a quarterly basis commencing in October 2017 and is to be fully repaid in April 2019. Each drawdown under the revolving credit facility is repaid in full on the last date of the respective term but no later than April 2019.

The Second Amended Credit Facilities bear interest at HIBOR plus a fixed margin of 1.75% per annum for the first six months and thereafter a variable margin ranging from 1.375% to 2.5% per annum based on the Group's leverage ratio. As at June 30, 2017, the Group paid interest at HIBOR plus 2.25% per annum (December 31, 2016: HIBOR plus 2.00% per annum). The weighted average interest rate on the Group's borrowings for the six months ended June 30, 2017 was 3.98% per annum (six months ended June 30, 2016: 4.58% per annum).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

15. Bank Borrowings (Continued)

The Second Amended Credit Facilities contain general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the Restricted Group) to, among other things, enter into, dispose of or amend certain commitments and/or investments. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Under the Second Amended Credit Facilities, the Company and certain of its subsidiaries are required to comply with certain financial covenants whilst the loans are outstanding being:

- a leverage ratio no greater than 4.5 to 1.0 for each quarter which is reduced to no greater than 4.0 to 1.0 for each quarter after the first anniversary of opening of MGM COTAI.
- maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end.
- the Group cannot declare, make or pay any dividends while any default is outstanding or which would result from such dividend payment or if the pro forma leverage ratio exceeded 4.0 multiples as result of such dividend payment. To the extent its leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may pay dividends up to US\$300 million (equivalent to approximately HK\$2,325.0 million), including any dividends paid during the preceding 12-month period.

In February 2016, an amendment to the Second Amended Credit Facilities was executed (the “Third Supplemental Agreement”) to provide the Group with financial covenant flexibility while MGM COTAI is in the construction phase. The leverage ratio under the Third Supplemental Agreement was required to be maintained within 4.5 to 1.0 for the quarters ended March 31, 2016 and June 30, 2016. This ratio increased to no greater than 6.0 to 1.0 for each quarter ended September 30, 2016 through June 30, 2017 and reduced to no greater than 5.5 to 1.0 and 5.0 to 1.0 for the quarters ended September 30, 2017 and December 31, 2017, respectively. The leverage ratio reduced to no greater than 4.5 to 1.0 for each quarter thereafter through maturity of the credit facilities. In addition, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million (equivalent to approximately HK\$1,162.5 million), including any dividends paid during the preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million (equivalent to approximately HK\$2,325.0 million), including any dividends paid during the preceding 12-month period.

An amendment to the Third Supplemental Agreement was executed (the “Fourth Supplemental Agreement”) in February 2017 to continue to provide the Group with further covenant flexibility while MGM COTAI is in the construction phase, but with a view to deleveraging following MGM COTAI’s opening.

The leverage ratio under the Fourth Supplemental Agreement is required to be maintained within 4.5 to 1.0 for quarters ended March 31, 2016 and June 30, 2016. This ratio will be increased to no greater than 6.0 to 1.0 for each quarter ended September 30, 2016 through December 31, 2017 and reduced to no greater than 5.5 to 1.0 and 5.0 to 1.0 for quarters ended March 31, 2018 and June 30, 2018, respectively. The leverage ratio will be reduced to no greater than 4.5 to 1.0 for each quarter thereafter through maturity.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

15. Bank Borrowings (Continued)

For the six months ended June 30, 2017 and 2016, the Group has complied with the financial covenants contained in the Fourth Supplemental Agreement and Third Supplemental Agreement.

The Second Amended Credit Facilities contain mandatory prepayment provisions which include, among other things, prepayment of all outstanding loans, together with accrued interest and all other amounts due thereunder, upon a change of control or sale of the MGM Grand Paradise business or COTAI project.

In addition, the Second Amended Credit Facilities contain certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Second Amended Credit Facilities, a divestment of holdings in the Company by MGM Resorts International below 50% control or any holdings in MGM Grand Paradise by the Company would constitute a change of control and trigger mandatory prepayment of the outstanding loan balances.

The credit facilities are secured by a charge over the shares of MGM Grand Paradise and some of its subsidiaries as well as most of the assets, including but not limited to property and equipment, land use right premium and bank balances and cash of the Group.

16. Payables and Accrued Charges

	At June 30, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
Outstanding chips liabilities	1,796,936	1,050,642
Deposits and advances	959,049	805,363
Construction payables and accruals	826,561	885,880
Special gaming tax and special levy payables	614,922	600,629
Other casino liabilities	441,354	411,308
Accrued staff costs	304,229	395,247
Other payables and accrued charges	195,615	296,152
Trade payables	35,823	32,052
	5,174,489	4,477,273
Current	5,157,011	4,469,245
Non-current	17,478	8,028
	5,174,489	4,477,273

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

16. Payables and Accrued Charges (Continued)

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

	At June 30, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
Within 30 days	33,544	25,892
31 — 60 days	987	5,861
61 — 90 days	758	8
91 — 120 days	—	141
Over 120 days	534	150
	35,823	32,052

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

17. Share Capital

	Notes	Number of Shares	Share Capital HK\$
Issued and fully paid			
At January 1, 2016 (audited)		3,800,000,001	3,800,000,001
Share options exercised	18	—	—
At June 30, 2016 (unaudited)		3,800,000,001	3,800,000,001
At January 1, 2017 (audited)		3,800,000,001	3,800,000,001
Share options exercised	18	756,500	756,500
Share repurchase and cancellation	(i)	(756,500)	(756,500)
At June 30, 2017 (unaudited)		3,800,000,001	3,800,000,001

- (i) During the six months ended June 30, 2017, 756,500 Shares of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$13.0 million (six months ended June 30, 2016: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

18. Share-Based Payments

As at June 30, 2017, 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 82,908,000 (December 31, 2016: 73,575,900), representing approximately 2.18% (December 31, 2016: 1.9%) 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, 2017

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017 (audited)	Number of share options			
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2017 (unaudited)
Directors	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	5,832,000	—	—	(25,000)	5,807,000
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	770,000	—	—	—	770,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.800	60,000	—	—	—	60,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	50,000	—	—	—	50,000
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.250	750,000	—	—	(750,000)	—
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Directors	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	12,100,000	—	—	(475,000)	11,625,000
Consultants	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	260,000	—	—	—	260,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	—	—	—	850,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	460,000	—	—	—	460,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	—	—	—	1,020,000
Directors	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	8,122,100	—	(45,000)	(489,400)	7,587,700
Consultants	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	360,000	—	—	(50,000)	310,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	1,135,000	—	—	—	1,135,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

18. Share-Based Payments (Continued)

June 30, 2017 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017 (audited)	Number of share options			Outstanding at June 30, 2017 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	230,000	—	(57,500)	—	172,500
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	260,000	—	(10,000)	—	250,000
Directors	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	12,885,200	—	(644,000)	(823,600)	11,417,600
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Directors	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	8,884,000	—	—	(49,600)	8,834,400
Consultants	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	460,000	—	—	—	460,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	—	1,380,000	—	—	1,380,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	—	470,000	—	—	470,000
Directors	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	—	8,466,400	—	—	8,466,400
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	214,800	—	—	214,800
				73,575,900	12,751,200	(756,500)	(2,662,600)	82,908,000
Weighted average exercise price per Share				HK\$16.39	HK\$16.84	HK\$10.95	HK\$19.10	HK\$16.42
Exercisable at end of the reporting period								34,159,050

June 30, 2016

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2016 (audited)	Number of share options			Outstanding at June 30, 2016 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Directors	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	7,070,000	—	—	(1,000,000)	6,070,000
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	705,000	—	—	—	705,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	770,000	—	—	—	770,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.800	60,000	—	—	—	60,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

18. Share-Based Payments (Continued)

June 30, 2016 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2016 (audited)	Number of share options			Outstanding at June 30, 2016 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	50,000	—	—	—	50,000
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.250	750,000	—	—	—	750,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Directors	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	13,195,000	—	—	(800,000)	12,395,000
Consultants	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	560,000	—	—	—	560,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	1,150,000	—	—	—	1,150,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	610,000	—	—	(150,000)	460,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,320,000	—	—	—	1,320,000
Directors	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	9,353,600	—	—	(593,200)	8,760,400
Consultants	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	360,000	—	—	—	360,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	1,250,000	—	—	(50,000)	1,200,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	—	230,000	—	—	230,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	—	260,000	—	—	260,000
Directors	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	—	13,663,600	—	—	13,663,600
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	—	550,000	—	—	550,000
				49,211,000	18,238,800	—	(2,593,200)	64,856,600
Weighted average exercise price per Share				HK\$19.68	HK\$10.87	—	HK\$18.86	HK\$17.24
Exercisable at end of the reporting period								24,685,700

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

18. Share-Based Payments (Continued)

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 option. During the six months ended June 30, 2017, options were granted on February 21, 2017, May 15, 2017 and June 5, 2017 and their estimated weighted average fair values were HK\$4.01, HK\$5.11 and HK\$5.48 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 on the management's best estimate, changes in which could materially affect the fair value estimate.

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

Options granted on February 21, 2017 and May 15, 2017

Risk-free interest rate	0.793% to 0.985% per annum
Expected dividend yield	3.11% per annum
Expected life	4.43 to 7.00 years
Expected volatility	44.82% per annum

Options granted on June 5, 2017

Risk-free interest rate	1.00% to 1.08% per annum
Expected dividend yield	1.88% per annum
Expected life	4.74 to 6.52 years
Expected volatility	43.28% 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 on 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\$38.9 million for the six months ended June 30, 2017 (six months ended June 30, 2016: HK\$33.9 million) in relation to share options granted by the Company.

19. Contingent Liabilities

As at June 30, 2017, the Group has given bank guarantees totalling HK\$302.9 million (December 31, 2016: HK\$302.9 million) to certain parties, of which HK\$295.6 million (December 31, 2016: HK\$295.6 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\$3.8 million (December 31, 2016: HK\$3.8 million) was issued in favor of certain vendors and HK\$3.5 million (December 31, 2016: HK\$3.5 million) was issued in favor of a service provider, which is a related company as 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, 2017

20. Operating Lease Commitments

The Group as the lessee — future minimum lease payments

	At June 30, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
Within one year	44,506	42,852
More than one year and not longer than five years	88,872	78,044
More than five years	107,075	111,881
	240,453	232,777

The Group as the grantor of the right of use — future minimum fees receivable

	At June 30, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
Within one year	37,789	25,893
More than one year and not longer than five years	133,797	74,667
More than five years	7,416	4,777
	179,002	105,337

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, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
Contracted but not accounted for	2,640,374	4,224,259

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

22. Other Commitments

Sub-concession

Pursuant to the Subconcession Contract signed with the Macau Government for a period of 15 years ending on March 31, 2020 (which is subject to renewal by the Macau Government), 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 on 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 1.6% of the gross gaming revenue on a monthly basis, that will be made available to a public foundation for the promotion, development or study of culture, society, economy, education, science, charity events in Macau.
- iv) To pay the Macau Government a sum of 2.4% of the gross gaming revenue on a monthly basis to be used for urban development, tourist promotion and social security in Macau.
- v) 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 on the number and types of gaming tables employed and gaming machines in operation as at June 30, 2017, the Group is obligated under its Subconcession Contract to make minimum future payments of approximately MOP367.0 million (equivalent to approximately HK\$356.3 million). These amounts are expected to increase when the Group opens MGM COTAI, subject to the Macau Government approval.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

23. Related Party Transactions

Apart from the guarantees as described in note 19, details of transactions between the Group and other related parties are disclosed below.

- (a)(i) Amounts due from related companies represent balances with companies owned by 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\$7.3 thousand (December 31, 2016: HK\$0.7 million), and the ultimate holding company of the Company amounting to HK\$25.9 million (December 31, 2016: HK\$25.6 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, 2017 HK\$'000 (unaudited)	At December 31, 2016 HK\$'000 (audited)
Within 30 days	25,980	25,562
31 — 60 days	—	756
	25,980	26,318

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

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	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Rental of premises *	1,906	1,816
	Travelling and accommodation, net of discounts	27,093	29,902
Ultimate holding company	Marketing referral fees	7,792	7,062
	Marketing referral income	(94)	(536)
Company jointly-owned by Shareholders	Developers' fees capitalized	47,519	47,482
	License fee	129,518	125,206

* At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises rented from related parties of HK\$3.5 million (December 31, 2016: HK\$5.3 million) which fall due within the following two years (December 31, 2016: two years).

The Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries at no charge. Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement is effective from June 3, 2011 and will expire on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group is required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which is subject to an annual cap. For the year ending December 31, 2017, the annual cap is US\$74,649,600 (equivalent to approximately HK\$580.3 million) and for the year ended December 31, 2016, the annual cap was US\$62.208 million (equivalent to approximately HK\$483.3 million). The annual cap will increase by 20% per annum for each financial year during the term of the Branding Agreement. During the six months ended June 30, 2017, a total license fee of HK\$129.5 million (six months ended June 30, 2016: HK\$125.2 million) was recognized in profit or loss.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

23. Related Party Transactions (Continued)

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	Six months ended June 30	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	88,841	52,980
Post-employment benefits	1,549	1,291
Share-based payments	27,722	22,011
	118,112	76,282

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

“Board of Directors” or “Board”	the board of Directors of our 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 and incentives and in accordance with IFRS
“China” or “mainland China”	the People’s Republic of China excluding, for the purpose of this annual 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”	the holder 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
“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
“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 Macau Government 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
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Pansy Ho

Glossary

“gross gaming revenue” or “gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions and 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 a portion of commissions and 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 relationship programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on 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”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011
“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

Glossary

“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”	our another 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 Subconcessionaires 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 associate corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance)
“MGM MACAU” or “our property”	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
“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
“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 our Company
“Pataca” or “MOP”	Macau Pataca, the lawful currency of Macau
“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
“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 our 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 a portion of commissions and incentives
“Subconcession” or “Subconcession Contract”	the tripartite Subconcession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
“Subconcessionaire(s)”	the holder(s) of a subconcession 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 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 property, the number of times our property is entered during a fixed time period. Estimates of the number of visits to our property are based on information collected from digital cameras placed above every entrance to our property capable of counting visitors (including repeat visitors) to our property on a given day
“%”	per cent

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