



2012 Interim Report 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的有限公司)
Stock Code 股份代號 : 2282





CONTENTS

Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Other Information	21
Condensed Consolidated Financial Statements	
Report on Review of Condensed Consolidated Financial Statements	29
Condensed Consolidated Statement of Comprehensive Income	30
Condensed Consolidated Statement of Financial Position	31
Condensed Consolidated Statement of Changes in Equity	32
Condensed Consolidated Statement of Cash Flows	33
Notes to the Condensed Consolidated Financial Statements	34
Glossary	53

CORPORATE INFORMATION

Board of Directors

Executive Directors

Pansy Catilina Chiu King Ho (*Chairperson*)
James Joseph Murren (*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
Tommei Mei Kuen Tong
Sze Wan Patricia Lam

Audit Committee

Tommei Mei Kuen Tong (*Chairman*)
Kenneth A. Rosevear
Zhe Sun

Remuneration Committee

Zhe Sun (*Chairman*)
William Joseph Hornbuckle
Pansy Catilina Chiu King Ho
Tommei Mei Kuen Tong
Sze Wan Patricia Lam

Nomination and Corporate Governance Committee

Sze Wan Patricia Lam (*Chairman*)
William M. Scott IV
Chen Yau Wong
Tommei Mei Kuen Tong
Zhe Sun

Joint Company Secretaries

Antonio Jose Menano
Yee Har Yeung

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
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

Compliance Advisor

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Registered Office in Cayman Islands

Walker House
87 Mary Street, George Town
Grand Cayman KY1-9005
Cayman Islands

Principal Place of Business and Head Office in Macau

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

Place of Business in Hong Kong Registered Under Part XI 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

Walkers Corporate Service Limited
Walker House, 87 Mary Street
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,	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Casino revenue	10,793,661	9,709,958
Other revenue	159,921	153,100
Adjusted EBITDA before the license fee (unaudited)	2,937,295	2,498,758
Adjusted EBITDA (unaudited)	2,745,607	2,472,464
Profit attributable to owners of the Company	2,626,112	1,906,479
Earnings per Share — basic and diluted	HK69.1 cents	HK50.2 cents

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

MGM China, one of the leading casino gaming resort developers, owns and operates MGM MACAU, an award-winning, five-star integrated casino and luxury hotel resort located on the Macau Peninsula, the center of gaming activity in the greater China region. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. Our property opened in December 2007 and has a casino floor area of approximately 29,496 square meters, with 1,247 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, 15 private luxury villas. In addition, the resort offers luxurious amenities, including 8 diverse restaurants and bars, world-class pool and spa facilities, and 1,593 square meters of convertible convention space. Our property is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes a Mandarin Oriental Hotel and serviced apartments.

We have identified a site of approximately 17.8 acres in Cotai and have submitted an application to the Macau Government to obtain the right to lease this parcel of land for the purpose of constructing an integrated casino, hotel and entertainment complex and are awaiting final approval by the Macau Government. We are currently working towards finalizing the concept and design of the project and will be prepared to commence the project upon approval by the Macau Government. Our plans call for a truly unique MGM experience which will have approximately 500 gaming tables, 2,500 slot machines, 1,600 hotel rooms and a budget of approximately HK\$20 billion to be spent over a timeframe of 36 months.

On June 3, 2011, we completed a Reorganization and a Global Offering and the Company's Shares were listed on the Main Board of the Hong Kong Stock Exchange. Through the Reorganization and Global Offering, MGM Resorts International now owns 51% of the overall share capital of our Company and has therefore obtained a controlling interest in our Company.

For the six months ended June 30, 2012, our Company generated HK\$10,953.6 million in operating revenue, HK\$2,745.6 million in adjusted EBITDA and HK\$2,626.1 million in profit attributable to owners of the Company, representing respectively 11.1%, 11.0% and 37.7% increase over the results for the six months ended June 30, 2011. Our operating results were positively impacted by our operating strategy and the market growth, but at the same time constrained by competition and general economic condition particularly in China.

MANAGEMENT DISCUSSION AND ANALYSIS

Growth of Macau's Gaming and Tourism Markets

Propelled by the solid economic development in China, both the Macau gaming market and visitation to Macau have grown significantly in the last few years. Additional capacity has been added in recent years with several new hotels and casinos including Galaxy Macau, and Sands Cotai Central, which opened in May 2011 and April 2012, respectively. For the six months ended June 30, 2012, total casino gross win in Macau market was approximately HK\$144.4 billion, up 19.8% over the same period in 2011.

We have benefited from the rise in visitation to Macau. According to statistics published by the Statistics and Census Service of the Macau Government, visitor arrivals increased 2.5% over the same period in prior year and reached 13.6 million in the first half of 2012. Gaming customers travelling to Macau typically come from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan, with approximately 89.0% of visitors to Macau in the first half of 2012 coming from mainland China, Hong Kong and Taiwan. We are optimistic that visitation levels and gross gaming revenue in Macau will continue to grow. A combination of factors will drive the growth. These factors include the economic growth of China, which continues to create a large and growing middle class with rising disposable income, infrastructure improvements that are expected to facilitate more convenient travel to and within Macau, and the efforts and investments made by gaming concessionaires to solidify Macau as a destination market with superior integrated resort products.

Our Competitive Strengths and Operation Strategies

Our competitive strengths lie principally in our high-end product and service offerings; our ability to access large and established marketing networks of our major Shareholders; our ability to segment and conduct targeted marketing to various customer groups through our Golden Lion Club customer relationship program; and our strong partnership with gaming promoters.

Our strategy is to leverage our competitive strengths and to grow our business by continuously improving customer experience, employee engagement and operation efficiency. In 2011, we expanded key gaming areas in our property to provide our high value customers with a first-class facility that embodies luxury, intimacy and inspiration. We provide regular professional and service training to our employees with the goal of building a culture of execution excellence. The investment we made in our products and our employees was an indispensable factor that allowed us to achieve the continuous growth and financial results in the first half of 2012 over the comparable period in 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

We have taken full advantage of our strengths and executed our strategies throughout our business units, particularly in casino operations, which contribute to the vast majority of our financial results. Our casino operations can be divided into three segments:

(1) VIP Casino Gaming Operations

A significant amount of our VIP casino play is brought to us by gaming promoters, who have historically played an important role in the Macau gaming market and are important to the revenues of our casino business. Gaming promoters introduce high-spending VIP players to us and often assist those customers with their travel and entertainment arrangements. In addition, gaming promoters often extend credit to their players. Gaming promoters also rely upon sub-promoters or collaborators to bring in the VIP gaming customers.

In exchange for their services, we compensate the gaming promoters in two ways. Some gaming promoters are paid a percentage of the actual win, plus a monthly allowance based on a percentage of the rolling chip turnover their customers generate, which can be applied to hotel rooms, food and beverages and other discretionary customers-related expenses. Other gaming promoters are paid a percentage of the rolling chip turnover, plus discounted offering on our non-gaming amenities.

The Company has established good business relationships with our gaming promoters. While some have partnered with us since opening, we have been able to add new promoters over the years who have contributed significantly to our growth. We added two new gaming promoters in October 2011 and January 2012. Our commission levels have in general remained stable throughout our operating history and consistent with the overall market practice.

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

For the six months ended June 30, 2012, our VIP casino gaming operations remained relatively stable. This segment of our business generated HK\$336.3 billion in rolling chip turnover, a slight decrease of 0.5% over the same period in the prior year. The decrease in turnover is due primarily to the new gaming capacities and competition brought online by our competitors in May 2011 and April 2012. The negative impact is partly offset by incremental VIP business in response to our new gaming products and new in-house VIP gaming areas, converted from a number of high-end villas and the VIP spa area. In addition, our VIP table games win percentage increased from 3.0% to 3.2% over the comparable periods in 2011 and 2012.

Operationally, we have successfully maintained VIP business volume by maximizing productivity from existing capacity and by making capital improvements to enhance our facilities and to increase capacity for our in-house VIP customers. We have converted the VIP spa area into a new in-house VIP gaming area in December 2011. We plan to expand our VIP operations on Level Two in the second half of the year. In addition, we constantly review our service processes to meet or exceed our customer expectation. Our efforts to grow the VIP business will continue to center around maintaining a close partnership with gaming promoters and establishing good relationships with potential gaming promoters as well, and enhancing the gaming experience of our customers.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Main Floor Casino Gaming Operations

The main floor gaming operation in the Macau market is also referred to as the “mass gaming operation”. Unlike VIP players, main floor players do not receive commissions from us. The main floor business represents the most profitable segment for us. We also believe that this segment represents the most potential for sustainable growth in the future.

In spite of increased competition, for the six months ended June 30, 2012, revenue from this segment increased year-over-year by 16.4% to HK\$2,662.2 million. The growth is in part attributable to the overall market growth, but more importantly due to our successful customer segmentation approach with a product and service focus on the mid to premium main floor business. We have invested capital to improve the gaming experience of our high-end main floor customers by creating dedicated exclusive gaming space for their use. We also leveraged our player club, Golden Lion Club, as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotion.

Following the success of Supreme Lounge launched at the end of 2010, the launch of Platinum Lounge on the main floor in September 2011 continued to help us target the premium main floor players to grow our revenue and to improve our yield on the gaming floor continuously. We will continue to leverage our strengths in market segmentation to identify opportunities to grow our business through customer experience and service enhancement.

We also recognize the importance of brand awareness in growing this business segment. As a result, 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. In the first half of 2012, we have organized events such as the MGM Butterfly Pavilion from May 2012 till October 2012, which successfully drew record traffic to our property in May and June. In addition, MGM MACAU was the hosting venue for 2012 season of “Let’s Shake It” (舞林大會) semi-final. Let’s Shake It is the one of most watched shows in China. The event and subsequent airing of the event in China exposed our brand to millions of Chinese consumers.

(3) Slot Machine Operations

Our slot business continues to deliver record performance, and generated HK\$1,034.5 million in revenue for the six months ended June 30, 2012, up 31.2% from the prior period. We have successfully increased slot business volume and our market share by our successful customer and products segmentation strategies as described previously, coupled with our focus on superior slot hosts services and building brand awareness and loyalty. Following the successful introduction of our Supreme and Platinum Lounge, our strategy to retain and reactivate targeted high end players have led to more return visits and longer play, which has helped us grow our revenue. In addition, we also keep our slot product updated with the objective to increase the floor yield and to continuously improve the customer gaming experience.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Efficiency

In face of increased competition in the market, we have adopted strategies to protect and grow our earnings by focusing on customer experience, employee engagement and operating efficiency. We have introduced key performance indicators (“KPI”) implementation on various segments of our business since the fourth quarter of 2011. As a result, our table yield on the gaming floor and labor productivity in the current period continue to improve. We will continue to provide professional and service training to our employees to implement continuous improvement processes and to seek more efficiency opportunities.

Competition

While we generated solid financial results in first half of 2012, we are not immune from competitive pressure. Currently, there are six gaming concessionaires in Macau, each of whom has commenced casino operating activities and several of which have expansion plans announced or underway. As at June 30, 2012, there were 35 casinos in Macau. Those properties located in Cotai have achieved a higher growth rate than those located in Macau Peninsula during the current period. We expect competition in the Macau market to continue to increase in the future, as newly opened properties ramp up their business and more capacity is brought on line in the near future.

Our competition is not just limited to the Macau market. We compete with similar business establishments in other parts of Asia as well as elsewhere in the world, including, but not limited to integrated resorts in Singapore and Las Vegas.

Segment Information

The Group currently operates in one operating segment which is the management of its casino, hotel and food and beverage operations. 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 result for the period for the entire business comprehensively. Accordingly, the Group does not present separately segment information.

MANAGEMENT DISCUSSION AND ANALYSIS

Discussion of Results of Operations

Financial results for the six months ended June 30, 2012 compared to financial results for the six months ended June 30, 2011

Summary Statistics

The following table presents certain selected income statement line items and certain other data.

(in thousands, except for number of gaming tables and slot machines, percentage, and REVPAR)	For the six months ended June 30,	
	2012 HK\$'000	2011 HK\$'000
Number of VIP gaming tables	218	193
VIP table games turnover	336,302,409	337,921,665
VIP gross table games win	10,847,678	10,199,552
VIP table games win percentage	3.2%	3.0%
Average daily gross win per gaming table	274.0	292.7
Number of main floor gaming tables	208	226
Main floor table games drop	9,197,419	8,374,034
Main floor gross table games win	2,660,265	2,281,952
Main floor table games win percentage	28.9%	27.3%
Average daily gross win per gaming table	70.2	55.8
Number of slot machines	1,247	1,142
Slot machine handle	18,557,529	13,958,711
Slot machine gross win	1,045,388	785,424
Slot hold percentage	5.6%	5.6%
Average daily win per slot	4.6	3.8
Commission and discounts	(3,753,855)	(3,567,762)
Room occupancy rate	97.2%	95.4%
REVPAR ⁽¹⁾	2,095	2,124

Note: (1) Revenue per room, expressed in Hong Kong dollars, arrived after inclusion of services provided for hotel rooms to certain customers and guests without charges.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Revenue

The following table sets forth the operating revenue for the six months ended June 30, 2012 and 2011.

	For the six months ended June 30,	
	2012 HK\$'000	2011 HK\$'000
Casino revenue	10,793,661	9,709,958
VIP gaming operations	7,096,913	6,634,306
Main floor gaming operations	2,662,232	2,286,943
Slot machine gaming operations	1,034,516	788,709
Other revenue	159,921	153,100
Hotel rooms	35,502	49,757
Foods and beverages	99,325	85,887
Retail and other services	25,094	17,456
Operating revenue	10,953,582	9,863,058

Total operating revenue increased by 11.1% to HK\$10,953.6 million for the six months ended June 30, 2012. We believe this increase was due to a combination of factors, including overall Macau market growth, enhanced marketing efforts and property improvements such as conversion of a number of high-end villas into VIP gaming areas and the VIP spa area into a new in-house VIP gaming area, and introduction of Platinum Lounge on the main floor.

Casino Revenue

Casino revenue increased by 11.2% to HK\$10,793.7 million for the six months ended June 30, 2012. The components and reasons for this increase were:

(1) VIP Gaming Operations

Revenue from VIP gaming operations increased by 7.0% to HK\$7,096.9 million in the six months ended June 30, 2012. VIP table games turnover slightly decreased by 0.5% to HK\$336,302.4 million for the six months ended June 30, 2012. The decreases in turnover primarily resulted from new gaming capacities and competition brought online by our competitors in May 2011 and April 2012. The negative impact is partly offset by incremental VIP business in response to our new gaming products and new in-house VIP gaming areas, converted from a number of high-end villas and the VIP spa area, with a total of 63 tables in 2011, and the addition of 2 new gaming promoters in October 2011 and January 2012. For the six months ended June 30, 2012, MGM MACAU had 218 VIP gaming tables in operation, as compared with 193 VIP gaming tables for the six months ended June 30, 2011. The revenue partly benefitted from an increase in VIP table games win percentage from 3.0% to 3.2% over the comparable periods in 2011 and 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Approximately 80% of the commissions are netted against 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 amounts of commissions netted against casino revenue were HK\$3,753.9 million and HK\$3,567.8 million for the six months ended June 30, 2012 and 2011, respectively.

(2) Main Floor Gaming Operations

Revenue from main floor gaming operations increased by 16.4% to HK\$2,662.2 million for the six months ended June 30, 2012. Main floor table games drop increased by 9.8% to HK\$9,197.4 million for the six months ended June 30, 2012. The increases primarily resulted from increases in general foot traffic, continued success of the tiered-customer relationship program, improvement on our yield on the gaming floor, and introduction of new gaming area — Platinum Lounge, which are tailored for the high end segment of the mass market following the success of Supreme Lounge, and enhanced our marketing activities including organizing events such as the MGM Butterfly Pavilion from May 2012 till October 2012, and the hosting of the 2012 season of “Let’s Shake It” (舞林大會) semi-final. For the six months ended June 30, 2012, MGM MACAU had 208 main floor gaming tables in operation, as compared with 226 main floor gaming tables for the six months ended June 30, 2011. The main floor table games win percentage increased from 27.3% to 28.9% over the comparable periods in 2011 and 2012.

(3) Slot Machine Gaming Operations

Revenue from slot machine gaming operations increased by 31.2% to HK\$1,034.5 million for the six months ended June 30, 2012. Slot machine handle increased by 32.9% to HK\$18,557.5 million for the six months ended June 30, 2012. The increases primarily resulted from an increase in foot traffic and improvements to slot machine product mix, continued success of the tiered-customer relationship program, superior customer service from our slot hosts, driving performance of the high denomination slot machines, and introduction of the Supreme and Platinum Lounge gaming areas tailored for the high end segment of the market. In addition, our strategy to retain and reactivate targeted high end players have led to more return visits and longer play, which has helped us grow our revenue. For the six months ended June 30, 2012, MGM MACAU had 1,247 slot machines in operation, as compared with 1,142 slot machines for the six months ended June 30, 2011. The slot machine win percentage remained stable at 5.6% over the comparable periods in 2011 and 2012.

Other Revenue

Other revenue, which includes hotel rooms, foods and beverages and retail and other services, increased by 4.5% to HK\$160.0 million for the six months ended June 30, 2012. The increase in revenue was due to the increase in our overall casino business volume and foot traffic into our property. The non-gaming facilities and services are critical for MGM MACAU to establish its brand and maintain its popularity in Macau and the region, in order to encourage visitations and extend the length of customers’ stay within the hotel.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Costs and Expenses

The following table sets forth the major operating costs and expenses for the six months ended June 30, 2012 and 2011.

	For the six months ended June 30,	
	2012	2011
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	5,742,308	5,236,370
Staff costs	778,524	677,797
Operating and administrative and other expenses	1,740,836	1,559,847
Depreciation and amortization	389,761	366,761
Finance costs	118,679	125,278
Taxation	(424,911)	48

Special gaming tax and special levy to the Macau Government

Special gaming tax and special levy to the Macau Government increased by 9.7% to HK\$5,742.3 million for the six months ended June 30, 2012. This increase resulted directly from the increased casino revenue over the comparable period in 2011.

Staff costs

Staff costs increased by 14.9% to HK\$778.5 million for the six months ended June 30, 2012. The increase was primarily due to hiring of additional staff to cater to the increase in casino business volumes as well as a 5% staff salary increment to line level staff implemented in March 2012. Our labor efficiency continues to improve, as a result of KPI implementation, a process that started in fourth quarter of 2011 and continued into the current period.

Operating and administrative and other expenses

Operating and administrative and other expenses increased mainly resulting from:

Junket commissions. Junket commissions increased by 6.2% from HK\$824.6 million for the six months ended June 30, 2011 to HK\$875.4 million for the six months ended June 30, 2012. The increase resulted directly from the increase in VIP gross table games win over the comparable period in 2011.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 485.0% from HK\$34.7 million for the six months ended June 30, 2011 to HK\$202.8 million for the six months ended June 30, 2012. The increase resulted mainly from the fact that prior's period amount was charged beginning on June 3, 2011 due to the Branding Agreement was effective on the date of Listing in prior period.

Listing expenses. Listing expenses was a one-off cost incurred associated with the listing of the Company on the Hong Kong Stock Exchange of approximately HK\$74.6 million for the six months ended June 30, 2011.

Allowance for doubtful debts, net. Allowance for doubtful debts, net decreased by 16.9% from HK\$51.2 million for the six months ended June 30, 2011 to HK\$42.5 million for the six months ended June 30, 2012. There were no changes in the allowance for doubtful debts policy; the decrease was primarily as a result of tighter collection effort during the current period.

As a result, operating and administrative and other expenses increased by 11.6% to HK\$1,740.8 million for the six months ended June 30, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation and amortization

Depreciation and amortization increased by 6.3% to HK\$389.8 million for the six months ended June 30, 2012 due to the impact of assets placed into service in the new in-house VIP gaming area and Platinum Lounge, and the opening of MGM Butterfly Pavilion, offset by full depreciation of certain assets for the six months ended June 30, 2012.

Finance costs

Finance costs decreased by 5.3% to HK\$118.7 million for the six months ended June 30, 2012. The decrease primarily resulted from no revolving credit facility was drawn during the current period, partly offset by an increase in overall market interest rates when compared to prior period.

Taxation

Taxation for the six months ended June 30, 2012 primarily relates to the reversal of the difference in amount of HK\$424.9 million between the deferred tax expense which the Company provided on the distributable reserves of MGM Grand Paradise, calculated at the statutory progressive rate as at December 31, 2011 and the amount granted by the Macau Government under the tax concession arrangement in June 2012. Details of taxation 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 increased by 37.7% from HK\$1,906.5 million for the six months ended June 30, 2011 to HK\$2,626.1 million for the six months ended June 30, 2012.

Adjusted EBITDA

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement, operating profit, for the six months ended June 30, 2012 and 2011.

	For the six months ended June 30,	
	2012	2011
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	2,626,112	1,906,479
Add/(less):		
Depreciation and amortization	389,761	366,761
Interest income	(18,278)	(1,150)
Finance costs	118,679	125,278
Net foreign currency difference	551	(8,372)
Taxation	(424,911)	48
Share-based payments ⁽¹⁾	42,335	4,574
Property charges and others ⁽²⁾	11,358	78,846
Adjusted EBITDA⁽³⁾ (unaudited)	2,745,607	2,472,464
Adjusted EBITDA before the license fee⁽⁴⁾ (unaudited)	2,937,295	2,498,758

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Share-based payments for the six months ended June 30, 2012 and 2011 consisted of the stock compensation expense to Eligible Persons (as defined in the Company's share option scheme, which includes any Directors or employees of the Group and any other person including consultants or advisers). Details of the share-based payments are set out in note 17 to the condensed consolidated financial statements.
- (2) Property charges and others for the six months ended June 30, 2012 and 2011 primarily consisted of loss on the disposal or write-off of property and equipment of HK\$11.4 million for the six months ended June 30, 2012 and HK\$4.0 million for the six months ended June 30, 2011, and a one-off cost incurred associated with the listing of the Company on the Hong Kong Stock Exchange of HK\$74.6 million for the six months ended June 30, 2011.
- (3) Adjusted EBITDA is profit before finance costs, taxes, depreciation and amortization, interest income, net foreign currency difference, share-based payments, and property charges and other items which mainly include loss on disposal/write-off of property and equipment and other non-recurring expenses. Adjusted EBITDA is used by management as the primary measure of our operating performance and to compare our operating performance with that of our competitors. However, adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our IFRS operating performance, 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.
- (4) Adjusted EBITDA before the license fee paid to a related company is HK\$2,937.3 million and HK\$2,498.8 million for the six months ended June 30, 2012 and 2011 respectively. Details of the license fee are set out in note 22 to the condensed consolidated financial statements.

Liquidity and Capital Resources

Capital Resources

Working capital and recurring expenses as well as capital expenditures were funded from equity, bank borrowings, and cash generated from operations.

Our cash balance as at June 30, 2012 was HK\$5,105.3 million. This cash was available for operations, new development activities and enhancement to existing properties. In addition, HK\$3,120.0 million remains undrawn under the revolving facility available to our Group.

Gearing Ratio

The gearing ratio is an indicator of our Group's capital structure and capacity. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised long and short-term bank borrowings, where equity comprised all capital and reserves of the Group that are managed as capital. As at June 30, 2012, the gearing ratio of the Group is zero (December 31, 2011: zero), due to the fact that we have more cash than total debt as at June 30, 2012 and December 31, 2011.

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, 2012 and 2011.

	For the six months ended June 30,	
	2012 HK\$'000	2011 HK\$'000
Net cash generated by operating activities	2,907,400	3,451,368
Net cash used in investing activities	(202,595)	(139,306)
Net cash used in financing activities	(3,189,931)	(1,986,997)
Net (decrease) increase in cash and cash equivalents	(485,126)	1,325,065
Cash and cash equivalents at the beginning of period	5,590,405	1,922,723
Cash and cash equivalents at the end of period	5,105,279	3,247,788

Net cash generated by operating activities

Our net cash generated from operating activities is primarily affected by operating income generated by MGM Grand Paradise as a result of increased casino revenue and smaller growth in our working capital during the current period when compared to prior period. Net cash from operating activities was HK\$2,907.4 million for the six months ended June 30, 2012 compared to HK\$3,451.4 million for the six months ended June 30, 2011.

Net cash used in investing activities

Net cash used in investing activities was HK\$202.6 million for the six months ended June 30, 2012 compared to HK\$139.3 million for the six months ended June 30, 2011. The major components of the cash flow used in investing activities relate to payment for the construction in progress and purchase of property and equipment totaling HK\$160.0 million and HK\$133.8 million for the six months ended June 30, 2012 and 2011, respectively. Payment for the construction in progress partly relates to the renovation work carried out throughout our property. It included but is not limited to conversion of VIP gaming area in Level Two at our property during the six months ended June 30, 2012, and conversion of VIP gaming suites, renovation and reconfiguration of gaming areas on the main floor in the prior period. They are part of our ongoing effort to maintain and upgrade our products to enhance our customer experience at our property. In addition, we are working towards finalizing of the concept and design of the Cotai project as well during the current period.

Net cash used in financing activities

Net cash used in financing activities was HK\$3,190.0 million for the six months ended June 30, 2012 compared to HK\$1,987.0 million for the six months ended June 30, 2011. The increase mainly resulted from HK\$3,100.8 million dividend payment during the six months ended June 30, 2012 as compared to the HK\$1,490.0 million repayment of revolving credit facility in the prior period.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

Future commitments in respect of renovation of the casino and hotel complex of the Group and design of the Cotai project that are not recorded in the condensed consolidated financial statements herein are as follows:

	As at	
	June 30, 2012 HK\$'000	December 31, 2011 HK\$'000
Authorized but not contracted for	438,861	134,270
Contracted but not accounted for	315,683	29,192
	754,544	163,462

Indebtedness

The following table presents a summary of our indebtedness as at June 30, 2012 and December 31, 2011.

	As at	
	June 30, 2012 HK\$'000	December 31, 2011 HK\$'000
Secured revolving credit facility	—	—
Secured term loan facility	4,290,000	4,290,000
Total	4,290,000	4,290,000

The group had approximately HK\$3,120.0 million available to draw under the MGM Grand Paradise credit facilities as at June 30, 2012 and December 31, 2011.

Contingent Liabilities

As at June 30, 2012, the Group has given bank guarantees totaling HK\$300.0 million in relation to our gaming subconcession.

MANAGEMENT DISCUSSION AND ANALYSIS

Term Loan Facility and Revolving Facility

Overview

As at June 30, 2012, our credit facilities include a HK\$4,290.0 million term loan facility and a HK\$3,120.0 million revolving credit facility. The credit facilities may be used for a variety of purpose, including refinancing, casino operation and all proper corporate purposes. The credit facilities are secured by a charge over the shares and substantially all the assets of MGM Grand Paradise and its subsidiaries.

Principal and Interest

The loans under the revolving facility may be redrawn up to June 2015. The principal amount of the term loans is required to be repaid in quarterly installments, commencing in July 2012, and in one lump sum of HK\$2,145.0 million upon final maturity in July 2015.

MGM Grand Paradise pays interest at HIBOR plus an initial margin of 4.5% per annum. Depending on MGM Grand Paradise's adjusted leverage ratio, the margin may decrease to a minimum of 3.0% per annum. As at June 30, 2012, MGM Grand Paradise paid interest at HIBOR plus a margin of 3.0%.

General Covenants

The facilities contain general covenants restricting the ability of the obligor group (MGM Grand Paradise and certain of its subsidiaries, but not our Company) 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

MGM Grand Paradise is required to maintain a specified adjusted leverage ratio at the end of each quarter while the loans are outstanding. For the year 2012, the specified adjusted leverage ratio is required to be no greater than 3.50 to 1.00 for each quarter thereafter. In addition, MGM Grand Paradise is required to maintain a debt service coverage ratio of no less than 1.50 to 1.00 at each quarter end.

Compliance with Covenants

MGM Grand Paradise has complied with the general and financial covenants contained in the credit facilities as set forth above.

Mandatory Prepayments

The 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, a revocation, repudiation, termination or otherwise the unenforceability of the Subconcession Contract or the land concession contract or a sale of the MGM Grand Paradise business.

Dividend Restrictions

MGM Grand Paradise is not allowed to declare, make or pay any dividends if its adjusted leverage ratio exceeds 4.00 to 1.00 and, to the extent its adjusted leverage ratio exceeds 3.50 to 1.00, may only pay dividends if it concurrently prepays the loans outstanding under the credit agreement. As at June 30, 2012, our adjusted leverage ratio is approximately 0.84.

MANAGEMENT DISCUSSION AND ANALYSIS

Events of Default

The facilities contain certain events of default, and certain insolvency-related proceedings relating to our Group. Pursuant to the facilities, a divestment of holdings in MGM Grand Paradise by MGM Resorts International would constitute a change of control unless MGM Resorts International retains direct or indirect beneficial ownership of at least 25% of the issued share capital of MGM Grand Paradise.

Security and Guarantees

Collateral for the term loan and revolving credit facility consists of substantially all of the assets of the MGM Grand Paradise group and the shares of MGM Grand Paradise. Our Company and certain of MGM Grand Paradise's direct and indirect subsidiaries (where applicable) have executed guarantees as security.

Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and conditions, such as inflation, interest rates, and foreign currency exchange rates.

Foreign Exchange Risk

The cash received from gaming activities is primarily in HK\$. The Group reports gross gaming win to the Macau Government in Patacas and the gaming taxes are paid in HK\$. Our costs and expenses are primarily denominated in Patacas and HK\$. The value of a Pataca is directly linked to the value of a HK\$, and accordingly, we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The majority of its foreign currency exposures comprises assets denominated in US\$, Taiwan Dollars and Singapore Dollars. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable.

Interest Rate Risk

One of our primary exposures to market risk is interest rate risk associated with our credit facilities that bear interest based on floating rates. We manage our interest rate risk 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 cannot assure you that these risk management strategies will have the desired effect, and interest rate fluctuations could have a negative impact on our results of operations. We do not hedge our interest rate risk.

Off Balance Sheet Arrangements

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other Liquidity Matters

We expect that we will fund our operations and capital expenditure requirements from operating cash flows, cash on hand and standby credit facilities. However, we cannot be sure that operating cash flows will be sufficient for this purpose. We may raise additional debt or refinance all or a portion of our indebtedness on or before maturity, but there can be no assurance that we will be able to do so on acceptable terms or at all.

New business developments or other unforeseen events may occur, resulting in the need to raise additional funds. There can be no assurances regarding the business prospects with respect to any other opportunity. Any other development would require us to obtain additional financing.

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 our casino and hotel complex. We have incurred and will continue to incur capital expenditures related to these enhancements and refinements.

Taking into consideration our financial resources, including our cash and cash equivalents, standby credit facilities and internally generated funds, we believe that we have sufficient liquid assets to meet our working capital and operating requirements for the following 12 months.

Related Party Transactions

Details of related party transactions are set out in note 22 to the condensed consolidated financial statements. Our Directors confirm that all related party transactions are conducted on normal commercial terms and that their terms are fair and reasonable and are in the best interest of all the Shareholders as a whole.

Business Review and Prospects

MGM China achieved a growth and good financial performance for the six months ended June 30, 2012. The adjusted EBITDA and profit attributable to owners of the Company increased by 11.0% and 37.7% to HK\$2,745.6 million and HK\$2,626.1 million, respectively, for the six months ended June 30, 2012 over the comparable period in 2011. We attribute our good financial performance to not only the growth of the overall Macau market, but also our investments in the upgrade of our physical facility, which greatly enhanced customer experience as well as our increased marketing initiatives. Furthermore, these financial results would not have been possible without a highly engaged employee base that strives for service excellence and operation efficiency in a highly competitive market.

During the past year, we demonstrated our capability to drive earnings and improve our margins through managing our customer segments, yielding our gaming floor and containing our cost. Marketing effectiveness and operating efficiency are critical in the highly competitive market. However, equally if not more important to the sustainability of our earnings increase, is our focus on new revenue streams and sources. This is an area that we will continue to devote much of our management time and resources to in the future. To that end, we will need to continuously improve our customer experience at MGM MACAU, both gaming and non-gaming.

MANAGEMENT DISCUSSION AND ANALYSIS

On the gaming front, we are going full speed with the expansion on Level Two at MGM MACAU. This project will deliver a high quality product to house over 40 VIP gaming tables. It is our goal to increase revenue and productivity while re-examining the existing resource allocation. On the main floor, we will introduce some new games to our players, and at the same time, we will also focus on capital improvements to refresh our mass gaming experience.

We are also committed to continuously improve our customers' non-gaming experience at MGM MACAU by creating a unique experience at our Grande Praça, along with our superior food and beverage offerings and hotel product. For example, we opened our Butterfly Pavilion in May 2012. It has consistently attracted about 50,000 visitors per month. The exhibit increased our property visitation by about 8% on an incremental basis and positively impacted on our revenue.

The Company is also looking into expansion opportunities including but not limited to developing a second hotel project in Macau. We have identified a site of approximately 17.8 acres in Cotai and have submitted an application to the Macau Government to obtain the right to lease this parcel of land for the purpose of constructing an integrated casino, hotel and entertainment complex. Meanwhile we have made significant progress in getting our construction team in place as well as continuing to refine and enhance our designs and we are well prepared to commence construction if and when we obtain approval from the Macau Government. Our plan is to have approximately 500 gaming tables, 2,500 slot machines, 1,600 hotel rooms with a budget of approximately HK\$20 billion. We are well positioned for a truly unique MGM experience.

In summary, we believe in the long-term growth prospect of the Macau market, driven by (1) a large and growing mainland Chinese middle class with increasing disposable income; (2) continuous infrastructure improvements that will facilitate convenient travel to and within Macau and enhance the visitation levels; and (3) the efforts and investments made by gaming concessionaires to solidify Macau as a destination market with superior integrated resort products. MGM China will be an active participant contributing to as well as benefitting from the Macau market growth. We are confident that we will continue to grow and create value for our Shareholders and other stakeholders.

OTHER INFORMATION

Dividends

The Board does not recommend the payment of an interim dividend in respect of the six months ended June 30, 2012.

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, 2012, 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 the SFO (including interests and short positions which the Directors and the chief executive were deemed or taken 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	Total	Percentage of issued share capital
Pansy Ho	380,000,000 ⁽¹⁾	—	662,661,200 ⁽²⁾	1,042,661,200	27.44%
Grant R. Bowie	3,500,000 ⁽³⁾	—	—	3,500,000	0.09%

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

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total	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	Total	Percentage of issued common stocks
James Joseph Murren	1,000,000 ⁽⁶⁾	—	—	1,000,000	0.2045%
	1,331,250 ⁽⁷⁾	—	—	1,331,250	0.2723%
	1,381,250 ⁽⁸⁾	—	—	1,381,250	0.2825%
	61,250 ⁽⁹⁾	—	—	61,250	0.0125%
	5,560 ⁽¹⁰⁾	—	—	5,560	0.0011%
	—	169,324 ⁽¹¹⁾	—	169,324	0.0346%
William Joseph Hornbuckle	159,375 ⁽¹²⁾	—	—	159,375	0.0326%
	290,625 ⁽¹³⁾	—	—	290,625	0.0594%
	21,152 ⁽¹⁴⁾	—	—	21,152	0.0043%
	20,000 ⁽¹⁵⁾	—	—	20,000	0.0041%
	—	16,931 ⁽¹⁶⁾	—	16,931	0.0035%
William M. Scott IV	105,625 ⁽¹⁷⁾	—	—	105,625	0.0216%
	143,125 ⁽¹⁸⁾	—	—	143,125	0.0293%
	5,750 ⁽¹⁹⁾	—	—	5,750	0.0012%
	551 ⁽²⁰⁾	—	—	551	0.0001%
Daniel J. D'Arrigo	85,000 ⁽²¹⁾	—	—	85,000	0.0174%
	48,375 ⁽²²⁾	—	—	48,375	0.0099%
	402,125 ⁽²³⁾	—	—	402,125	0.0822%
	9,421 ⁽²⁴⁾	—	—	9,421	0.0019%
	17,002 ⁽²⁵⁾	—	—	17,002	0.0035%
Kenneth A. Rosevear	690,000 ⁽²⁶⁾	—	—	690,000	0.1411%
	15,000 ⁽²⁷⁾	—	—	15,000	0.0031%
	45,000 ⁽²⁸⁾	—	—	45,000	0.0092%
	2,000 ⁽²⁹⁾	—	—	2,000	0.0004%
	6,000 ⁽³⁰⁾	—	—	6,000	0.0012%
	11,349 ⁽³¹⁾	—	—	11,349	0.0023%

OTHER INFORMATION

(d) Long Position in the Convertible Senior Notes of Associated Corporations — MGM Resorts International (the “Notes”)⁽³²⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total
Pansy Ho	—	—	US\$300,000,000 ⁽³³⁾	US\$300,000,000

Notes:

- (1) These represent the Shares beneficially held by Pansy Ho in her personal capacity.
- (2) Pansy Ho was deemed to be interested in 662,661,200 Shares held by Grand Paradise Macau Limited, a company which she controls.
- (3) This represents 3,500,000 share options of the Company granted to Grant R. Bowie under the share option scheme of the Company, details of which are set out in note 17 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”), 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 granted vest ratably over 4 years. MGM Resorts International’s practice is to issue new shares upon exercise or vesting of awards.
- (6) This represents 1,000,000 vested employee stock options in the common stock of MGM Resorts International granted to James Joseph Murren.
- (7) This represents 1,331,250 vested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (8) This represents 1,381,250 unvested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (9) This represents 61,250 unvested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.
- (10) These represent the common stock of MGM Resorts International held by James Joseph Murren.
- (11) These 169,324 shares in the common stock of MGM Resorts International were held by the family trust of James Joseph Murren.
- (12) This represents 159,375 vested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (13) This represents 290,625 unvested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (14) This represents 21,152 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (15) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (16) These 16,931 shares in the common stock of MGM Resorts International were held by the IV 2004 trust of William Joseph Hornbuckle.

OTHER INFORMATION

- (17) This represents 105,625 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (18) This represents 143,125 unvested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (19) This represents 5,750 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.
- (20) These represent the common stock of MGM Resorts International held by William M. Scott IV.
- (21) This represents 85,000 vested employee stock options in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (22) This represents 48,375 vested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (23) This represents 402,125 unvested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (24) This represents 9,421 RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (25) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (26) This represents 690,000 vested employee stock options in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (27) This represents 15,000 vested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (28) This represents 45,000 unvested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (29) This represents 2,000 vested RSUs in the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (30) This represents 6,000 unvested RSUs in the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (31) These represent the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (32) The Notes will pay interest semi-annually at a rate of 4.25% per annum and will mature on April 15, 2015. The Notes will be convertible into shares in the common stock of MGM Resorts International at an initial conversion rate of 53.83 shares in the common stock of MGM Resorts International per US\$1,000 principal amount of the Notes.
- (33) Pansy Ho was deemed to be interested in the Notes by virtue of her indirect beneficial interests in the entity which acquired the Notes.

Save as disclosed above, as at June 30, 2012, 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 notified to the Company and the Hong Kong Stock Exchange or recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid.

OTHER INFORMATION

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

As at June 30, 2012, 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

Number of Shares

Name	Capacity/nature of interest	Total	Percentage of shareholding
MGM Resorts International ⁽¹⁾	Interest of a controlled corporation	1,938,000,001	51.00%
MGM International, LLC ⁽¹⁾	Interest of a controlled corporation	1,938,000,001	51.00%
MGM Resorts International Holdings, Ltd. ⁽¹⁾	Direct interest	1,938,000,001	51.00%
Pansy Ho ⁽²⁾	Direct interest	380,000,000	10.00%
	Interest of a controlled corporation	662,661,200	17.44%
Grand Paradise Macau Limited ⁽²⁾	Direct interest	662,661,200	17.44%

Notes:

- (1) MGM Resorts International Holdings, Ltd. 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 1,938,000,001 Shares which are directly held by MGM Resorts International Holdings, Ltd.
- (2) Grand Paradise Macau Limited is a company controlled by Pansy Ho and therefore Pansy Ho is deemed or taken to be interested in 662,661,200 Shares which are directly held by Grand Paradise Macau Limited.

Save as disclosed above, the Company had not been notified of any other corporation or person, who, as at June 30, 2012, 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 or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION

Remuneration Policy

As at June 30, 2012, MGM Grand Paradise had approximately 5,700 full-time and part-time employees in Macau and Hong Kong.

The Group's remuneration philosophy is a market-based job leveling approach to pay administration, 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 Macau 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, performance bonus, share options and provident funds schemes, etc.
- Objective — to be consistent with Macau market rates.
- Developmental — to encourage career and professional development within the workforce.

An internal and a board level remuneration committees were formed to establish a formal and transparent procedure for regular review the Group's remuneration guidelines and to determine specific remuneration packages for the Group's directors and employees per market trend.

A group-wide performance based incentive program was 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 business 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, considering individual and company business performance.

Share Option Scheme

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected qualifying grantees. On February 23, 2012, 80,000 options and 875,000 options were granted to employees and consultants respectively. The vesting periods for all of the options granted on that date were 25% vesting on each of the anniversary date of the date of grant. The closing price of the Shares immediately before the date of this grant was HK\$12.96 and the estimated weighted average fair value of share options granted on that date was HK\$8.78 per option.

A summary of the Company's share option scheme, particulars of the number of share options granted during the period, vesting and exercise periods, exercise prices and values of share options granted are set out in note 17 to the condensed consolidated financial statements.

OTHER INFORMATION

Purchase, Sale or Redemption of Company's Listed Securities

There has been no exercise of any conversion or subscription rights, nor any purchase, sale or redemption by the Group of its listed Shares during the six months ended June 30, 2012.

Corporate Governance Practices

The Directors of the Company recognize the importance of good corporate governance in the management of the Group. During the three months ended March 31, 2012, the Company complied with the code provisions of the Code on Corporate Governance Practices as set out in the then Appendix 14 to the Listing Rules. During the three months from April 1, 2012 to June 30, 2012, 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 officers (the "Securities Code") on terms which are more 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, 2012.

Update on Directors' Information

Changes in the information of the directors of the Company since disclosure made in the Company's 2011 annual report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Ms. Pansy Catilina Chiu King Ho took the Chair of Global Tourism Economy Research Centre (世界旅遊經濟研究中心) established in Macau. She resigned as a non-executive director of Qin Jia Yuan Media Services Company Limited, a listed company in Hong Kong, effective from May 28, 2012.
2. In November, 2011, Mr. William M. Scott IV was appointed to serve as a director of Diaoyutai-MGM Hospitality, Ltd, the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the People's government) for the development of hospitality resources in China. In March 2012, he was appointed by MGM Resorts International as Senior Resident Executive for Greater China.
3. Ms Sze Wan Patricia Lam was appointed as a member of the Board of Governors of the Hang Seng Management College in Hong Kong with effect from June 2012.

OTHER INFORMATION

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 which comprises of Tommei Mei Kuen Tong (Chairman), Kenneth A. Rosevear and Zhe Sun 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

Pansy Catilina Chiu King Ho
Chairperson and Executive Director

James Joseph Murren
Co-Chairperson and Executive Director

Hong Kong, August 7, 2012

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries set out on pages 30 to 52, which comprises the condensed consolidated statement of financial position as of June 30, 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 7, 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2012

	NOTES	Six months ended June 30,	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (audited)
OPERATING REVENUE			
Casino revenue	4	10,793,661	9,709,958
Other revenue	5	159,921	153,100
		10,953,582	9,863,058
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government		(5,742,308)	(5,236,370)
Staff costs		(778,524)	(677,797)
Operating and administrative and other expenses	6	(1,740,836)	(1,559,847)
Depreciation and amortization		(389,761)	(366,761)
		(8,651,429)	(7,840,775)
Operating profit		2,302,153	2,022,283
Interest income		18,278	1,150
Finance costs	7	(118,679)	(125,278)
Net foreign currency (loss) gain		(551)	8,372
Profit before taxation		2,201,201	1,906,527
Taxation	8	424,911	(48)
Profit for the period and total comprehensive income attributable to owners of the Company	9	2,626,112	1,906,479
Earnings per share — Basic and diluted	11	HK69.1 cents	HK50.2 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2012

	NOTES	At June 30, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property and equipment	12	4,730,253	4,964,656
Sub-concession premium		983,872	1,047,148
Land use right premium		342,107	351,651
Other assets		9,569	7,655
Construction in progress	12	153,085	31,290
Deposit		11,288	2,102
		6,230,174	6,404,502
CURRENT ASSETS			
Inventories		94,133	79,099
Trade receivables	13	607,351	549,423
Prepayments, deposits and other receivables		64,584	46,043
Land use right premium — short term		19,246	19,299
Amounts due from related companies	22(a)(i)	270	284
Bank balances and cash		5,105,279	5,590,405
		5,890,863	6,284,553
CURRENT LIABILITIES			
Payables and accrued charges	14	3,737,798	3,466,324
Bank borrowings — due within 12 months	15	416,144	206,805
Deposits and advances		194,028	200,433
Construction retention payable — due within 12 months		2,242	4,712
Amounts due to related companies	22(a)(ii)	43,545	8,192
Taxation payable		285	457
		4,394,042	3,886,923
NET CURRENT ASSETS		1,496,821	2,397,630
TOTAL ASSETS LESS CURRENT LIABILITIES		7,726,995	8,802,132
NON-CURRENT LIABILITIES			
Bank borrowings — due after 12 months	15	3,745,299	3,929,304
Deferred tax liability	16	—	458,779
		3,745,299	4,388,083
NET ASSETS		3,981,696	4,414,049
CAPITAL AND RESERVES			
Share capital		3,800,000	3,800,000
Share premium and reserves		181,696	614,049
SHAREHOLDERS' FUNDS		3,981,696	4,414,049

The condensed consolidated financial statements on pages 30 to 52 were approved and authorized for issue by the Board of Directors on August 7, 2012 and is signed on its behalf by:

Pansy Catilina Chiu King Ho
Chairperson and Executive Director

James Joseph Murren
Co-Chairperson and Executive Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2012

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000	Shareholders' funds total HK\$'000
At January 1, 2012 (audited)	3,800,000	10,434,193	50,184	293,725	(13,133,305)	2,969,252	614,049	4,414,049
Profit for the period and total comprehensive income	—	—	—	—	—	2,626,112	2,626,112	2,626,112
Share-based payments	—	—	42,335	—	—	—	42,335	42,335
Dividends paid	—	—	—	—	—	(3,100,800)	(3,100,800)	(3,100,800)
At June 30, 2012 (unaudited)	3,800,000	10,434,193	92,519	293,725	(13,133,305)	2,494,564	181,696	3,981,696
At January 1, 2011 (audited)	194,175	—	—	293,725	778,485	214,464	1,286,674	1,480,849
Profit for the period and total comprehensive income	—	—	—	—	—	1,906,479	1,906,479	1,906,479
Arising on group reorganization	2,845,825	—	—	—	(14,092,334)	—	(14,092,334)	(11,246,509)
Issue of shares	760,000	10,898,400	—	—	—	—	10,898,400	11,658,400
Expenses incurred in connection with issue of shares	—	(464,207)	—	—	—	—	(464,207)	(464,207)
Contribution by shareholders	—	—	—	—	132,000	—	132,000	132,000
Transfer to legal reserve	—	—	—	—	48,544	(48,544)	—	—
Share-based payments	—	—	4,574	—	—	—	4,574	4,574
Dividends paid	—	—	—	—	—	(475,728)	(475,728)	(475,728)
At June 30, 2011 (audited)	3,800,000	10,434,193	4,574	293,725	(13,133,305)	1,596,671	(804,142)	2,995,858

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2012

	Six months ended June 30,	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (audited)
NET CASH GENERATED BY OPERATING ACTIVITIES	2,907,400	3,451,368
INVESTING ACTIVITIES		
Payments for construction in progress	(101,639)	(55,629)
Payments of developers' fee capitalized to construction in progress	(37,293)	—
Proceeds from sale of property and equipment	901	41
Purchase of other assets	(6,229)	(5,560)
Purchase of property and equipment	(58,335)	(78,158)
NET CASH USED IN INVESTING ACTIVITIES	(202,595)	(139,306)
FINANCING ACTIVITIES		
Repayment of bank borrowings	—	(1,490,000)
Interest paid	(87,325)	(97,670)
Bank fees and charges paid	(1,806)	(3,283)
Dividends paid	(3,100,800)	(475,728)
Contribution by shareholders	—	132,000
Expenses incurred in connection with issue of shares	—	(52,316)
NET CASH USED IN FINANCING ACTIVITIES	(3,189,931)	(1,986,997)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(485,126)	1,325,065
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,590,405	1,922,723
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	5,105,279	3,247,788

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

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 Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on June 3, 2011. The Company’s immediate holding company is MGM Resorts International Holdings, Ltd., a company incorporated in Isle of Man. The Company’s ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, and listed on the New York Stock Exchange. The address of the registered office of the Company is Walker House, 87 Mary Street, 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.

Through a group reorganization to rationalize the structure of the Company, MGM Grand Paradise Limited (“MGM Grand Paradise”) and its subsidiaries (together with the Company hereinafter collectively referred to as the “Group”) in preparation for the listing of the Company’s shares (the “Group Reorganization”), the Company became the holding company of the Group on June 2, 2011 upon completion of the Group Reorganization. Details of the Group Reorganization are more fully explained in the section headed “History and Corporate Structure — Reorganization” of the prospectus of the Company dated May 23, 2011. The Group resulting from the Group Reorganization is regarded as a continuing entity.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), 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 in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 (“IAS 34”), Interim Financial Reporting.

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2011. In addition, the Group has applied, for the first time, the following policy regarding share options granted to consultants for new transaction that occurred during the six months ended June 30, 2012:

Share options issued to consultants in exchange for services are measured at the fair values of services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

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

Application of new or revised International Financial Reporting Standards ("IFRSs")

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

IFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments in the current interim 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.

IFRSs issued but not effective

The Group has not early adopted the new or revised IFRSs that have been issued but not yet effective. The following amendments have been issued after the date the consolidated financial statements for the year ended December 31, 2011 were authorized for issuance and are not yet effective:

IFRSs (Amendments)	Annual Improvements to IFRSs: 2009-2011 Cycle ¹
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹

¹ Effective for annual periods beginning on or after January 1, 2013

The directors of the Company anticipate that the application of the above amendments will have no material impact on the financial performance and the financial position of the Group.

3. Segment Information

The Group currently operates in one operating segment which is the management of its casino, hotel and food and beverage operations. 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 result for the period for the entire business comprehensively. Accordingly, the Group does not present separately segment information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

4. Casino Revenue

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

	Six months ended June 30,	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Casino revenue from		
— VIP gaming operations	7,096,913	6,634,306
— Main floor table gaming operations	2,662,232	2,286,943
— Slot machine operations	1,034,516	788,709
	10,793,661	9,709,958

5. Other Revenue

Other revenue comprises:

	Six months ended June 30,	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hotel rooms	35,502	49,757
Food and beverages	99,325	85,887
Retail goods and other services	25,094	17,456
	159,921	153,100

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

5. Other Revenue (Continued)

From time to time, the Group provides hotel rooms, food and beverages, retail goods and other services to certain guests and customers without charges (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,	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hotel rooms	184,463	171,285
Food and beverages	155,615	155,640
Retail goods and other services	12,531	8,417
	352,609	335,342

6. Operating and Administrative and Other Expenses

Operating and administrative and other expenses comprise:

	Six months ended June 30,	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Junket commission	875,431	824,578
Advertising and promotion	256,481	243,191
License fees	191,688	26,294
Cost of food and beverages	114,223	101,345
Utilities and fuel	59,879	55,920
Operating supplies	53,186	47,461
Allowance for doubtful debts, net	42,521	51,154
Repairs and maintenance	30,095	32,559
Other support services	30,910	26,682
Loss on disposal/write-off of property and equipment	11,358	3,966
Listing expenses	—	74,631
Others	75,064	72,066
	1,740,836	1,559,847

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

7. Finance Costs

	Six months ended June 30,	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Interest on bank borrowings wholly repayable within five years	87,317	97,579
Bank fees and charges	31,362	27,699
Total borrowing costs	118,679	125,278

8. Taxation

Macau Complementary Tax is calculated at progressive rates up to a maximum of 12% of the estimated assessable profits for the current and prior period.

No provision for Macau Complementary Tax has been provided by MGM Grand Paradise as, pursuant to the approval notice 186/2008 issued by the Macau Government dated June 19, 2008, MGM Grand Paradise is exempted from Macau Complementary Tax for income generated from gaming operations for 5 years from 2007 to 2011. Pursuant to the approval notice 267/2011 issued by the Macau Government dated September 22, 2011, the tax exemption was renewed for another 5 years from 2012 to 2016.

MGM Grand Paradise's exemption from Macau Complementary Tax does not apply to the 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. During the second half of the year ended December 31, 2011, a deferred tax charge of HK\$458,779,000 in respect of the taxable temporary difference associated with the Group's investment in MGM Grand Paradise was then recognized. In addition, MGM Grand Paradise made an application to the Macau Government for a tax concession arrangement for its shareholders. Pursuant to the dispatch 23/DIR/2012 dated June 21, 2012 issued by the Macau Government, MGM Grand Paradise is allowed to pay a dividend withholding tax of MOP84,000 (equivalent to approximately HK\$80,000) for the year ended December 31, 2007 and an annual lump sum dividend withholding tax of MOP8,700,000 (equivalent to approximately HK\$8,447,000) for each of the years ended December 31, 2008 through to 2011 as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of MGM Grand Paradise on dividend distributions from gaming profits. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant year. Consequently, the deferred tax liability previously made of HK\$458,779,000 was reversed and the dividend tax of approximately HK\$33,868,000 was recognized during the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

8. Taxation (Continued)

On June 19, 2012, MGM Grand Paradise applied for a further 5-year extension of this tax concession arrangement from the beginning of 2012 through to the end of 2016. As of the date of approval of these condensed consolidated financial statements, this application is still being processed and subject to approval by the Macau Government.

As at June 30, 2012, MGM Grand Paradise has distributable reserves of approximately HK\$2.2 billion. The Company is 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. Therefore, the Company has not recognized a deferred tax liability in respect of those distributable profits.

9. Profit for the Period

	Six months ended June 30,	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	24,055	14,121
Retirement benefits scheme contributions for other staff	12,919	10,890
Share-based payments for other staff	33,555	3,643
Other staff costs	707,995	649,143
	778,524	677,797
Amortization in respect of:		
— land use right premium	9,597	9,545
— sub-concession premium	63,276	62,928
— other assets	4,315	2,995
Depreciation of property and equipment	312,573	291,293
	389,761	366,761
Auditor's remuneration	3,250	3,022
Loss on disposal/write-off of property and equipment	11,358	3,965
Operating lease rentals in respect of:		
— leasehold land	1,422	1,422
— office equipment	6,369	7,568
— office premises	1,589	1,008
— staff accommodation	—	11
— warehouse	3,628	810

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

10. Dividends

On March 23, 2011, dividends of MOP2,450 per share (equivalent to approximately HK\$2,379 per share) amounting to approximately MOP490 million (equivalent to approximately HK\$476 million) in aggregate were declared and approved by the then shareholders of MGM Grand Paradise. These dividends were paid to those shareholders on March 24, 2011.

On February 22, 2012, a special dividend of HK81.6 cents per share, amounting to approximately HK\$3,100 million in aggregate has been declared by the directors of the Company. These dividends were paid to shareholders on March 20, 2012.

11. Earnings per Share

The calculation of the basic earnings per share for the six months ended June 30, 2012 is based on the consolidated profit attributable to owners of the Company and on the number of shares in issue during the period and is set out as follows:

	Six months ended June 30,	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Profit		
Profit for the period and total comprehensive income attributable to owners of the Company for the purpose of basic earnings per share	2,626,112	1,906,479
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share ('000)	3,800,000	3,800,000
Earnings per share — Basic and diluted	HK69.1 cents	HK50.2 cents

The computation of diluted earnings per share for the six months ended June 30, 2012 and 2011 does not assume the exercise of the Company's share options (see note 17) because the exercise price of those options was higher than the average market price for shares during the period in which they are outstanding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

12. Property and Equipment and Construction in Progress

	At June 30, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
Carrying amount at January 1	4,995,946	5,380,086
Additions	212,224	312,378
Adjustment upon finalization of costs	—	(7,220)
Disposal/written-off	(12,259)	(95,328)
Depreciation	(312,573)	(593,970)
	<hr/>	<hr/>
Carrying amount at June 30/December 31	4,883,338	4,995,946
	<hr/>	<hr/>
Property and equipment	4,730,253	4,964,656
Construction in progress	153,085	31,290
	<hr/>	<hr/>
	4,883,338	4,995,946

The additions during the six months ended June 30, 2012 mainly include the construction in progress related to renovation work of the casino and hotel complex of the Group located on the Macau peninsula (the "Macau Complex") and costs incurred for the concept and design of another integrated casino, hotel and entertainment complex on a site in Cotai area in Macau (the "Cotai Complex").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

13. Trade Receivables

	At June 30, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
Trade receivables	809,821	710,739
Less: Allowance for doubtful debts	(202,470)	(161,316)
	607,351	549,423

The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based on pre-approved credit limits. The directors consider the outstanding receivables from gaming promoters are of good credit quality based on their credit histories and subsequent settlements. The Group also issues markers and credit to approved casino customers ("VIP gaming customers") and provides credit to hotel 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 VIP gaming customers and an average of 30 days to hotel customers. Trade receivables are unsecured and non-interest bearing. 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, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
Within 30 days	524,047	475,608
31–60 days	75,887	53,049
61–90 days	7,409	20,574
91–120 days	8	192
	607,351	549,423

The Group assesses the recoverability of trade receivables on an individual basis. Allowance for doubtful debts are 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 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 each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

13. Trade Receivables (Continued)

Movement in the allowance for doubtful debts during the period, which is substantially all related to casino customers, is as follows:

	At June 30, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
At January 1	161,316	232,358
Impairment losses recognized on trade receivables	107,094	155,868
Impairment losses reversed upon recovery	(64,573)	(40,667)
Amount written off as uncollectible	(1,367)	(186,243)
	<hr/>	<hr/>
At June 30/December 31	202,470	161,316

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

The allowance recognized during the six months ended June 30, 2012 represents impairment on a wide number of casino debtors who are individually determined to be impaired as they have defaulted in repayment of their debts.

14. Payables and Accrued Charges

	At June 30, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
Accrued commission and incentives	459,384	377,383
Accrued construction and renovation costs	16,413	10,148
Accrued liability for customer relationship program	69,972	60,927
Accrued staff costs	176,531	220,199
Other payables and accrued charges	213,334	197,442
Outstanding chips liabilities	1,832,119	1,622,048
Special gaming tax and special levy payables	889,618	907,278
Trade payables	80,427	70,899
	<hr/>	<hr/>
	3,737,798	3,466,324

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

14. Payables and Accrued Charges (Continued)

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

	At June 30, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
Within 30 days	69,243	47,228
31–60 days	5,741	17,550
61–90 days	1,993	1,643
91–120 days	2,042	1,308
Over 120 days	1,408	3,170
	80,427	70,899

The average credit period on purchases of goods is one month. The Group has financial risk management policies to ensure that all payables are paid within the credit time frame.

15. Bank Borrowings

	At June 30, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
Bank borrowings represent:		
Secured term loan facilities of HK\$4,290,000,000	4,290,000	4,290,000
Less: Debt finance costs	(128,557)	(153,891)
	4,161,443	4,136,109
Carrying amount repayable:		
On demand or within one year	416,144	206,805
More than one year, but not exceeding two years	832,289	620,416
More than two years, but not exceeding five years	2,913,010	3,308,888
	4,161,443	4,136,109
Current	416,144	206,805
Non-current	3,745,299	3,929,304
	4,161,443	4,136,109

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

15. Bank Borrowings *(Continued)*

The term loan facility bears interest at a percentage rate per annum equals to the aggregate of a margin ranging from 3% to 4.5% and Hong Kong Interbank Offered Rate (“HIBOR”) depending on MGM Grand Paradise’s adjusted leverage ratio at the end of each period. As at June 30, 2012, the interest rate under the credit agreement is HIBOR plus 3% (December 31, 2011: HIBOR plus 3%). The term loan facility is repayable on a quarterly basis commencing in July 2012 and will be fully repaid in July 2015.

The credit facilities are secured by a charge over the shares of MGM Grand Paradise and its subsidiaries including all its assets and all the assets of its subsidiaries. The Company also provides a corporate guarantee to the banks to secure the credit facilities.

16. Deferred Tax Liability

As explained in detail in note 8, the Company has reversed the deferred tax liability of HK\$458,779,000 recognized in the year ended December 31, 2011 pursuant to the approval of the tax concession arrangement by the Macau Government on June 21, 2012. As at June 30, 2012, MGM Grand Paradise has distributable reserves of approximately HK\$2.2 billion. In the opinion of the directors of the Company, the Company is 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. Therefore, the Company has not recognized a deferred tax liability in respect of those distributable profits.

17. Share-based Payments

The Company’s share option scheme (the “Scheme”) was adopted pursuant to a resolution passed on May 11, 2011 for the purpose of providing incentives and/or rewards to Eligible Persons (as defined in the Scheme, which includes any directors or employees of the Group and any other person including consultants or advisers) for their contribution to and continuing efforts to promote the interests of the Group. Under the Scheme, the Board of Directors of the Company may grant options to subscribe for shares in the Company.

At June 30, 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 19,335,000 (December 31, 2011: 19,260,000), representing approximately 0.5% (December 31, 2011: 0.5%) of the shares of the Company in issue at that date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

17. Share-based Payments *(Continued)*

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of the shareholders' approval of the Scheme. Notwithstanding the foregoing, the Company may grant options beyond the limit to Eligible Persons if separate shareholders' approval has been obtained for granting options beyond the limit to Eligible Persons specifically identified by the Company before such shareholders' approval is sought. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to any Eligible Persons under the Scheme (including exercised, cancelled and outstanding options) in any twelve month period shall not at the time of grant exceed one percent of the shares in issue. Where any further grant of options to an Eligible Person would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such persons (including exercised, cancelled and outstanding options) in the twelve month period up to and including the date of such further grant representing in aggregate over one percent of the shares in issue, such further grant must be separately approved by shareholders in general meeting with such Eligible Person and his associate abstaining from voting. At any time, the maximum number of shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Scheme shall not exceed 30% of the total number of shares in issue from time to time.

Options granted must be taken up within ten days of the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of options. 25% of the options granted will vest on the first, second, third and fourth anniversary from the date of grant of the share option and may be exercised at any time upto May 10, 2021. The exercise price is determined by the directors of the Company's, and shall be the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

17. Share-based Payments (Continued)

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

Type of participant	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	Number of share options			
					Outstanding at January 1, 2012 (audited)	Granted during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2012 (unaudited)
Directors	June 3, 2011	June 3, 2011– June 2, 2015	June 2, 2012– May 10, 2021	15.62	3,500,000	—	—	3,500,000
Employees	June 3, 2011	June 3, 2011– June 2, 2015	June 2, 2012– May 10, 2021	15.62	13,690,000	—	(880,000)	12,810,000
Employees	August 22, 2011	August 22, 2011– August 21, 2015	August 21, 2012– May 10, 2021	15.12	1,080,000	—	—	1,080,000
Employees	September 1, 2011	September 1, 2011– August 31, 2015	August 31, 2012– May 10, 2021	14.78	830,000	—	—	830,000
Employees	November 15, 2011	November 15, 2011– November 14, 2015	November 14, 2012– May 10, 2021	10.80	160,000	—	—	160,000
Employees	February 23, 2012	February 23, 2012– February 22, 2016	February 22, 2013– May 10, 2021	13.82	—	80,000	—	80,000
Consultants	February 23, 2012	February 23, 2012– February 22, 2016	February 22, 2013– May 10, 2021	13.82	—	875,000	—	875,000
					19,260,000	955,000	(880,000)	19,335,000
Weighted average exercise price per share					HK\$15.52	HK\$13.82	HK\$15.62	HK\$15.18
Exercisable at end of the period					4,077,500			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

17. Share-based Payments *(Continued)*

The estimated weighted average fair values of share options granted on June 3, 2011, August 22, 2011, September 1, 2011, November 15, 2011 and February 23, 2012 were HK\$9.92, HK\$7.84, HK\$9.39, HK\$6.86 and HK\$8.78 per option 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. The inputs into the model are as follows:

	Option 1	Option 2	Option 3	Option 4	Option 5
Date of grant	June 3, 2011	August 22, 2011	September 1, 2011	November 15, 2011	February 23, 2012
Number of share options	17,190,000	1,080,000	830,000	160,000	955,000
Vesting period	1 to 4 years from the date of grant	1 to 4 years from the date of grant	1 to 4 years from the date of grant	1 to 4 years from the date of grant	1 to 4 years from the date of grant
Risk-free interest rate	1.98% to 2.12% per annum				
Expected dividend yield	0% per annum				
Expected life	7.44 to 8.57 years				
Exercise price per share	HK\$15.62	HK\$15.12	HK\$14.78	HK\$10.80	HK\$13.82
Closing share price at date of grant	HK\$15.62	HK\$12.96	HK\$14.86	HK\$10.80	HK\$13.82
Expected Volatility	60% per annum				

As the Company's ordinary shares were newly listed on the Stock Exchange in June 2011, expected volatility was determined by using the historical volatility of comparable companies with a similar business nature. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations. Changes in the subjective input assumptions could materially affect the fair value estimate.

The Group recognized a total expense of HK\$42.3 million for the six months ended June 30, 2012 (six months ended June 30, 2011: HK\$4.5 million) in relation to share options granted by the Company.

18. Contingent Liabilities

At June 30, 2012, the Group has given bank guarantees totalling HK\$300.0 million (December 31, 2011: HK\$300.0 million) to certain parties, of which HK\$294 million (December 31, 2011: HK\$294 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract, HK\$2 million (December 31, 2011: HK\$2 million) was issued in favor of a utility supplier and HK\$4 million (December 31, 2011: HK\$4 million) was issued in favor of a lessor, which is a related company that one of the directors has non-controlling beneficial interests.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

19. Operating Lease Commitments

At the end of the period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of the leasehold land where the Complex is located (in addition to the prepaid land use right premium), rented office premises, warehouse and staff quarters, office equipment, light boxes and advertising booths which fall due as follows:

	At June 30, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
Within one year	23,359	27,803
More than one year and not longer than five years	21,339	27,342
More than five years	39,170	40,593
	83,868	95,738

20. Capital Commitments

	At June 30, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
Capital expenditure in respect of renovation and design of the Macau Complex and the Cotai Complex that have been		
— authorized but not contracted for	438,861	134,270
— contracted but not accounted for	315,683	29,192
	754,544	163,462

21. Other Commitments

Pursuant to the gaming contract signed with the Macau Government, MGM Grand Paradise has committed to pay an annual premium of HK\$29 million plus a variable premium calculated on the basis of the number of gaming tables and gaming devices operated by MGM Grand Paradise during the term of the Sub-Concession Contract when the gaming operations commenced business. A premium of HK\$62.1 million (six months ended June 30, 2011: HK\$60 million) was paid to the Macau Government and was recognized in profit or loss and included in special gaming tax and special levy to the Macau Government for the six months ended June 30, 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

22. Related Party Transactions

Apart from the transactions as described in note 18, details of other transactions between the Group and other related parties are disclosed below.

- (a)(i) Amounts due from related companies represent the balances with fellow subsidiaries. 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 has non-controlling beneficial interests amounting HK\$3,318,000 (December 31, 2011: HK\$3,530,000), ultimate holding company of the Company amounting HK\$3,812,000 (December 31, 2011: HK\$4,662,000) and a company jointly-owned by ultimate holding company and a substantial shareholder of the Company amounting HK\$36,415,000 (December 31, 2011: NIL). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies

	At June 30, 2012 HK\$'000 (unaudited)	At December 31, 2011 HK\$'000 (audited)
Within 30 days	43,435	5,000
31–60 days	97	3,192
61–90 days	13	—
91–120 days	—	—
Over 120 days	—	—
	43,545	8,192

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

22. Related Party Transactions (Continued)

- (b) During the six months ended June 30, 2012, the Group had the following significant transactions with related companies:

Related parties	Type of transaction	Six months ended June 30,	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (audited)
Companies in which one of the directors has non-controlling beneficial interests	Advertising expenses	1,810	2,403
	Laundry services expenses	2,613	3,958
	Rental of premises	1,665	1,092
	Travelling and accommodation, net of discounts	61,029	57,761
Shareholders	Gift vouchers purchased	9,130	3,674
	Marketing referral fees	11,143	8,377
	Marketing referral income	(37)	(282)
Company jointly-owned by shareholders	License fee	191,688	26,294
	Developers' fees capitalized	44,349	—

Historically, 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 among the Company, MGM Grand Paradise, MGM Branding and Development Holdings, Ltd., MGM Resorts International, MGM Resorts International Holdings, Ltd. and New Corporate Enterprises Limited on May 17, 2011, the Company has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. This Branding Agreement is effective from June 3, 2011 and will expire on March 31, 2020, which is also the expiry date of the Group's Sub-Concession Contract. Pursuant to the terms of the Branding Agreement, the Company 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, 2012, the annual cap is US\$30 million (equivalent to appropriately HK\$233 million) and for the year ended December 31, 2011, the annual cap is US\$25 million (equivalent to approximately HK\$194 million) but is pro rated to US\$14.5 million (equivalent to approximately HK\$113 million) for the year 2011 since the date of listing pursuant to the term of the Branding Agreement. This annual cap will increase by 20% per annum for each subsequent financial year during the term of the Branding Agreement. During the six months ended June 30, 2012, a total license fee of HK\$191,688,000 (six months ended June 30, 2011: HK\$26,294,000) was recognized in the consolidated statement of comprehensive income.

In addition, from time to time, the Group and certain entities which one of the directors of the Company has non-controlling beneficial interests, and the group companies of certain shareholder of the Group collect and/or make payment on behalf of each other at no service charges.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2012

22. Related Party Transactions (Continued)

- (c) Compensation to key management personnel

The remuneration of key management was as follows:

	Six months ended June 30,	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Short term benefits	52,507	38,132
Post-employment benefits	894	619
Share-based payments	32,451	3,592
	85,852	42,343

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 and Development Holdings, MGM Resorts International, MGM Resorts International Holdings and New Corporate Enterprises Limited
“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 gross slot win), calculated net of commissions and discounts and in accordance with IFRS
“China”, “mainland China” or “PRC”	the People’s Republic of China excluding, for the purpose of this interim report for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire”	the holder of a concession for the operation of casino games in Macau. As at the Latest Practicable Date, the Concessionaires were Galaxy, SJM and Wynn Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Directors”	the directors 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
“EBITDA”	earnings before interest, tax, depreciation and amortization
“Galaxy”	Galaxy Casino, S.A., a company incorporated in Macau on November 30, 2001, one of three direct Concessionaires and an Independent Third Party
“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

GLOSSARY

“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
“Global Offering”	the offer of Shares in the Company by subscription for cash at HK\$15.34 per Share on June 3, 2011 and subject to the terms outlined in the IPO Prospectus
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Pansy Ho
“gross gaming revenue” or “gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions and discounts
“gross slot 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 discounts
“gross table games win”	the amount of drop (in our main floor casino segment) or turnover (in our VIP casino segment) that is retained as winnings. We record this amount and gross slot win as casino revenue after deduction of a portion of commissions and discounts
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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

GLOSSARY

“Independent Third Party(ies)”	parties which are not connected persons of our Company within the meaning of the Listing Rules
“IPO Prospectus”	the IPO Prospectus of the Company published on May 23, 2011 in connection with the Listing
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Latest Practicable Date”	August 7, 2012, being the latest practicable date for ascertaining certain information in this interim report prior to its publication
“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
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“Melco Crown”	Melco Crown Jogos (Macau) S.A., one of three Subconcessionaires
“MGM Branding and Development Holdings”	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 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 MACAU” or “our property”	our sole resort and casino property in Macau owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling shareholder

GLOSSARY

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Ho, Pansy Catilina Chiu King, a substantial shareholder and an executive director of our Company
“Pataca” or “MOP”	Macau Pataca, the lawful currency of Macau
“premium 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
“Reorganization”	the reorganization of our Group in preparation for the Listing, as more fully described in the section headed “History and Corporate Structure — Reorganization” in IPO Prospectus
“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
“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

GLOSSARY

“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. As at the Latest Practicable Date, the Subconcessionaires were VML, Melco Crown and MGM Grand Paradise
“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
“US GAAP”	Generally Accepted Accounting Principles as in effect from time to time in the United States
“VIP clients” or “VIP patrons”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitations”	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
“VML”	Venetian Macao, S.A., a company incorporated in Macau on June 21, 2002, one of three Subconcessionaires and an Independent Third Party
“Wynn Macau”	Wynn Resorts (Macau) S.A., a company incorporated in Macau on October 17, 2001, one of three direct Concessionaires and an Independent Third Party
“%”	per cent

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