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

MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2282)

INSIDE INFORMATION

**UNAUDITED RESULTS FOR THE THIRD QUARTER
ENDED SEPTEMBER 30, 2018 OF MGM RESORTS INTERNATIONAL,
OUR CONTROLLING SHAREHOLDER**

This is an announcement made pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our controlling shareholder, MGM Resorts International, has, on or about October 30, 2018 (4:30 p.m., New York time), released its unaudited results for the third quarter ended September 30, 2018 which contain financial information about MGM China Holdings Limited prepared and presented herein under Generally Accepted Accounting Principles of the United States.

This is an announcement made by MGM China Holdings Limited (“we” or “MGM China”) pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKSE”).

MGM China’s controlling shareholder, MGM Resorts International, is a company listed on the New York Stock Exchange in the United States. As at the date of this announcement, MGM Resorts International beneficially owns approximately 56% of the issued share capital of MGM China.

MGM Resorts International has, on or about October 30, 2018 (4:30 p.m., New York time), released its unaudited results for the third quarter ended September 30, 2018 (the “Earnings Release”). If you wish to review the Earnings Release prepared by MGM Resorts International and as filed with the United States Securities and Exchange Commission, please visit <http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000789570&owner=exclude&count=40&hidefilings=0>. The Earnings Release contains financial information about MGM China which is available in the public domain.

The unaudited consolidated financial results of MGM Resorts International, including those contained in the Earnings Release, have been prepared in accordance with the Generally Accepted Accounting Principles of the United States (“US GAAP”), which are different from International Financial Reporting Standards (“IFRS”), which, as a company listed on the Main Board of HKSE, we use to prepare and present the financial information of MGM China.

The unaudited consolidated financial results of MGM Resorts International for the third quarter ended September 30, 2018 included in the Earnings Release include the effect of its consolidation of MGM China, including purchase price adjustments and certain other adjustments to reflect the financial information of MGM China in accordance with US GAAP. As such, the financial information of MGM China in the Earnings Release is not directly comparable to the unaudited consolidated financial results of MGM China prepared in accordance with IFRS.

Our shareholders and potential investors are advised that the financial results in the Earnings Release are unaudited and have not been prepared or presented by our Company and there is no indication or assurance from our Company that the financial results of our Group will be the same as that presented in the Earnings Release.

The following table summarizes the financial information of MGM China under IFRS for the third quarter ended and nine months ended September 30, 2018.

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
MGM Macau	3,406,918	3,454,681	10,361,437	10,445,675
MGM Cotai	1,347,458	—	3,462,973	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	4,754,376	3,454,681	13,824,410	10,445,675
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Adjusted EBITDA⁽¹⁾:				
MGM Macau	987,023	1,049,424	3,033,637	3,292,635
MGM Cotai	129,943	—	391,060	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total Adjusted EBITDA	1,116,966	1,049,424	3,424,697	3,292,635
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Note: The Company adopted the new revenue recognition accounting standard (“IFRS 15”), effective January 1, 2018. Certain prior period amounts have been retrospectively adjusted under IFRS 15.

⁽¹⁾ Adjusted EBITDA is profit before finance costs, income tax benefit/expense, depreciation and amortization, interest income, net foreign currency difference, share-based payments, pre-opening costs, corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company, property charges and other non-recurring expenses. Adjusted EBITDA is used by management as the primary measure of the Group’s operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

Our shareholders and potential investors are advised that the financial information of MGM China under IFRS presented herein relating to MGM China has not been audited or reviewed by MGM China’s auditor.

Summary Statistics

The following tables present certain selected income statement line items and certain other data of MGM Macau and MGM Cotai.

MGM Macau	Three Months Ended		Nine Months Ended	
	September 30		September 30	
(in thousands, except for number of gaming units, percentage and revenue per available room (“REVPAR”))	2018	2017	2018	2017
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
VIP table games turnover	65,801,079	64,417,252	218,680,952	192,304,548
VIP gross table games win ⁽¹⁾	2,319,059	2,141,250	6,646,368	6,176,412
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	3.52%	3.32%	3.04%	3.21%
Average daily gross win per VIP gaming table	248.0	160.4	209.8	154.6
Main floor table games drop	9,202,075	10,089,176	29,623,374	29,272,920
Main floor gross table games win ⁽¹⁾	1,613,739	1,861,075	5,273,616	5,842,554
Main floor table games win percentage	17.5%	18.4%	17.8%	20.0%
Average daily gross win per main floor gaming table	77.5	74.8	82.3	79.1
Slot machine handle	8,792,589	7,749,965	26,292,459	22,331,089
Slot machine gross win ⁽¹⁾	379,629	360,588	1,139,068	1,015,586
Slot hold percentage	4.3%	4.7%	4.3%	4.5%
Average daily win per slot	4.0	3.8	4.0	3.6
Commissions, complimentaries and other incentives ⁽¹⁾	(1,158,638)	(1,129,502)	(3,433,913)	(3,230,082)
Room occupancy rate	96.3%	95.2%	96.8%	95.4%
REVPAR	1,937	1,979	1,939	1,979

	As At	
	September 30	
	2018	2017
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	323	427
Slot machines	1,083	1,054
MGM Cotai ⁽³⁾		
	Three	Nine
	Months Ended	Months Ended
(in thousands, except for number of gaming units, percentage and REVPAR)	September 30	September 30
	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
VIP table games turnover	8,098,287	13,534,894
VIP gross table games win ⁽¹⁾	65,222	205,101
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	0.81%	1.52%
Average daily gross win per VIP gaming table	44.4	67.7
Main floor table games drop	5,565,962	13,748,864
Main floor gross table games win ⁽¹⁾	1,052,832	2,612,153
Main floor table games win percentage	18.9%	19.0%
Average daily gross win per main floor gaming table	69.3	68.5
Slot machine handle	6,411,438	14,760,098
Slot machine gross win ⁽¹⁾	176,266	497,179
Slot hold percentage	2.7%	3.4%
Average daily win per slot	1.7	1.9
Commissions, complimentaries and other incentives ⁽¹⁾	(244,466)	(542,078)
Room occupancy rate	90.1%	89.2%
REVPAR	1,285	1,246

As At
September 30
2018
(unaudited)

Gaming Units:

Tables ⁽²⁾	204
Slot machines	1,170

Note: The Company adopted the new revenue recognition accounting standard (“IFRS 15”), effective January 1, 2018. Certain prior period amounts have been retrospectively adjusted under IFRS 15.

⁽¹⁾ The total of “VIP gross table games win”, “main floor gross table games win” and “slot machine gross win” is different to the casino revenue because casino revenue is reported net of commissions and certain sales incentives including the allocation of casino revenue to hotel rooms, food and beverage and other revenue for services provided to casino customers on a complimentary basis.

⁽²⁾ Permanent table count as at September 30, 2018 and 2017.

⁽³⁾ MGM Cotai opened on February 13, 2018.

With a view to ensuring that all shareholders and potential investors of MGM China have equal and timely access to the information pertaining to MGM China, set forth below are the key highlights of financial information relevant to MGM China published by MGM Resorts International in the Earnings Release. On January 1, 2018, MGM Resorts International adopted the new revenue recognition accounting standard (“ASC 606”). Certain prior period amounts have been retrospectively adjusted under ASC 606. (Unless otherwise provided, all dollar amounts in the Earnings Release are denominated in United States dollars):

MGM Resorts International (hereafter the “Company”)
Third Quarter Results

Third Quarter 2018 Financial Highlights:

- MGM China operating income of \$52 million compared to \$38 million in the prior year quarter and Adjusted Property EBITDA of \$130 million, a 7% increase compared to the prior year quarter as a result of the opening of MGM Cotai.

MGM China

Key third quarter results for MGM China include:

- Net revenues of \$606 million, a 37% increase compared to the prior year quarter. The current quarter benefited from the opening of MGM Cotai in February 2018, which contributed \$172 million of net revenues;
- Main floor table games win increased 43% compared to the prior year quarter due primarily to the opening of MGM Cotai;
- VIP table games win increased 11% compared to the prior year quarter due primarily to an 8% increase in VIP table games win at MGM Macau;
- Operating income was \$52 million in the current quarter compared to \$38 million in the prior year quarter;
- Adjusted Property EBITDA increased 7% to \$130 million compared to \$121 million in the prior year quarter. The current quarter included \$11 million of license fee expense compared to \$8 million in the prior year quarter; and
- Operating margin was 8.6% in the current year quarter, and Adjusted Property EBITDA margin was 21.5% in the current quarter compared to 27.4% in the prior year quarter, due primarily to the ramp-up of operations at MGM Cotai.

The following table shows key gaming statistics for MGM China:

	Three Months Ended	
	September 30	
	2018	2017
	<i>(Dollars in millions)</i>	
VIP Table Games Turnover	9,419	8,243
VIP Table Games Win %	3.2%	3.3%
Main Floor Table Games Drop	1,882	1,291
Main Floor Table Games Win %	18.1%	18.4%

MGM China paid an interim dividend of \$31 million in September 2018, of which \$17 million was received by MGM Resorts.

MGM Resorts International and Subsidiaries

Supplemental Data — Net Revenues

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
MGM Macau	434,263	442,065	1,321,743	1,341,392
MGM Cotai	171,751	—	441,482	—
	<hr/>	<hr/>	<hr/>	<hr/>
MGM China	606,014	442,065	1,763,225	1,341,392
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MGM Resorts International and Subsidiaries

Supplemental Data — Adjusted Property EBITDA

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
MGM Macau ⁽¹⁾	118,211	121,116	363,859	385,219
MGM Cotai	11,835	—	37,813	—
	<hr/>	<hr/>	<hr/>	<hr/>
MGM China	130,046	121,116	401,672	385,219
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⁽¹⁾ In 2017, MGM Macau included certain expenses classified as corporate expense in 2018.

MGM Resorts International and Subsidiaries

Reconciliation of Operating Income (Loss) to Adjusted Property EBITDA and Adjusted EBITDA

(In thousands)

(Unaudited)

	Three Months Ended September 30, 2018				
	Operating income (loss)	Preopening and start-up expenses	Property transactions, net	Depreciation and amortization	Adjusted Property EBITDA
MGM Macau	100,188	—	3	18,020	118,211
MGM Cotai	(47,850)	5,963	—	53,722	11,835
	<u>52,338</u>	<u>5,963</u>	<u>3</u>	<u>71,742</u>	<u>130,046</u>
	Nine Months Ended September 30, 2018				
	Operating income (loss)	Preopening and start-up expenses	Property transactions, net	Depreciation and amortization	Adjusted Property EBITDA
MGM Macau	310,186	—	587	53,086	363,859
MGM Cotai	(156,403)	61,149	6	133,061	37,813
	<u>153,783</u>	<u>61,149</u>	<u>593</u>	<u>186,147</u>	<u>401,672</u>
	Three Months Ended September 30, 2017				
	Operating income	Preopening and start-up expenses	Property transactions, net	Depreciation and amortization	Adjusted EBITDA
MGM China	37,734	22,030	876	60,476	121,116
	Nine Months Ended September 30, 2017				
	Operating income	Preopening and start-up expenses	Property transactions, net	Depreciation and amortization	Adjusted EBITDA
MGM China	158,764	45,188	1,208	180,059	385,219

Non-GAAP financial measures

“Adjusted EBITDA” is earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses, and property transactions, net. “Adjusted Property EBITDA” is Adjusted EBITDA before corporate expense and stock compensation expense, which are not allocated to each property. “Adjusted Property EBITDA margin” is Adjusted Property EBITDA divided by net revenues. Adjusted EBITDA information is presented solely as a supplemental disclosure to reported GAAP measures because management believes these measures are 1) widely used measures of operating performance in the gaming industry, and 2) a principal basis for valuation of gaming companies.

Management believes that while items excluded from Adjusted EBITDA and Adjusted Property EBITDA may be recurring in nature and should not be disregarded in evaluation of the Company’s earnings performance, it is useful to exclude such items when analyzing current results and trends compared to other periods because these items can vary significantly depending on specific underlying transactions or events that may not be comparable between the periods being presented. Also, management believes excluded items may not relate specifically to current operating trends or be indicative of future results. For example, pre-opening and start-up expenses will be significantly different in periods when the Company is developing and constructing a major expansion project and will depend on where the current period lies within the development cycle, as well as the size and scope of the project(s). Property transactions, net includes normal recurring disposals, gains and losses on sales of assets related to specific assets within the Company’s resorts, but also includes gains or losses on sales of an entire operating resort or a group of resorts and impairment charges on entire asset groups or investments in unconsolidated affiliates, which may not be comparable period over period.

In addition, capital allocation, tax planning, financing and stock compensation awards are all managed at the corporate level. Therefore, management uses Adjusted Property EBITDA as the primary measure of the Company’s operating resorts’ performance.

Our shareholders and potential investors are advised not to place undue reliance on the Earnings Release and are reminded that certain financial information of MGM China presented herein has not been audited or reviewed by MGM China’s auditor. Our shareholders and potential investors are advised to exercise caution in dealing in securities in MGM China.

By Order of the Board
MGM China Holdings Limited
Antonio MENANO
Company Secretary

Hong Kong, October 31, 2018

As at the date of this announcement, our directors are James Joseph MURREN, Pansy Catilina Chiu King HO, Chen Yau WONG, William Joseph HORNBUCKLE and Grant R. BOWIE as executive directors, William M. SCOTT IV, Daniel J. D’ARRIGO and Kenneth Xiaofeng FENG as non-executive directors and Zhe SUN, Sze Wan Patricia LAM, Peter Man Kong WONG and Russell Francis BANHAM as independent non-executive directors.