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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 SECOND QUARTER AND THE FIRST
HALF OF FISCAL 2020 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 Rules 13.09 and 37.47B 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 July 30, 2020 (4:30 p.m., New York time), released its unaudited results for the second quarter and the first half of fiscal 2020 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 (“MGM China”) pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rules 13.09 and 37.47B 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 July 30, 2020 (4:30 p.m., New York time), released its unaudited results for the second quarter and the first half of fiscal 2020 (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 and its subsidiaries (“we”, “our” or “Group”) 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 our financial information.

The unaudited consolidated financial results of MGM Resorts International for the second quarter and the first half of fiscal 2020 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 the Group in accordance with US GAAP. As such, our financial information in the Earnings Release is not directly comparable to our unaudited consolidated financial results to be disclosed by 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 MGM China and there is no indication or assurance from MGM China that our financial results will be the same as that presented in the Earnings Release.

The following table summarizes the Group's financial information under IFRS for the second quarter and the first half of fiscal 2020.

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:				
MGM Macau	139,809	3,058,883	1,268,615	6,459,349
MGM Cotai	117,524	2,477,003	1,101,779	4,837,285
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue	257,333	5,535,886	2,370,394	11,296,634
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Adjusted EBITDA⁽¹⁾:				
MGM Macau	(391,026)	970,384	(356,905)	2,045,595
MGM Cotai	(494,681)	487,455	(651,481)	1,031,208
	<hr/>	<hr/>	<hr/>	<hr/>
Total Adjusted EBITDA	(885,707)	1,457,839	(1,008,386)	3,076,803
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⁽¹⁾ Adjusted EBITDA is profit/loss before finance costs, income tax expense/benefit, depreciation and amortization, gain/loss on disposal/write-off of property and equipment, construction in progress and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this 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 to read the financial information presented herein in conjunction with the interim results announcement to be published by MGM China for the six months ended June 30, 2020 and are reminded that our financial information under IFRS presented herein relating to the Group has not been audited or reviewed by our 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		Six Months Ended	
	June 30		June 30	
(in thousands, except for number of gaming units, percentage and revenue per available room (“REVPAR”))	2020	2019	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
VIP table games turnover	1,752,680	50,900,798	17,545,488	104,887,108
VIP gross table games win ⁽¹⁾	47,488	1,318,527	550,040	3,096,640
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	2.71%	2.59%	3.13%	2.95%
Average daily gross win per VIP gaming table	7.8	179.9	51.8	212.1
Main floor table games drop	379,938	9,193,723	3,793,503	18,825,575
Main floor gross table games win ⁽¹⁾	60,519	1,981,972	804,854	4,005,880
Main floor table games win percentage	15.9%	21.6%	21.2%	21.3%
Average daily gross win per main floor gaming table	3.4	104.6	25.7	105.3
Slot machine handle	1,057,408	8,242,373	4,382,039	15,877,323
Slot machine gross win ⁽¹⁾	34,646	296,859	147,760	603,877
Slot hold percentage	3.3%	3.6%	3.4%	3.8%
Average daily win per slot	0.7	3.2	1.3	3.3
Commissions, complimentaries and other incentives ⁽¹⁾	(36,295)	(775,118)	(368,553)	(1,725,489)
Room occupancy rate	6.8%	97.5%	24.8%	96.8%
REVPAR	111	1,948	484	1,949

	As At June 30	
	2020	2019
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	285	291
Slot machines	584	1,080

MGM Cotai	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
(in thousands, except for number of gaming units, percentage and REVPAR)	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
VIP table games turnover	1,704,784	35,048,025	12,528,653	59,605,713
VIP gross table games win ⁽¹⁾	42,742	932,908	383,653	1,841,318
VIP table games win percentage (calculated before commissions, complimentaries, and other incentives)	2.51%	2.66%	3.06%	3.09%
Average daily gross win per VIP gaming table	8.7	183.9	44.5	185.5
Main floor table games drop	120,896	6,781,293	2,749,038	12,785,688
Main floor gross table games win ⁽¹⁾	26,995	1,605,486	740,532	3,069,918
Main floor table games win percentage	22.3%	23.7%	26.9%	24.0%
Average daily gross win per main floor gaming table	1.4	86.7	23.6	83.6
Slot machine handle	570,464	9,059,196	3,968,353	19,759,300
Slot machine gross win ⁽¹⁾	12,855	263,244	124,453	493,237
Slot hold percentage	2.3%	2.9%	3.1%	2.5%
Average daily win per slot	0.3	2.4	1.1	2.3
Commissions, complimentaries and other incentives ⁽¹⁾	(8,928)	(666,375)	(337,334)	(1,226,461)
Room occupancy rate	2.4%	93.5%	17.8%	91.8%
REVPAR	37	1,428	311	1,388

	As At June 30	
	2020	2019
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	267	261
Slot machines	598	1,203

Note: Due to the COVID-19 pandemic, the Macau Government asked that all gaming operators in Macau suspend casino operations for a 15-day period that commenced on February 5, 2020. As a result, all operations at MGM Macau and MGM Cotai were suspended, other than operations that were necessary to provide sufficient non-gaming facilities to serve any remaining hotel guests. Although operations at MGM Macau and MGM Cotai resumed on February 20, 2020, certain health safeguards, such as limiting the number of gaming tables allowed to operate and the number of seats available at each table game, slot machine spacing, temperature checks, mask protection and the need to present health declarations submitted through the Macau Health Code system remained in effect as at June 30, 2020. Several travel and entry restrictions in Macau, Hong Kong and mainland China also remained in place (including the temporary suspension of the individual visa scheme, the temporary suspension of ferry services, and bans on entry and enhanced quarantine requirements) as at June 30, 2020.

⁽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 June 30, 2020 and 2019.

With a view to ensuring that all shareholders and potential investors of MGM China have equal and timely access to the information pertaining to the Group, set forth below are the key highlights of financial information relevant to the Group published by MGM Resorts International in the Earnings Release. (Unless otherwise provided, all dollar amounts in the Earnings Release are denominated in United States dollars):

Extracts from the Earnings Release:

“Second Quarter 2020 Financial Highlights:

MGM China

- *Net revenues decreased 95% compared to the prior year quarter to \$33 million as a result of ongoing travel and entry restrictions in Macau as well as other operational restrictions related to the pandemic;*
- *VIP Table Games Hold Adjusted MGM China Net Revenues decreased 96% compared to the prior year quarter to \$32 million;*
- *Adjusted Property EBITDAR loss of \$116 million compared to Adjusted Property EBITDAR of \$173 million in the prior year quarter; and*
- *VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR loss of \$118 million compared to VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR of \$183 million in the prior year quarter.*

MGM China

MGM China paid the previously announced final dividend for 2019 of \$41 million in June 2020, of which MGM Resorts received \$23 million, representing its 55.95% share of the dividend, and noncontrolling interests received \$18 million.

Key second quarter results for MGM China include:

- *Net revenues decreased 95% compared to the prior year quarter to \$33 million as a result of ongoing travel and entry restrictions in Macau as well as other operational restrictions related to the pandemic;*
- *Main floor table games win decreased 97% compared to the prior year quarter;*
- *VIP table games win decreased 96% compared to the prior year quarter; and*
- *Adjusted Property EBITDAR loss of \$116 million compared to Adjusted Property EBITDAR of \$173 million in the prior year quarter. The current quarter included \$1 million of license fee expense compared to \$12 million in the prior year quarter.*

The following table shows key gaming statistics for MGM China:

	Three Months Ended		
	June 30		
	2020	2019	% change
	<i>(Dollars in millions)</i>		
<i>VIP Table Games Turnover</i>	450	10,962	(96)%
<i>VIP Table Games Win %</i>	2.6%	2.6%	
<i>Main Floor Table Games Drop</i>	66	2,037	(97)%
<i>Main Floor Table Games Win %</i>	17.5%	22.5%	

MGM Resorts International and Subsidiaries
Supplemental Data — Net Revenues and Adjusted Property EBITDAR
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
<i>MGM China net revenues</i>	33,198	706,089	305,085	1,440,293
<i>MGM China Adjusted Property EBITDAR</i>	(116,288)	172,803	(138,278)	365,614

MGM Resorts International and Subsidiaries
Reconciliations of MGM China Net Revenues and MGM China
Adjusted Property EBITDAR to
VIP Table Games Hold Adjusted MGM China Net Revenues and
VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
MGM China Net Revenues	33,198	706,089	305,085	1,440,293
Hold Adjustment ⁽¹⁾	(1,341)	24,126	1,561	(10,483)
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VIP Table Games Hold Adjusted MGM China Net Revenues	<u>31,857</u>	<u>730,215</u>	<u>306,646</u>	<u>1,429,810</u>
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MGM China Adjusted Property EBITDAR	(116,288)	172,803	(138,278)	365,614
Hold adjustment ⁽²⁾	(1,778)	9,903	3,498	(5,676)
<hr/>				
VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR	<u>(118,066)</u>	<u>182,706</u>	<u>(134,780)</u>	<u>359,938</u>

⁽¹⁾ For MGM China, hold adjustment represents the estimated incremental VIP table games win or loss related to VIP Rolling Chip volume play had the Company's win percentage equaled the mid-point of the expected normal range of 2.6% to 3.3%. Amounts include estimated commissions and other incentives related to increases or decreases in VIP table games win.

⁽²⁾ These amounts include estimated incremental expenses (gaming taxes and bad debt expense) that would have been incurred or avoided on the incremental VIP table games win or loss calculated in (1) above.

Non-GAAP financial measures

“VIP Table Games Hold Adjusted MGM China Net Revenues” is an additional supplemental non-GAAP financial measure that is presented to adjust MGM China net revenues for the impact of certain variances in VIP table games’ win percentages compared to the mid-point of the expected range. VIP Table Games Hold Adjusted MGM China Net Revenues is also adjusted for the VIP commissions and other incentives that would have been incurred or avoided when applying the win percentages noted below to the respective gaming volumes. Management believes VIP Table Games Hold Adjusted MGM China Net Revenues presents a consistent measure in providing period-to-period comparisons and is a useful measure in assisting investors evaluating the Company’s operating performance. VIP Table Games Hold Adjusted MGM China Net Revenues should not be construed as an alternative to GAAP net revenues, as an indicator of the Company’s performance, or as any other measure determined in accordance with generally accepted accounting principles. A reconciliation of GAAP net revenues to VIP Table Games Hold Adjusted MGM China Net Revenues is included in the financial schedules in this release.

“Adjusted EBITDAR” is earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses, gain on REIT transactions, net, CEO transition expense, October 1 litigation settlement, restructuring costs (which represents costs related to severance, accelerated stock compensation expense, and consulting fees directly related to the operating model component of the MGM 2020 Plan), rent expense associated with triple net operating and ground leases, income from unconsolidated affiliates related to investments in real estate ventures, and property transactions, net. Management utilizes “Adjusted Property EBITDAR” as the primary profit measure for its reportable segments and underlying operating segments. Adjusted Property EBITDAR is a measure defined as earnings before interest and other non-operating income (expense), taxes, depreciation and amortization, preopening and start-up expenses, gain on REIT transactions, net, restructuring costs (which represents costs related to severance, accelerated stock compensation expense, and consulting fees directly related to the operating model component of the MGM 2020 Plan), rent expense associated with triple net operating and ground leases, income from unconsolidated affiliates related to investments in real estate ventures, and property transactions, net, and also excludes corporate expense and stock compensation expense, which are not allocated to each operating segment, and before rent expense related to the master lease with MGM Growth Properties that eliminates in consolidation. The Company manages capital allocation, tax planning, stock compensation, and financing decisions at the corporate level. “Adjusted Property EBITDAR margin” is Adjusted Property EBITDAR divided by related segment net revenues.

“VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR” is a supplemental non-GAAP financial measure, that, in addition to the reasons described above for the presentation of Adjusted Property EBITDAR, is presented to adjust for the impact of certain variances in VIP table games’ win percentages compared to the mid-point of the expected range. VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR is based on applying a VIP Rolling Chip win percentage of 2.95% to the VIP Rolling Chip volume, which represents the mid-point of the expected normal range of 2.6% to 3.3% for MGM China. VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR is also adjusted for the gaming taxes, VIP commissions, bad debt expense, and other incentives that would have been incurred or avoided when applying the win percentages noted above to the respective gaming volumes.

Adjusted EBITDAR information is a valuation metric, should not be used as an operating metric, and is presented solely as a supplemental disclosure to reported GAAP measures because management believes this measure is widely used by analysts, lenders, financial institutions, and investors as a principal basis for the valuation of gaming companies. Management believes that while items excluded from Adjusted EBITDAR 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 trends or be indicative of future results. For example, preopening 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, management changed its non-GAAP measures as a result of the Bellagio real estate transaction in the fourth quarter of 2019, including recasting prior periods, to exclude rent expense associated with triple net operating leases and ground leases. Management believes excluding rent expense associated with triple net operating leases and ground leases provides useful information to analysts, lenders, financial institutions, and investors when valuing the Company, as well as comparing the Company’s results to other gaming companies, without regard to differences in capital structure and leasing arrangements since the operations of other gaming companies may or may not include triple net operating leases or ground leases. However, as discussed herein, Adjusted EBITDAR should not be viewed as a measure of overall operating performance, considered in isolation, or as an alternative to net income, because this measure is not presented on a GAAP basis and exclude certain expenses, including the rent expense associated with the Company’s triple net operating and ground leases, and are provided for the limited purposes discussed herein.

Adjusted EBITDAR and VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR should not be construed as alternatives to operating income or net income, as indicators of the Company's performance; or as alternatives to cash flows from operating activities, as measures of liquidity; or as any other measure determined in accordance with generally accepted accounting principles. The Company has significant uses of cash flows, including capital expenditures, interest payments, taxes, real estate triple net lease and ground lease payments, and debt principal repayments, which are not reflected in Adjusted EBITDAR or VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR. Also, other companies in the gaming and hospitality industries that report Adjusted EBITDAR or VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR information may calculate Adjusted EBITDAR or VIP Table Games Hold Adjusted MGM China Adjusted Property EBITDAR in a different manner and such differences may be material."

Our shareholders and potential investors are advised not to place undue reliance on the Earnings Release and are reminded that certain financial information of the Group presented herein has not been audited or reviewed by our auditor. Our shareholders and potential investors are advised to read this announcement in conjunction with the interim results announcement to be published by MGM China for the six months ended June 30, 2020 and 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, July 31, 2020

As at the date of this announcement, our directors are William Joseph HORNBUCKLE, Pansy Catilina Chiu King HO, Chen Yau WONG, Grant R. BOWIE and John M. MCMANUS as executive directors, Kenneth Xiaofeng FENG, James Armin FREEMAN and Daniel J. TAYLOR as non-executive directors and Zhe SUN, Sze Wan Patricia LAM, Russell Francis BANHAM and Simon MENG as independent non-executive directors.