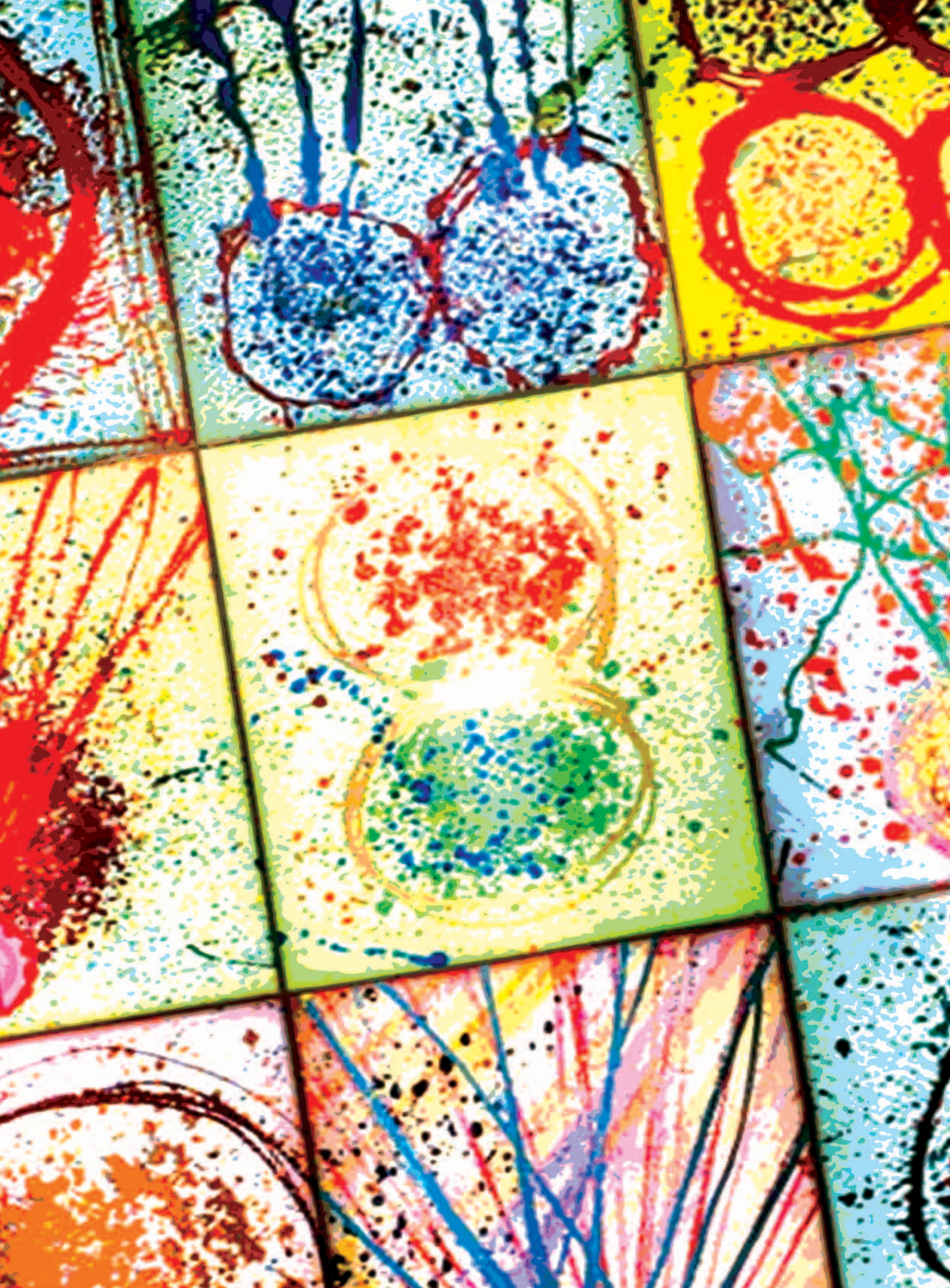
美高梅中國控股有限公司
MGM China Holdings Limited

2011 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

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 Director

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

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

Nomination Committee

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

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
Shops1712-1716, 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 SixMonths Ended June 30, 2011 HK$'000	2010 HK$'000
Casino revenue	**9,709,958**	4,927,224
Other revenue	**153,100**	135,617
Adjusted EBITDA (unaudited)	**2,472,464**	1,045,195
Profit attributable to owners of the Company [1]	**1,906,479**	397,264
Earnings per share — basic and diluted	**HK50.2 cents**	HK10.5 cents

Note:

(1) The amounts presented herein differ from the pro-forma US GAAP amounts presented by MGM Resorts International for its MGM China's segment in its filing with the Securities and Exchange Commission in the United States on August 8, 2011, primarily due to the purchase price allocation resulting from the acquisition of MGM China during the period as well as adjustments for IFRS and US GAAP differences.

Management Discussion and Analysis

MGM MACAU, a world-class luxury resort and a glowing icon on the Macau skyline, stands impressively along the waterfront at the heart of Macau's central entertainment district

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 property opened in December 2007 and has a casino floor area of approximately 28,976 square meters, with 1,142 slot machines, 427 gaming tables and multiple VIP and private gaming areas. The hotel comprises a 35-story tower with 587 deluxe rooms, including 468 standard guest rooms, 99 luxury suites, 20 private luxury villas, dedicated leisure areas and 11 restaurants and bars. 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.

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, 2011, our Company generated HK$9,863.1 million in operating revenue, HK$2,472.5 million in adjusted EBITDA and HK$1,906.5 million in net profit, representing respectively 95%, 136% and 380% increase over the results for the six months ended June 30, 2010. Our operating results were positively impacted by a number of factors, both externally and internally:

Growth of Macau's Gaming and Tourism Markets

Propelled by the vibrant 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 with several new hotels and casinos including Encore at Wynn Macau, City of Dreams, and Galaxy Macau. The Macau gaming revenues are now more than 2.5 times the size of Las Vegas Strip and Atlantic City markets combined based on the data from 2010. For the first half of 2011, total casino gross win in Macau market was MOP124.1 billion, up 44.6% over the same period in 2010.

We have benefitted from the rise in visitation to Macau. According to statistics published by the Statistics and Census Service of the Macau Government, visitor arrivals increased 8.3% from prior year and reached 13.2 million in the first half of 2011. 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% of visitors to Macau in the first half of 2011 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 includes 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.

Competition

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 of June 30, 2011, there were 34 casinos in the Macau area. 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 for example.

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; and our ability to segment and conduct targeted marketing to various customer groups through our Golden Lion Club loyalty program.

Our primary strategies are to continue to build on our core strength by optimizing our products and services, to expand key gaming areas in our property, to strengthen our brand awareness and appeal, and to refine our customer segmentation approach to maximize revenues and profitability.

We have taken full advantage of our strength and executed our strategies throughout our operations. 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. Gaming promoters 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 who bring in the VIP gaming customers.

VIP gaming is conducted by the use of special purpose gaming chips called the “rolling chips”. These promoter-specific rolling chips can also be referred to as “dead chips” or “non-negotiable chips”. Gaming promoters purchase these rolling chips from us and in turn they sell these chips to their players. These rolling chips allow us to track the amount of wagering conducted by the promoters customers. The amount of rolling chips played at the tables is called the rolling chip turnover. The amount of that turnover that we win or lose is called the win/loss or gross gaming revenue.

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 who have contributed significantly to our growth. 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.

Year-to-date through June, our VIP table games experienced strong growth. This segment of our business generated HK$337.9 billion in rolling chip turnover, an increase of 102% over the same period in the prior year.

Operationally, we have successfully increased 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 a number of high-end villas on top floors of MGM Macau into VIP gaming areas during the period. We plan to expand our VIP operations on Level 2 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 our relationship with gaming promoters and strategies aimed at enhancing the gaming experience of our customers.

(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 the six months period ended June 30, 2011, revenue from this segment increased year-over-year by 45.1% to HK$2,286.9 million. The strong 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 worth main floor players through promotion, host relationship and customized service.

The launch of Supreme Lounge on the main floor in December, 2010 has helped us to target the premium main floor players and grow our revenue and improve our yield. We will continue to implement such market segmentation strategy and introduce the Platinum Lounge on the main floor, another area designed to broaden its appeal to the premier mass market in the second half of 2011.

We also recognize the importance of brand awareness in growing this business segment. As a result, this year, we have enhanced our marketing activities to take advantage of our internationally recognized brand. Brand-building initiatives will be driven through promotions, events, strategic alliances and public relation activities.

(3) Slot Machine Operations

Our slot business generated HK$788.7 million in revenue during the first six months of 2011, up 94% from prior year. The growth is driven by our customer segmentation strategies as described previously, coupled with our focus on superior service and building brand awareness and loyalty. In addition, we also keep our slot product updated with the objective to increase the floor yield and to improve the customer gaming experience.

Discussion of Results of Operations

Financial results for the six months ended June 30, 2011 compared to financial results for the six months ended June 30, 2010

Operating Revenue

The following table sets forth the operating revenue and costs and expenses for the six months ended June 30, 2011 and 2010.

	For the Six Months Ended June 30,	
	2011 HK$'000	2010 HK$'000
Casino revenue	9,709,958	4,927,224
VIP gaming operations	6,634,306	2,944,438
Main floor gaming operations	2,286,943	1,575,941
Slot machine gaming operations	788,709	406,845
Other Revenue	153,100	135,617
Hotel rooms	49,757	43,239
Food and beverages	85,887	76,649
Retail and other services	17,456	15,729
Operating revenues	9,863,058	5,062,841
Costs and Expenses		
Special gaming tax and special levy to the Macau Government	5,236,370	2,634,331
Staff costs	677,797	601,181
Operating and administrative and other expenses	1,559,847	786,064
Depreciation and amortization	366,761	380,919
Finance costs	125,278	246,147
Operating profit	2,022,283	660,346
Profit attributable to owners of the Company	1,906,479	397,264

Summary Statistics

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

(in thousands, except for averages, number of tables and slot machines)	For the Six Months Ended June 30, 2011 HK$'000	2010 HK$'000
Number of VIP gaming tables	**193**	168
VIP table games turnover	**337,921,665**	167,144,951
VIP gross table games win	**10,199,552**	4,619,235
VIP table win percentage	**3.0%**	2.8%
Average daily gross win per gaming table	**292.7**	152.3
Number of Main floor gaming tables	**226**	238
Main floor table games drop	**8,374,034**	6,915,935
Main floor gross table games win	**2,281,952**	1,573,495
Main floor table games win percentage	**27.3%**	22.8%
Average daily gross win per gaming table	**55.8**	36.6
Number of Slot machines	**1,142**	982
Slot machine handle	**13,958,711**	7,633,844
Slot machine gross win	**785,424**	410,346
Slot hold percentage	**5.6%**	5.4%
Average daily win per slot	**3.8**	2.3
Commission and discounts	**(3,567,762)**	(1,675,637)
Room occupancy rate	**95.4%**	93.4%
REVPAR [1]	**2,124**	1,531

Notes: (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.

Operating Revenues

Total operating revenues increased by 94.8% to HK$9,863.1 million for the six months ended June 30, 2011. We believe this increase was due to a combination of factors, including strong overall Macau market growth, enhanced marketing efforts and property improvements.

Casino Revenue

Casino revenue increased by 97.1% to HK$9,710.0 million for the six months ended June 30, 2011. The components and reasons for this increase were:

- VIP Casino Gaming Operations:

  Revenue from VIP gaming operations increased by 125.3% to HK$6,634.3 million for the six months ended June 30, 2011. VIP table games turnover increased by 102.2% to HK$337,921.7 million for the six months ended June 30, 2011. The increases were primarily resulted from increased levels of VIP business brought to us by gaming promoters, in response to which we adapted new gaming products and areas to cater to the preferences of our VIP patrons. VIP table games win percentage increased from 2.8% to 3.0% over the comparable periods in 2010 and 2011.

  Approximately 80% of the commissions are netted against casino revenue, which corresponds to the 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 amount ultimately retained by gaming promoters for their compensation. The total amounts of commissions netted against casino revenue were HK$3,567.8 million and HK$1,675.6 million for the six months ended June 30, 2011 and 2010, respectively.

- Main Floor Casino Gaming Operations:

  Revenue from main floor gaming operations increased by 45.1% to HK$2,286.9 million for the six months ended June 30, 2011. Main floor table games drop increased by 21.1% to HK$8,374.0 million for the six months ended June 30, 2011. The increases primarily resulted from increases in general foot traffic, continued success of the tiered-loyalty program, and introduction of a new gaming area tailored for the high end segment of the mass market. The main floor table games win percentage increased from 22.8% to 27.3% over the comparable periods in 2010 and 2011.

- Slot Machine Gaming Operations:

  Revenue from slot machine gaming operations increased by 93.8% to HK$788.7 million for the six months ended June 30, 2011. Slot machine handle increased by 82.9% to HKD$13,958.7 million for the six months ended June 30, 2011. The increases primarily resulted from increase in the number of slot machines and improvements to slot machine product mix, continued success of the tiered-loyalty program driving performance of the high denomination slot machines, and introduction of the new gaming area tailored for the high end segment of the market. The slot machine win percentage increased from 5.4% to 5.6% over the comparable periods in 2010 and 2011.

Non-Gaming Revenues

Non-casino revenues, which include room, food and beverages and retail revenues, increased by 12.9% to HK$153.1 million for the six months ended June 30, 2011. The increase in revenues was largely due to the increase in our overall casino business volume and foot traffic into the 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 visitation and extend the length of customers' stay within the hotel.

Operating Costs and Expenses

Special Gaming Tax and Special Levy to the Macau Government. Special Gaming Tax and Special Levy to the Macau Government increased by 98.8% to HK$5,236.4 million for the six months ended June 30, 2011. This increase was resulted directly from the increased casino revenue over the comparable periods in 2010 and 2011.

Staff costs. Staff costs increased by 12.7% to HK$677.8 million for the six months ended June 30, 2011. The increase was primarily due to hiring of additional staffs to cater to the increase in casino business volumes as well as a 5% staff salary increment to line level staffs implemented in March 2011.

Operating and administrative and other expenses. Operating and administrative and other expenses increased by 98.4% to HK$1,559.8 million for the six months ended June 30, 2011. The increases were driven by higher commission expense to gaming promoters resulted from the increase in VIP business volume and higher advertising promotion expense consistent with the increase in business volume. Provision for doubtful debts in the previous years included impairment losses reversed upon collection of an amount previously fully reserved. License fees and marketing fees due to related companies of approximately HK$34.7 million were incurred in this period. No such costs were incurred for the six months ended June 30, 2010. There was also an one-off costs incurred associated with the listing of the Company on The Hong Kong Stock Exchange of approximately HK$74.6 million.

Depreciation and amortization. Depreciation and amortization decreased by 3.7% to HK$366.8 million for the six months ended June 30, 2011 due to full depreciation of certain assets.

Finance costs. Finance costs decreased by 49.1% to HK$125.3 million for the six months ended June 30, 2011. The decrease were primarily resulted from refinancing of the loan facility in July 2010, lower average loan balance, and full repayment of the shareholders loans in 2010.

Operating profit. Operating profits rose 206.2% to HK$2,022.3 million for the six months ended June 30, 2011 from HK$660.3 million a year ago.

Profit Attributable to owners of the Company

Profit attributable to owners of the Company increased by 380%, from HK$397.3 million for the six months ended June 30, 2010 to HK$ 1,906.5 million for the six months ended June 30, 2011.

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, 2011 and 2010.

	For the Six Months Ended June 30,	
	2011	2010
	HK$'000	HK$'000
Profit attributable to owners of the Company	1,906,479	397,264
Add/(less):		
Depreciation and amortization	366,761	380,919
Interest income	(1,150)	(213)
Finance costs	125,278	246,147
Net foreign currency difference	(8,372)	16,971
Taxation	48	177
Share-based payments	4,574	—
Property charges and others	78,846	3,930
Adjusted EBITDA (unaudited)	**2,472,464**	1,045,195

Note: (1) 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.

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, 2011 was HK$3,247.8 million. This cash was available for operations, new development activities and enhancement to existing properties. Besides, HK$2,810.0 million remains undrawn for all proper corporate purposes under the HK$7,410.0 million total banking facilities 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 total capital plus net debt. The table below presents the calculation of our gearing ratio as at June 30, 2011 and December 31, 2010.

	As at	
	June 30, 2011	December 31, 2010
	HK$'000	HK$'000
Debt [(i)]	4,421,146	5,886,730
Cash and bank balances	(3,247,788)	(1,922,723)
Net debt	1,173,358	3,964,007
Equity [(ii)]	2,995,858	1,480,849
Total Capital	4,169,216	5,444,856
Gearing ratio (Net debt/Total capital)	28.1%	72.8%

(i) Debt is defined as long and short-term bank borrowings.

(ii) Equity includes all capital and reserves of the MGM China Group that are defined as capital.

The following table presents a summary of the Group's cash flows for the six months ended June 30, 2011 and 2010.

Group Cash Flows

	For the Six Months Ended June 30,	
	2011	2010
	HK$'000	HK$'000
Net cash generated by operating activities	3,451,368	679,614
Net cash used in investing activities	(139,306)	(81,903)
Net cash used in financing activities	(1,986,997)	(522,936)
Net increase in cash and cash equivalents	1,325,065	74,775
Cash and cash equivalents at the beginning of the period	1,922,723	1,975,711
Cash and cash equivalents at the end of the period	3,247,788	2,050,486

Net cash generated by operating activities

Our net cash generated from operating activities is primarily affected by operating income generated by MGM Grand Paradise Limited as a result of increased casino revenue. Net cash from operating activities was HK$3,451.4 million in the six months ended June 30, 2011 compared to HK$679.6 million for the six months ended June 30, 2010.

Net cash used in investing activities

Net cash used in investing activities was HK$139.3 million for the six months ended June 30, 2011, compared to net cash used in investing activities of HK$82.0 million for the six months ended June 30, 2010. The major components of the cash flow used in investing activities relates to payment for the construction in progress and purchase of property and equipment. Payment for the construction in progress relates mostly to the renovation works carried throughout the property. It included but not limited to conversion of gaming villas, renovation and reconfiguration of gaming area on the main floor. They were part of our ongoing effort to maintain and upgrade our property to better fit the taste of our customers.

Net cash used in financing activities

Net cash used in financing activities was HK$1,987.0 million during the six months ended June 30, 2011 compared to net cash used in financing activities of HK$523.0 million during the six months ended June 30, 2010.

The increase in the net cash used in financing activities reflected the repayment of our bank borrowings due to the improved cash flows from operations.

Indebtedness

The following table presents a summary of our indebtedness as at June 30, 2011 and December 31, 2010.

	As at	
	June 30, 2011	December 31, 2010
	HK$'000	HK$'000
Secured revolving credit facility	**310,000**	1,800,000
Secured term loan facility	**4,290,000**	4,290,000
Total	**4,600,000**	6,090,000

The group had approximately HK$2,810.0 million available to draw under the MGM Grand Paradise Limited credit facilities as at June 30, 2011.

Subsequent to June 30, 2011, the revolving credit facility has been fully paid.

Contingent Liabilities

As at June 30, 2011, the Group has given bank guarantees totalling HK$300.0 million in relation to our gaming subconcession.

Term Loan Facility and Revolving Facility

Overview

On July 27, 2010, MGM Grand Paradise Limited entered into a new HK$7,410.0 million credit agreement with a syndicate of lenders and repaid the outstanding amounts under its prior credit facility in full on July 30, 2010.

The new 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 are secured by a charge over the shares and substantially all the assets of MGM Grand Paradise Limited 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 Limited pays interest at HIBOR plus an initial margin of 4.5% per annum. Depending on MGM Grand Paradise Limited's adjusted leverage ratio, the margin may decrease to a minimum of 3.0% per annum. As of June 30, 2011, MGM Grand Paradise Limited 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 Limited 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 Limited is required to maintain a specified adjusted leverage ratio at the end of each quarter while the loans are outstanding. For the year 2011, the specified adjusted leverage ratio is to be no greater than 4.00 to 1.00 for each quarter. The adjusted leverage ratio is required to be no greater than 3.50 to 1.00 for each quarter thereafter. In addition, MGM Grand Paradise Limited 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 Limited 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 interests 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 MGM Grand Paradise Limited business.

Dividend Restrictions

MGM Grand Paradise Limited is not allowed to declare, make or pay any dividends if its adjusted leverage ratio exceeds 4.00:1.00 and, to the extent its adjusted leverage ratio exceeds 3.50:1.00, may only pay dividends if it concurrently prepays the loans outstanding under the credit agreement. Our current leverage ratio is less than 3.5.

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 Limited by MGM Resorts International would constitute a change of control unless if MGM Resorts International retains direct or indirect beneficial ownership of at least 25% of the issued share capital of MGM Grand Paradise Limited.

Security and Guarantees

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

Business Outlook

We believe in the long term growth prospect of Macau market. While the level of competition will continue to increase as more capacity is introduced into the market, we believe we can grow our business by focusing on our highlighted competitive strengths.

In terms of existing operation, our competitive advantages lie principally in our global brand high-end products and service offerings, our relationship with gaming promoters as well as main floor high-end players and the accessibility to vast marketing networks afforded to us by our major shareholders. We will continue to leverage our competitive advantages in the process of executing and refining our operation strategies as described in earlier sections.

In terms of development, 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. There is currently no definitive timetable for finalizing the application process with the Macau Government. We are currently working towards finalising the concept and design of the project and will be prepared to commence the project upon approval by the Macau Government.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
MGM CHINA HOLDINGS LIMITED
美高梅中國控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 19 to 79, which comprise the consolidated and the Company's statements of financial position as at June 30, 2011 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at June 30, 2011 and of the Group's profit and cash flows for the six months then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 19, 2011

Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2011

		Six months ended June 30,	
		2011	2010
	Notes	HK$'000	HK$'000
OPERATING REVENUE			
Casino revenue	5	9,709,958	4,927,224
Other revenue	6	153,100	135,617
		9,863,058	5,062,841
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government	8	(5,236,370)	(2,634,331)
Staff costs		(677,797)	(601,181)
Operating and administrative and other expenses	9	(1,559,847)	(786,064)
Depreciation and amortization		(366,761)	(380,919)
		(7,840,775)	(4,402,495)
Operating profit		2,022,283	660,346
Interest income		1,150	213
Finance costs	10	(125,278)	(246,147)
Net foreign currency gain (loss)		8,372	(16,971)
Profit before taxation		1,906,527	397,441
Taxation	11	(48)	(177)
Profit for the period and total comprehensive income attributable to owners of the Company	12	1,906,479	397,264
Earnings per share — Basic and diluted	15	HK50.2 cents	HK10.5 cents

Consolidated Statement of Financial Position

At June 30, 2011

	Notes	As at June 30, 2011 HK$'000	As at December 31, 2010 HK$'000
NON-CURRENT ASSETS			
Property and equipment	17	5,189,576	5,351,259
Sub-concession premium	18	1,111,120	1,174,048
Land use right premium	19	361,405	370,950
Other assets	20	8,623	6,058
Construction in progress	17	26,198	28,827
		6,696,922	6,931,142
CURRENT ASSETS			
Inventories	21	70,155	63,848
Trade receivables	22	513,324	1,137,422
Prepayments, deposits and other receivables	23	68,161	77,314
Land use right premium - short term	19	19,246	19,246
Amount due from a related company	37(a)(i)	3	72,471
Bank balances and cash	24	3,247,788	1,922,723
		3,918,677	3,293,024
CURRENT LIABILITIES			
Payables and accrued charges	25	2,938,408	2,706,145
Deposits and advances	27	224,452	135,103
Construction retention payable			
— due within 12 months		3,177	3,433
Amounts due to related companies	37(a)(ii)	32,285	11,681
Taxation payable		273	225
		3,198,595	2,856,587

Consolidated Statement of Financial Position

At June 30, 2011

	Notes	As at June 30, 2011 HK$'000	As at December 31, 2010 HK$'000
NET CURRENT ASSETS		**720,082**	436,437
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,417,004**	7,367,579
NON-CURRENT LIABILITY			
Bank borrowings — due after 12 months	26	**4,421,146**	5,886,730
NET ASSETS		**2,995,858**	1,480,849
CAPITAL AND RESERVES			
Share capital	28(a)	**3,800,000**	194,175
Share premium and reserves	28(b)(i) &(ii)	**(804,142)**	1,286,674
SHAREHOLDERS' FUNDS		**2,995,858**	1,480,849

The consolidated financial statements on pages 19 to 79 were approved and authorized for issue by the Board of Directors on August 19, 2011 and are signed on its behalf by:

Pansy Catilina Chiu King Ho
Chairperson and Executive Director

James Joseph Murren
Co-Chairperson and Executive Director

Statement of Financial Position

At June 30, 2011

	Notes	As at June 30, 2011 HK$'000	As at December 31, 2010 HK$'000
NON-CURRENT ASSET			
Investment in a subsidiary	16	14,286,509	—
CURRENT ASSETS			
Prepayments, deposits and other receivables		225	—
Bank balances and cash	24	44,211	—
		44,436	—
CURRENT LIABILITIES			
Payables and accrued charges	25	39,996	—
Amount due to a related company	37(a)(iii)	4	—
Amount due to a subsidiary	37(a)(iv)	450	—
		40,450	—
NET CURRENT ASSETS		3,986	—
NET ASSETS		14,290,495	—
CAPITAL AND RESERVES			
Share capital	28(a)	3,800,000	—
Share premium and reserves	28(b)(iii)	10,490,495	—
SHAREHOLDERS' FUNDS		14,290,495	—

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2011

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Equity reserve HK$'000 (note 28(b)(i))	Other reserves HK$'000 (note 28(b)(ii))	(Deficits) retained earnings HK$'000	Share premium and reserves total HK$'000	Shareholders' funds total HK$'000
At January 1, 2010	194,175	—	—	630,256	778,485	(1,351,571)	57,170	251,345
Profit for the year and total comprehensive income	—	—	—	—	—	1,566,035	1,566,035	1,566,035
Reversal of equity reserve upon early repayment of shareholders' loans	—	—	—	(336,531)	—	—	(336,531)	(336,531)
At December 31, 2010 and January 1, 2011	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	3,800,000	10,434,193	4,574	293,725	(13,133,305)	1,596,671	(804,142)	2,995,858
At January 1, 2010	194,175	—	—	630,256	778,485	(1,351,571)	57,170	251,345
Profit for the period and total comprehensive income	—	—	—	—	—	397,264	397,264	397,264
At June 30, 2010	194,175	—	—	630,256	778,485	(954,307)	454,434	648,609

Consolidated Statement of Cash Flows

For the six months ended June 30, 2011

	Six months ended June 30, 2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	1,906,527	397,441
Adjustments for:		
Allowance for doubtful debts, net	51,154	5,682
Depreciation and amortization	366,761	380,919
Interest expense	97,579	159,919
Bank fees and charges	27,699	86,228
Loss on disposal/write-off of property and equipment	3,965	2,839
Interest income	(1,150)	(213)
Share-based payments	4,574	—
Exchange loss in relation to bank borrowings and loans from shareholders and a related company	—	18,224
Operating cash flows before movements in working capital	2,457,109	1,051,039
Increase in inventories	(6,307)	(9,769)
Decrease (increase) in trade receivables	572,944	(251,610)
Decrease (increase) in prepayments, deposits and other receivables	9,153	(18,238)
Decrease (increase) in amount due from a related company	72,468	(452)
Increase (decrease) in payables and accrued charges	235,154	(60,993)
Increase (decrease) in deposits and advances	89,349	(32,243)
(Decrease) increase in construction retention payable	(256)	1,812
Increase (decrease) in amounts due to related companies	20,604	(145)
Cash generated from operations	3,450,218	679,401
Interest received	1,150	213
NET CASH GENERATED BY OPERATING ACTIVITIES	3,451,368	679,614
INVESTING ACTIVITIES		
Payments for construction in progress	(55,629)	(38,322)
Payments of developers' fee capitalized to property and equipment	—	(4,158)
Proceeds from sale of property and equipment	41	1,533
Purchase of other assets	(5,560)	(999)
Purchase of property and equipment	(78,158)	(39,957)
NET CASH USED IN INVESTING ACTIVITIES	(139,306)	(81,903)

Consolidated Statement of Cash Flows

For the six months ended June 30, 2011

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	(1,490,000)	(365,720)
Interest paid	(97,670)	(87,870)
Bank fees and charges paid	(3,283)	(69,346)
Dividends paid	(475,728)	—
Contribution by shareholders	132,000	—
Expenses incurred in connection with issue of shares	(52,316)	—
NET CASH USED IN FINANCING ACTIVITIES	(1,986,997)	(522,936)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,325,065	74,775
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,922,723	1,975,711
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	3,247,788	2,050,486

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2011

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, Edifício MGM Macau, NAPE, Macau.

Through a group reorganization to rationalize the structure of the Company, MGM Grand Paradise Limited 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 propectus of the Company dated May 23, 2011 (the "Prospectus"). The Group resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting. The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2010 and 2011 have been prepared on the basis as if the current group structure had been in existence throughout those periods. The consolidated statement of financial position of the Group as at December 31, 2010 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date.

The financial statements are presented in Hong Kong dollars ("HK$"), the functional currency of the Company and its subsidiaries.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current period, the Group has applied, for the first time, the following new or revised Standards Amendments and Interpretations ("new or revised IFRSs"):

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

Standards and Interpretations in issue not yet adopted

The Group has not early applied the following new or revised IFRSs that have been issued but are not yet effective:

IFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets[1]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
IAS 19 (Revised 2011)	Employee Benefits[4]
IAS 27 (Revised 2011)	Separate Financial Statements[4]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or after July 1, 2011
2 Effective for annual periods beginning on or after January 1, 2012
3 Effective for annual periods beginning on or after July 1, 2012
4 Effective for annual periods beginning on or after January 1, 2013

The directors of the Company anticipate that the application of the new and revised Standards, Amendments and Interpretations will have no material impact on the financial performance and financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on a historical cost basis and in accordance with IFRSs. The accounting policies are set out as below. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed during the period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investment in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Revenue recognition

Casino revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Revenues are recognized net of sales incentives such as discounts and commissions to casino customers.

Other revenue comprises hotel, food and beverage, retail and other operating revenue and is recognized when services are rendered and goods are sold and it is probable that the economic benefits associated with the transaction will flow to the Group. Advanced deposits on rooms are recorded as accrued liabilities before services are provided to customers.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

Property and equipment

Property and equipment including buildings held for use in the production of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and are carried at cost, less recognized impairment loss, if any. Construction in progress are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. Significant Accounting Policies *(Continued)*

Property and equipment *(Continued)*

Art works and paintings are stated at cost less accumulated impairment losses.

Depreciation is recognized so as to write off the cost (other than art works and paintings and construction in progress) less their estimated residual values over their estimated useful lives, using the straight-line method.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss in the period in which the item is derecognized.

Impairment of tangible and intangible assets (other than financial assets)

At the end of each period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any of such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount, which would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Significant Accounting Policies *(Continued)*

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortized over the lease term on a straight-line basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Other assets

Other assets comprise operating equipment such as chips, silverware, chinaware, linen and uniforms which are carried at cost less accumulated amortization and impairment loss and are amortized using the straight-line method over their estimated useful lives.

An item of other assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of other assets, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in profit or loss in the period in which the item is derecognized.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. Significant Accounting Policies *(Continued)*

Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial asset or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables. All regular purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period of the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a related company and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

3. Significant Accounting Policies *(Continued)*

Financial Instruments *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of initial recognition. Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities (including payables, bank borrowings, deposits and advances, construction retention payable and amounts due to related companies and a subsidiary) are subsequently measured at amortized cost using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies *(Continued)*

Financial Instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company not designated at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group and the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contigent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS18 *Revenue*.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to receive cash flows from the asset expire or, when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations specified in the relevant contract are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Sub-concession premium

Premium payments made for the grant of the sub-concession are capitalized, carried at cost less accumulated amortization and accumulated impairment losses, if any, and amortized using the straight-line method over its estimated useful life which is from the date of commencement of gaming operations to the expiry of the Sub-Concession Contract.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions

Leasing

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Share-based payment transactions — Equity-settled share-based payament transactions

Share options granted to directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the estimate during the vesting period, if any, is recognized in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

4. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of property and equipment, sub-concession premium and land use right premium

Determining whether property and equipment, the sub-concession premium and the land use right premium are impaired requires an estimation of the future cash flows to be generated by the cash generating units and a suitable discount rate in order to calculate their present value. As at June 30, 2011, the carrying amounts of property and equipment, the sub-concession premium and the land use right premium are HK$5.2 billion, HK$1.1 billion and HK$381 million (December 31, 2010: HK$5.4 billion, HK$1.2 billion and HK$390 million) respectively and, based on management's assessment, no impairment loss was recognized. Should there be any changes in such estimates, the impairment loss of property and equipment, the sub-concession premium and the land use right premium will affect profit or loss in the period of the change.

Depreciation of property and equipment

The Group's carrying amounts of property and equipment other than construction in progress and art works and paintings as at June 30, 2011, is HK$5.1 billion (December 31, 2010: HK$5.3 billion). The Group depreciates the property and equipment, other than construction in progress and art works and paintings, over their estimated useful lives, using the straight-line method, commencing from the date the property and equipment are ready for the intended use. The useful lives that the Group estimated for property and equipment reflects the Group management's estimate of the period that the Group intends to derive future economic benefits from the use of the assets. Should there be any changes in such estimates, the depreciation of property and equipment may vary with changes affecting profit or loss in the period of the change.

Allowance for doubtful debts

The Group issues markers and credit to approved gaming promoters, casino customers and hotel customers following background checks and investigations of their creditworthiness. An estimated allowance for doubtful accounts is maintained to reduce the Group's receivables to their recoverable amount. The allowance is estimated based on a specific review of customer accounts and an evaluation of the amounts expected to be recovered with reference to past collection experience, current economic and business conditions and other relevant information. When the actual future cash flows are less than expected, a material impairment loss may arise and affect profit or loss in the period of change. As at June 30, 2011, the carrying amount of trade receivables is HK$513 million (December 31, 2010: HK$1,137 million), net of allowance for doubtful debts of HK$283 million (December 31, 2010: HK$232 million), respectively.

4. Key Sources of Estimation Uncertainty *(Continued)*

Deferred tax on unutilized tax losses

As at June 30, 2011, no deferred tax asset has been recognized on the tax losses of HK$3,809.8 million (December 31, 2010: HK$3,689.2 million) due to the unpredictability of future profit streams as described in note 11. The realizability of the deferred tax asset mainly depends on whether sufficient future profits will be available in the future. In cases where sufficient actual future taxable profits are generated against which unutilized tax losses can be utilized, a material deferred tax asset may arise and affect profit or loss in the period of change.

5. Casino Revenue

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

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
Casino revenue from		
— VIP gaming operations	6,634,306	2,944,438
— Main floor table gaming operations	2,286,943	1,575,941
— Slot machine operations	788,709	406,845
	9,709,958	4,927,224

6. Other Revenue

Other revenue comprises:

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
Hotel rooms	49,757	43,239
Food and beverages	85,887	76,649
Retail goods and other services	17,456	15,729
	153,100	135,617

6. 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 recognized for such promotional activities. The retail value of the Promotional Allowances incurred during the period is as follows:

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
Hotel rooms	171,285	116,019
Food and beverages	155,640	116,394
Retail goods and other services	8,417	4,478
	335,342	236,891

7. Segment Informaton

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.

During the current and prior period, all revenue is derived from customers in Macau and almost all the non-current assets of the Group are located in Macau. None of the customers of the Group contributed more than 10% of the total revenues during the current and prior period.

8. Special Gaming Tax and Special Levy to the Macau Government

According to the Sub-Concession Contract, MGM Grand Paradise Limited is required to pay to the Macau Government a special gaming tax, gaming premium and special levies annually. The special gaming tax is assessed at the rate of 35% of the gross gaming revenue (being the aggregate net difference between gaming wins and losses before deducting sales incentives) of MGM Grand Paradise Limited. Gaming premium is composed of (i) a fixed portion in an amount equal to MOP30 million (equivalent to approximately HK$29 million) and (ii) a variable portion that is calculated based on the number of gaming tables and gaming machines, including slot machines, operated by MGM Grand Paradise Limited during the period. The special levy includes (i) an amount corresponding to 1.6% of the gross gaming revenue that will be available to a public foundation whose purposes are the promotion, study and development of cultural, social, economic, educative, scientific, academic and philanthropic activities in Macau and (ii) an amount corresponding to 2.4% of the gross gaming revenue for the purposes of urban development, tourism promotion and social security of Macau.

9. Operating and Administrative and Other Expenses

Operating and administrative and other expenses comprise:

	Six months ended June 30,	
	2011 HK$'000	2010 HK$'000
Advertising and promotion	243,191	138,232
Allowance for doubtful debts, net	51,154	5,682
Cost of food and beverages	101,345	79,916
Junket commission	824,578	346,920
Listing expenses	74,631	—
Operating supplies	47,461	45,827
Others	161,567	116,173
Utilities and fuel	55,920	53,314
	1,559,847	786,064

10. Finance Costs

	Six months ended June 30,	
	2011 HK$'000	2010 HK$'000
Interest on		
— Bank borrowings wholly repayable within five years	97,579	87,760
— Loan from a related company not wholly repayable within five years	—	43,979
Effective interest on loans from shareholders	—	28,180
Bank fees and charges	27,699	86,228
Total borrowing costs	125,278	246,147

11. Taxation

	Six months ended June 30, 2011 HK$'000	2010 HK$'000
Current tax		
Macau	(34)	(61)
Hong Kong	(14)	(116)
	(48)	(177)

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. Hong Kong profits tax is calculated at 16.5% for the period ended June 30, 2011 of the estimated assessable profits for the current and prior period.

Macau Complementary Tax and Hong Kong profits tax was provided by one of the subsidiaries of the Group on its estimated taxable profit for the period ended June 30, 2011.

No provision for Macau Complementary Tax has been provided by MGM Grand Paradise Limited as, pursuant to the approval notice 186/2008 issued by the Macau Government dated June 19, 2008, MGM Grand Paradise Limited is exempted from Macau Complementary Tax for income generated from gaming operations for 5 years from 2007 to 2011.

11. Taxation *(Continued)*

The tax charge for the period can be reconciled to the profit in the consolidated statement of comprehensive income as follows:

	Six months ended June 30, 2011 HK$'000	2010 HK$'000
Profit before tax	1,906,527	397,441
Tax at applicable income tax rate of 12%	(228,783)	(47,693)
Effect of tax exemption granted to MGM Grand Paradise Limited	290,117	118,656
Effect of tax losses not recognized	(61,334)	(70,963)
Effect of different tax rates of group entities operating in jurisdictions other than Macau	(14)	(116)
Others	(34)	(61)
	(48)	(177)

At the end of the reporting period, the Group has unused tax losses (subject to agreement by the relevant tax authority) and deductible temporary differences as follows:

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Arising from unused tax losses	3,809,836	3,689,232
Arising from pre-opening expenses	240,535	290,165
	4,050,371	3,979,397

At June 30, 2011, tax losses of approximately HK$3,809.8 million (December 31, 2010: HK$3,689.2 million) will expire in three years from the year of assessment.

The directors of the Group have considered (i) the nature of business of MGM Grand Paradise Limited which is a game of chance with inherent risk that increases the unpredictability of future profit streams; (ii) that pursuant to the approval notice 186/2008 issued by the Macau Government dated June 19, 2008, MGM Grand Paradise Limited is exempted from Macau Complementary Tax for income generated from gaming operations for 2011; and (iii) the fact that tax losses can only be utilized in three years from the year of assessment. After taking into account of the above factors, the directors of the Group are of the view that it may not be probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized. As a result, no deferred tax assets have been recognized.

11. Taxation *(Continued)*

MGM Grand Paradise Limited's exemption from Macau Complementary Tax does not apply to the dividends to be distributed by MGM Grand Paradise Limited. The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% for dividends they receive from MGM Grand Paradise Limited. Accordingly, the Company will be required to recognize deferred tax liabilities for taxable temporary differences associated with its investment in MGM Grand Paradise Limited 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. As at June 30, 2011, MGM Grand Paradise Limited has distributable reserves of approximately HK$2 billion and the Company has determined that the profits of MGM Grand Paradise Limited will not be distributed in the foreseeable future and therefore the Company has not recognized a deferred tax liability.

12. Profit for the Period

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	14,121	—
Retirement benefits scheme contributions for other staff	10,890	11,543
Share-based payments for other staff	3,643	—
Other staff costs	649,143	589,638
	677,797	601,181
Amortization in respect of:		
— land use right premium	9,545	9,544
— sub-concession premium	62,928	63,277
— other assets	2,995	3,477
Depreciation of property and equipment	291,293	304,621
	366,761	380,919
Auditor's remuneration	3,022	2,379
Loss on disposal/write-off of property and equipment	3,965	2,839
Operating lease rentals in respect of:		
— leasehold land	1,422	1,422
— office equipment	7,568	3,500
— office premises	1,008	1,080
— staff accommodation	11	31
— warehouse	810	2,508

13. Directors' and Employees' Emoluments

The emoluments paid or payable to the directors during the period were as follows:

	Fees HK$'000	Salary and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payments HK$'000	Discretionary and performance related incentive payments (note) HK$'000	Total HK$'000
Six months ended June 30, 2011						
Executive Directors:						
Pansy Ho	—	—	—	—	—	—
James Joseph Murren	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
Grant R. Bowie	—	4,146	391	931	7,811	13,279
Non-executive Directors:						
William M. Scott IV	—	—	—	—	—	—
Daniel J. D'Arrigo	—	—	—	—	—	—
Kenneth A. Rosevear	—	—	—	—	—	—
Independent Non-executive Directors:						
Zhe Sun	353	—	—	—	—	353
Tommei Mei Kuen Tong	353	—	—	—	—	353
Sze Wan Patricia Lam	136	—	—	—	—	136
Total emoluments	842	4,146	391	931	7,811	14,121

No emoluments were paid by the Group to the directors during the six months ended June 30, 2010 as their emoluments were borne by the shareholders and were not charged to the Group during that period. It is not practical to allocate the remuneration for their services to the Group and other entities related to the shareholders. None of the directors has waived any emoluments in the six months ended June 30, 2011 and 2010.

No emoluments were paid to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the six months ended June 30, 2011 and 2010.

Note: The discretionary and performance related incentive payments are determined based on the Group's performance and individuals' contribution to the Group.

13. Directors' and Employees' Emoluments *(Continued)*

Of the five individuals with the highest emoluments in the Group, one (2010: NIL) was a director of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining four (2010: five) individuals were as follows:

	Six months ended June 30, 2011 HK$'000	Six months ended June 30, 2010 HK$'000
Salaries and other benefits	8,442	10,811
Contributions to retirement benefits scheme	1	455
Share-based payments	1,530	—
Discretionary and performance related incentive payments (Note)	5,529	8,263
	15,502	19,529

Their emoluments were within the following bands:

	Six months ended June 30, 2011 No. of employees	Six months ended June 30, 2010 No. of employees
HK$2,000,001 to HK$2,500,000	—	2
HK$2,500,001 to HK$3,000,000	—	1
HK$3,000,001 to HK$3,500,000	3	—
HK$4,000,001 to HK$4,500,000	—	1
HK$5,500,001 to HK$6,000,000	1	—
HK$8,000,001 to HK$8,500,000	—	1

No emoluments were paid to any of the individuals with the highest emoluments (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the six months ended June 30, 2011 and 2010.

Note: The discretionary and performance related incentive payments are determined based on the Group's performance and individuals' contribution to the Group.

14. Dividends Paid

On March 23, 2011, prior to the Group Reorganization, 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 Limited. These dividends were paid to those shareholders on March 24, 2011.

15. Earnings Per Share

The Company was incorporated on July 2, 2010. The calculation of the basic earnings per share for the period is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of shares in issue during the period on the assumption that the Group Reorganization has been effective on January 1, 2010 and is set out as follows:

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
Profit		
Profit for the period and total comprehensive income attributable to owners of the Company for the purpose of basic earnings per share	**1,906,479**	397,264
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	**3,800,000**	3,800,000
Earnings per share — Basic and diluted	**HK50.2 cents**	HK10.5 cents

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares during the period in which they are outstanding.

16. Investment in a Subsidiary

	June 30, 2011	December 31, 2010
	HK$'000	HK$'000
Unlisted shares, at cost	**14,286,509**	—

Details of the Company's principal subsidiaries at June 30, 2011 are set out in note 38.

17. Property and Equipment and Construction in Progress

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Gaming machines and equipment HK$'000	Computer equipment and software HK$'000	Art works and paintings HK$'000	Vehicles HK$'000	Property and equipment total HK$'000	Construction in progress HK$'000	Grand total HK$'000
COST										
At January 1, 2010	4,737,355	1,294,415	440,389	239,999	155,507	63,280	7,938	6,938,883	21,070	6,959,953
Additions	29,505	22,929	10,324	11,205	3,954	1,388	16	79,321	167,281	246,602
Transfers	68,762	36,533	13,867	27,623	10,883	12	—	157,680	(157,680)	—
Reclassification	—	—	(2,002)	2,173	(171)	—	—	—	—	—
Adjustment upon finalization of costs	(11,557)	(2,866)	(7,525)	(94)	(628)	—	—	(22,670)	(1,844)	(24,514)
Disposal/written-off	(28,361)	(12,891)	(5,754)	(8,822)	(333)	(164)	—	(56,325)	—	(56,325)
At December 31, 2010 and January 1, 2011	4,795,704	1,338,120	449,299	272,084	169,212	64,516	7,954	7,096,889	28,827	7,125,716
Additions	11,246	42,844	9,471	7,544	7,000	53	—	78,158	55,643	133,801
Transfers	5,020	25,094	8,831	10,357	8,616	—	—	57,918	(57,918)	—
Reclassification	(3,497)	—	507	2,416	503	71	—	—	—	—
Adjustment upon finalization of costs	(120)	(720)	(609)	(9)	(1,002)	—	—	(2,460)	(354)	(2,814)
Disposal/written-off	(4,614)	—	(1,862)	(381)	(630)	(3)	—	(7,490)	—	(7,490)
At June 30, 2011	4,803,739	1,405,338	465,637	292,011	183,699	64,637	7,954	7,223,015	26,198	7,249,213
DEPRECIATION										
At January 1, 2010	(464,314)	(297,551)	(178,229)	(97,439)	(103,869)	—	(3,411)	(1,144,813)	—	(1,144,813)
Eliminated on disposal/write-off	3,969	10,707	3,215	4,131	298	—	—	22,320	—	22,320
Charge for the year	(255,290)	(166,428)	(91,139)	(58,639)	(50,051)	—	(1,590)	(623,137)	—	(623,137)
At December 31, 2010 and January 1, 2011	(715,635)	(453,272)	(266,153)	(151,947)	(153,622)	—	(5,001)	(1,745,630)	—	(1,745,630)
Eliminated on disposal/write-off	1,265	—	1,251	349	619	—	—	3,484	—	3,484
Charge for the period	(130,676)	(88,728)	(41,195)	(26,290)	(3,655)	—	(749)	(291,293)	—	(291,293)
At June 30, 2011	(845,046)	(542,000)	(306,097)	(177,888)	(156,658)	—	(5,750)	(2,033,439)	—	(2,033,439)
CARRYING AMOUNT										
At June 30, 2011	3,958,693	863,338	159,540	114,123	27,041	64,637	2,204	5,189,576	26,198	5,215,774
At December 31, 2010	4,080,069	884,848	183,146	120,137	15,590	64,516	2,953	5,351,259	28,827	5,380,086

17. Property and Equipment and Construction in Progress *(Continued)*

At June 30, 2011, borrowing costs of HK$496 million (December 31, 2010: HK$496 million) have been capitalized in the Group's property and equipment. The additions to constuction in progress during the period mainly include renovation works of the casino and hotel complex of the Group (the "Complex").

According to the Sub-Concession Contract, certain property and equipment related to the casino have to be returned to the Macau Government at no cost upon the expiry of the Sub-Concession Contract in year 2020.

Other than construction in progress and art works and paintings, property and equipment are depreciated on a straight-line basis as follows:

Buildings — gaming	12.5 years or over the remaining term of the Sub-Concession Contract
Buildings — non-gaming	25 years or over the lease term of the land on which the buildings are located, whichever is shorter
Leasehold improvements	3 to 10 years
Furniture, fixtures and equipment	3 to 7 years
Gaming machines and equipment	3 to 5 years
Computer equipment and software	3 years
Vehicles	5 years

18. Sub-Concession Premium

	HK$'000
COST	
At January 1, 2010, December 31, 2010 and June 30, 2011	1,560,000
AMORTIZATION	
At January 1, 2010	(258,704)
Charge for the year	(127,248)
At December 31, 2010 and January 1, 2011	(385,952)
Charge for the period	(62,928)
At June 30, 2011	(448,880)
CARRYING AMOUNT	
At June 30, 2011	1,111,120
At December 31, 2010	1,174,048

Pursuant to the agreement dated June 19, 2004 between MGM Grand Paradise Limited and Sociedade de Jogos de Macau ("SJM"), a company in which a close family member of a director of the Group has controlling beneficial interests, a sub-concession premium of US$200 million (equivalent to approximately HK$1.56 billion) was paid by MGM Grand Paradise Limited to SJM for the right to operate casino games of chance and other casino games in the Complex for a period of 15 years commencing on April 20, 2005.

19. Land Use Right Premium

	HK$'000
COST	
At January 1, 2010, December 31, 2010 and June 30, 2011	481,470
AMORTIZATION	
At January 1, 2010	(72,028)
Charge for the year	(19,246)
At December 31, 2010 and January 1, 2011	(91,274)
Charge for the period	(9,545)
At June 30, 2011	(100,819)
CARRYING AMOUNT	
At June 30, 2011	380,651
At December 31, 2010	390,196

Included in the consolidated statement of financial position as:

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Current land use right premium	19,246	19,246
Non-current land use right premium	361,405	370,950
	380,651	390,196

The land use right premium represents payments made for the Complex, which is located in Macau, and are stated at cost less accumulated amortization and impairment and are amortized using the straight-line method over the estimated useful life of 25 years from the date when the land use right was granted on April 6, 2006.

20. Other Assets

	HK$'000
COST	
At January 1, 2010	134,239
Additions during the year	8,866
Disposal during the year	(63,812)
At December 31, 2010 and January 1, 2011	79,293
Additions during the period	5,560
At June 30, 2011	84,853
AMORTIZATION	
At January 1, 2010	(128,898)
Charge for the year	(8,149)
Eliminated on disposal	63,812
At December 31, 2010 and January 1, 2011	(73,235)
Charge for the period	(2,995)
At June 30, 2011	(76,230)
CARRYING AMOUNT	
At June 30, 2011	8,623
At December 31, 2010	6,058

Other assets comprise of operating equipment such as chips, silverware, chinaware, linen and uniforms which are amortized over their estimated useful lives on the straight-line method at a rate of 50% per annum.

21. Inventories

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Retail merchandise	2,310	1,375
Operating supplies	24,055	20,072
Food and beverages	43,790	42,401
	70,155	63,848

22. Trade Receivables

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Trade receivables	796,384	1,369,780
Less: Allowance for doubtful debts	(283,060)	(232,358)
	513,324	1,137,422

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 its VIP gaming customers and an average of 30 days to its hotel customers. Trade receivables are unsecured and non-interest bearing. The following is an analysis of trade receivables by age presented based on marker issuance date or invoice date:

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Within 30 days	507,719	1,071,999
31 - 60 days	5,310	62,063
61 - 90 days	295	2,668
91 - 120 days	—	692
	513,324	1,137,422

22. Trade Receivables *(Continued)*

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 period.

Certain trade receivables are past due at the reporting date of which the Group has considered not impaired as they are either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 47 days as at June 30, 2011 (December 31, 2010: 50 days). Ageing of trade receivables which are past due but not impaired is as follows:

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
31 - 60 days	5,310	62,063
61 - 90 days	295	2,668
91 - 120 days	—	692
	5,605	65,423

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

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
At beginning of period/year	232,358	151,314
Impairment losses recognized on trade receivables	81,596	186,097
Impairment losses reversed upon recovery	(30,442)	(104,767)
Amount written off as uncollectible	(452)	(286)
At end of period/year	283,060	232,358

22. Trade Receivables *(Continued)*

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 period. Other than as discussed below, the concentration of credit risk is limited due to the debtor base being large and unrelated.

Included in trade receivables as at December 31, 2010 is an aggregate receivable (before allowance) of approximately HK$120 million due from a single debtor that has not been past due. However, after taking into account the determination of the credit worthiness of this debtor, full provision of approximately HK$120 million has been made by management against this receivable as at December 31, 2010.

The allowance recognized during the six months ended June 30, 2011 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.

The directors of the Group are of the opinion that the credit quality of the trade receivables that are neither past due nor impaired at end of the period is of good quality.

23. Prepayments, Deposits and Other Receivables

The Group's prepayments, deposits and other receivables comprise:

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Prepaid goods and services	46,670	40,902
Rental and other deposits	16,934	28,844
Other receivables	4,557	7,568
	68,161	77,314

24. Bank Balances and Cash

Bank balances carry interest at market rates which range from 0.0006% to 0.43% per annum as at June 30, 2011 (December 31, 2010: 0.0006% to 0.07%).

25. Payables and Accrued Charges

The Group

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Accrued commission and incentives	107,930	82,034
Accrued construction and renovation costs	25,285	33,256
Accrued liability for customer loyalty program	54,532	43,372
Accrued staff costs	158,134	180,843
Other payables and accrued charges	223,033	150,256
Outstanding chips liabilities	1,453,061	1,301,709
Special gaming tax and special levy payables	867,616	865,807
Trade payables	48,817	48,868
	2,938,408	2,706,145

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

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Within 30 days	36,884	39,789
31 - 60 days	7,236	7,530
61 - 90 days	1,692	1,120
91 - 120 days	2,125	199
Over 120 days	880	230
	48,817	48,868

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.

25. Payables and Accrued Charges *(Continued)*

The Company

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Accrued staff costs	841	—
Accrued charges	38,605	—
Other payables	550	—
	39,996	—

All other payables of the Company are aged within 30 days based on the invoice date. The average credit period on purchase of goods and services is one month. The Company has financial risk management policies to ensure that all payables are paid within the credit time frame.

26. Bank Borrowings

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Bank borrowings represent:		
Secured term loan facilities of HK$4,290,000,000	4,290,000	4,290,000
Secured revolving credit loan facilities of HK$3,120,000,000	310,000	1,800,000
	4,600,000	6,090,000
Less: Debt finance costs	(178,854)	(203,270)
	4,421,146	5,886,730
Carrying amount repayable:		
More than one year, but not exceeding two years	429,000	214,500
More than two years, but not exceeding five years	3,992,146	5,672,230
	4,421,146	5,886,730

26. Bank Borrowings *(Continued)*

In July 2010, the Group entered into a credit agreement with a limit of HK$7,410 million with a syndicate of banks. The credit facilities comprise a term loan facility and a revolving facility with a limit of HK$4,290 million and HK$3,120 million respectively. The term loan facility is denominated in HK$ and 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"). The revolving credit facility may be denominated in either HK$ or US$ and bears interest at a percentage rate per annum equal to the aggregate of the same margin and HIBOR or London Interbank Offered Rate as appropriate. As at June 30, 2011, the interest rate under the credit agreement is 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 while each revolving credit loan will be repaid in full on the last date of the respective term but no later than July 2015. As at December 31, 2010, the Group incurred and paid miscellaneous charges and bank fees of approximately HK$222 million in relation to the credit facilities.

The credit facilities are secured by a charge over the shares of MGM Grand Paradise Limited and its subsidiaries including all its assets and all the assets of its subsidiaries. During the current period, the Company provided a corporate guarantee to the banks to secure the credit facilities.

27. Deposits and Advances

Deposits and advances mainly represent funds deposited by casino customers for gaming purposes, which are unsecured, interest free and repayable on demand.

28. Share Capital, Share Premium and Reserves

(a) Share capital

		Number of shares	Share Capital HK$
Ordinary shares of HK$1 each			
Authorized			
At January 1, 2010 and December 31, 2010	(i)	5,000,000,000	5,000,000,000
Increased on May 11, 2011	(ii)	5,000,000,000	5,000,000,000
At June 30, 2011		10,000,000,000	10,000,000,000
Issued and fully paid			
At July 2, 2010 (date of incorporation) and December 31, 2010	(iii)	1	1
Shares issued in connection with the Group Reorganization	(iv)	3,040,000,000	3,040,000,000
Shares issued in connection with the global offering	(v)	760,000,000	760,000,000
At June 30, 2011		3,800,000,001	3,800,000,001

(i) Upon the date of incorporation of the Company, its authorized share capital was HK$5,000,000,000 comprising 5,000,000,000 ordinary shares of HK$1.00 each.

(ii) On May 11, 2011, the authorized share capital was increased from HK$5,000,000,000 to HK$10,000,000,000 divided into 10,000,000,000 ordinary shares of HK$1.00 each.

(iii) On July 2, 2010, one share of HK$1.00 was issued at par.

(iv) Pursuant to the Board of Directors' Resolutions passed on May 13, 2011 and approval of the Group Reorganization which was completed on June 2, 2011, 3,040,000,000 shares of HK$1.00 each in the Company were issued as partial consideration for the acquisition of the entire issued Class A shares in the share capital of MGM Grand Paradise Limited.

(v) On June 3, 2011, 760,000,000 shares of HK$1.00 each of the Company were issued at HK$15.34 per share by way of a global offering.

(vi) The share capital at December 31, 2010 represented the issued capital of MGM Grand Paradise Limited and one share of the Company as detailed in (iii) above.

28. Share Capital, Share Premium and Reserves *(Continued)*

(b) Share premium and reserves

The Group

(i) Equity reserve

Pursuant to the terms of the Instrument of the Unsecured Notes and the Subscription and Shareholders Agreement of MGM Grand Paradise Limited, loans from shareholders in the form of unsecured interest-free loan notes (the "Loan Notes") with a principal amounting to US$135 million (equivalent to approximately HK$ 1 billion) were obtained in 2006.

In accordance with IAS 39, the interest-free shareholders' Loan Notes classified as financial liabilities are initially measured at fair value and are subsequently measured at amortized cost at each reporting date until full repayment. Management of MGM Grand Paradise Limited has, pursuant to the terms of the relevant agreements and based on certain assumptions, estimated the fair value of the Loan Notes using the effective interest method (that is, discounting the future cash flows at the market rate of interest over the estimated repayment dates). As a result, at the initial recognition of these Loan Notes, a fair value adjustment of approximately HK$630 million was made to reduce the principal amount of the interest-free shareholders' Loan Notes with a corresponding reserve of the same amount recognized in equity as a deemed contribution from shareholders.

As at December 31, 2010, MGM Grand Paradise Limited has repaid all the loans from shareholders. Consequently, the equity reserve of approximately HK$630 million recognized initially was reduced to approximately HK$294 million as at December 31, 2010 due to the early repayment of the loans.

(ii) Other reserves

Other reserves as at January 1, 2011 represents the share premium of MGM Grand Paradise Limited.

In accordance with the provisions of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of their capital. On March 23, 2011, an amount of MOP50 million (equivalent to approximately HK$49 million) was transferred from retained earnings to a legal reserve and dividends of MOP2,450 per share (equivalent to approximately HK$2,379 per share) as disclosed in note 14 to the consolidated financial statements was declared. This reserve is not distributable to the shareholders.

28. Share Capital, Share Premium and Reserves *(Continued)*

(b) Share premium and reserves *(Continued)*

(ii) Other reserves *(Continued)*

On April 13, 2011, the Company and MGM Grand Paradise Limited entered into a contribution and share issuance agreement with Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. as part of the Group Reorganization. Pursuant to the agreement, Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. contributed their 160,000 Class A shares in MGM Grand Paradise Limited in the manner set out in the section headed "History and Corporate Structure - Reorganization" in the Prospectus and the Company became the holding company of MGM Grand Paradise Limited and its subsidiaries upon completion of the Group Reorganization. As part of the Group Reorganization, MGM Resorts International Holdings, Ltd. contributed a purchase note with a principal amount of HK$583 million (the "Purchase Note") as partial settlement for the purchase of shares in the Company. The Company also issued an acquisition note with a principal amount of HK$11,830 million to Grand Paradise Macau Limited (the "Acquisition Note") as partial consideration in settlement of the transfer of Class A shares in MGM Grand Paradise Limited to the Company. Immediately following the completion of the global offering, the Company used the entire proceeds it received from the global offering and the purchase note to satisfy its obligations under the acquisition note. The amount of HK$14,092 million included in the other reserves therefore represents the net amount of the Purchase Note and the Acquisition Note and debit reserve for issuance of share capital arising on the Group Reorganization. Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. also contributed HK$132 million in cash to the Company to cover certain global offering expenses.

28. Share Capital, Share Premium and Reserves *(Continued)*

(b) Share premium and reserves *(Continued)*

The Company

(iii) Movement in share premium and reserves of the Company is as follows:

	Share premium HK$'000	Other reserves HK$'000	Deficit HK$'000	Total HK$'000
At July 2, 2010 (date of incorporation), December 31, 2010 and January 1, 2011	—	—	—	—
Loss for the period and total comprehensive loss	—	—	(75,698)	(75,698)
Issue of shares	10,898,400	—	—	10,898,400
Expenses incurred in connection with issue of shares	(464,207)	—	—	(464,207)
Contribution of shareholders	—	132,000	—	132,000
At June 30, 2011	10,434,193	132,000	(75,698)	10,490,495

29. 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, 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 17,190,000 (December 31, 2010: Nil), representing approximately 0.5% (December 31, 2010: Nil) of the shares of the Company in issue at that date.

29. 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 accepted within ten days of the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of options. Options may be exercised at any time from the first, second, third and fourth anniversary from the date of grant of the share option to 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.

29. Share-Based Payments *(Continued)*

A summary of the movements of the outstanding options during the six months ended June 30, 2011 under the Scheme is as follows:

					Number of share options		
Type of participant	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Outstanding at January 1, 2011	Granted during the period	Outstanding at June 30, 2011
Director	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	13,690,000
					—	17,190,000	17,190,000
Weighted average exercise price per share					—	HK$15.62	HK$15.62

The estimated weighted average fair value of share options granted on June 3, 2011 was HK$9.92 per option. 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' best estimate. The inputs into the model are as follows:

Date of grant	June 3, 2011
Number of share options	17,190,000
Vesting period	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
Closing share price at date of grant	HK$15.62
Expected Volatility	60% per annum

29. Share-Based Payments *(Continued)*

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.

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

30. Retirement Benefit Plan

Defined contribution plan

The Group operates a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees.

The total expenses recognized in the consolidated statement of comprehensive income of HK$11 million represents contributions payable to the plan by the Group at rates specified in the rules of the plan during the six months ended June 30, 2011 (June 30, 2010: HK$12 million). As at June 30, 2011, contributions of HK$4,600,000 (June 30, 2010: HK$19,000) due had not been paid over to the plan. The amounts were paid subsequent to the end of the reporting period.

31. Capital Risk Management

The Group and the Company manages its capital to ensure that entities in the Group and the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's and the Company's overall strategy remained unchanged throughout the period. The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and equity of the Group (comprising issued capital and reserves). The capital structure of the Company consists of equity of the Company (comprising issued capital and reserves).

The Group's management reviews the capital structure of the Group and the Company on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each component of the capital structure.

31. Capital Risk Management *(Continued)*

Gearing ratio

The gearing ratio of the Group at end of the period was as follows:

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Debt (i)	4,421,146	5,886,730
Cash and bank balances	(3,247,788)	(1,922,723)
Net debt	1,173,358	3,964,007
Equity (ii)	2,995,858	1,480,849
Total capital	4,169,216	5,444,856
Gearing ratio (Net debt/Total capital)	28.1%	72.8%

(i) Debt is defined as long and short-term bank borrowings as described in note 26.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

32. Financial Instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 3 above.

32. Financial Instruments *(Continued)*

Categories of financial instruments

The Group

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Financial assets		
Amortized cost		
Amount due from a related company	3	72,471
Bank balances and cash	3,247,788	1,922,723
Other receivables	4,557	7,568
Rental and other deposits	16,934	28,844
Trade receivables	513,324	1,137,422
	3,782,606	3,169,028
Financial liabilities		
Amortized cost		
Amounts due to related companies	32,285	11,681
Bank borrowings	4,421,146	5,886,730
Construction retention payable	3,177	3,433
Deposits and advances	224,452	135,103
Outstanding chips liabilities	1,453,061	1,301,709
Trade payables	48,817	48,868
	6,182,938	7,387,524

32. Financial Instruments *(Continued)*

Categories of financial instruments *(Continued)*

The Company

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Financial assets		
Amortized cost		
Bank balances and cash	44,211	—
	44,211	—
Financial liabilities		
Amortized cost		
Amount due to a related company	4	—
Amount due to a subsidiary	450	—
Other payables	550	—
	1,004	—

Financial risk management objectives

The Group's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group and the Company. These risks associated with financial instruments include market risk (currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's management manages and monitors risks and policies implemented to mitigate risk exposures on a timely and effective manner.

There has been no change to the Group's and the Company's exposure in respect of financial instruments or the manner in which it manages and measures the risks during the six months ended June 30, 2011.

32. Financial Instruments *(Continued)*

Market risk

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

Foreign currency risk management

The Group

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. Majority of its foreign currency exposures comprises assets denominated in US$ while the exchange rate of the HK$ is pegged to the US$ and has remained relatively stable. The majority of the receipts of the Group are denominated in HK$. MOP is pegged to the HK$ at a constant rate of approximately HK$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. The carrying amounts of the Group's foreign currency denominated monetary assets (including bank balance and cash) at the end of the period/year are as follows:

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
United States Dollars ("US$")	174,435	26,722
Taiwan Dollars ("TW$")	30,891	19,123
Singapore Dollars ("SG$")	93,123	46,247
Macau Patacas ("MOP")	25,951	28,300

Foreign currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in the US$. The following table details the Group's sensitivity to a 1% increase and decrease in the HK$ against the US$. 1% is the sensitivity rate used internally for assessment possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting dates for a 1% change in foreign currency rates. A positive number below indicates an increase in profit where the HK$ weakens 1% against the US$. For a 1% strengthening of the HK$ against the US$, there would be an equal and opposite impact on the result, and the balance would be negative.

32. Financial Instruments *(Continued)*

Market risk *(Continued)*

Foreign currency sensitivity analysis *(Continued)*

	Impact of US$	
	2011	2010
	HK$'000	HK$'000
Sensitivity rate	1%	1%
Profit for the period/year	1,744	267

The Company

The Company mainly undertakes transactions in its functional currency; consequently, no exposures to exchange rate fluctuations arise.

Interest rate risk

The Group

The Group's exposure to fair value interest rate risk to fixed-rate borrowings is minimal because the Group has been keeping borrowings at variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 26 for details of the bank borrowings). The Group's cash flow interest rate risk on bank balances is considered insignificant due to current low interest rate for bank deposit. The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the floating rate bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the period were outstanding for the whole period. A 50 basis point increase or decrease during the period is used internally for assessment of possible change in interest rates.

32. Financial Instruments *(Continued)*

Interest rate risk *(Continued)*

Interest rate sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the six months ended June 30, 2011 would decrease/increase by HK$14 million. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Company

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Company's cash flow interest rate risk on bank balances is considered insignificant due to current low interest rate for bank deposit. The Company dose not have any interest bearing financial liabilities. As such, the Company is not exposed to interest rate risk on financial liabilities.

Credit risk

The Group

As at June 30, 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to a financial guarantee issued by the Group as disclosed in note 33.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which are not provided for.

The credit risk on liquid funds is limited because the counterparties are banks with high credit standing in Hong Kong and Macau.

Other than the liquid funds which are deposited with several banks with high credit standing in Hong Kong and Macau, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of casino customers, gaming promoters and hotel customers.

32. Financial Instruments *(Continued)*

Credit risk *(Continued)*

The Company

As at June 30, 2011, the Company's maximum exposure to credit risk which will cause a financial loss to the Comapany due to failure to discharge obligations by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the statement of financial position.

The Company's major financial assets are concentrated in bank balances with a bank with high credit standing in Hong Kong, thus the credit risk on liquid funds is limited.

Other than concentration of credit risk on liquid funds which are deposited with a bank with high credit standing, the Company does not have any other significant concentration of credit risk.

Liquidity Risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The Group

The Group relies on bank borrowings as a source of liquidity. As at June 30, 2011, the Group has untilized bank loan facilities of approximately HK$2,810 million.

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from an interest rate curve at the end of the period.

32. Financial Instruments *(Continued)*

Liquidity Risk *(Continued)*

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 06.30.2011								
Trade payables	—	48,817	—	—	—	—	48,817	48,817
Outstanding chips liabilities	—	1,453,061	—	—	—	—	1,453,061	1,453,061
Bank borrowings	5.11%	18,033	—	140,836	5,253,011	—	5,411,880	4,421,146
Deposits and advances	—	224,452	—	—	—	—	224,452	224,452
Construction retention payable	—	—	—	3,177	—	—	3,177	3,177
Amounts due to related companies	—	32,285	—	—	—	—	32,285	32,285
Financial guarantee contracts	—	300,000	—	—	—	—	300,000	—
		2,076,648	—	144,013	5,253,011	—	7,473,672	6,182,938

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 12.31.2010								
Trade payables	—	48,868	—	—	—	—	48,868	48,868
Outstanding chips liabilities	—	1,301,709	—	—	—	—	1,301,709	1,301,709
Bank borrowings	5.09%	20,796	—	167,389	7,062,655	—	7,250,840	5,886,730
Deposits and advances	—	135,103	—	—	—	—	135,103	135,103
Construction retention payable	—	—	—	3,433	—	—	3,433	3,433
Amounts due to related companies	—	11,681	—	—	—	—	11,681	11,681
Financial guarantee contracts	—	300,000	—	—	—	—	300,000	—
		1,818,157	—	170,822	7,062,655	—	9,051,634	7,387,524

32. Financial Instruments *(Continued)*

Liquidity Risk *(Continued)*

The Company

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 06.30.2011								
Other payables	—	550	—	—	—	—	550	550
Amount due to a related company	—	4	—	—	—	—	4	4
Amount due to a subsidiary	—	450	—	—	—	—	450	450
Financial guarantee contracts	—	4,600,000	—	—	—	—	4,600,000	—
		4,601,004	—	—	—	—	4,601,004	1,004

No comparative figures for the Company are shown since it did not carry on any business other than the transactions relating to the issuance of one ordinary share of HK$1.00 in 2010.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the period.

During the current period, the Company provided a corporate guarantee to certain banks to secure the bank borrowings obtained by one of its subsidiaries as described in note 26. At the end of the current period, it was not probable that the counterparty to the financial guarantee contracts will claim under the contract. The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. However, based on expectations at the end of the period, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

32. Financial Instruments *(Continued)*

Fair value

The Group

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable market inputs.

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

The Company

The fair value of the Company's financial guarantee contracts in relation to corporate guarantees provided to certain banks as described in note 33 to the financial statements is estimated based on management's assessment by making reference to the probability of default by its subsidiary and the amount of loss, given the default.

33. Contingent Liabilities

The Group

At June 30, 2011, the Group has given bank guarantees totalling HK$300 million (December 31, 2010: HK$300 million) to certain parties, of which HK$294 million (December 31, 2010: HK$294 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract, HK$2 million (December 31, 2010: HK$2 million) was issued in favor of a utility supplier and HK$4 million (December 31, 2010: HK$4 million) was issued in favor of a lessor, which is a related company and certain directors have non-controlling beneficial interests.

The Company

During the current period, the Company provided a corporate guarantee to certain banks to secure bank borrowings obtained by one of its wholly-owned subsidiaries as described in note 26. The Company has agreed to guarantee payment of all sums payable in relation to these bank borrowings. As at June 30, 2011, the outstanding principal amount of the bank borrowings was HK$4,600 million.

Based on management's expectations, at initial recognition the fair value of the financial guarantee contracts is insignificant and at each subsequent reporting date it is more likely than not that no amount will be payable by the Group or the Company to indemnify the bank under these arrangements. Consequently no liability for the guarantees has been recognized in the consolidated financial statements of the Group for the six months ended June 30, 2011.

34. 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 as detailed in note 19), rented office premises, warehouse and staff quarters, office equipment, light boxes and advertising booths which fall due as follows:

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Within one year	25,855	22,011
More than one year and not longer than five years	29,638	21,016
More than five years	42,016	43,439
	97,509	86,466

Leases for office premises, warehouse, staff quarters, light boxes and advertising booths are negotiated for an average term of three years and rentals are fixed for an average of three years. The lease for the leasehold land where the Complex is located is fixed for 25 years from April 2006.

35. Capital Commitments

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
Capital expenditure in respect of construction and development of the Complex that have been		
— authorized but not contracted for	283,748	43,081
— contracted but not accounted for	26,860	30,900
	310,608	73,981

36. Other Commitments

Pursuant to the gaming contract signed with the Macau Government, MGM Grand Paradise Limited 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 Limited during the term of the Sub-Concession Contract when the gaming operations commenced business. A premium of HK$60 million (June 30, 2010: HK$58 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, 2011.

37. Related Party Transactions

Details of transactions between the Group and other related parties are disclosed below.

The Group

(a)(i) Amount due from a related company represents the balance with a fellow subsidiary. The amount is 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 and a company jointly-owned by certain shareholders of the Company. The amounts are unsecured non-interest bearing and repayable on demand.

Aging of amounts due to related companies

	June 30, 2011 HK$'000	December 31, 2010 HK$'000
0 - 30 days	32,260	2,217
31 - 60 days	25	3,708
61 - 90 days	—	1,582
91 - 120 days	—	1,295
Over 120 days	—	2,879
	32,285	11,681

37. Related Party Transactions *(Continued)*

The Company

(a)(iii) Amount due to a related company represents the balance with a company in which one of the directors has a non-controlling beneficial interest. The amount is unsecured, non-interest bearing and repayable on demand.

(a)(iv) The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

The Group

(b) During the six months ended June 30, 2011, the Group had the following significant transactions with related companies:

Related parties	Type of transaction	Six months ended June 30, 2011 HK$'000	2010 HK$'000
Companies in which certain directors have non-controlling beneficial interests	Advertising expenses	2,403	—
	Commission income	(1,778)	(1,201)
	Gift vouchers purchased	3,674	—
	Laundry services expenses	3,958	4,938
	Rental of premises	1,092	1,042
	Travelling and accommodation	59,539	39,044
Shareholders	Interest expenses	—	43,979
	Marketing referral fees	8,377	—
	Marketing referral income	(282)	—
Company jointly-owned by shareholders	License fees	26,294	—

37. Related Party Transactions *(Continued)*

(b) *(Continued)*

Pursuant to the Branding Agreement entered into among the Company, MGM Grand Paradise Limited, 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 term co-extensive with that of the Sub-Concession Contract, ending on March 31, 2020 (the date upon which the sub-concession in Macau is currently scheduled to expire). In return, the Company will pay a license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) and is subject to an annual cap of US$25 million (equivalent to approximately HK$194 million) for the year ending December 31, 2011. However, this cap is pro rated to US$14.5 million (equivalent to approximately HK$113 million) for the year 2011 since the date of listing. 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, 2011, total license fee of HK$26,294,000 (2010: Nil) was recognized in the consolidated statement of comprehensive income.

In addition, from time to time, the Group and certain entities which certain directors of the Company have 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.

(c) Compensation to key management personnel

The remuneration of key management during the six months ended June 30, 2011 was as follows:

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
Short term benefits	38,132	26,419
Post-employment benefits	619	515
Other long-term benefits	3,592	—
	42,343	26,934

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

38. Principal Subsidiaries

Details of the Company's principal subsidiaries as at June 30, 2011 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/quota capital	Attributable equity interest of the Group June 30, 2011	Attributable equity interest of the Group December 31, 2010	Principal activities
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
MGM Grand Paradise Limited*	Macau June 17, 2004	MOP200,000,000	100%	100%	Operation of casino games of chance and other casino games
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK$2	100%	100%	Management and administrative services for a group company
Prime Hotel Management Limited (formerly known as Alfa, S.A.)	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive

38. Principal Subsidiaries *(Continued)*

* MGM Grand Paradise Limited is directly owned by the Company. As part of the Group Reorganization, the shares of MGM Grand Paradise Limited were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 80% of the voting power of the share capital of MGM Grand Paradise Limited. Pansy Ho and MGM Resorts International Holdings Limited each owns one half of the Class B shares (or 10% of the voting power of the share capital of MGM Grand Paradise Limited each) in order to satisfy the requirements of the Sub-Concession Contract and local Macau regulations that at least 10% of MGM Grand Paradise Limited's issued share capital be held by a local managing director of MGM Grand Paradise Limited. On each occasion upon which dividends are paid by MGM Grand Paradise Limited to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise Limited through its ownership of all of the Class A shares.

Disclosure of Interests and Other Information

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

As at June 30, 2011, the interests and short positions of the directors and the chief executive of the Company in the Shares, underlying Shares 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 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 Catilina Chiu King, Ho ("Pansy Ho")	380,000,000 [(1)]	—	662,661,200 [(2)]	1,042,661,200	27.44%
Grant R. Bowie	3,500,000 [(3)]	—	—	—	0.09%

(b) Long Position in the Shares of Associated Corporation – MGM Grand Paradise, S.A.

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total	Percentage of issued share capital
Pansy Ho	20,000 [(4)]	—	—	20,000	10.00%

(c) Long Position in the Common Stocks and Underlying Shares[5] of Associated Corporation – MGM Resorts International

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total	Percentage of issued common stocks
James Joseph Murren	1,700,000 [6]	—	—	1,700,000	0.348%
	468,750 [7]			468,750	0.096%
	1,981,250 [8]			1,981,250	0.405%
	35,000 [9]			35,000	0.007%
		169,324 [10]		169,324	0.035%
William Joseph Hornbuckle	235,000 [11]	—	—	235,000	0.048%
	337,500 [12]			337,500	0.069%
	17,517 [13]			17,517	0.004%
	8,833 [14]			8,833	0.002%
William M. Scott IV	50,000 [15]	—	—	50,000	0.010%
	172,500 [16]			172,500	0.035%
	3,000 [17]			3,000	0.001%
Daniel J. D'Arrigo	194,000 [18]	—	—	194,000	0.040%
	23,250 [19]			23,250	0.005%
	77,250 [20]			77,250	0.016%
	15,242 [21]			15,242	0.003%
	12,722 [22]			12,722	0.003%
Kenneth A. Rosevear	1,190,000 [23]	—	—	1,190,000	0.244%
	11,349 [24]			11,349	0.002%

(d) Long Position in Convertible Senior Notes of Associated Corporation – MGM Resorts International (the "Notes") [25]

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total
Pansy Ho			US$300,000,000 [26]	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 unvested share options of the Company granted to Grant R. Bowie.

(4) These represent 50% of total issued class B shares of MGM Grand Paradise, S.A. ("MGMGP") which carry 10% of the total voting power at any meetings of shareholders of MGMGP. On each occasion upon which dividends are paid by MGMGP, each holder of class B shares will be entitled to receive dividends of up to MOP 1 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 instalments. 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 1,700,000 vested employee stock options in the common stock of MGM Resorts International granted to James Joseph Murren.

(7) This represents 468,750 vested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.

(8) This represents 1,981,250 unvested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.

(9) This represents 35,000 RSUs in the common stock of MGM Resorts International granted to James Joseph Murren.

(10) These 169,324 shares in the common stock of MGM Resorts International were held by the family trust of James Joseph Murren.

(11) This represents 235,000 employee stock options in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.

(12) This represents 337,500 SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.

(13) This represents 17,517 RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.

(14) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.

(15) This represents 50,000 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.

(16) This represents 172,500 unvested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.

(17) This represents 3,000 RSUs in the common stock of MGM Resorts International held by William M. Scott IV.

(18) This represents 194,000 vested employee stock options in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.

(19) This represents 23,250 vested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.

(20) This represents 77,250 unvested SARs in the common stock of MGM Resorts International granted held by Daniel J. D'Arrigo.

(21) This represents 15,242 RSUs in the common stock of MGM Resorts International to Daniel J. D'Arrigo.

(22) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.

(23) These represent 1,190,000 outstanding stock options in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.

(24) These represent the common stock of MGM Resorts International held by Kenneth A. Rosevear.

(25) 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.

(26) 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, 2011, 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.

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

As at June 30, 2011, 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 which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:—

(a) Long Position in the Shares of the Company

Number of Shares

	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%
	Interests 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 directors are not aware of any other corporation or person, who, as at June 30, 2011, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as recorded in the register required to be kept under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Dividends

The Board does not recommend the payment of an interim dividend in respect of the six months period ended June 30, 2011.

Remuneration Policy

As at June 30, 2011, the Group had approximately 5,600 employees. An internal and a board level remuneration committees were formed to establish a formal and transparent procedure for developing the Company's remuneration guidelines and to determine specific remuneration packages for the Company's directors and employees.

The Company's Remuneration philosophy is a market-based approach, which we believe is the best strategy to fulfil the Company's fundamental goal of attracting and retaining a diverse and highly skilled workforce.

The remuneration package is viewed through the lens of total awards, including but not limited to base pay, health benefits, incentive pay, performance bonus, share options and provident funds schemes.

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. Please refer to Note 29 of the Notes to the Consolidated Financial Statements for further details.

On June 3, 2011, 3,500,000 options were granted under the share option scheme to a director of the Company. Particulars and movements of the options under the share option scheme for the period ended June 30, 2011 are as follows:

		Number of share options			
Participants	Date of Grant	Outstanding as at January 1, 2011	Granted during the period	Exercised/ Lapsed/Cancelled during the period	Outstanding as at June 30, 2011
Grant R. Bowie	June 3, 2011	—	3,500,000	—	3,500,000
Employees	June 3, 2011	—	13,690,000	—	13,690,000
Total		—	17,190,000	—	17,190,000

The following are details of the grant of options on June 3, 2011:

Exercise price of the options:	HK$15.62
Vesting period of the options:	25% of the share options granted will vest on each of June 2, 2012, June 2, 2013, June 2, 2014 and June 2, 2015
Exercise period:	June 2, 2012 to May 10, 2021
Closing price immediately before the date of grant of the options:	HK$15.62

Purchase, Sale or Redemption of Company's Listed Securities

There have been no convertible securities issued or granted by the Group, no exercise of any conversion or subscription rights, nor any purchase, sale or redemption by the Group of its listed Shares during the period ended June 30, 2011.

Corporate Governance

The directors of the Company recognise the importance of good corporate governance in the management of the Group. During the period ended June 30, 2011, the Company has complied with the code provisions of the Code on Corporate Governance Practices 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 a code for securities transactions by directors and officers (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry of all directors who have confirmed in writing their compliance with the required standard set out in the Securities Code and the Model Code throughout the six months period ended June 30, 2011.

Review of Audited Interim Results

The Group's audited interim results for the reporting period have been reviewed by the Audit Committee of the Company which comprises of Tommei Mei Kuen Tong (Chairman), Kenneth A. Rosevear and Zhe Sun and have been audited by the Company's auditor in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Update on Directors' Information

Changes in the information of the directors of the Company since disclosure made in the Company's prospectus dated May 23, 2011 that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Tommei Mei Kuen Tong acts as an independent non-executive director of the Shanghai Stock Exchange listed company, Shanghai Pharmaceuticals Holding Co., Ltd (上海醫藥集團股份有限公司), which has also become listed on Hong Kong Stock Exchange with effect from May 20, 2011.

Glossary

Definitions and Glossary Used in this Interim Report

"Board"	The board of directors of our Company
"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" or "Mainland China"	The People's Republic of China and, except where the context requires, reference in this interim report to China does not include Taiwan, Hong Kong or Macau
"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", "our", "we", "us" 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
"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
"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
"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
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"In-house VIP Program"	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
"Las Vegas Strip"	the group of resort hotels and casinos located on Las Vegas Boulevard South in Clark County, Nevada. The Las Vegas Strip is home to the majority of the large-scale casinos and the source of the majority of gaming revenues in Las Vegas metropolitan area
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Macau"	The Macau Special Administrative Region of The People's Republic of China
"main floor"	consists of the full range of our gaming products offered to our mass market players
"main floor player"	non-rolling chip players or cash chip players
"marker"	evidence of indebtedness by a player to the casino or gaming operator
"MGM Macau"	our sole resort and casino property in Macau owned by MGM Grand Paradise Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to 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
"premium main floor player"	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 loyalty programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market

"promotional allowance"	the retail value of rooms, food and beverage and retail and other services furnished to guests (typically VIP clients) without charge
"rolling chip" or "non- negotiable 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)
"Share(s)"	ordinary share(s) with a nominal value of HK$1 each in the share capital of our Company
"Shareholders(s)"	holder(s) of Shares(s) of the Company from time to time
"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
"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)
"US GAAP"	Generally Accepted Accounting Principles as in effect from time to time in the United States
"VIP client" or "VIP patron"	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
"visits" or "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

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