



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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號: 2282



Creating Tomorrow Today



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Interim Report
中期報告
2013



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Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Zhe Sun
 Tommei Mei Kuen Tong
 Sze Wan Patricia Lam
 Peter Man Kong Wong

Audit Committee

Tommei Mei Kuen Tong (*Chairman*)
 Kenneth A. Rosevear
 Zhe Sun
 Peter Man Kong Wong

Remuneration Committee

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

Nomination and Corporate Governance Committee

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

Joint Company Secretaries

Antonio Jose Menano
 Lam Wai Yan

Authorized Representatives

Antonio Jose Menano
 William M. Scott IV

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Legal Advisors

As to Hong Kong law:
 Herbert Smith Freehills
 23rd Floor, Gloucester Tower, 15 Queen's Road Central
 Hong Kong

As to Macau law:
 DSL Lawyers
 Avenida da Praia Grande no. 409
 China Law Building 16th Floor
 Macau

Compliance Advisor

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

Registered Office in Cayman Islands

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 George Town
 Grand Cayman KY1-9005
 Cayman Islands

Principal Place of Business and Head Office in Macau

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

Place of Business in Hong Kong Registered Under Part XI of the Companies Ordinance

1402 China Merchants Tower
 200 Connaught Road
 Central, Hong Kong

Hong Kong Listed Share Registrar

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai, Hong Kong

Cayman Islands Unlisted Share Registrar and Transfer Office

Intertrust Corporate Services (Cayman) Limited
 190 Elgin Avenue
 George Town, Grand Cayman KY1-9005
 Cayman Islands

Company Website

www.mgmchinaholdings.com

Stock Code

2282

Financial Highlights

	For the six months ended	
	June 30,	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino revenue	12,126,615	10,793,661
Other revenue	150,754	159,921
Total revenue	12,277,369	10,953,582
Adjusted EBITDA before the license fee	3,232,958	2,937,295
Adjusted EBITDA	3,018,053	2,745,607
Profit before taxation	2,480,460	2,201,201
Profit attributable to owners of the Company	2,472,984	2,626,112
Earnings per Share — basic and diluted	HK65.1 cents	HK69.1 cents

Management Discussion and Analysis

Overview

MGM China, one of the leading casino gaming resort developers, owns and operates MGM MACAU, an award-winning, five-star integrated casino and luxury hotel resort located on the Macau Peninsula, the center of gaming activity in the greater China region. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. The Grande Praça features unique themed displays and events throughout the period. Our property opened in December 2007 and has a casino floor area of approximately 25,677 square meters, with 1,367 slot machines, 427 gaming tables and multiple VIP and private gaming areas. The hotel comprises a 35-storey tower with 582 deluxe rooms, including 468 standard guest rooms, 99 luxury suites, 15 private luxury villas. In addition, the resort offers luxurious amenities, including 8 diverse restaurants and bars, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. Our property is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

On June 3, 2011, we completed the Reorganization and 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.

On October 18, 2012, MGM Grand Paradise formally accepted the terms and conditions of a draft land concession contract in the form of a lease granted by the Macau Government, in respect of a plot of land with an area of 71,833 square meters located in Cotai ("Cotai Land"). In October 2012, we made the initial payment of MOP450.0 million (approximately HK\$436.9 million) as the land premium pursuant to this Cotai Land concession contract. We will also need to make eight additional semi-annual instalments in the amount of MOP117.3 million (approximately HK\$113.9 million) each, which includes 5% interest per annum as required by the Macau Government. The first of the eight instalments is due six months from the publication of the Cotai Land concession contract in the official gazette of Macau. In addition, we will also need to make annual lease payments of MOP2.2 million (approximately HK\$2.1 million) during the development period and annual payments of approximately MOP5.5 million (approximately HK\$5.3 million) once the development is completed.

On January 9, 2013, the Cotai Land concession contract was published in the official gazette of Macau by the Macau Government. Effective from January 9, 2013, MGM Grand Paradise has leased the Cotai Land from the Macau Government for an initial term of 25 years with the right to successively renew the Cotai Land concession contract for additional periods, subject to applicable legislation.

In October 2012, we successfully closed on the refinancing transaction of HK\$15.6 billion ensuring the necessary funding for the COTAI project.

We have finalized the design of the COTAI project and have commenced with the foundation works. In May 2013, we have appointed a main contractor for the COTAI project. The COTAI property will be an integrated casino, hotel and entertainment complex providing a truly unique MGM experience, with approximately 500 gaming tables, 2,500 slot machines, 1,600 hotel rooms and a budget of approximately HK\$20 billion, excluding land cost and capitalized interest, to be spent over a timeframe of 36 months.

Management Discussion and Analysis

For the six months ended June 30, 2013, our Company generated HK\$12,277.4 million in operating revenue and HK\$3,018.1 million in adjusted EBITDA, representing 12.1% and 9.9% increase respectively over the results for the six months ended June 30, 2012, while our profit attributable to owners of the Company decreased by 5.8% to HK\$2,473.0 million for the six months ended June 30, 2013 due to the reversal of the deferred tax expense in amount of HK\$424.9 million during the six months ended June 30, 2012. Excluding the tax impact, our operating results were positively impacted by our operating strategy and the market growth, but at the same time inhibited by competition and general economic condition particularly in China.

Macau's Gaming and Tourism Markets

Propelled by the solid economic development in China, the Macau gaming market has grown significantly in the last few years. Additional capacity has been added in recent years with several new hotels and casinos opened in Cotai. In addition, the overall table yield in the gaming market continues to improve which contributed to the market growth during the current period. For the six months ended June 30, 2013, total casino gross win in Macau market was approximately HK\$166.5 billion, up 15.3% over the same period in 2012.

According to statistics published by the Statistics and Census Service of the Macau Government, visitor arrivals reached 14.1 million in first half of 2013 compared to 13.6 million in first half of 2012. Gaming customers travelling to Macau typically come from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan, with approximately 90% of visitors to Macau in first half of 2013 coming from mainland China, Hong Kong and Taiwan. Visitors coming from mainland China increased 9.8% over the same period in prior year and reached 8.9 million in first half of 2013. We are optimistic that visitation levels and gross gaming revenue in Macau will continue to grow due to a combination of factors. These factors include the economic growth of China, which continues to create a large and growing middle class with rising disposable income; infrastructure improvements, such as the expanded border gate capacity and others that are expected to facilitate more convenient travel to and within Macau; the efforts and investments made by gaming concessionaires to solidify Macau as a destination market with superior and diverse integrated resort products; and the continuous focus on table yield management across the markets.

Our Competitive Strength and Operating Strategies

Our competitive strength lies principally in our high-end product and service offerings; our ability to access the growing Asian middle class; our ability to segment and conduct targeted marketing to various customer groups through our Golden Lion Club customer relationship program; and our strong partnership with gaming promoters.

Our strategy is to leverage our competitive strength and to grow our business and earnings by continuously improving customer experience, employee engagement and operation efficiency. We continue to expand key gaming areas in our property to provide our high value customers and gaming operators with a first-class facility that embodies luxury, intimacy and inspiration, and introduce new innovative gaming products to enhance customer experience. We provide regular professional and service training to our employees with the goal of building a culture of execution excellence. The investment we made in our products and our employees was an indispensable factor that allowed us to achieve the continuous growth and financial results in the current period.

Management Discussion and Analysis

Gaming Operations

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

(1) VIP Casino Gaming Operations

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

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

The Company has established good business relationships with our gaming promoters. While some have partnered with us since opening, we have been able to add new promoters over the years who have contributed significantly to our growth and we continuously add more throughout the period partly also to replace the departing ones due to under-performance. Our commission percentages have remained stable throughout our operating history and consistent with the overall market practice.

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

For the six months ended June 30, 2013, our VIP casino gaming operations experienced significant growth. This segment of our business generated HK\$417.8 billion in rolling chip turnover, an increase of 24.2% over the same period in the prior year. The increase in turnover is due primarily to incremental VIP business in response to our new gaming products and gaming areas as well as the addition of a new gaming promoter in April 2013. The expansion of the VIP gaming areas on Level Two at MGM MACAU has resulted in a meaningful VIP business growth since its launch in October 2012. The positive impact is partly offset by the decrease in our VIP table games win percentage from 3.2% to 2.8% over the comparable periods in 2012 and 2013.

Management Discussion and Analysis

Operationally, we have successfully continued to maintain 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 expanded our VIP gaming areas on Level Two since October 2012, and the expansion has resulted in meaningful business growth since its opening and continued to drive growth in the current period. We continuously work with our current gaming promoters to fully utilize existing space and bring in more gaming promoters, when appropriate, to fill in available space, to maximize our yield and profits. In addition, we constantly review our service processes to meet or exceed our customer expectation. Our efforts to grow the VIP business will continue to center around maintaining a close partnership with gaming promoters and establishing good relationships with potential gaming promoters as well, and enhancing the gaming experience of our customers.

(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 profit contribution from the main floor business is higher than the VIP segment. The main floor business represents the most profitable segment for us as well as the Macau market. We also believe that this segment represents the most potential for sustainable growth in the future. In the first half of 2013, this segment achieved a higher growth rate than the VIP segment in the Macau market and our property as well, which has helped us grow our revenue in this current period.

In spite of increased competition, for the six months ended June 30, 2013, revenue from this segment increased year-over-year by 28.1% to HK\$3,409.8 million. The growth is in part attributable to the overall market growth, but more importantly due to our successful customer segmentation approach with a product and service focus on the mid to premium main floor business. We have continued to invest capital to improve the gaming experience of our high-end main floor customers by creating dedicated exclusive gaming space for their use. We also leveraged our player club, Golden Lion Club, as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotion.

Following the success of Supreme and Platinum Lounge launched in 2011, we launched the electronic betting terminals of Live Table Games (“LT Games”) gaming area, which includes both table game and slots, on the main floor in August 2012, which help us target the premium main floor players to grow our revenue and to improve our yield on the gaming floor continuously. We will continue to invest and leverage our strength in market segmentation to identify opportunities to grow our business through customer experience and service enhancement.

(3) *Slot Machine Gaming Operations*

Our slot business generated HK\$1,157.6 million in revenue for the six months ended June 30, 2013, up 11.9% from the prior period. We have successfully increased slot business volume and our market share by our successful customer and product segmentation strategies as described previously, coupled with our focus on superior slot hosts services and building brand awareness and loyalty. Following the successful introduction of our Supreme and Platinum Lounge in 2011, we launched the LT Games gaming area in August 2012. Our strategy to retain and reactivate targeted high end players has led to more return visits and longer play, which has helped us grow our revenue. In addition, we also keep our slot product updated with the objective to increase the floor yield and to continuously improve the customer gaming experience.

Management Discussion and Analysis

Non-gaming Attractions and Branding Activities

We also recognize the importance of brand awareness in growing the gaming operation. As a result, we have enhanced our marketing activities to take advantage of our internationally recognized brand. Brand-building initiatives are driven through promotions, events, strategic alliances and public relation activities. In the first half of 2013, we have organized events such as the “Glorious China, Auspicious Macau” Gold Brick Exhibition by prominent crossover designer and artist, Wang Kaifang, the MGM Water Aurora from May 2013 featuring an 8-meter-tall water-sky aquarium with fish darting among multi-hued corals, and the Art Exhibition in L2 Gallery featuring artworks by local artists, which successfully drew traffic to our property for visit. These exhibits and events have created a sense of anticipation among our customers, local communities and tourist alike, on what is going on at MGM MACAU.

Operation Efficiency

In face of increased competition in the market, we have adopted strategies to protect and grow our earnings by focusing on customer experience, employee engagement and operating efficiency. We have introduced key performance indicators (“KPI”) implementation on various segments of our business. Decisions on hiring, scheduling and staffing are made in accordance to our KPI which are linked to our business volume and target productivity. As a result, our table yield on the gaming floor and labor productivity in the first half of 2013 continue to improve. We will continue to provide professional and service training to our employees to implement continuous improvement processes and to seek more efficiency opportunities.

Competition

While we generated solid financial results in the first half of 2013, we are not immune from competitive pressure. Currently, there are six gaming concessionaires in Macau, each of whom has commenced casino operating activities and several of which have expansion plans announced or underway. As at June 30, 2013, there were 35 casinos in Macau. Those properties located in Cotai have continued to achieve a higher growth rate than those located in Macau Peninsula in the first half of 2013. Our market share in Macau Peninsula reached 18.0% in the first half of 2013 compared to 16.9% in the first half of 2012. 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, Philippines and Las Vegas.

Segment Information

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

Management Discussion and Analysis

Discussion of Results of Operations

Financial results for the six months ended June 30, 2013 compared to financial results for the six months ended June 30, 2012

Summary Statistics

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

(in thousands, except for number of gaming tables and slot machines, percentage, and REVPAR)	For the six months ended June 30,	
	2013 HK\$'000	2012 HK\$'000
Number of VIP gaming tables	231	218
VIP table games turnover	417,817,971	336,302,409
VIP gross table games win	11,903,826	10,847,678
VIP table games win percentage	2.8%	3.2%
Average daily gross win per gaming table	284.4	274.0
Number of main floor gaming tables	192	208
Main floor table games drop	10,044,031	9,197,419
Main floor gross table games win	3,392,589	2,660,265
Main floor table games win percentage	33.8%	28.9%
Average daily gross win per gaming table	97.9	70.2
Number of slot machines	1,367	1,247
Slot machine handle	22,137,412	18,557,529
Slot machine gross win	1,161,729	1,045,388
Slot hold percentage	5.2%	5.6%
Average daily win per slot	4.7	4.6
Commission and discounts	(4,346,014)	(3,753,855)
Room occupancy rate	97.9%	97.2%
REVPAR ⁽¹⁾	2,081	2,095

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

Management Discussion and Analysis

Operating Revenue

The following table sets forth the operating revenue for the six months ended June 30, 2013 and 2012.

	For the six months ended	
	June 30, 2013	2012
	HK\$'000	HK\$'000
Casino revenue	12,126,615	10,793,661
VIP gaming operations	7,559,158	7,096,913
Main floor gaming operations	3,409,830	2,662,232
Slot machine gaming operations	1,157,627	1,034,516
Other revenue	150,754	159,921
Hotel rooms	23,396	35,502
Foods and beverages	101,840	99,325
Retail and other services	25,518	25,094
Operating revenue	12,277,369	10,953,582

Total operating revenue increased by 12.1% to HK\$12,277.4 million for the six months ended June 30, 2013. We believe this increase was due to a combination of factors, including overall Macau market growth, enhanced marketing efforts and the continuous property improvements such as the expansion of our VIP gaming areas on Level Two at MGM MACAU to cater for new and existing gaming operators, and the introduction of LT Games gaming area on the main floor in August 2012 as well.

Casino Revenue

Casino revenue increased by 12.3% to HK\$12,126.6 million for the six months ended June 30, 2013. The components and reasons for this increase were:

(1) VIP Gaming Operations

Revenue from VIP gaming operations increased by 6.5% to HK\$7,559.2 million for the six months ended June 30, 2013. VIP table games turnover increased by 24.2% to HK\$417,818.0 million in the first half of 2013. The increases in turnover primarily resulted from incremental VIP business as a result of VIP gaming areas on Level Two launched in October 2012, with a total of 42 tables, and the addition of gaming promoters during the current period. The positive impact is partly offset by the decrease in our VIP table games win percentage from 3.2% to 2.8% over the comparable periods in 2012 and 2013. For the six months ended June 30, 2013, MGM MACAU had 231 VIP gaming tables in operation, as compared with 218 VIP gaming tables for the six months ended June 30, 2012.

Management Discussion and Analysis

Approximately 80% of the commissions are netted against casino revenue, which corresponds to the approximate amount of the commission returned to the VIP players by the gaming promoters, and approximately 20% of the commissions are included in operating expenses, which corresponds to the approximate amount ultimately retained by gaming promoters for their compensation. The total amount of commissions netted against casino revenue was HK\$4,346.0 million and HK\$3,753.9 million for the six months ended June 30, 2013 and 2012, respectively.

(2) *Main Floor Gaming Operations*

Revenue from main floor gaming operations increased by 28.1% to HK\$3,409.8 million for the six months ended June 30, 2013. Main floor table games drop increased by 9.2% to HK\$10,044.0 million for the six months ended June 30, 2013. The increases primarily resulted from continued success of the tiered-customer relationship program and improvement on our yield on the gaming floor. In addition, the revenue of this segment also benefitted from the introduction of new gaming areas — LT Games areas, which are tailored for the high end segment of the mass market following the success of Supreme and Platinum Lounge. Further, we benefited from our marketing, branding and promotional activities including lucky draws and various tailored entertainment functions and non-gaming attractions and branding events as mentioned above. For the six months ended June 30, 2013, MGM MACAU had 192 main floor gaming tables in operation, as compared with 208 main floor gaming tables for the six months ended June 30, 2012. The main floor table games win percentage increased from 28.9% to 33.8% over the comparable periods in 2012 and 2013.

(3) *Slot Machine Gaming Operations*

Revenue from slot machine gaming operations increased by 11.9% to HK\$1,157.6 million for the six months ended June 30, 2013. Slot machine handle increased by 19.3% to HK\$22,137.4 million for the six months ended June 30, 2013. The increases primarily resulted from improvements to slot machine product mix, continued success of the tiered-customer relationship program, superior customer service from our slot hosts, and driving performance of the high denomination slot machines. In addition, the revenue of this segment also benefitted from the introduction of LT Games gaming area in August 2012, which were tailored for the high-end segment of the market. Our strategy to retain and reactivate targeted high end players have also led to more return visits and longer play during the current period. The positive impact is partly offset by the decrease in our slot machine win percentage from 5.6% to 5.2% over the comparable periods in 2012 and 2013. For the six months ended June 30, 2013, MGM MACAU had 1,367 slot machines in operation, as compared with 1,247 slot machines for the six months ended June 30, 2012.

Other Revenue

Other revenue, which includes hotel rooms, foods and beverages and retail and other services, decreased by 5.7% to HK\$150.8 million for the six months ended June 30, 2013. The non-gaming facilities and services are critical for MGM MACAU to establish its brand and maintain its popularity in Macau and the region, in order to encourage visitations and extend the length of customers' stay within the hotel.

Management Discussion and Analysis

Operating Costs and Expenses

The following table sets forth the major operating costs and expenses for the six months ended June 30, 2013 and 2012.

	For the six months ended	
	June 30,	
	2013	2012
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	6,492,041	5,742,308
Staff costs	818,826	778,524
Operating and administrative and other expenses	1,981,338	1,740,836
Depreciation and amortization	382,114	389,761
Finance costs	127,264	118,679
Taxation	7,476	(424,911)

Special gaming tax and special levy to the Macau Government

Special gaming tax and special levy to the Macau Government increased by 13.06% to HK\$6,492.0 million for the six months ended June 30, 2013. This increase resulted directly from the increased casino revenue over the comparable period in 2012.

Staff costs

Staff costs increased by 5.2% to HK\$818.8 million for the six months ended June 30, 2013. The increase was primarily due to hiring of additional staff in response to the increase in casino business volumes as well as a 5% staff salary increment to line level staff implemented in March 2013. Our labor efficiency continues to improve, as a result of KPI implementation, a process that started in fourth quarter of 2011 and continued throughout the period.

Operating and administrative and other expenses

Operating and administrative and other expenses increased mainly resulting from:

Junket commissions. Junket commissions increased by 16.3% from HK\$875.4 million for the six months ended June 30, 2012 to HK\$1,018.5 million for the six months ended June 30, 2013. The increase resulted directly from the increase in VIP gross table games win in the first half of 2013 compared to the comparable period in 2012.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 7.0% from HK\$202.8 million for the six months ended June 30, 2012 to HK\$217.0 million for the six months ended June 30, 2013. This increase resulted directly from the increased revenue over the comparable period in 2012.

Management Discussion and Analysis

Allowance for doubtful debts, net. Allowance for doubtful debts, net decreased by 111.3% from HK\$42.5 million for the six months ended June 30, 2012 to HK\$4.8 million income for the six months ended June 30, 2013. There were no changes in the allowance for doubtful debts policy; the decrease was primarily as a result of tighter collection effort during the current period.

As a result, operating and administrative and other expenses increased by 13.8% to HK\$1,981.3 million for the six months ended June 30, 2013.

Depreciation and amortization

Depreciation and amortization slightly decreased by 2.0% to HK\$382.1 million for the six months ended June 30, 2013 due to full depreciation of certain assets for the six months ended June 30, 2013, offset partly by the impact of assets placed into service in the new in-house VIP gaming area on Level Two and LT Games area.

Finance costs

Finance costs increased by 7.2% to HK\$127.3 million for the six months ended June 30, 2013. The increase primarily resulted from the increase in the commitment fee of the revolving credit facility as a result of the increase in amount of revolving credit facility from HK\$3,120.0 million to HK\$11,310.0 million upon the completion of the refinancing of the credit facilities in October 2012. This increase is partly offset by the decrease in interest rate of term loan of the amended credit facilities during the current period.

Taxation

Taxation for the six months ended June 30, 2013 relates to the dividend withholding tax in the first half of 2013 granted by the Macau Government in December 2012, while the amount for the six months ended June 30, 2012 relates to the reversal of the difference in amount of HK\$424.9 million between the deferred tax expense which the Company provided on the distributable reserves of MGM Grand Paradise, calculated at the statutory progressive rate as at December 31, 2011 and the amount granted by the Macau Government under the tax concession arrangement in June 2012. Details of taxation are set out in note 8 to the condensed consolidated financial statements.

Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased by 5.8% from HK\$2,626.1 million for the six months ended June 30, 2012 to HK\$2,473.0 million for the six months ended June 30, 2013.

Management Discussion and Analysis

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, 2013 and 2012.

	For the six months ended	
	June 30,	
	2013	2012
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	2,472,984	2,626,112
Add/(less):		
Depreciation and amortization	382,114	389,761
Interest income	(9,858)	(18,278)
Finance costs	127,264	118,679
Net foreign currency difference	5,184	551
Taxation	7,476	(424,911)
Share-based payments ⁽¹⁾	21,185	42,335
Property charges and others	11,704	11,358
Adjusted EBITDA⁽²⁾ (unaudited)	3,018,053	2,745,607
Adjusted EBITDA before the license fee⁽³⁾ (unaudited)	3,232,958	2,937,295

Notes:

- (1) Share-based payments for the six months ended June 30, 2013 and 2012 consisted of the stock compensation expense to Eligible Persons (as defined in the Company's share option scheme, which includes any Directors or employees of the Group and any other person including consultants or advisers). Details of the share-based payments are set out in note 17 to the condensed consolidated financial statements.
- (2) Adjusted EBITDA is profit before finance costs, taxes, depreciation and amortization, interest income, net foreign currency difference, share-based payments, and property charges and other items which mainly include loss on disposal/write-off of property and equipment and other non-recurring expenses. Adjusted EBITDA is used by management as the primary measure of our operating performance and to compare our operating performance with that of our competitors. However, adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our IFRS operating performance, or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.
- (3) Adjusted EBITDA before the license fee paid to a related company is HK\$3,233.0 million and HK\$2,937.3 million for the six months ended June 30, 2013 and 2012 respectively. Details of the license fee are set out in note 22 to the condensed consolidated financial statements.

Management Discussion and Analysis

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 bank and cash balances as at June 30, 2013 was HK\$6,514.5 million. This bank and cash balances was available for operations, new development activities including COTAI project and enhancement to existing properties. In addition, HK\$11,310.0 million remains undrawn under the HK\$15.6 billion 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 equity plus net debt. Net debt comprised long and short-term bank borrowings (offset by cash and bank balances), where equity comprised all capital and reserves of the Group that are managed as capital. As at June 30, 2013, the gearing ratio of the Group is zero (December 31, 2012: zero), due to the fact that we have more cash than total debt as at June 30, 2013 and December 31, 2012.

Group Cash Flows

The following table presents a summary of the Group's cash flows for the six months ended June 30, 2013 and 2012.

	For the six months ended	
	June 30,	
	2013	2012
	HK\$'000	HK\$'000
Net cash generated by operating activities	4,188,282	2,905,594
Net cash used in investing activities	(1,060,557)	(202,595)
Net cash used in financing activities	(3,994,635)	(3,188,125)
Net decrease in cash and cash equivalents	(866,910)	(485,126)
Cash and cash equivalents at the beginning of period	7,381,362	5,590,405
Cash and cash equivalents at the end of period	6,514,452	5,105,279

Management Discussion and Analysis

Net cash generated by operating activities

Our net cash generated from operating activities is primarily affected by operating income generated by MGM Grand Paradise as a result of increased casino revenue and growth in our working capital during the current period when compared to prior period. Net cash from operating activities was HK\$4,188.3 million for the six months ended June 30, 2013 compared to HK\$2,905.6 million for the six months ended June 30, 2012.

Net cash used in investing activities

Net cash used in investing activities was HK\$1,060.6 million for the six months ended June 30, 2013 compared to HK\$202.6 million for the six months ended June 30, 2012. The major components of the cash flow used in investing activities relate to the developers' fees paid, and payment for the construction in progress and purchase of property and equipment totaling HK\$1,057.5 million and HK\$197.3 million for the six months ended June 30, 2013 and 2012, respectively. Payment for the construction in progress partly relates to the renovation work carried out throughout our property as well as the design and other preliminaries fees, including ground treatment, professional fees and pilling works, for the COTAI project. The renovation works are part of our ongoing effort to maintain and upgrade our products to enhance our customer experience at our property.

Net cash used in financing activities

Net cash used in financing activities was HK\$3,994.6 million for the six months ended June 30, 2013 compared to HK\$3,188.1 million for the six months ended June 30, 2012. The increase mainly resulted from HK\$3,876.0 million dividend payment during the current period as compared to the HK\$3,100.8 million dividend payment in prior period.

Capital Commitments

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

	As at	
	June 30, 2013	December 31, 2012
	HK\$'000	HK\$'000
Authorized but not contracted for	8,773,544	17,206,835
Contracted but not accounted for	10,686,429	1,276,359
	19,459,973	18,483,194

Management Discussion and Analysis

Indebtedness

As at June 30, 2013 and December 31, 2012, the Group had secured a term loan facility of approximately HK\$4,290.0 million. The Group had approximately HK\$11,310.0 million available to draw under the MGM Grand Paradise credit facilities as at June 30, 2013 and December 31, 2012.

Contingent Liabilities

As at June 30, 2013, the Group has given bank guarantees totaling HK\$300.1 million in relation to our gaming subconcession.

Term Loan Facility and Revolving Credit Facility

Overview

On July 27, 2010, MGM Grand Paradise entered into a HK\$7,410.0 million credit agreement (the “Existing Credit Facilities”) with a syndicate of lenders and repaid the outstanding amounts under its prior credit facility in full on July 30, 2010. The Existing Credit Facilities include a HK\$4,290.0 million term loan facility and a HK\$3,120.0 million revolving credit facility.

On October 22, 2012, the Company and MGM Grand Paradise entered into an amended and restated credit agreement (the “Amended Credit Facilities”) with certain lenders as co-borrowers. As part of such agreement, the credit facilities is now HK\$15.6 billion, consisting of a HK\$4,290.0 million term loan facility and a HK\$11,310.0 million revolving credit facility. The Amended Credit Facilities may be used for proper corporate purposes, including to refinance the Existing Credit Facilities, for future development opportunities including COTAI project and general corporate purposes of the Group.

As at June 30, 2013, the Group incurred and paid miscellaneous charges and bank fees of approximately HK\$318.1 million in relation to the Amended Credit Facilities.

Principal and Interest

While the term loan of HK\$4,290.0 million was fully drawn on October 29, 2012, the HK\$11,310.0 million revolving credit facility is undrawn for the time being and is available for utilization up to September 2017. The term loan of the Amended Credit Facilities is repayable on a quarterly basis commencing in July 2016 and will be fully repaid in October 2017 whereas each revolving credit facility will be repaid in full on the last date of the respective term but no later than October 2017.

The Amended Credit Facilities bear interest at HIBOR plus a fixed margin of 2.5% per annum for the first six months and thereafter a variable margin that may decrease to a minimum of 1.75% per annum based on the Group’s leverage ratio. As at June 30, 2013, the Group paid interest at HIBOR plus a margin of 1.75% per annum.

Management Discussion and Analysis

General Covenants

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

Financial Covenants

The Restricted Group is required to maintain a leverage ratio at the end of each quarter while the loans are outstanding. The leverage ratio is to be kept within 4.50 to 1.00 for each quarter and reduced to no greater than 4.00 to 1.00 for each quarter after the first anniversary of opening of our upcoming integrated casino, hotel and entertainment complex in Cotai. In addition, the Group is required to maintain an interest coverage ratio of no less than 2.50 to 1.00 at each quarter end.

Compliance with Covenants

The Group has complied with the general and financial covenants contained in the Amended Credit Facilities as set forth above.

Mandatory Prepayments

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

Dividend Restrictions

The Group is not allowed to declare, make or pay any dividends while any default is outstanding or will be resulted or if its leverage ratio exceeds 4.00 multiples by then or on a proforma basis. To the extent its leverage ratio falls below 4.00 multiples but still exceeds 3.50, the Group may only pay dividends up to US\$300 million, including if any has been paid during preceding 12-month period. As at June 30, 2013, our leverage ratio is approximately 0.77.

Events of Default

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

Security and Guarantees

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

Management Discussion and Analysis

Quantitative and Qualitative Disclosure about Market Risk

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

Foreign Exchange Risk

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

Interest Rate Risk

One of our primary exposures to market risk is interest rate risk associated with our credit facilities that bear interest based on floating rates. We manage our interest rate risk by maintaining a level of cash and cash equivalents which management considers adequate to finance our operations and mitigate the effects of fluctuations in cash flows. We cannot assure you that these risk management strategies will have the desired effect, and interest rate fluctuations could have a negative impact on our results of operations. We do not hedge our interest rate risk.

Credit Risk

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

The Group has a concentration of credit risk with the gaming promoters as the Group's trade receivables from gaming promoters were mainly due from a few counterparties, all of which are domiciled in Macau. Any adverse changes in the business environment and financial performance of those gaming promoters may impact the recoverability of the trade receivables. Should there be any change in circumstances pertaining to one of these gaming promoters, it would have a material effect to the carrying amount of trade receivables.

Management Discussion and Analysis

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 reporting 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.

The liquid funds which are deposited with several banks with high credit standing in Hong Kong and Macau. Trade receivables consist of a large number of casino customers, gaming promoters and hotel customers.

Off Balance Sheet Arrangements

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

Other Liquidity Matters

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

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

In the ordinary course of business, in response to market demands and client preferences and in order to increase revenue, we have made and will continue to make enhancements and refinements to our casino and hotel complex. We have incurred and will continue to incur capital expenditures related to these enhancements and refinements. In addition, the Cotai Land concession contract was published in the official gazette of Macau on January 9, 2013, we are focusing on the commencement of the COTAI project, and will incur capital expenditures for constructing an integrated casino, hotel and entertainment complex in Cotai.

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

Management Discussion and Analysis

Related Party Transactions

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

Business Review and Prospects

MGM China achieved a good financial performance for the six months ended June 30, 2013. The adjusted EBITDA and profit before taxation increased by 9.9% and 12.7% to HK\$3,018.1 million and HK\$2,480.5 million, respectively, for the six months ended June 30, 2013 over the comparable period in 2012, though our profit attributable to owners of the Company decreased by 5.8% to HK\$2,473.0 million for the six months ended June 30, 2013 due to a reversal of tax accrual in the prior period.

Throughout the period, we have demonstrated our operating resilience and expertise in an increasingly competitive market. We continued to grow our business, defended our market share, improved our operating efficiency and, as a result, exceeded our financial target. We reinvested in our business to maximize the financial return and to promote our brand.

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

On the gaming front, our VIP gaming areas on Level Two at MGM MACAU expansion was a significant undertaking that has resulted in meaningful VIP business growth since its opening in October 2012. We also introduced new products, such as LT Games tailored for the market in August 2012. We will continue to re-examine the existing resources allocation to increase our VIP gaming revenue and productivity and to introduce some new games to our players, and at the same time, we will also focus on capital improvements to refresh our mass and slot machine gaming experience. On the non-gaming front, we allocated significant resources to create customer unique experiences consistent with our brand image, which showed the public and the Macau Government our commitment to non-gaming diversification.

With regard to Cotai development, in October 2012, with the formal acceptance of the terms and conditions of the draft land concession contract, we reached a key milestone in making MGM COTAI a reality. Shortly afterwards, we successfully closed on the refinancing transaction of HK\$15.6 billion which would ensure the funding for the COTAI project. On January 9, 2013, the land concession contract became effective upon its publication in the Macau Government official gazette, a few months earlier than the market had anticipated. In May 2013, we appointed a main contractor for the COTAI project and are now focusing our full energies on the commencement of construction of our COTAI Complex which will bring a new level of excitement, sophistication and entertainment to Macau. Our plan is to have approximately 500 gaming tables, 2,500 slot machines, 1,600 hotel rooms with a budget of approximately HK\$20 billion, excluding land cost and capitalized interest. We are well positioned for a truly unique MGM experience.

Management Discussion and Analysis

It is the people at MGM China who made possible all these accomplishments. We make employee engagement a strategic priority. In early 2012, we launched performance management process closely linked to our operating strategy and continued to invest in training and development throughout the period.

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

Other Information

Dividends

On August 6, 2013, our principal subsidiary, MGM Grand Paradise declared the payment of a dividend to the Company of approximately MOP1,280.0 million (approximately HK\$1,242.7 million). This dividend declaration complied with MGM Grand Paradise's constitutional documents and the laws and regulations of Macau.

In accordance with the dividend policy announced by the Company on February 28, 2013, on August 6, 2013, the Board announced that it had resolved to declare the payment of interim dividend of HK\$0.23 per Share (the "Interim Dividend"), amounting to approximately HK\$874.0 million in aggregate, representing approximately 35% of the Group's consolidated profit before taxation for the six months ended June 30, 2013. The register of members was closed from August 22, 2013 to August 26, 2013, both days inclusive, during which period no transfer of shares were effected, for the purpose of ascertaining the members who were entitled to the Interim Dividend. This Interim Dividend was expected to be paid on or about September 2, 2013 to the Shareholders whose names would appear on the register of members on August 26, 2013. The Board approved the payment of the Interim Dividend after reviewing the Group's general financial position as at August 6, 2013, its capital requirements going forward and other factors that the Board considered relevant, and determined that the Group had sufficient resources, after the payment of the Interim Dividend, to finance its operations and expansion of its business, including the development of an additional casino and hotel complex in Cotai. The Interim Dividend should not be taken as an indication of the level of profit or dividend for the full year.

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

As at June 30, 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests and short positions which the Directors and the chief executive had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code or as the Company was aware, were as follows:

(a) Long Position in the Shares and Underlying Shares of the Company

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares and Underlying Shares held	Percentage of issued share capital
Pansy Ho	380,000,000 ⁽¹⁾	—	662,661,200 ⁽²⁾	1,042,661,200	27.44%
Grant R. Bowie	3,500,000 ⁽³⁾	—	—	3,500,000	0.09%

Other Information

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

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares held	Percentage of issued share capital
Pansy Ho	20,000 ⁽⁴⁾	—	—	20,000	10.00%

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

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren	1,884,375 ⁽⁶⁾	—	—	1,884,375	0.3849%
	328,125 ⁽⁷⁾	—	—	328,125	0.0670%
	127,322 ⁽⁸⁾	—	—	127,322	0.0260%
	252,433 ⁽⁹⁾	—	—	252,433	0.0516%
	—	186,004 ⁽¹⁰⁾	—	186,004	0.0380%
William Joseph Hornbuckle	271,875 ⁽¹¹⁾	—	—	271,875	0.0555%
	178,125 ⁽¹²⁾	—	—	178,125	0.0364%
	35,128 ⁽¹³⁾	—	—	35,128	0.0072%
	72,124 ⁽¹⁴⁾	—	—	72,124	0.0147%
	21,223 ⁽¹⁵⁾	—	—	21,223	0.0043%
—	22,758 ⁽¹⁶⁾	—	22,758	0.0046%	
William M. Scott IV	167,812 ⁽¹⁷⁾	—	—	167,812	0.0343%
	80,938 ⁽¹⁸⁾	—	—	80,938	0.0165%
	12,482 ⁽¹⁹⁾	—	—	12,482	0.0025%
	25,243 ⁽²⁰⁾	—	—	25,243	0.0052%
	1,745 ⁽²¹⁾	—	—	1,745	0.0004%
Daniel J. D'Arrigo	161,000 ⁽²²⁾	—	—	161,000	0.0329%
	289,500 ⁽²³⁾	—	—	289,500	0.0591%
	22,702 ⁽²⁴⁾	—	—	22,702	0.0046%
	57,699 ⁽²⁵⁾	—	—	57,699	0.0118%
	21,282 ⁽²⁶⁾	—	—	21,282	0.0043%
Kenneth A. Rosevear	690,000 ⁽²⁷⁾	—	—	690,000	0.1409%
	30,000 ⁽²⁸⁾	—	—	30,000	0.0061%
	60,000 ⁽²⁹⁾	—	—	60,000	0.0123%
	8,000 ⁽³⁰⁾	—	—	8,000	0.0016%
	726 ⁽³¹⁾	—	—	726	0.0001%

Other Information

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

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

Notes:

- (1) These represent the Shares beneficially held by Pansy Ho in her personal capacity.
- (2) Pansy Ho was deemed to be interested in 662,661,200 Shares held by Grand Paradise Macau Limited, a company which she controls.
- (3) This represents 3,500,000 share options of the Company granted to Grant R. Bowie pursuant to the share option scheme of the Company, details of which are set out in note 17 to the condensed consolidated financial statements.
- (4) These represent 50% of total issued class B shares of MGM Grand Paradise which carry 10% of the total voting power at any meetings of shareholders of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise, each holder of class B shares will be entitled to receive dividends of up to MOP1 only.
- (5) MGM Resorts International adopted an omnibus incentive plan in 2005 which, as amended, allows it to grant stock options, stock appreciation rights (“SARs”), restricted stock, restricted stock units (“RSUs”), performance stock units (“PSUs”) and other stock-based awards to eligible directors, officers and employees of MGM Resorts International and its subsidiaries. Stock options and SARs granted under all plans generally have terms of either seven or ten years, and in most cases vest in either four or five equal annual installments. RSUs and PSUs granted vest ratably over four and three years respectively. MGM Resorts International’s practice is to issue new shares upon exercise or vesting of awards.
- (6) This represents 1,884,375 vested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (7) This represents 328,125 unvested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (8) This represents 127,322 unvested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.
- (9) This represents 252,433 unvested PSUs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (10) These represent the common stock of MGM Resorts International held by the family trust of James Joseph Murren.
- (11) This represents 271,875 vested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (12) This represents 178,125 unvested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.

Other Information

- (13) This represents 35,128 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (14) This represents 72,124 unvested PSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (15) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (16) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle, IV 2004 trust.
- (17) This represents 167,812 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (18) This represents 80,938 unvested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (19) This represents 12,482 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.
- (20) This represents 25,243 unvested PSUs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (21) These represent the common stock of MGM Resorts International held by William M. Scott IV.
- (22) This represents 161,000 vested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (23) This represents 289,500 unvested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (24) This represents 22,702 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (25) This represents 57,699 unvested PSUs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (26) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (27) This represents 690,000 vested employee stock options in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (28) This represents 30,000 vested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (29) This represents 60,000 unvested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (30) This represents 8,000 unvested RSUs in the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (31) These represent the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (32) The Notes will pay interest semi-annually at a rate of 4.25% per annum and will mature on April 15, 2015. The Notes will be convertible into shares in the common stock of MGM Resorts International at an initial conversion rate of 53.83 shares in the common stock of MGM Resorts International per US\$1,000 principal amount of the Notes.
- (33) Pansy Ho was deemed to be interested in the Notes by virtue of her indirect beneficial interests in the entity which acquired the Notes.

Other Information

Save as disclosed above, as at June 30, 2013, none of the Directors or the chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 or Part XV of the SFO or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at June 30, 2013, so far as is known to any Director or the chief executive of the Company, the persons who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company were as follows:

(a) Long Position in the Shares of the Company

Number of Shares

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

Notes:

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

Save as disclosed above, the Company had not been notified of any other corporation or person, who, as at June 30, 2013, had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Other Information

Remuneration Policy

As at June 30, 2013, MGM Grand Paradise employed 5,826 full-time and part-time employees in Macau and Hong Kong.

The Group's remuneration philosophy is a market-based job leveling approach to pay administration, which we believe is the best strategy to fulfill the Company's fundamental goal of attracting and retaining a diverse and highly skilled workforce. To accomplish this, the Company intends its remuneration system to be:

- Competitive — in the Macau Labor market, considering both MGM China's market niche and the larger industries in which we compete for talent.
- Comprehensive — to be viewed through the lens of total rewards, including base pay, health benefits, incentive pay, bonus, equity and retirement plans, etc.
- Objective — to be consistent with Macau market rates.
- Developmental — to encourage career and professional development within the workforce.

A group-wide performance based incentive program has been implemented since 2011 for all managerial level employees. The objective of developing such an incentive bonus program is to focus all members of the team in creating and sustaining the enterprise value of the Group. The program consists of several components designed to encourage targeted individuals and groups based on clear and measurable objectives designed to support the Group's strategy.

In addition to the above performance incentives, it is customary in Macau to provide additional months of salary to line staff during the Chinese New Year period as a gratuity for their hard work during the year. Such additional bonus is subject to the Board's discretion.

Other Information

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. The vesting periods for all of the options granted on that date were 25% vesting on each of the anniversary date of the date of grant. A summary of the movements of the outstanding options under the Scheme for the six months ended June 30, 2013 is as follows:

Directors, eligible employees and consultants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	Outstanding at January 1, 2013	Number of share options			
						Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2013
Grant R. Bowie	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	12,710,000	—	(704,800)	(170,000)	11,835,200
Employees	August 22, 2011	August 22, 2011 - August 21, 2015	August 21, 2012 - May 10, 2021	15.12	1,080,000	—	—	—	1,080,000
Employees	September 1, 2011	September 1, 2011 - August 31, 2015	August 31, 2012 - May 10, 2021	14.78	830,000	—	—	—	830,000
Employees	November 15, 2011	November 15, 2011 - November 14, 2015	November 14, 2012 - May 10, 2021	10.80	160,000	—	(10,000)	—	150,000
Employees	February 23, 2012	February 23, 2012 - February 22, 2016	February 22, 2013 - May 10, 2021	13.82	80,000	—	—	—	80,000
Consultants	February 23, 2012	February 23, 2012 - February 22, 2016	February 22, 2013 - May 10, 2021	13.82	875,000	—	—	—	875,000
Employees	February 26, 2013	February 26, 2013 - February 25, 2017	February 25, 2014 - February 26, 2023	18.74	—	230,000 ⁽¹⁾	—	—	230,000
Employees	May 15, 2013	May 15, 2013 - May 14, 2017	May 14, 2014 - May 15, 2023	20.35	—	50,000 ⁽²⁾	—	—	50,000
					19,235,000	280,000	(714,800)	(170,000)	18,630,200

Note:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$18.94 and the estimated weighted average fair value of share options granted on that date was HK\$11.91 per option.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$19.70 and the estimated weighted average fair value of share options granted on that date was HK\$12.93 per option.

Other Information

Purchase, Sale or Redemption of Company's Listed Securities

There has been no exercise of any conversion or subscription rights, nor any purchase, sale or redemption by the Group of its listed Shares during the six months ended June 30, 2013.

Corporate Governance Practices

The Directors recognize the importance of good corporate governance in the management of the Group. During the six months from January 1, 2013 to June 30, 2013, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Compliance with Company's Code for Securities Transactions by Directors and Officers

The Company has adopted its code of conduct regarding securities transactions by directors and officers (the "Securities Code") on terms which are more exacting than the required standard set out in the Model Code. The Company has made specific enquiry of all Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code and the Model Code throughout the six months ended June 30, 2013.

Update on Directors' Information

Changes in the information of the Directors since disclosure made in the Company's 2012 annual report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr James Joseph Murren was appointed as the Chairperson of the Company with effect from the annual general meeting ("AGM") results dated May 16, 2013.
2. Ms Pansy Catilina Chiu King Ho was appointed as the Co-Chairperson of the Company with effect from the AGM results dated May 16, 2013. She is Vice Chairman of the Board of Directors of Macau International Airport Company Limited and an Independent Non-executive Director of Sing Tao News Corporation Limited which is listed on the Hong Kong Stock Exchange. She is a Standing Committee Member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a Standing Committee Member of the All-China Federation of Industry and Commerce, a Vice President of the Chamber of Tourism of the All-China Federation of Industry and Commerce and a Vice Chairperson of the China Society for Promotion of The Guangcai Program.
3. Ms Tommei Mei Kuen Tong resigned as an independent non-executive director of Shanghai Pharmaceuticals Holdings Co. Ltd., a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange, effective from June 5, 2013.
4. Mr William M. Scott IV is the Executive Vice-President — Corporate Strategy and Special Counsel of MGM Resorts International, a position he has held since July 2010. In November 2011, he was also appointed to serve as a director of Diaoyutai-MGM Hospitality, Ltd, the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the PRC government) for the development of hospitality resources in China and was subsequently made Executive Director. In July 2013, he was appointed General Manager at Diaoyutai MGM Hospitality, Ltd.

Other Information

5. Mr Peter Man Kong Wong is serving as a deputy to the 12th National People's Congress of the People's Republic of China.

Review of Unaudited Condensed Consolidated Financial Statements

The Group's unaudited condensed consolidated financial statements for the reporting period have been reviewed by the Company's Audit Committee members which comprises of Tommei Mei Kuen Tong (Chairman), Kenneth A. Rosevear, Zhe Sun and Peter Man Kong Wong and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

James Joseph Murren
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-Chairperson and Executive Director

Hong Kong, August 6, 2013

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
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TO THE BOARD OF DIRECTORS OF MGM CHINA HOLDINGS LIMITED

美高梅中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of MGM China Holdings Limited (the “Company”) and its subsidiaries set out on pages 34 to 59, which comprises the condensed consolidated statement of financial position as of June 30, 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Report on Review of Condensed Consolidated Financial Statements

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 6, 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2013

	NOTES	Six months ended June 30,	
		2013	2012
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
OPERATING REVENUE			
Casino revenue	4	12,126,615	10,793,661
Other revenue	5	150,754	159,921
		12,277,369	10,953,582
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government		(6,492,041)	(5,742,308)
Staff costs		(818,826)	(778,524)
Operating and administrative and other expenses	6	(1,981,338)	(1,740,836)
Depreciation and amortization		(382,114)	(389,761)
		(9,674,319)	(8,651,429)
Operating profit		2,603,050	2,302,153
Interest income		9,858	18,278
Finance costs	7	(127,264)	(118,679)
Net foreign currency loss		(5,184)	(551)
Profit before taxation		2,480,460	2,201,201
Taxation	8	(7,476)	424,911
Profit for the period and total comprehensive income attributable to owners of the Company	9	2,472,984	2,626,112
Earnings per share — Basic and diluted	11	HK65.1 cents	HK69.1 cents

Condensed Consolidated Statement of Financial Position

At June 30, 2013

	NOTES	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property and equipment	12	4,528,532	4,746,237
Construction in progress	12	1,146,257	319,378
Sub-concession premium		856,972	919,900
Land use right premium	13	1,503,749	332,404
Other assets		12,648	11,051
Prepayments and deposits	12	374,947	447,954
		8,423,105	6,776,924
CURRENT ASSETS			
Inventories		92,499	85,945
Trade receivables	14	500,801	478,989
Prepayments, deposits and other receivables		126,669	37,766
Land use right premium — short term	13	69,406	19,246
Amounts due from related companies	22(a)(i)	701	345
Bank balances and cash		6,514,452	7,381,362
		7,304,528	8,003,653
CURRENT LIABILITIES			
Payables and accrued charges	15	5,885,086	4,475,302
Deposits and advances		383,235	367,291
Land use right payable — due within 12 months	13	189,302	—
Construction retention payable — due within 12 months		9,464	21,135
Amounts due to related companies	22(a)(ii)	53,411	7,274
Taxation payable		7,760	15,236
		6,528,258	4,886,238

Condensed Consolidated Statement of Financial Position

At June 30, 2013

	NOTES	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
NET CURRENT ASSETS		776,270	3,117,415
TOTAL ASSETS LESS CURRENT LIABILITIES		9,199,375	9,894,339
NON-CURRENT LIABILITIES			
Bank borrowings — due after 12 months	16	4,015,507	3,983,018
Land use right payable — due after 12 months	13	627,371	—
Construction retention payable — due after 12 months		29,652	—
		4,672,530	3,983,018
NET ASSETS		4,526,845	5,911,321
CAPITAL AND RESERVES			
Share capital		3,800,000	3,800,000
Share premium and reserves		726,845	2,111,321
SHAREHOLDERS' FUNDS		4,526,845	5,911,321

The condensed consolidated financial statements on pages 34 to 59 were approved and authorized for issue by the Board of Directors on August 6, 2013 and is signed on its behalf by:

James Joseph Murren
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-Chairperson and Executive Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2013

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000	Shareholders' funds total HK\$'000
At January 1, 2013 (audited)	3,800,000	10,434,193	—	117,427	293,725	(13,133,305)	4,399,281	2,111,321	5,911,321
Profit for the period and total comprehensive income	—	—	—	—	—	—	2,472,984	2,472,984	2,472,984
Exercise of share options	715	17,128	—	(6,726)	—	—	—	10,402	11,117
Share repurchase and cancellation									
— repurchases of shares	(715)	(13,047)	—	—	—	—	—	(13,047)	(13,762)
— transfer	—	—	715	—	—	—	(715)	—	—
Forfeiture of share options	—	—	—	(308)	—	—	308	—	—
Recognition of share-based payments	—	—	—	21,185	—	—	—	21,185	21,185
Dividends paid	—	—	—	—	—	—	(3,876,000)	(3,876,000)	(3,876,000)
At June 30, 2013 (unaudited)	3,800,000	10,438,274	715	131,578	293,725	(13,133,305)	2,995,858	726,845	4,526,845
At January 1, 2012 (audited)	3,800,000	10,434,193	—	50,184	293,725	(13,133,305)	2,969,252	614,049	4,414,049
Profit for the period and total comprehensive income	—	—	—	—	—	—	2,626,112	2,626,112	2,626,112
Recognition of share-based payments	—	—	—	42,335	—	—	—	42,335	42,335
Dividends paid	—	—	—	—	—	—	(3,100,800)	(3,100,800)	(3,100,800)
At June 30, 2012 (unaudited)	3,800,000	10,434,193	—	92,519	293,725	(13,133,305)	2,494,564	181,696	3,981,696

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2013

	Six months ended June 30,	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH GENERATED BY OPERATING ACTIVITIES	4,188,282	2,905,594
INVESTING ACTIVITIES		
Payments for construction in progress	(875,628)	(101,639)
Payments for land use right premium	(1,257)	—
Payments of developers' fee capitalized to construction in progress	(118,030)	(37,293)
Proceeds from disposal of property and equipment	1,508	901
Purchase of other assets	(3,266)	(6,229)
Purchase of property and equipment	(63,884)	(58,335)
NET CASH USED IN INVESTING ACTIVITIES	(1,060,557)	(202,595)
FINANCING ACTIVITIES		
Interest paid	(112,819)	(87,325)
Dividends paid	(3,876,000)	(3,100,800)
Proceeds from exercise of share options	11,117	—
Repurchase of shares, netting of transaction costs	(16,933)	—
NET CASH USED IN FINANCING ACTIVITIES	(3,994,635)	(3,188,125)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(866,910)	(485,126)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	7,381,362	5,590,405
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	6,514,452	5,105,279

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

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 190 Elgin Avenue, 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.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), the functional currency of the Company and its subsidiaries.

2. Basis of Preparation and Principal Accounting Policies

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

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2013 are the same as those followed in the preparation of the annual consolidated financial statements of the Company and its subsidiaries (together with the Company hereinafter collectively referred to as the “Group”) for the year ended December 31, 2012.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

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

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

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

IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRSs (Amendments)	Annual Improvements to IFRSs 2009 — 2011 Cycle
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures

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

IFRSs issued but not effective

The Group has not early adopted the new or revised IFRSs that have been issued but not yet effective. The following amendments and interpretation have been issued after the date the consolidated financial statements for the year ended December 31, 2012 were authorized for issuance and are not yet effective:

Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
IFRIC 21	Levies ¹

¹ Effective for annual periods beginning on or after January 1, 2014

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

3. Segment Information

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

4. Casino Revenue

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

	Six months ended June 30,	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino revenue from		
— VIP gaming operations	7,559,158	7,096,913
— Main floor table gaming operations	3,409,830	2,662,232
— Slot machine operations	1,157,627	1,034,516
	12,126,615	10,793,661

5. Other Revenue

Other revenue comprises:

	Six months ended June 30,	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	23,396	35,502
Food and beverages	101,840	99,325
Retail goods and other services	25,518	25,094
	150,754	159,921

From time to time, the Group provides hotel rooms, food and beverages, retail goods and other services to certain guests and customers without charges (the "Promotional Allowances") and no revenue is received for such promotional activities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

5. Other Revenue (Continued)

The retail value of the Promotional Allowances incurred during the period is as follows:

	Six months ended June 30,	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	199,411	184,463
Food and beverages	175,550	155,615
Retail goods and other services	9,998	12,531
	384,959	352,609

6. Operating and Administrative and Other Expenses

Operating and administrative and other expenses comprise:

	Six months ended June 30,	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Junket commission	1,018,477	875,431
Advertising and promotion	365,189	256,481
License fees	214,905	191,688
Cost of food and beverages	115,494	114,223
Utilities and fuel	58,550	59,879
Operating supplies	49,712	53,186
Repairs and maintenance	36,945	30,095
Other support services	23,162	30,910
Loss on disposal/write-off of property and equipment	2,676	11,358
Allowance for doubtful debts, net	(4,821)	42,521
Others	101,049	75,064
	1,981,338	1,740,836

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

7. Finance Costs

	Six months ended June 30,	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	102,667	87,317
Land use right payable wholly repayable within four years	20,417	—
Amortization of debt finance costs	32,489	25,333
Bank fees and charges	2,974	6,029
Total borrowing costs	158,547	118,679
Less: capitalized interest in construction in progress	(31,283)	—
	127,264	118,679

On January 9, 2013, a land concession contract in respect of a plot of land in the Cotai area in Macau (the “Cotai Land”) (the “Cotai Land Concession”) was published in the official gazette of Macau by the Macau Government for a term of 25 years. The total amount of the land premium was MOP1,291.2 million (approximately HK\$1,253.6 million) which comprised an initial payment of MOP450.0 million (approximately HK\$436.9 million) made in October 2012 and a payable of MOP841.2 million (approximately HK\$816.7 million) to the Macau Government. The amount is interest bearing at 5% per annum and payable in eight equal instalments due every six months of MOP117.3 million (approximately HK\$113.9 million). The amount of interest incurred for the period was capitalized in construction in progress as at June 30, 2013.

Borrowing costs capitalized during the period also arose on the general borrowing and are calculated by applying a capitalization rate of 4.11% (June 30, 2012: Nil) per annum to expenditure on qualifying assets.

With the development of another integrated casino, hotel and entertainment complex on a plot of land in the Cotai area in Macau (the “Cotai Complex”) commencing on January 9, 2013, the Group has capitalized part of the interest on bank borrowings (see note 16) into construction in progress as of June 30, 2013

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

8. Taxation

Macau Complementary Tax is calculated at progressive rates up to a maximum of 12% of the estimated assessable profits for the current and prior period. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the current and prior period.

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

MGM Grand Paradise's exemption from Macau Complementary Tax does not apply to dividends to be distributed by MGM Grand Paradise. During the second half of December 31, 2011, a deferred tax charge of HK\$458,779,000 in respect of the taxable temporary difference associated with the Group's investment in MGM Grand Paradise was then recognized. Pursuant to the dispatch 23/DIR/2012 dated June 21, 2012 issued by the Macau Government, MGM Grand Paradise was allowed to pay a dividend withholding tax of MOP84,000 (equivalent to approximately HK\$80,000) for the year ended December 31, 2007 and an annual lump sum dividend withholding tax of MOP8,700,000 (equivalent to approximately HK\$8,447,000) for each of the years ended December 31, 2008 through to 2011 as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of MGM Grand Paradise on dividend distributions from gaming profits. Consequently, the deferred tax liability of HK\$458,779,000 previously made was reversed and dividend tax of approximately HK\$33,868,000 was recognized in the first half of 2012. On December 18, 2012, the Macau Government informed MGM Grand Paradise of the terms of an extended tax concession arrangement pursuant to which MGM Grand Paradise is allowed to pay a dividend withholding tax of MOP15,400,000 (equivalent to approximately HK\$14,951,000) for each of the years ended December 31, 2012 through 2016 as payments in lieu of lump sum dividend tax to be paid by the shareholders of MGM Grand Paradise.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

9. Profit for the Period

	Six months ended June 30,	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	20,364	24,055
Retirement benefits scheme contributions for other staff	16,408	12,919
Share-based payments for other staff	15,652	33,555
Other staff costs	766,402	707,995
	818,826	778,524
Amortization in respect of:		
— sub-concession premium	62,928	63,276
— land use right premium	9,544	9,597
— other assets	5,787	4,315
Depreciation of property and equipment	303,855	312,573
	382,114	389,761
Loss on disposal/write-off of property and equipment	2,676	11,358
Operating lease rentals in respect of:		
— office equipment	6,934	6,369
— warehouse	3,705	3,628
— leasehold land	2,404	1,422
— office premises	1,712	1,589
Auditor's remuneration	4,464	3,250

10. Dividends

On February 22, 2012, a special dividend of HK\$1.6 cents per share, amounting to approximately HK\$3,100 million in aggregate has been declared by the directors of the Company. These dividends were paid to shareholders on March 20, 2012.

On February 20, 2013, a special dividend HK\$1.02 per share, amounting to approximately HK\$3,873.8 million in aggregate has been declared by the directors of the Company.

On August 6, 2013, an interim dividend of HK\$0.23 per share, amounting to approximately HK\$874.0 million in aggregate has been declared by the directors of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

11. Earnings per Share

The calculation of the basic earnings per share for the six months ended June 30, 2013 is based on the consolidated profit attributable to owners of the Company and on the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share for the six months ended June 30, 2013 is based on the consolidated profit attributable to owners of the Company and on the weighted average number of shares, including the weighted average number of shares in issue during the period plus the potential shares arising from exercise of share options (see note 17).

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

	Six months ended June 30,	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	2,472,984	2,626,112
Weighted average number of shares		
Weighted average number of shares in issue for basic earnings per share ('000)	3,800,034	3,800,000
Number of dilutive potential shares arising from exercise of share options ('000)	1,289	—
Weighted average number of shares in issue for diluted earnings per share ('000)	3,801,323	3,800,000
Earnings per share — Basic and diluted	HK65.1 cents	HK69.1 cents

During the six months ended June 30, 2012, 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 the shares during the period in which they are outstanding.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

12. Property and Equipment and Construction in Progress

	At	
	June 30, 2013	December 31, 2012
	HK\$'000 (unaudited)	HK\$'000 (audited)
Carrying amount at January 1	7,968,749	7,298,600
Additions	951,005	732,120
Adjustment upon finalization of costs	(33,792)	(4,770)
Disposal/written-off	(26,422)	(57,201)
Depreciation	(3,184,751)	(2,903,134)
Carrying amount at June 30/December 31	5,674,789	5,065,615
Property and equipment	4,528,532	4,746,237
Construction in progress	1,146,257	319,378
	5,674,789	5,065,615

The additions during the six months ended June 30, 2013 mainly include the construction in progress related to renovation work of the casino and hotel complex of the Group located on the Macau peninsula (the "Macau Complex") and costs incurred for the development and site preparation works of another integrated casino, hotel and entertainment complex on a plot of land in the Cotai area in Macau (the "Cotai Complex").

During the six months ended June 30, 2013, the Group advanced MOP377.0 million (equivalent to approximately HK\$366.0 million) to a construction contractor for mobilization costs associated with the construction of the Cotai Complex and is included in non-current prepayments and deposits as at June 30, 2013.

At June 30, 2013, borrowing costs of HK\$427.1 million (December 31, 2012: HK\$395.8 million) have been capitalized in the Group's property and equipment and construction in progress.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

13. Land Use Right Premium

	HK\$'000
COST	
At January 1, 2012, December 31, 2012 and January 1, 2013	481,470
Addition during the period	1,254,823
At June 30, 2013	1,736,293
AMORTIZATION	
At January 1, 2012	(110,520)
Charge for the year	(19,300)
At December 31, 2012 and January 1, 2013	(129,820)
Charge for the period	(9,544)
Capitalized in construction in progress	(23,774)
At June 30, 2013	(163,138)
CARRYING AMOUNT	
At June 30, 2013	1,573,155
At December 31, 2012	351,650

Included in the condensed consolidated statement of financial position as:

	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
Current land use right premium	69,406	19,246
Non-current land use right premium	1,503,749	332,404
	1,573,155	351,650

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

13. Land Use Right Premium (Continued)

The land use right premium represents payments made for the leasehold interest in land for the Macau Complex and Cotai Complex 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 and January 9, 2013 respectively.

As described in note 7, on October 18, 2012, MGM Grand Paradise formally accepted the terms and conditions of a draft 25-year land concession contract in the form of a lease granted by the Macau Government, in respect of the Cotai Land. The total amount of the land premium was MOP1,291.2 million (approximately HK\$1,253.6 million) which comprised an initial payment of MOP450.0 million (approximately HK\$436.9 million included in non-current prepayments and deposits as at December 31, 2012) made in October 2012 and a payable of MOP841.2 million (approximately HK\$816.7 million) to the Macau Government. The amount is interest bearing at 5% per annum and payable in eight equal instalments due every six months of MOP117.3 million (approximately HK\$113.9 million). The first of the eight instalments will be due six months from January 9, 2013.

Included in the condensed consolidated statement of financial position as:

	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
Land use right payable — due within 12 months	189,302	—
Land use right payable — due after 12 months	627,371	—
	816,673	—

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

14. Trade Receivables

	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
Trade receivables	621,275	586,122
Less: Allowance for doubtful debts	(120,474)	(107,133)
	500,801	478,989

The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based on pre-approved credit limits. The Group also issues markers and credit to approved casino customers ("VIP gaming customers") and provides credit to hotel customers following background checks and investigations of creditworthiness. The Group allows a credit period up to 30 days on issuance of markers to gaming promoters and VIP gaming customers and an average of 30 days to hotel customers. Trade receivables are unsecured and non-interest bearing. The carrying amount of the trade receivables approximates their fair value.

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

	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
Within 30 days	463,702	453,045
31 — 60 days	20,380	21,170
61 — 90 days	13,517	4,769
91 — 120 days	3,202	5
	500,801	478,989

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

15. Payables and Accrued Charges

	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
Outstanding chips liabilities	2,842,005	1,426,233
Special gaming tax and special levy payables	1,222,425	1,222,981
Accrued commission and incentives	958,523	1,025,143
Other payables and accrued charges	270,459	294,389
Accrued construction and renovation costs	239,454	99,893
Accrued staff costs	214,812	235,582
Accrued liability for customer relationship program	87,634	76,527
Trade payables	49,774	94,554
	5,885,086	4,475,302

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

	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
Within 30 days	37,104	60,679
31 — 60 days	7,310	27,873
61 — 90 days	2,028	1,708
91 — 120 days	1,028	1,294
Over 120 days	2,304	3,000
	49,774	94,554

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

16. Bank Borrowings

	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
Bank borrowings represent:		
Secured term loan facilities of HK\$4,290,000,000	4,290,000	4,290,000
Less: Debt finance costs	(274,493)	(306,982)
	4,015,507	3,983,018
Carrying amount repayable:		
On demand or within one year	—	—
More than one year, but not exceeding two years	—	—
More than two years, but not exceeding five years	4,015,507	3,983,018
	4,015,507	3,983,018
Current	—	—
Non-current	4,015,507	3,983,018
	4,015,507	3,983,018

The credit facilities, which comprise a term loan facility and a revolving credit facility, bear interest for the first six months from the effective date of the credit facilities at Hong Kong Interbank Offered Rate ("HIBOR") plus a fixed margin of 2.5% per annum and thereafter at a variable margin ranging from 1.75% to 2.5% per annum based on the Group's leverage ratio. As at June 30, 2013, the interest rate under the credit agreement is HIBOR plus 1.75% per annum (December 31, 2012: HIBOR plus 2.5% per annum). The term loan facility is repayable on a quarterly basis commencing in July 2016 and will be fully repaid in October 2017 while each revolving credit facility will be repaid in full on the last date of the respective term but no later than October 2017.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

17. Share-Based Payments

At June 30, 2013, the number of shares in respect of which options had been granted and remained outstanding under the Company's share option scheme (the "Scheme") was 18,630,200 (June 30, 2012: 19,335,000), representing approximately 0.5% (June 30, 2012: 0.5%) of the shares of the Company in issue at that date.

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

June 30, 2013

Type of participant	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	Number of share options				
					Outstanding at January 1, 2013 (audited)	Granted during the period (unaudited)	Exercise during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2013 (unaudited)
Directors	June 3, 2011	June 3, 2011 - June 2, 2015	June 2, 2012 - May 10, 2021	15.62	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 3, 2011 - June 2, 2015	June 2, 2012 - May 10, 2021	15.62	12,710,000	—	(704,800)	(170,000)	11,835,200
Employees	August 22, 2011	August 22, 2011 - August 21, 2015	August 21, 2012 - May 10, 2021	15.12	1,080,000	—	—	—	1,080,000
Employees	September 1, 2011	September 1, 2011 - August 31, 2015	August 31, 2012 - May 10, 2021	14.78	830,000	—	—	—	830,000
Employees	November 15, 2011	November 15, 2011 - November 14, 2015	November 14, 2012 - May 10, 2021	10.80	160,000	—	(10,000)	—	150,000
Employees	February 23, 2012	February 23, 2012 - February 22, 2016	February 22, 2013 - May 10, 2021	13.82	80,000	—	—	—	80,000
Consultants	February 23, 2012	February 23, 2012 - February 22, 2016	February 22, 2013 - May 10, 2021	13.82	875,000	—	—	—	875,000
Employees	February 26, 2013	February 26, 2013 - February 25, 2017	February 25, 2014 - February 26, 2023	18.74	—	230,000	—	—	230,000
Employees	May 15, 2013	May 15, 2013 - May 14, 2017	May 14, 2014 - May 15, 2023	20.35	—	50,000	—	—	50,000
					19,235,000	280,000	(714,800)	(170,000)	18,630,200
Weighted average exercise price per share					HK\$15.43	HK\$19.03	HK\$15.55	HK\$15.62	HK\$15.47
Exercisable at end of the reporting period									8,081,450

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

17. Share-Based Payments (Continued)

June 30, 2012

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

17. Share-Based Payments *(Continued)*

25% of the options granted will vest on the first, second, third and fourth anniversary from the date of grant of the share option and may be exercised at any time upto May 10, 2021. The estimated weighted average fair values of share options granted on February 23, 2012, February 26, 2013 and May 15, 2013 were HK\$8.78, HK\$11.91 and HK\$12.93 per option respectively. The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. Changes in the subjective input assumptions could materially affect the fair value estimate. The inputs into the model are as follows:

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
Expected volatility	60% per annum

The Group recognized a total expense of HK\$21.2 million for the six months ended June 30, 2013 (six months ended June 30, 2012: HK\$42.3 million) in relation to share options granted by the Company.

18. Contingent Liabilities

At June 30, 2013, the Group has given bank guarantees totalling HK\$300.1 million (December 31, 2012: HK\$300.1 million) to certain parties, of which HK\$294.6 million (December 31, 2012: HK\$294.6 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and land-concession contract in respect of the Cotai Complex, HK\$2.0 million (December 31, 2012: HK\$2.0 million) was issued in favor of certain vendors and HK\$3.5 million (December 31, 2012: HK\$3.5 million) was issued in favor of a service provider, which is a related company as one of the directors of the Company has non-controlling beneficial interests.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

19. Operating Lease Commitments

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

	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
Within one year	26,810	28,711
More than one year and not longer than five years	35,495	29,105
More than five years	139,648	37,747
	201,953	95,563

20. Capital Commitments

	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
Capital expenditure in respect of renovation of the Macau Complex and design and construction of the Cotai Complex that have been		
— authorized but not contracted for	8,773,544	17,206,835
— contracted but not accounted for	10,686,429	1,276,359
	19,459,973	18,483,194

21. Other Commitments

Pursuant to the gaming contract signed with the Macau Government, MGM Grand Paradise has committed to pay an annual premium of HK\$29 million plus a variable premium calculated on the basis of the number of gaming tables and gaming devices operated by MGM Grand Paradise during the term of the Sub-Concession Contract when the gaming operations commenced business. A premium of HK\$63.1 million (six months ended June 30, 2012: HK\$62.1 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, 2013 and 2012.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

22. Related Party Transactions

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

(a)(i) Amounts due from related companies represent the balances with fellow subsidiaries. The amounts are unsecured, non-interest bearing and repayable on demand.

(a)(ii) Amounts due to related companies represent balances with companies in which one of the directors of the Company has non-controlling beneficial interests amounting HK\$11.8 million (December 31, 2012: HK\$3.6 million), a company jointly-owned by ultimate holding company and a substantial shareholder of the Company amounting HK\$38.9 million (December 31, 2012: Nil), ultimate holding company of the Company amounting HK\$2.6 million (December 31, 2012: HK\$3.7 million) and a fellow subsidiary amounting HK\$0.1 million (December 31, 2012: Nil). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies in respect of trade balance:

	At June 30, 2013 HK\$'000 (unaudited)	At December 31, 2012 HK\$'000 (audited)
Within 30 days	49,582	3,862
31 — 60 days	3,812	3,408
61 — 90 days	17	1
91 — 120 days	—	—
Over 120 days	—	3
	53,411	7,274

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

22. Related Party Transactions (Continued)

- (b) During the six months ended June 30, 2013, the Group had the following significant transactions with related companies:

Related parties	Type of transaction	Six months ended June 30,	
		2013	2012
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Companies in which one of the directors of the Company has non-controlling beneficial interests	Advertising expenses	654	1,810
	Gift vouchers purchased	15,335	9,130
	Laundry services expenses	2,891	2,613
	Rental of premises*	1,598	1,665
	Travelling and accommodation, net of discounts	65,149	61,029
Ultimate holding company	Marketing referral fees	2,093	11,143
	Marketing referral income	(472)	(37)
Company jointly-owned by shareholders	Developers' fees capitalized	118,030	44,349
	License fee	214,905	191,688

* At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises from related parties of HK\$2.8 million (December 31, 2012: HK\$4.4 million) which fall due within the following two years (December 31 2012: two years).

Historically, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries at no charge. Pursuant to the Branding Agreement entered into among the Company, MGM Grand Paradise, MGM Branding and Development Holdings, Ltd., MGM Resorts International, MGM Resorts International Holdings, Ltd. and New Corporate Enterprises Limited on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement is effective from June 3, 2011 and will expire on March 31, 2020, which is also the expiry date of the Group's Sub-Concession Contract. Pursuant to the terms of the Branding Agreement, the Group is required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which is subject to an annual cap. For the year ending December 31, 2013, the annual cap is US\$36 million (equivalent to appropriately HK\$279 million) and for the year ended December 31, 2012, the annual cap is US\$30 million (equivalent to approximately HK\$233 million). 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, 2013, a total license fee of HK\$214.9 million (six months ended June 30, 2012: HK\$191.7 million) was recognized in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2013

22. Related Party Transactions (Continued)

(b) (Continued)

In addition, from time to time, the Group and certain entities which one of the directors of the Company has non-controlling beneficial interests, and the group companies of a shareholder of the Company 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 is as follows:

	Six months ended June 30,	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	48,870	52,507
Post-employment benefits	937	894
Share-based payments	17,457	32,451
	67,264	85,852

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

23. Event after the Reporting Period

As described in note 10, on August 6, 2013, an interim dividend of HK\$0.23 per share, amounting to approximately HK\$874.0 million in aggregate has been declared by the directors of the Company.

Glossary

Definitions and Glossary Used in this Interim Report

“Board of Directors” or “Board”	the board of Directors of our Company
“Branding Agreement”	the Branding Agreement dated May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding and Development Holdings, MGM Resorts International, MGM Resorts International Holdings and New Corporate Enterprises Limited
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and gross slot win), calculated net of commissions and discounts and in accordance with IFRS
“China”, “mainland China” or “PRC”	the People’s Republic of China excluding, for the purpose of this interim report for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire”	the holder of a concession for the operation of casino games in Macau.
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Directors”	the directors of our Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“EBITDA”	earnings before interest, tax, depreciation and amortization

Glossary

“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the Macau Government to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Global Offering”	the offer of Shares in the Company by subscription for cash at HK\$15.34 per Share on June 3, 2011 and subject to the terms outlined in the IPO Prospectus
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Pansy Ho
“gross gaming revenue” or “gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions and discounts
“gross slot win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of a portion of commissions and discounts
“gross table games win”	the amount of drop (in our main floor casino segment) or turnover (in our VIP casino segment) that is retained as winnings. We record this amount and gross slot win as casino revenue after deduction of a portion of commissions and discounts
“Group”, “we”, “us” or “our”	our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group
“HIBOR”	Hong Kong InterBank Offer Rate
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards

Glossary

“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
“Independent Third Party(ies)”	parties which are not connected persons of our Company within the meaning of the Listing Rules
“IPO Prospectus”	the IPO Prospectus of the Company published on May 23, 2011 in connection with the Listing
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“MGM Branding and Development Holdings”	MGM Branding and Development Holdings, Ltd., a company incorporated in the BVI and jointly wholly-owned, directly or indirectly, by MGM Resorts International and Pansy Ho in equal portions
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Subconcessionaires and one of our subsidiaries
“MGM MACAU” or “our property”	our resort and casino property located in Macau owned by MGM Grand Paradise

Glossary

“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling shareholder
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Ho, Pansy Catilina Chiu King, a substantial shareholder and an executive director of our Company
“Pataca” or “MOP”	Macau Pataca, the lawful currency of Macau
“premium main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer relationship programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“Reorganization”	the reorganization of our Group in preparation for the Listing, as more fully described in the section headed “History and Corporate Structure — Reorganization” in IPO Prospectus
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires

Glossary

“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
“Subconcession” or “Subconcession Contract”	the tripartite Subconcession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
“Subconcessionaire(s)”	the holder(s) of a subconcession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus nonnegotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“US GAAP”	Generally Accepted Accounting Principles as in effect from time to time in the United States
“VIP clients” or “VIP patrons”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitations”	with respect to visitation of our property, the number of times our property is entered during a fixed time period. Estimates of the number of visits to our property are based on information collected from digital cameras placed above every entrance to our property capable of counting visitors (including repeat visitors) to our property on a given day
“%”	per cent

