



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



Interim Report 2014 中期報告

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

(Incorporated in the Cayman Islands with limited liability) (於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 2282



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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 (*Chairperson*)  
Kenneth A. Rosevear (*retired as a member of the  
Audit Committee on April 1, 2014*)  
Daniel J. D'Arrigo (*appointed on April 1, 2014*)  
Zhe Sun  
Peter Man Kong Wong

## Remuneration Committee

Zhe Sun (*Chairperson*)  
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 (*Chairperson*)  
William M. Scott IV  
Chen Yau Wong  
Tommei Mei Kuen Tong  
Zhe Sun  
Peter Man Kong Wong

## Company Secretaries

Antonio Jose Menano  
Lam Wai Yan (*resigned as joint company secretary  
on March 21, 2014*)  
Wong Wai Yee, Ella (*appointed as joint company secretary  
on March 21, 2014 and resigned on June 3, 2014*)

## 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

## Registered Office in Cayman Islands

190 Elgin Avenue  
George Town  
Grand Cayman KY1-9005  
Cayman Islands

## Principal Place of Business and Head Office in Macau

Avenida Dr. Sun Yat Sen, Edificio 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](http://www.mgmchinaholdings.com)

## Stock Code

2282

# Financial Highlights

	For the six months ended	
	June 30,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino revenue	13,576,849	12,126,615
Other revenue	147,029	150,754
Total revenue	13,723,878	12,277,369
Adjusted EBITDA before the license fee	3,765,423	3,232,958
Adjusted EBITDA	3,525,255	3,018,053
Profit before taxation	3,042,663	2,480,460
Profit attributable to owners of the Company	3,035,187	2,472,984
Earnings per Share		
— Basic	HK79.9 cents	HK65.1 cents
— Diluted	HK79.7 cents	HK65.1 cents

# Management Discussion and Analysis

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## Business Overview

MGM MACAU opened in December 2007 and has a casino floor area of approximately 25,459 square meters, with 1,249 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. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. Our property 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.

We achieved a good financial performance for the six months ended June 30, 2014. Our revenue, adjusted EBITDA and profit attributable to owners of the Company increased by 11.8%, 16.8% and 22.7% to HK\$13,723.9 million, HK\$3,525.3 million and HK\$3,035.2 million, respectively, for the six months ended June 30, 2014 over the comparable period in 2013. 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 and political issues particularly in China.

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, and improved our operating efficiency and our margins through managing our customer segments, yielding our gaming floor and containing our cost, as a result, we exceeded our financial target.

## *Our Development in Cotai*

We are now constructing MGM COTAI, an integrated casino, hotel and entertainment complex on the Cotai Land, which providing a truly unique MGM experience with up to 1,600 hotel rooms, 500 gaming tables and 2,500 slot machines, and a budget of approximately HK\$23 billion, excluding land costs and capitalized interest. MGM COTAI is well underway. We are excited to see the substantial completion on our basement and are now focusing our full energies on the commencement of the podium and tower construction, along with ongoing development of our interior designs. We remain on track for the opening in 2016.

## *Macau's Gaming and Tourism Markets*

Propelled by the solid economic development in China, the Macau gaming market continues to grow in the last few years. Additional capacity has been added in recent years with several new hotels and casinos opened in Cotai resulting in the market share migration from Macau Peninsula to 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, 2014, total casino gross win in Macau market was approximately HK\$187.5 billion, up 12.6% over the same period in 2013. It is worthwhile to note that the growth of casino gross win for VIP gaming operations was up 3.2% to approximately HK\$115.9 billion, a much lower rate of increase, as compared to the growth of casino gross win for the mass gaming operations, which achieved a much higher growth rate of 36.7% to approximately HK\$64.2 billion in the first half of 2014.

# Management Discussion and Analysis

According to statistics published by the Statistics and Census Service of the Macau Government, visitor arrivals reached 15.3 million in first half of 2014 compared to 14.1 million in first half of 2013. Gaming customers travelling to Macau typically come from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan, with approximately 91% of visitors to Macau in first half of 2014 coming from mainland China, Hong Kong and Taiwan. Visitors coming from mainland China increased 14.7% over the same period in prior year and reached 10.2 million in first half of 2014. 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 Gongbei border gate capacity, completion of the inter-city train from Guangzhou all the way to the Gongbei border gate, 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; but at the same time the growth will be inhibited by the transit visa restriction implemented on July 1, 2014, specifically targets high frequency and long-stay visitors, which we will monitor and assess its impact on the gaming revenue. 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.

## *Competition*

Currently, there are six gaming concessionaires in Macau, each of whom has commenced casino operating activities and several of which have expansion plans announced or underway. As at June 30, 2014, 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 2014. Despite market share migration from Macau Peninsula to Cotai, we were able to maintain our overall market share. Our market share in Macau Peninsula reached 18.6% in the first half of 2014 compared to 18.0% in the first half of 2013. We expect competition in the Macau market to continue to increase in the future as 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.

## *Our Competitive Strength and Operating Strategies*

Our competitive strength lies principally in our high-end product and service offerings; our ability to segment and conduct targeted marketing to various customer groups through our Golden Lion Club customer relationship program; our strong partnership with gaming promoters; and our very effective strategy execution by the operation team.

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 and refurbish 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, introduce new innovative gaming products to enhance customer experience, and develop technologies to enhance our analytical capability for operations and marketing to help us deliver much more personal and precision marketing efforts. We manage our gaming mix by continuously evaluating our table yield, focusing on measuring the number of table open hours in relation to business volume, evaluating the table limits, reallocation of tables while also complying with the Macau Government requirement such as the smoking and non-smoking regulation, to maximize our table utilization and profitability. We also improve our customer experiences by enhancing our hotel, foods and beverages offerings. In addition, 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 during the current period. In the coming years, we will introduce our market leading resort life-style curator program, M life, as a vehicle to expand the reach of our current player club, Golden Lion Club, and increase our brand awareness and customer loyalty from our key feeder markets.

# Management Discussion and Analysis

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## *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.

### VIP 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 revenue 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 to maximize our table utilization and profit. 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 hotel rooms, food and beverages all based on a percentage of the rolling chip turnover.

For the six months ended June 30, 2014, our VIP gaming operations remained relatively flat. We generated HK\$420.0 billion in rolling chip turnover, a very slight increase of 0.5% over the same period in the prior year. Our VIP table games win percentage increased from 2.8% to 2.9% over the comparable periods in 2013 and 2014. This operation remained flat due to a combination of factors, including the World Cup soccer event which decreased the gaming revenue in overall, and political and macroeconomic factors in China during the period.

Operationally, we continue to improve VIP business volume by maximizing productivity from existing capacity and by making capital improvements to enhance our facilities and to increase capacity for our VIP customers. 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 or to reallocate tables to mass floor, to maximize our yield and profit. As a result, our average daily gross win per VIP gaming table increased by 2.3% from HK\$284.4 thousands to HK\$291.0 thousands over the comparable periods in 2013 and 2014. In addition, we constantly review our service processes to meet or exceed our customer expectations. Our efforts to grow the VIP business will continue to center around maintaining a close partnership with gaming promoters, enhancing the gaming experience of our customers, and yielding all VIP gaming rooms to maximize table utilization and profit.



# Management Discussion and Analysis

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## Main Floor Gaming Operations

The main floor gaming operations 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 operation. The main floor business represents the most profitable operations for us as well as for the Macau market as a whole. We also believe that this operation represents the most potential for sustainable growth in the future. In the first half of 2014, this operation achieved a higher growth rate than the VIP operation in the Macau market and our property as well.

In spite of increased competition, for the six months ended June 30, 2014, revenue from this operation significantly increased year-over-year by 42.7% to HK\$4,866.8 million. The growth was 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 and reallocating tables from VIP gaming to our main floor gaming areas to maximize our yield and profit. We also leveraged our Golden Lion Club as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotions. As a result, our average daily gross win per main floor table gaming table significant increased by 40.8% from HK\$97.9 thousands to HK\$137.8 thousands over the comparable periods in 2013 and 2014.

In addition, we are currently re-examining and investing our capital on our main floor gaming areas to cope with the new main floor smoking ban rule from the Macau Government which will be effective in this October. Going forward, we will continue to re-examine our main floor gaming areas to maximize table utilization, to expand or refurbish our gaming areas, to innovate our gaming products and to invest in technologies and analytical capability to enhance table productivity and customer retention.

## Slot Machine Gaming Operations

Our slot handle was HK\$24,835.2 million, an increase of 12.2% over the same period in the prior year and our average daily win per slot increased by 6.4% from HK\$4.7 thousands to HK\$5.0 thousands over the comparable periods in 2013 and 2014 as well. The increase in handle and daily win per slot were due primarily to our improvement on slot machine product mix, our successful customer and product segmentation strategies, coupled with our focus on superior slot hosts services and building brand awareness and loyalty. Following the success of the electronic betting terminals of Live Table Games (“LT Games”) gaming area launched in August 2012 on the main floor, we expanded our LT Games as well in April 2014, which were tailored for the high-end segment of the market, and benefitted our handle. The positive impact was offset by the decrease in our slot machine win percentage from 5.2% to 4.5% over the comparable periods in 2013 and 2014 which made our slot revenue decreased by 2.5% to HK\$1,128.9 million for the six months ended June 30, 2014.

Going forward, we will continue to re-examine the mix of our games in operation to maximize our casino profitability, and we will expand our Supreme Lounge to increase slot capacity and introduce M life to increase our brand awareness and customer loyalty simultaneously. In conjunction with the M life rollout, we are also developing technologies to enhance our analytical capability to help us deliver much more personal and precision marketing efforts.

# *Management Discussion and Analysis*

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## *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 2014, we have organized events such as the Art Exhibition in L2 Gallery featuring themed artworks by local artists, and the “MGM Art Space” with a spectacular exhibition featuring Florentine Renaissance artist Sandro Botticelli’s life, legend, legacy and his enduring masterpiece, Venus, starting from December 2013 till May 2014, the Art Exhibition in L2 Showcase featuring themed artworks by artists from China, Macau and France, and the “MGM · Biennial of the Lions — Beyond the Roar” unique lion sculptures dressed elaborately by 50 French and Chinese artists which displayed all around the landmarks of Macau, the Macau Museum of Art and MGM MACAU, starting from May 2014 and June 2014, respectively, and our MGM Water Aurora featuring an eight-meter-tall water-sky aquarium with fish darting among multi-hued corals located in our Grande Praça throughout the period since May 2013. These exhibits and events successfully drew traffic to our property for visit and have created a sense of anticipation among our customers, local communities and tourists 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 operations 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 2014 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. We are also investing in technologies to enhance our analytical capability for operations and marketing in order to further enhance our overall efficiency.

## *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, 2014 compared to financial results for the six months ended June 30, 2013

### 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,	
	2014 HK\$'000	2013 HK\$'000
Number of VIP gaming tables	229	231
VIP table games turnover	419,984,072	417,817,971
VIP gross table games win	12,073,245	11,903,826
VIP table games win percentage	2.9%	2.8%
Average daily gross win per gaming table	291.0	284.4
Number of main floor gaming tables	194	192
Main floor table games drop <sup>(1)</sup>	19,199,489	14,559,383
Main floor gross table games win	4,842,369	3,392,589
Adjusted main floor table games win percentage	25.2%	23.3%
Average daily gross win per gaming table	137.8	97.9
Number of slot machines	1,249	1,367
Slot machine handle	24,835,233	22,137,412
Slot machine gross win	1,128,130	1,161,729
Slot hold percentage	4.5%	5.2%
Average daily win per slot	5.0	4.7
Commission and discounts	(4,497,187)	(4,346,014)
Room occupancy rate	98.6%	97.9%
REVPAR <sup>(2)</sup>	2,316	2,081

Notes:

- (1) Main floor table games drop includes estimated cash chips purchase at casino cage. Main floor table games wagers are conducted by the use of cash chips. In addition to purchasing cash chips at gaming tables, main floor customers may also purchase cash chips at the casino cage. As a result of increased cash chips purchases at the casino cage, we now adjust main floor table games drop to include such purchases in order to more meaningfully reflect main floor table games volume and win percentage.
- (2) 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, 2014 and 2013.

	For the six months ended June 30,	
	2014 HK\$'000	2013 HK\$'000
<b>Casino revenue</b>	13,576,849	12,126,615
VIP gaming operations	7,581,114	7,559,158
Main floor gaming operations	4,866,823	3,409,830
Slot machine gaming operations	1,128,912	1,157,627
<b>Other revenue</b>	147,029	150,754
Hotel rooms	17,660	23,396
Foods and beverages	107,001	101,840
Retail and other services	22,368	25,518
<b>Operating revenue</b>	13,723,878	12,277,369

Total operating revenue increased by 11.8% to HK\$13,723.9 million for the six months ended June 30, 2014. We believe this increase was due to a combination of factors, including overall Macau market growth, enhanced marketing efforts and the continuous property improvements to cater for gaming operators and players.

## Casino Revenue

Casino revenue increased by 12.0% to HK\$13,576.8 million for the six months ended June 30, 2014. The components and reasons for this increase were:

### VIP Gaming Operations

Revenue from VIP gaming operations remained relatively flat at HK\$7,581.1 million and HK\$7,559.2 million for the six months ended June 30, 2014 and 2013, respectively. VIP table games turnover increased slightly by 0.5% to HK\$419,984.1 million in the first half of 2014 and our VIP table games win percentage increased from 2.8% to 2.9% over the comparable periods in 2013 and 2014. For the six months ended June 30, 2014, MGM MACAU had 229 VIP gaming tables in operation, as compared with 231 VIP gaming tables for the six months ended June 30, 2013.

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\$4,497.2 million and HK\$4,346.0 million for the six months ended June 30, 2014 and 2013, respectively.

# Management Discussion and Analysis

## Main Floor Gaming Operations

Revenue from main floor gaming operations significantly increased by 42.7% to HK\$4,866.8 million for the six months ended June 30, 2014. Main floor table games drop increased by 31.9% to HK\$19,199.5 million for the six months ended June 30, 2014. The increase primarily resulted from continued success of the tiered-customer relationship program and improvement on our yield on the gaming floor. 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. In the first half of 2014, MGM MACAU had 194 main floor gaming tables in operation, as compared with 192 main floor gaming tables in the first half of 2013. The adjusted main floor table games win percentage increased from 23.3% to 25.2% over the comparable periods in 2013 and 2014.

## Slot Machine Gaming Operations

Revenue from slot machine gaming operations decreased by 2.5% to HK\$1,128.9 million for the six months ended June 30, 2014. Slot machine handle increased by 12.2% to HK\$24,835.2 million for the six months ended June 30, 2014. The increase in handle primarily resulted from improvement on slot machine product mix, continued success of the tiered-customer relationship program, superior customer service from our slot hosts, and driving performance of the multi denomination slot machines and LT Games. The positive impact was offset by the decrease in our slot machine win percentage from 5.2% to 4.5% over the comparable periods in 2013 and 2014. For the six months ended June 30, 2014, MGM MACAU had 1,249 slot machines in operation, as compared with 1,367 slot machines for the six months ended June 30, 2013.

## Other Revenue

Other revenue, which includes hotel rooms, foods and beverages and retail and other services, remained flat at HK\$147.0 million and HK\$150.8 million for the six months ended June 30, 2014 and 2013 respectively. 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 MGM MACAU.

## Operating Costs and Expenses

The following table sets forth the major operating costs and expenses for the six months ended June 30, 2014 and 2013.

	For the six months ended	
	June 30,	
	2014	2013
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	7,115,851	6,492,041
Inventories consumed	187,774	165,206
Staff costs	970,360	818,826
Operating and administrative and other expenses	1,959,239	1,816,132
Depreciation and amortization	393,869	382,114
Finance costs	60,558	127,264
Taxation	7,476	7,476

# Management Discussion and Analysis

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## *Special gaming tax and special levy to the Macau Government*

Special gaming tax and special levy to the Macau Government increased by 9.6% to HK\$7,115.9 million for the six months ended June 30, 2014. This increase resulted directly from the increased casino revenue over the comparable period in 2013.

## *Inventories consumed*

Inventories consumed increased by 13.7% to HK\$187.8 million for the six months ended June 30, 2014. This increase was primarily due to increase in consumptions of supplies in response to the increase in our business volumes during the period.

## *Staff costs*

Staff costs increased by 18.5% to HK\$970.4 million for the six months ended June 30, 2014. The increase was primarily due to hiring of additional staff in response to the increase in our business volumes, a 5% staff salary increment to line level staff implemented in March 2014 and staff retention strategy under our internal organization restructure in preparation for our opening of MGM COTAI in 2016. Our labor efficiency continues to improve, as a result of KPI implementation.

## *Operating and administrative and other expenses*

Operating and administrative and other expenses increased by 7.9% to HK\$1,959.2 million, for the six months ended June 30, 2014, which mainly resulting from:

*License fee and marketing fees.* License fee and marketing fees due to related companies increased by 15.9% from HK\$217.0 million for the six months ended June 30, 2013 to HK\$251.5 million for the six months ended June 30, 2014. This increase resulted directly from the increased revenue over the comparable period in 2013 as well as the increase in annual cap by 20% in 2014.

*Allowance for doubtful debts, net.* Allowance for doubtful debts, net was HK\$55.2 million debit for the six months ended June 30, 2014 compared to a credit of HK\$4.8 million for the six months ended June 30, 2013. There were no changes in the allowance for doubtful debts policy; last period's credit was primarily resulted from recovery of doubtful debts provided for in previous periods.

## *Depreciation and amortization*

Depreciation and amortization increased slightly by 3.1% to HK\$393.9 million for the six months ended June 30, 2014 due to some new furniture and equipment placed into service in the first half of 2014, and partly offset by the impact of full depreciation of certain assets in the first half of 2014.

## *Finance costs*

Finance costs decreased by 52.4% to HK\$60.6 million for the six months ended June 30, 2014. The decrease primarily resulted from a decrease of HK\$21.7 million in interest fee due to lower interest rate of term loan of the Amended Credit Facilities and additional HK\$42.1 million capitalized interest incurred for COTAI project during the current period.

## *Taxation*

Taxation for the six months ended June 30, 2014 and 2013 related to the dividend withholding tax for the respective periods granted by the Macau Government in December 2012. Details of taxation are set out in note 8 to the condensed consolidated financial statements.

# Management Discussion and Analysis

## Profit attributable to owners of the Company

Profit attributable to owners of the Company increased by 22.7% from HK\$2,473.0 million for the six months ended June 30, 2013 to HK\$3,035.2 million for the six months ended June 30, 2014.

## 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, 2014 and 2013.

	For the six months ended	
	June 30, 2014	2013
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	3,035,187	2,472,984
Add/(less):		
Depreciation and amortization	393,869	382,114
Interest income	(9,144)	(9,858)
Finance costs	60,558	127,264
Net foreign currency difference	2,708	5,184
Taxation	7,476	7,476
Share-based payments	25,190	21,185
Property charges and others	9,411	11,704
Adjusted EBITDA <sup>(1)</sup> (unaudited)	3,525,255	3,018,053
Adjusted EBITDA before the license fee <sup>(2)</sup> (unaudited)	3,765,423	3,232,958

### Notes:

- (1) 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.
- (2) Adjusted EBITDA before the license fee paid to a related company was HK\$3,765.4 million and HK\$3,233.0 million for the six months ended June 30, 2014 and 2013 respectively. Details of the license fee are set out in note 21 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, 2014 was HK\$5,099.5 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 remained 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-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, 2014, the gearing ratio of the Group was zero (December 31, 2013: zero), due to the fact that we have more cash than total debt as at June 30, 2014 and December 31, 2013.

### Group Cash Flows

The following table presents a summary of the Group's cash flows for the six months ended June 30, 2014 and 2013.

	For the six months ended	
	June 30, 2014	2013
	HK\$'000	HK\$'000
Net cash generated by operating activities	3,622,696	4,188,282
Net cash used in investing activities	(1,457,735)	(1,060,557)
Net cash used in financing activities	(4,950,274)	(3,994,635)
Net decrease in cash and cash equivalents	(2,785,313)	(866,910)
Cash and cash equivalents at the beginning of period	7,884,805	7,381,362
Cash and cash equivalents at the end of period	5,099,492	6,514,452

### Net cash generated by operating activities

Our net cash generated from operating activities was primarily affected by operating income generated by MGM Grand Paradise and changes in working capital. Net cash from operating activities was HK\$3,622.7 million for the six months ended June 30, 2014 compared to HK\$4,188.3 million for the six months ended June 30, 2013. The decrease mainly resulted from the decrease in our working capital due to the timing difference on payment which partly offset by the increase in casino revenue during the current period.



## *Management Discussion and Analysis*

### *Net cash used in investing activities*

Net cash used in investing activities was HK\$1,457.7 million for the six months ended June 30, 2014 compared to HK\$1,060.6 million for the six months ended June 30, 2013. The major components of the cash flow used in investing activities relate to the payment for the construction in progress and purchase of property and equipment totaling HK\$1,458.3 million and HK\$1,058.8 million for the six months ended June 30, 2014 and 2013, respectively, as well as developers' fees and land use right premium paid. Payment for the construction in progress partly related to the renovation work carried out throughout MGM MACAU as well as the design and construction of MGM COTAI. The renovation works were 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\$4,950.3 million for the six months ended June 30, 2014 compared to HK\$3,994.6 million for the six months ended June 30, 2013. The increase mainly resulted from HK\$4,864.1 million dividend payment during the current period as compared to the HK\$3,876.0 million dividend payment in prior period.

### *Capital Commitments*

Future commitments in respect of renovation of MGM MACAU and design and construction of the MGM COTAI that are not recorded in the condensed consolidated financial statements herein are as follows:

	As at	
	June 30, 2014 HK\$'000	December 31, 2013 HK\$'000
Authorized but not contracted for	11,956,459	8,318,527
Contracted but not accounted for	8,667,875	9,626,778
	<b>20,624,334</b>	<b>17,945,305</b>

### *Indebtedness*

As at June 30, 2014 and December 31, 2013, 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, 2014 and June 30, 2013.

### *Contingent Liabilities*

As at June 30, 2014, the Group had given bank guarantees totaling HK\$300.1 million in relation to our gaming subconcession.

# *Management Discussion and Analysis*

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## *Term Loan Facility and Revolving Credit Facility*

### *Overview*

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 HK\$7,410.0 million credit agreement, for future development opportunities including COTAI project and general corporate purposes of the Group.

### *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, 2014, the Group paid interest at HIBOR plus a margin of 1.75% per annum.

### *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 MGM 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.

# Management Discussion and Analysis

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## *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, 2014, our leverage ratio was approximately 0.63.

## *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.

## 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.

# *Management Discussion and Analysis*

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## *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.

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

## *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.

# *Management Discussion and Analysis*

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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 MGM MACAU. We have incurred and will continue to incur capital expenditures related to these enhancements and refinements. In addition, we are focusing on the commencement of the COTAI project and will continue to incur capital expenditures for constructing MGM 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.

## *Related Party Transactions*

Details of related party transactions are set out in note 21 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.

## Other Information

### Dividends

On August 5, 2014, our principal subsidiary, MGM Grand Paradise declared the payment of a dividend to the Company of approximately MOP1,570.3 million (approximately HK\$1,524.6 million). This dividend declaration complied with MGM Grand Paradise's constitutional documents and the laws and regulations of Macau.

On August 5, 2014, the Board announced that it had resolved to declare the payment of interim dividend of HK\$0.28 per Share (the "Interim Dividend"), amounting to approximately HK\$1,064.0 million in aggregate, representing approximately 35% of the Group's consolidated profit before taxation for the six months ended June 30, 2014. The register of members was closed from August 21, 2014 to August 25, 2014, both days inclusive, during which period no transfer of shares were affected, for the purpose of ascertaining the members who were entitled to the Interim Dividend. This Interim Dividend was paid on September 1, 2014 to the Shareholders whose names appeared on the register of members on August 25, 2014. The Board approved the payment of the Interim Dividend after reviewing the Group's general financial position as at August 5, 2014, 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, 2014, 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 Part XV 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 <sup>(1)</sup>	—	662,661,200 <sup>(2)</sup>	1,042,661,200	27.44%
Grant R. Bowie	3,500,000 <sup>(3)</sup>	—	—	3,500,000	0.09%
Grant R. Bowie	3,200,000 <sup>(4)</sup>	—	—	3,200,000	0.08%

#### (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 <sup>(5)</sup>	—	—	20,000	10.00%

## Other Information

(c) *Long Position in the Common Stocks and Underlying Shares of Associated Corporations — MGM Resorts International<sup>(6)</sup>*

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	1,428,125 <sup>(7)</sup>	—	—	1,428,125	0.2910%
	196,875 <sup>(8)</sup>	—	—	196,875	0.0401%
	131,446 <sup>(9)</sup>	—	—	131,446	0.0268%
	768,765 <sup>(10)</sup>	—	—	768,765	0.1567%
	22,286 <sup>(11)</sup>	—	—	22,286	0.0045%
	—	175,329 <sup>(12)</sup>	—	175,329	0.0357%
William Joseph Hornbuckle	192,500 <sup>(13)</sup>	—	—	192,500	0.0392%
	75,000 <sup>(14)</sup>	—	—	75,000	0.0153%
	40,594 <sup>(15)</sup>	—	—	40,594	0.0083%
	246,726 <sup>(16)</sup>	—	—	246,726	0.0503%
	12,691 <sup>(17)</sup>	—	—	12,691	0.0026%
William M. Scott IV	230,000 <sup>(18)</sup>	—	—	230,000	0.0469%
	18,750 <sup>(19)</sup>	—	—	18,750	0.0038%
	13,627 <sup>(20)</sup>	—	—	13,627	0.0028%
	68,051 <sup>(21)</sup>	—	—	68,051	0.0139%
	4,441 <sup>(22)</sup>	—	—	4,441	0.0009%
Daniel J. D'Arrigo	266,125 <sup>(23)</sup>	—	—	266,125	0.0542%
	184,375 <sup>(24)</sup>	—	—	184,375	0.0376%
	26,510 <sup>(25)</sup>	—	—	26,510	0.0054%
	183,238 <sup>(26)</sup>	—	—	183,238	0.0373%
	26,458 <sup>(27)</sup>	—	—	26,458	0.0054%
Kenneth A. Rosevear	690,000 <sup>(28)</sup>	—	—	690,000	0.1406%
	52,500 <sup>(29)</sup>	—	—	52,500	0.0107%
	60,000 <sup>(30)</sup>	—	—	60,000	0.0122%
	8,000 <sup>(31)</sup>	—	—	8,000	0.0016%
	1,452 <sup>(32)</sup>	—	—	1,452	0.0003%

## Other Information

### (d) Long Position in the Convertible Senior Notes of Associated Corporations — MGM Resorts International (the “Notes”)<sup>(33)</sup>

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total
Pansy Ho	—	—	US\$300,000,000 <sup>(34)</sup>	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 16 to the condensed consolidated financial statements.
- (4) This represents 3,200,000 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 16 to the condensed consolidated financial statements.
- (5) 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.
- (6) 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.
- (7) This represents 1,428,125 vested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (8) This represents 196,875 unvested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (9) This represents 131,446 unvested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.
- (10) This represents 480,478 unvested PSUs in the common stock of MGM Resorts International granted to James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (11) These represent the common stock of MGM Resorts International held by James Joseph Murren.
- (12) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (13) This represents 192,500 vested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.



## Other Information

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- (14) This represents 75,000 unvested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (15) This represents 40,594 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (16) This represents 154,204 unvested PSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (17) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (18) This represents 230,000 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (19) This represents 18,750 unvested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (20) This represents 13,627 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.
- (21) This represents 42,532 unvested PSUs in the common stock of MGM Resorts International granted to William M. Scott IV. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (22) These represent the common stock of MGM Resorts International held by William M. Scott IV.
- (23) This represents 266,125 vested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (24) This represents 184,375 unvested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (25) This represents 26,510 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (26) This represents 114,524 unvested PSUs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (27) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (28) This represents 690,000 vested employee stock options in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (29) This represents 52,500 vested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (30) This represents 60,000 unvested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (31) This represents 8,000 unvested RSUs in the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (32) These represent the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (33) 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.
- (34) 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, 2014, 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 of 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, 2014, 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 <sup>(1)</sup>	Interest of a controlled corporation	1,938,000,001	51.00%
MGM International, LLC <sup>(1)</sup>	Interest of a controlled corporation	1,938,000,001	51.00%
MGM Resorts International Holdings, Ltd. <sup>(1)</sup>	Direct interest	1,938,000,001	51.00%
Pansy Ho <sup>(2)</sup>	Direct interest	380,000,000	10.00%
	Interest of a controlled corporation	662,661,200	17.44%
Grand Paradise Macau Limited <sup>(2)</sup>	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, 2014, 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 and which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## Other Information

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### Remuneration Policy

As at June 30, 2014, MGM Grand Paradise employed 6,010 full-time and part-time employees in Macau and Hong Kong.

The Group's remuneration philosophy is a market-based job compensation grading 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** — The Macau Labor market, considering both MGM's market niche and the larger industries in which we compete for talent.
- **Comprehensive** — Remuneration viewed through the lens of total rewards, including base pay, health benefits, incentive pay, bonus, equity and retirement plans, etc.
- **Objective** — Administered to be consistent with Macau market rates.
- **Developmental** — Designed to encourage career and professional development within the workforce.

A group-wide performance based incentive program has been implemented since 2011 and has been recently revised in 2014 for all managerial level employees to stay competitive, attract and retain talents for group expansion. 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 during the six months ended June 30, 2014 is as follows:

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at January 1, 2014	Number of share options			
					Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2014
Grant R. Bowie	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	9,670,600	—	(80,800)	(65,200)	9,524,600
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.12	830,000	—	(125,000)	—	705,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.78	790,000	—	—	—	790,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.80	140,000	—	(40,000)	—	100,000
Employees	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	80,000	—	—	(80,000)	—
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.74	150,000	—	(12,500)	(37,500)	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.35	50,000	—	—	—	50,000
Employees	August 15, 2013	August 14, 2014 - August 15, 2023	22.65	80,000	—	—	(80,000)	—
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.25	750,000	—	—	—	750,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.25	—	700,000 <sup>(1)</sup>	—	—	700,000
Grant R. Bowie	June 3, 2014	June 2, 2015 - June 2, 2024	26.85	—	3,200,000 <sup>(2)</sup>	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.85	—	14,180,000 <sup>(2)</sup>	—	—	14,180,000
				16,915,600	18,080,000	(258,300)	(262,700)	34,474,600

## Other Information

### Notes:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$32.65 and the estimated weighted average fair value of share options granted on that date was HK\$11.66 per Share.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$27.00 and the estimated weighted average fair value of share options granted on that date was HK\$8.05 per Share.

### Purchase, Sale or Redemption of Company's Listed Securities

During the six months ended June 30, 2014, the Company repurchased a total of 258,300 shares at an aggregate purchase price of HK\$7.9 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

Month of repurchase	Total number of shares repurchases	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$'000
March 2014	227,500	31.55	30.95	7,147
June 2014	30,800	24.95	24.95	771

New shares were issued pursuant to the exercise of share options by qualifying grantees under the share option scheme adopted by the Company. The Company repurchased the aggregate number of Shares equivalent to the aggregate number of all such new Shares being issued during the six months ended June 30, 2014 in accordance with Rule 10.06 of the Listing Rules, and all the repurchased Shares were subsequently cancelled. The total issued share capital of the Company remains the same. The Board considered that such repurchases were made for the benefit of the Company and its Shareholders as a whole with a view of maintaining the same total issued share capital and enhancing stability of the Company's share capital and hence the net value of the Company and its assets and/or earnings per share.

Save as disclose above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended June 30, 2014.

### 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, 2014 to June 30, 2014, 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, 2014.

## *Other Information*

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### Update on Directors' Information

Changes in the information of the Directors since disclosure made in the Company's 2013 annual report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr Peter Man Kong Wong was re-designated from a non-executive Director to an independent non-executive Director of New Times Energy Corporation Limited, effective from May 10, 2013.

### 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), Daniel J. D'Arrigo, 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 5, 2014

# Report on Review of Condensed Consolidated Financial Statements

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## Deloitte. 德勤

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 31 to 53, which comprises the condensed consolidated statement of financial position as of June 30, 2014 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*

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## 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 5, 2014



# *Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income*

For the six months ended June 30, 2014

	NOTES	Six months ended June 30,	
		2014	2013
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>OPERATING REVENUE</b>			
Casino revenue	4	13,576,849	12,126,615
Other revenue	5	147,029	150,754
		<b>13,723,878</b>	<b>12,277,369</b>
<b>OPERATING COSTS AND EXPENSES</b>			
Special gaming tax and special levy to the Macau Government		(7,115,851)	(6,492,041)
Inventories consumed		(187,774)	(165,206)
Staff costs		(970,360)	(818,826)
Operating and administrative and other expenses	6	(1,959,239)	(1,816,132)
Depreciation and amortization		(393,869)	(382,114)
		<b>(10,627,093)</b>	<b>(9,674,319)</b>
Operating profit		3,096,785	2,603,050
Interest income		9,144	9,858
Finance costs	7	(60,558)	(127,264)
Net foreign currency loss		(2,708)	(5,184)
Profit before taxation		3,042,663	2,480,460
Taxation	8	(7,476)	(7,476)
Profit for the period and total comprehensive income attributable to owners of the Company	9	3,035,187	2,472,984
Earnings per share — Basic	11	<b>HK79.9 cents</b>	HK65.1 cents
Earnings per share — Diluted	11	<b>HK79.7 cents</b>	HK65.1 cents

# Condensed Consolidated Statement of Financial Position

At June 30, 2014

	NOTES	At June 30, 2014 HK\$'000 (unaudited)	At December 31, 2013 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property and equipment	12	4,164,547	4,380,930
Construction in progress	12	3,589,316	2,333,003
Sub-concession premium		730,072	793,000
Land use right premium		1,434,343	1,468,761
Other assets		11,743	12,464
Prepayments and deposits	12	563,489	399,718
		10,493,510	9,387,876
<b>CURRENT ASSETS</b>			
Inventories		109,113	98,610
Trade receivables	13	488,713	577,244
Prepayments, deposits and other receivables		89,887	68,560
Land use right premium		69,406	69,406
Amounts due from related companies	21(a)(i)	590	987
Bank balances and cash		5,099,492	7,884,805
		5,857,201	8,699,612
<b>CURRENT LIABILITIES</b>			
Payables and accrued charges	14	6,435,531	6,365,599
Deposits and advances		323,421	355,593
Land use right payable		198,885	194,034
Construction retention payable		48,644	30,066
Amounts due to related companies	21(a)(ii)	42,491	12,879
Taxation payable		7,760	15,236
		7,056,732	6,973,407
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(1,199,531)</b>	<b>1,726,205</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>9,293,979</b>	<b>11,114,081</b>

# *Condensed Consolidated Statement of Financial Position*

At June 30, 2014

	NOTES	At June 30, 2014 HK\$'000 (unaudited)	At December 31, 2013 HK\$'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	15	4,083,064	4,049,217
Payables and accrued charges	14	870	—
Land use right payable		428,486	529,156
Construction retention payable		85,936	32,250
		4,598,356	4,610,623
<b>NET ASSETS</b>			
		4,695,623	6,503,458
<b>CAPITAL AND RESERVES</b>			
Share capital		3,800,000	3,800,000
Share premium and reserves		895,623	2,703,458
<b>SHAREHOLDERS' FUNDS</b>			
		4,695,623	6,503,458

The condensed consolidated financial statements on pages 31 to 53 were approved and authorized for issue by the Board of Directors on August 5, 2014 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, 2014

	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, 2014 (audited)	3,800,000	10,432,876	2,704	125,895	293,725	(13,133,305)	4,981,563	2,703,458	6,503,458
Profit for the period and total comprehensive income	—	—	—	—	—	—	3,035,187	3,035,187	3,035,187
Exercise of share options	258	6,734	—	(3,173)	—	—	—	3,561	3,819
Share repurchase and cancellation									
— repurchases of shares	(258)	(7,660)	—	—	—	—	—	(7,660)	(7,918)
— transfer	—	—	258	—	—	—	(258)	—	—
Forfeiture of share options	—	—	—	(498)	—	—	498	—	—
Recognition of share-based payments	—	—	—	25,190	—	—	—	25,190	25,190
Dividends paid	—	—	—	—	—	—	(4,864,113)	(4,864,113)	(4,864,113)
At June 30, 2014 (unaudited)	3,800,000	10,431,950	2,962	147,414	293,725	(13,133,305)	3,152,877	895,623	4,695,623
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

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2014

	Six months ended June 30,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH GENERATED BY OPERATING ACTIVITIES	3,622,696	4,188,282
INVESTING ACTIVITIES		
Purchase of property and equipment	(94,975)	(63,884)
Proceeds from disposal of property and equipment and other assets	3,470	1,508
Payments for construction in progress	(1,249,413)	(875,628)
Payments of developers' fee capitalized to construction in progress	—	(118,030)
Payments for land use right premium	(113,899)	(1,257)
Purchase of other assets	(2,918)	(3,266)
NET CASH USED IN INVESTING ACTIVITIES	(1,457,735)	(1,060,557)
FINANCING ACTIVITIES		
Interest paid	(82,561)	(112,819)
Dividends paid	(4,864,113)	(3,876,000)
Proceeds from exercise of share options	4,318	11,117
Payments on repurchase of shares	(7,918)	(16,933)
NET CASH USED IN FINANCING ACTIVITIES	(4,950,274)	(3,994,635)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,785,313)	(866,910)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	7,884,805	7,381,362
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	5,099,492	6,514,452

# Notes to the Condensed Consolidated Financial Statements

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For the six months ended June 30, 2014

## 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, Edificio 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, 2014 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, 2013.

At June 30, 2014, the Group had net current liabilities of approximately HK\$1,199.5 million. As described in note 15, the Group has obtained a credit facility comprise a HK\$4,290 million term loan and a HK\$11,310 million revolving facility. As at June 30, 2014, there was undrawn facility of HK\$11,310 million available to enable the Group to meet in full their financial obligations as they fall due for the foreseeable future. Should the Group draw down loan from the undrawn revolving credit facility, the amount will be included in non-current liabilities in the condensed consolidated statement of financial position as the amount will not be required to be repaid until October 2017. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

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

### *Application of new and revised International Financial Reporting Standards (“IFRSs”)*

In the current interim period, the Group has applied, for the first time, the following new and revised IFRSs relevant to the Group:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the above new and revised IFRSs 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 in issue not yet adopted*

The Group has not early adopted the new or revised IFRSs that have been issued but not yet effective. The directors of the Company anticipate that the application of those new or revised IFRSs will have no material impact on the financial performance and the financial position of the Group.

## 3. Segment Information

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 4. Casino Revenue

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

	Six months ended June 30,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino revenue from		
— VIP gaming operations	7,581,114	7,559,158
— Main floor table gaming operations	4,866,823	3,409,830
— Slot machine operations	1,128,912	1,157,627
	13,576,849	12,126,615

## 5. Other Revenue

Other revenue comprises:

	Six months ended June 30,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	17,660	23,396
Food and beverages	107,001	101,840
Retail goods and other services	22,368	25,518
	147,029	150,754

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, 2014

## 5. Other Revenue (Continued)

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

	Six months ended June 30,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	232,853	199,411
Food and beverages	190,967	175,550
Retail goods and other services	7,452	9,998
	431,272	384,959

## 6. Operating and Administrative and Other Expenses

Operating and administrative and other expenses comprise:

	Six months ended June 30,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Junket commission	1,025,201	1,018,477
Advertising and promotion	374,977	365,189
License fees	240,168	214,905
Other support services	55,305	23,162
Allowance/(reversal of allowance) for doubtful debts, net	55,220	(4,821)
Utilities and fuel	54,067	58,550
Repairs and maintenance	45,755	36,945
(Gain)/loss on disposal or write-off of property and equipment and construction in progress	(431)	2,676
Others	108,977	101,049
	1,959,239	1,816,132

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 7. Finance Costs

	Six months ended June 30,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	80,959	102,667
Land use right payable wholly repayable within four years	15,684	20,417
Amortization of debt finance costs on bank borrowings wholly repayable within five years	33,847	32,489
Bank fees and charges	3,475	2,974
Total borrowing costs	133,965	158,547
Less: capitalized interest in construction in progress	(73,407)	(31,283)
	60,558	127,264

Interest on land use right payable incurred for the period amounting to HK\$15.7 million was capitalized in construction in progress as at June 30, 2014 (six months ended June 30, 2013: HK\$20.4 million).

For the six months ended June 30, 2014, borrowing costs was capitalized by applying a capitalization rate of 4.10% (six months ended June 30, 2013: 4.11%) per annum to expenditure on qualifying assets.

## 8. Taxation

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

No provision for Macau Complementary Tax and Hong Kong Profit Tax has been recognized since the Group did not have estimated assessable profit for both periods.

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

MGM Grand Paradise's exemption from Macau Complementary Tax does not apply to dividends to be distributed by MGM Grand Paradise. 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 was 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 Macau Complementary Tax otherwise due by the shareholders of MGM Grand Paradise on dividend distributions from gaming profit. During the six months ended June 30, 2014, dividend withholding tax of approximately HK\$7,476,000 was recognized.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 9. Profit for the Period

	Six months ended June 30,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' and chief executive's emoluments	23,880	20,364
Retirement benefits scheme contributions for other staff	18,439	16,408
Share-based payments for other staff	18,350	15,652
Salaries and other benefits for other staff	909,691	766,402
	970,360	818,826
Amortization in respect of:		
— sub-concession premium	62,928	62,928
— land use right premium	9,544	9,544
— other assets	6,738	5,787
Depreciation of property and equipment	314,659	303,855
	393,869	382,114
(Gain)/loss on disposal or write-off of property and equipment and construction in progress	(431)	2,676
Operating lease rentals in respect of:		
— office equipment	7,431	6,934
— warehouse	3,602	3,705
— leasehold land	2,459	2,404
— office premises	4,682	1,712

## 10. Dividends

On February 20, 2013, a special dividend HK\$1.02 per share, amounting to approximately HK\$3,873.8 million in aggregate was declared by the directors of the Company. These dividends were paid to shareholders on March 18, 2013.

On August 6, 2013, an interim dividend of HK\$0.23 per share, amounting to approximately HK\$874.0 million in aggregate was declared by the directors of the Company. These dividends were paid to shareholders on September 2, 2013.

On February 19, 2014, a special dividend HK\$1.02 per share, amounting to approximately HK\$3,876.1 million in aggregate was declared by the directors of the Company. These dividends were paid to shareholders on March 17, 2014.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 10. Dividends (Continued)

On May 12, 2014, a final dividend HK\$0.26 per share, amounting to approximately HK\$988.0 million in aggregate was approved by the shareholders of the Company. These dividends were paid to shareholders on June 3, 2014.

On August 5, 2014, an interim dividend of HK\$0.28 per share, amounting to approximately HK\$1,064.0 million in aggregate has been declared by the directors of the Company.

## 11. Earnings per Share

The calculation of the basic earnings per share for the six months ended June 30, 2014 and 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, 2014 and 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 16).

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

	Six months ended June 30,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Profit</b>		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	3,035,187	2,472,984
<b>Weighted average number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share ('000)	3,800,037	3,800,034
Number of dilutive potential shares arising from exercise of share options ('000)	6,746	1,289
Weighted average number of shares for the purpose of diluted earnings per share ('000)	3,806,783	3,801,323
Earnings per share — Basic	HK79.9 cents	HK65.1 cents
Earnings per share — Diluted	HK79.7 cents	HK65.1 cents

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 12. Property and Equipment and Construction in Progress

	At	At
	June 30, 2014	December 31, 2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Carrying amount at January 1	6,713,933	5,065,615
Additions	1,359,013	2,282,417
Adjustment upon finalization of costs	(1,198)	(20,174)
Disposal/write-off	(3,226)	(4,608)
Depreciation	(314,659)	(609,317)
Carrying amount at June 30/December 31	7,753,863	6,713,933
Property and equipment	4,164,547	4,380,930
Construction in progress	3,589,316	2,333,003
	7,753,863	6,713,933

The additions during the six months ended June 30, 2014 mainly include acquisition of equipment, 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, site preparation and construction 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, 2014, the Group advanced MOP306.2 million (equivalent to approximately HK\$297.3 million) (six months ended June 30, 2013: MOP377.0 million (equivalent to approximately HK\$366.0 million) to construction sub-contractors for mobilization costs associated with the construction of the Cotai Complex and is included in non-current prepayments and deposits as at June 30, 2014.

At June 30, 2014, borrowing costs of HK\$551.3 million (December 31, 2013: HK\$477.9 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, 2014

## 13. Trade Receivables

	At June 30, 2014 HK\$'000 (unaudited)	At December 31, 2013 HK\$'000 (audited)
Trade receivables	603,165	610,974
Less: Allowance for doubtful debts	(114,452)	(33,730)
	488,713	577,244

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, 2014 HK\$'000 (unaudited)	At December 31, 2013 HK\$'000 (audited)
Within 30 days	227,379	514,732
31 — 60 days	206,751	33,753
61 — 90 days	46,051	28,732
91 — 120 days	8,532	27
	488,713	577,244

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 14. Payables and Accrued Charges

	At June 30, 2014	At December 31, 2013
	HK\$'000 (unaudited)	HK\$'000 (audited)
Outstanding chips liabilities	3,274,214	2,555,951
Special gaming tax and special levy payables	1,069,892	1,316,136
Other casino liabilities	907,739	1,214,224
Accrued construction and renovation costs	306,160	552,002
Accrued staff costs	299,438	336,619
Other payables and accrued charges	328,993	306,015
Trade payables	249,965	84,652
	6,436,401	6,365,599
Current	6,435,531	6,365,599
Non-current	870	—
	6,436,401	6,365,599

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

	At June 30, 2014	At December 31, 2013
	HK\$'000 (unaudited)	HK\$'000 (audited)
Within 30 days	231,394	53,114
31 — 60 days	12,426	27,330
61 — 90 days	2,892	1,005
91 — 120 days	1,015	2,479
Over 120 days	2,238	724
	249,965	84,652

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, 2014

## 15. Bank Borrowings

	At June 30, 2014 HK\$'000 (unaudited)	At December 31, 2013 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	(206,936)	(240,783)
	4,083,064	4,049,217
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	4,083,064	4,049,217
	4,083,064	4,049,217
Current	—	—
Non-current	4,083,064	4,049,217
	4,083,064	4,049,217

The credit facilities obtained by the Group comprise a HK\$4,290 million term loan facility and a HK\$11,310 million revolving credit facility. The credit facilities 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, 2014, the interest rate under the credit facilities is HIBOR plus 1.75% per annum (December 31, 2013: HIBOR plus 1.75% per annum). The effective interest rate on the Group's borrowings for the six months ended June 30, 2014 is 4.10% (six months ended June 30, 2013: 4.11%). The term loan facilities 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, 2014

## 16. Share-Based Payments

At June 30, 2014, 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 34,474,600 (December 31, 2013: 16,915,600), representing approximately 0.9% (December 31, 2013: 0.4%) 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, 2014

Type of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				Outstanding at January 1, 2014 (audited)	Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2014 (unaudited)
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	9,670,600	—	(80,800)	(65,200)	9,524,600
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.12	830,000	—	(125,000)	—	705,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.78	790,000	—	—	—	790,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.80	140,000	—	(40,000)	—	100,000
Employees	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	80,000	—	—	(80,000)	—
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.74	150,000	—	(12,500)	(37,500)	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.35	50,000	—	—	—	50,000
Employees	August 15, 2013	August 14, 2014 - August 15, 2023	22.65	80,000	—	—	(80,000)	—
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.25	750,000	—	—	—	750,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.25	—	700,000	—	—	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.85	—	3,200,000	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.85	—	14,180,000	—	—	14,180,000
				16,915,600	18,080,000	(258,300)	(262,700)	34,474,600
Weighted average exercise price per share				HK\$16.01	HK\$27.06	HK\$14.78	HK\$17.66	HK\$21.80
Exercisable at end of the reporting period								10,267,100

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 16. Share-Based Payments (Continued)

June 30, 2013

Type of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at January 1, 2013 (audited)	Number of share options			
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2013 (unaudited)
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	12,710,000	—	(704,800)	(170,000)	11,835,200
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.12	1,080,000	—	—	—	1,080,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.78	830,000	—	—	—	830,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.80	160,000	—	(10,000)	—	150,000
Employees	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	80,000	—	—	—	80,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.74	—	230,000	—	—	230,000
Employees	May 15, 2013	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

25% of the options granted will vest on the first, second, third and fourth anniversary from the date of grant of the share option. During the six months ended June 30, 2014, options were granted on February 24, 2014 and June 3, 2014 and their estimated weighted average fair values were HK\$11.66 and HK\$8.05 per share, 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 16. Share-Based Payments *(Continued)*

The significant inputs into the model for the options granted during the period are as follows:

### Options granted on February 24, 2014

Risk-free interest rate	1.51% to 1.64% per annum
Expected dividend yield	1.76% per annum
Expected life	7.64 to 8.43 years
Expected volatility	39.13% per annum

### Options granted on June 3, 2014

Risk-free interest rate	1.75% to 1.86% per annum
Expected dividend yield	1.64% per annum
Expected life	7.39 to 8.31 years
Expected volatility	38.79% per annum

Expected volatility used in the valuation of options granted during the period was determined by using the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the vesting period, exercise period and employee's behavioural considerations.

The Group recognized a total expense of HK\$25.2 million for the six months ended June 30, 2014 (six months ended June 30, 2013: HK\$21.2 million) in relation to share options granted by the Company.

## 17. Contingent Liabilities

At June 30, 2014, the Group has given bank guarantees totalling HK\$300.1 million (December 31, 2013: HK\$300.1 million) to certain parties, of which HK\$294.6 million (December 31, 2013: 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, 2013: HK\$2.0 million) was issued in favor of certain vendors and HK\$3.5 million (December 31, 2013: 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, 2014

## 18. 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, 2014 HK\$'000 (unaudited)	At December 31, 2013 HK\$'000 (audited)
Within one year	37,836	31,836
More than one year and not longer than five years	40,611	44,156
More than five years	131,510	135,579
	<b>209,957</b>	<b>211,571</b>

## 19. Capital Commitments

	At June 30, 2014 HK\$'000 (unaudited)	At December 31, 2013 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	11,956,459	8,318,527
— contracted but not accounted for	8,667,875	9,626,778
	<b>20,624,334</b>	<b>17,945,305</b>

## 20. Other Commitments

Pursuant to the gaming contract signed with the Macau Government, MGM Grand Paradise has committed to pay an annual premium of HK\$29.1 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\$63.0 million (six months ended June 30, 2013: HK\$63.1 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, 2014.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 21. Related Party Transactions

Apart from the transactions as described in note 17, 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 to HK\$3.2 million (December 31, 2013: HK\$6.3 million), a company jointly-owned by ultimate holding company and a substantial shareholder of the Company amounting to HK\$35.4 million (December 31, 2013: Nil) and ultimate holding company of the Company amounting to HK\$3.9 million (December 31, 2013: HK\$6.6 million). 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, 2014 HK\$'000 (unaudited)	At December 31, 2013 HK\$'000 (audited)
Within 30 days	42,423	10,166
31 — 60 days	46	2,713
61 — 90 days	21	—
91 — 120 days	1	—
	42,491	12,879

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 21. Related Party Transactions (Continued)

(b) The Group had the following significant transactions with related companies during the period:

Related parties	Type of transaction	Six months ended June 30,	
		2014	2013
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Companies in which one of the directors of the Company has non-controlling beneficial interests	Rental of premises*	1,608	1,598
	Travelling and accommodation, net of discounts	96,006	65,149
Ultimate holding company	Marketing referral fees	11,334	2,093
	Marketing referral income	(304)	(472)
Company jointly-owned by shareholders	Developers' fees capitalized	58,000	118,030
	License fee	240,168	214,905

\* 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 to related parties of HK\$2.7 million (December 31, 2013: HK\$1.6 million) which fall due within the following two years (December 31 2013: one year).

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, 2014, the annual cap is US\$43.2 million (equivalent to appropriately HK\$334.8 million) and for the year ended December 31, 2013, the annual cap is US\$36 million (equivalent to approximately HK\$279 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, 2014, a total license fee of HK\$240.2 million (six months ended June 30, 2013: HK\$214.9 million) was recognized in profit or loss.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

## 21. Related Party Transactions (Continued)

### (c) Compensation to key management personnel

The remuneration of key management is as follows:

	Six months ended June 30,	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	57,634	48,870
Post-employment benefits	1,134	937
Share-based payments	24,476	17,457
	83,244	67,264

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

# Glossary

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## 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 NCE
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and gross slot win), calculated net of commissions and discounts and in accordance with IFRS
“China” or “mainland China”	the People’s Republic of China 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
“Cotai Land”	a plot of land with an area of 71,833 square meters located in Cotai leased from the Macau Government for an initial term of 25 years since January 9, 2013
“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
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government



## Glossary

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“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
“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 operation) or turnover (in our VIP casino operation) 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
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history

## Glossary

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“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 sole resort and casino property in Macau owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NCE”	New Corporate Enterprises Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Ms. Pansy Ho

## Glossary

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“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Pansy Catilina Chiu King Ho, a substantial Shareholder and an executive Director of our Company
“Pataca” or “MOP”	Macau Pataca, the lawful currency of Macau
“high-end main floor customers”	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
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“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

## Glossary

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“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
“VIP clients” or “VIP players”	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



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