



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



# INTERIM REPORT 2016 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



# Contents

---

2	Corporate Information
3	Financial Highlights
4	Management Discussion and Analysis
24	Other Information
	<b>Condensed Consolidated Financial Statements</b>
33	Report on Review of Condensed Consolidated Financial Statements
35	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
36	Condensed Consolidated Statement of Financial Position
38	Condensed Consolidated Statement of Changes in Equity
39	Condensed Consolidated Statement of Cash Flows
40	Notes to the Condensed Consolidated Financial Statements
60	Glossary



# 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  
Sze Wan Patricia Lam  
Peter Man Kong Wong  
Russell Francis Banham

## Audit Committee

Russell Francis Banham (*Chairperson*)  
Daniel J. D'Arrigo  
Zhe Sun  
Peter Man Kong Wong

## Remuneration Committee

Zhe Sun (*Chairperson*)  
Pansy Catilina Chiu King Ho  
William Joseph Hornbuckle  
Sze Wan Patricia Lam  
Peter Man Kong Wong  
Russell Francis Banham

## Nomination and Corporate Governance Committee

Sze Wan Patricia Lam (*Chairperson*)  
William M. Scott IV  
Chen Yau Wong  
Zhe Sun  
Peter Man Kong Wong  
Russell Francis Banham

## Company Secretary

Antonio Jose Menano

## 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 16 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	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino revenue	7,012,331	9,036,619
Other revenue	142,291	166,981
Total revenue	7,154,622	9,203,600
Adjusted EBITDA	2,028,779	2,435,753
Profit attributable to owners of the Company	1,298,545	1,700,032
Earnings per Share — Basic and Diluted	<b>HK34.2 cents</b>	<b>HK44.7 cents</b>

# *Management Discussion and Analysis*

---

## *Business Overview*

MGM MACAU opened in December 2007 and has a casino floor area of approximately 25,071 square meters, with 1,104 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 and 15 private luxury villas. In addition, the resort offers luxurious amenities, including 8 diverse restaurants and bars, retail outlets, 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.

Propelled by the solid economic development in China, the Macau gaming market enjoyed strong growth from 2010 until mid-2014. We achieved a good financial performance over this period. However, starting from the second half of 2014, significant changes, as discussed below, occurred in the Macau gaming market especially related to policy initiatives introduced by the governments of Macau and China, the combined effect of which has led to a significant decline in gross gaming revenue. These changes, together with increased competition, have created a challenging business environment. The Group is responding to the current market conditions by focusing on profitability by actively managing gaming floor and room yields and lowering the operating cost base supplemented by selective capital expenditure programs to enhance and refine MGM MACAU and complete the development of MGM COTAI. Our revenue, adjusted EBITDA and profit attributable to owners of the Company decreased by 22.3%, 16.7% and 23.6% to HK\$7,154.6 million, HK\$2,028.8 million and HK\$1,298.5 million, respectively for the six months ended June 30, 2016 over the comparable period in 2015.

## *Cotai Development*

Project progress through the first half of 2016 continued at a good pace on MGM COTAI, an integrated resort with diversified offerings including casino, hotel and entertainment, situated in the heart of Cotai. We accomplished full glazing of our spectacle roof feature which has led to commencement of internal fit-out activities in the podium. In parallel, our north and south hotel towers are enclosed up through the highest floors. Hotel guestroom and suite fit-out is progressing. The building systems have progressed sufficiently to allow for activation of the HVAC system in order to deliver chilled air into the podium and towers which facilitates the installation of woods and fabrics as part of the fit-out process across the entire project. We now expect to celebrate the opening of this iconic building in Cotai in the second quarter of 2017. The expected total development cost is approximately HK\$24 billion, excluding land costs and capitalized interest.

# Management Discussion and Analysis

## *Macau's Gaming and Tourism Markets*

The first half of 2016 continued to be a challenging time for the Macau gaming market as a result of the changing conditions that began to take effect from mid-2014. Such changes include:

- The introduction of smoking restrictions implemented in October 2014;
- Certain political initiatives introduced by the China Government, including an anti-corruption campaign and currency transfer restrictions. This particularly affected the numbers of high-end or premium players visiting the Group's VIP, main floor and slot machine gaming operations;
- Tightened regulations for gaming promoters that started in the fourth quarter of 2015 and a mobile telephone usage ban at gaming tables in the VIP gaming areas starting in May 2016, affected the Group's VIP gaming operations;
- Shortened duration of stay for mainland travelers entering Macau using transit visas that was implemented in July 2014 until June 2015 which adversely impacted gross gaming revenue in the prior period.

All components of gaming revenue in the Macau market were adversely impacted by these changed circumstances as well as the slower economic growth in China. There were decreases of 37.0% and 34.3% to approximately HK\$118.1 billion and HK\$224.1 billion in total gross gaming revenue in the Macau market for the six months ended June 30, 2015 and the year ended December 31, 2015 respectively over the comparable periods in 2014. In the six months ended June 30, 2016 there was a further decline in total gross gaming revenue in Macau (a decrease of 11.4% to approximately HK\$104.6 billion in the first half of 2016 over the comparable period in 2015) although the rate of revenue decline has reduced.

The Statistics and Census Service of the Macau Government reported that visitor arrivals reached 14.8 million in the first half of 2016 which remained constant over the comparable period in 2015. Gaming customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. Approximately 90.2% of visitors to Macau in the first half of 2016 were from mainland China, Hong Kong and Taiwan. Visitors from mainland China remained stable compared to the same period in prior year and reached 9.7 million in the first half of 2016.

The downward trend for Macau gaming revenues which began in the second half of 2014 has slowed since the second half of 2015. We are optimistic about the long-term prospect of the Macau gaming market due to a combination of factors including infrastructure improvements such as construction of a new Taipa ferry terminal, Macau Airport expansion, Hong Kong — Zhuhai — Macau bridge, Zhuhai and Macau border gate with a 24-hour single check point, expansion of Hengqin border gate capacity, Macau Light Rapid Transit System and other infrastructure developments that are expected to facilitate more convenient travel to and within Macau; the extension of the duration of stay for mainland travelers entering Macau using transit visas implemented in July 2015; the efforts and investments made by gaming concessionaires, including opening of new properties, to solidify Macau as a destination market with superior and diverse integrated resort products, and to create a world class tourism center.

# Management Discussion and Analysis

---

## *Competition*

Currently, there are six gaming concessionaires in Macau, each of which has commenced casino operating activities and has expansion plans underway. As at June 30, 2016, there were 36 casinos in Macau. Two Cotai development projects were completed in 2015 with another six to be completed within the next three years including our MGM COTAI. Due to market share migration from Macau Peninsula to Cotai, our overall gaming market share has declined to 8.3% as at June 30, 2016 (June 30, 2015: 9.7%). Competitive pressures in the Macau market will continue to exist in the future especially as more capacity is brought on line with the new property openings.

Our competition is not geographically 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 Cambodia, Vietnam, South Korea, Singapore, Philippines, Australia and Las Vegas.

## *Our Competitive Strength and Operating Strategies*

Our competitive strength lies principally in our high quality product and service offerings, our ability to segment and conduct targeted marketing to various customer groups through our M life customer relationship program, our strong analytical capability, and effective strategy execution by our operations team.

We have continued to execute our strategies on improving customer experience, employee engagement and operational efficiency. Given present market conditions in Macau, we have focused on the main floor gaming customers segment which currently presents the best opportunity for revenue and profitability growth. We continue to refurbish key gaming areas in MGM MACAU to improve traffic flow and operating efficiencies to further enhance this first-class facility that embodies luxury, intimacy and inspiration. We have continued to introduce new innovative gaming products to enhance customer experience, and develop technologies to enhance our analytical capability for operations and marketing to enable us to deliver personalized marketing programs. We manage our gaming mix by continuously evaluating 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 policy such as the non-smoking regulation, to maximize our table utilization and profitability.

Beyond this, we continue to improve our customer experiences by enhancing our non-gaming offerings. We have identified various areas throughout MGM MACAU to enhance our retail offerings and refurbish our restaurants to maintain our competitiveness with the new properties opened in Cotai. We continue to organize exhibits and events in our Grande Praça and Art Space at MGM MACAU. With almost twice the square footage of MGM MACAU, the scale of our new MGM COTAI property will allow us to capitalize on our international expertise in providing exciting, diversified entertainment offerings. Our MGM COTAI theater will be a transformable space, the first of its kind in Asia and the only in the world at this scale, offering a wide range of entertainment options to draw visitors from around the world. Our Spectacle, situated at the heart of MGM COTAI, will be enriched with incredible experiential technology elements to enthrall our guests. We will bring exciting and memorable events to our properties in support of the Macau Government's vision for diversification and to further develop the city as a world-class tourism destination.

In addition, we provide regular professional and service training to our employees with the goal of building a culture of executional excellence.

# Management Discussion and Analysis

---

## *Operational Efficiency*

As discussed above, in face of the increased competition and the challenging market conditions experienced since the second half of 2014, we have adopted various strategies to protect our earnings by focusing on customer experience, employee engagement and operating efficiency.

We have introduced key performance indicators (“KPIs”) to all operating units within our business. Decisions on hiring, scheduling and staffing are made in accordance to the KPIs which are linked to our business volume and target productivity goals.

We started our shared service operation in Zhuhai, China in December 2015. The shared service center currently consists of finance, human resources and information technology units and we have plans for a hospitality marketing operation unit. This operation allows us to mitigate the risk of labor shortage in Macau by tapping into the mainland China talent pool.

We continue to manage costs and run our operations in a disciplined manner. Since the second quarter of 2015, we realized annualized cost savings on various operating expense items amounting to over HK\$420 million, on top of an already efficient operation baseline. We continue to provide professional and service training to our employees to implement continuous improvement processes and to seek more efficiency in our delivery. We are also investing in technologies to enhance the operational and analytical capability in our property.

## *Segment Information*

The Group currently operates in one operating segment which is the ownership and management of its casino, hotel, food and beverage and retail operations in Macau. 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. Accordingly, the Group does not present separate segment information.

# Management Discussion and Analysis

## Discussion of Results of Operations

Financial results for the six months ended June 30, 2016 compared to financial results for the six months ended June 30, 2015

### Summary Statistics

(in thousands, except for number of gaming tables and slot machines, percentage, and REVPAR)	For the six months ended June 30	
	2016 HK\$'000	2015 HK\$'000
Number of VIP gaming tables	163	181
VIP table games turnover	137,712,308	200,009,896
VIP gross table games win <sup>(1)</sup>	4,226,356	6,550,461
VIP table games win percentage	3.1%	3.3%
Average daily gross win per VIP gaming table	142.3	199.5
Number of main floor gaming tables	255	241
Main floor gross table games win <sup>(1)</sup>	3,709,157	3,918,944
Average daily gross win per main floor gaming table	79.9	89.8
Number of slot machines	1,104	1,135
Slot machine handle	13,540,166	19,442,301
Slot machine gross win <sup>(1)</sup>	627,355	836,372
Slot hold percentage	4.6%	4.3%
Average daily win per slot	3.1	4.1
Room occupancy rate	95.0%	98.2%
REVPAR <sup>(2)</sup>	2,159	2,343

Notes:

- (1) Casino revenue is different to the total of “VIP gross table games win”, “main floor gross table games win” and “slot machine gross win” because casino revenue is reported net of sales incentives. The following table sets forth a reconciliation of the gaming wins to casino revenue.

	For the six months ended June 30	
	2016 HK\$'000	2015 HK\$'000
VIP gross table games win	4,226,356	6,550,461
Main floor gross table games win	3,709,157	3,918,944
Slot machine gross win	627,355	836,372
Gross casino revenue	8,562,868	11,305,777
Commissions and discounts	(1,550,537)	(2,269,158)
Casino revenue	7,012,331	9,036,619

- (2) Revenue per available room, expressed in HK\$, 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, 2016 and 2015.

	For the six months ended	
	June 30	
	2016	2015
	HK\$'000	HK\$'000
<b>Casino revenue</b>	7,012,331	9,036,619
VIP gaming operations	2,648,501	4,239,479
Main floor gaming operations	3,738,968	3,961,244
Slot machine gaming operations	624,862	835,896
<b>Other revenue</b>	142,291	166,981
Hotel rooms	37,017	38,828
Food and beverage	82,307	103,181
Retail and others	22,967	24,972
<b>Operating revenue</b>	7,154,622	9,203,600

Total operating revenue of HK\$7,154.6 million for the six months ended June 30, 2016 was 22.3% lower than the prior period. The decrease in operating revenue was directly attributable to the changing business conditions in the Macau gaming market that were previously described which impacted the Group starting in the second half of 2014.

## Casino Revenue

Casino revenue decreased by 22.4% to HK\$7,012.3 million for the six months ended June 30, 2016. The components of our gaming operations were:

### 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. Gaming promoters introduce high-end VIP players to us and often assist those customers with their travel and entertainment arrangements. In addition, gaming promoters may extend credit to their players.

In exchange for their services, we compensate the gaming promoters by paying them a commission based on a percentage of the gross table games win or a percentage of the table games turnover they generate. They also receive a complimentary allowance based on a percentage of the table games turnover they generate, which can be applied to hotel rooms, food and beverage and other discretionary customer-related expenses.

# Management Discussion and Analysis

---

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

Revenue from VIP gaming operations decreased by 37.5% to HK\$2,648.5 million for the six months ended June 30, 2016. The decrease in revenue was due to a decrease in VIP table games turnover by 31.1% to HK\$137,712.3 million for the six months ended June 30, 2016 and a decrease in VIP table games win percentage from 3.3% to 3.1% over the comparable period in 2015. Starting from the second half of 2014 and into 2016, VIP gaming turnover was adversely impacted by political and macroeconomic factors in China, which is a major source of our VIP gaming customers. Tightened regulations for gaming promoters starting in the fourth quarter of 2015 and a mobile telephone usage ban at gaming tables in the VIP gaming areas starting in May 2016 also contributed to the decline of VIP gaming revenue. In response to the volume decrease since 2015, we worked with our gaming promoters to optimize casino space and enhance table yield. As a result, MGM MACAU reduced the number of VIP gaming tables to 163 for the six months ended June 30, 2016 compared with 181 for the six months ended June 30, 2015. We reallocated the gaming tables to the main floor gaming operation.

Approximately 80% of the commissions paid to gaming promoters are netted against reported 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\$1,579.8 million and HK\$2,312.3 million for the six months ended June 30, 2016 and 2015 respectively.

## *Main Floor Gaming Operations*

Main floor gaming operations in the Macau market are also referred to as the "mass gaming operation". Unlike VIP players, main floor players do not receive commissions from the Group and, accordingly, the profit margin from the main floor business is higher than the VIP operation. The main floor business is the most profitable part of our operations as well as for the Macau gaming market as a whole. We believe that this operation represents the most potential for sustainable growth in the future.

For the six months ended June 30, 2016, revenue from main floor gaming operations decreased by 5.6% to HK\$3,739.0 million compared to the corresponding period in 2015. The decrease was directly attributable to the changing business conditions in the Macau gaming market, the effect of which was mitigated by our continuous efforts to invest capital to improve the gaming experience of our high value main floor players by renovating the dedicated exclusive gaming space for their use and reallocating tables from VIP gaming to our main floor gaming areas to maximize our yield. 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. For the six months ended June 30, 2016, MGM MACAU had 255 main floor gaming tables in operation compared with 241 main floor gaming tables for the six months ended June 30, 2015.

Going forward, we will continue to evaluate 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.

# Management Discussion and Analysis

---

## *Slot Machine Gaming Operations*

Revenue from slot machine gaming operations decreased by 25.2% to HK\$624.9 million for the six months ended June 30, 2016 compared to the corresponding period in the prior year. The decrease in revenue was due to a decrease in slot handle by 30.4% to HK\$13,540.2 million for the six months ended June 30, 2016 primarily due to the changing business conditions in the Macau gaming market. The negative impact was partly offset by the increase in our slot hold percentage from 4.3% to 4.6% over the comparable period in 2015. For the six months ended June 30, 2016, MGM MACAU had 1,104 slot machines in operation compared with 1,135 slot machines for the six months ended June 30, 2015.

Operationally, we continue to re-examine the mix of our games in operation to maximize our casino profitability, and continue to develop M life in order to increase brand awareness and customer loyalty. In conjunction with the M life rollout, we are developing technologies to enhance our analytical capability to enable us to deliver personalized marketing programs.

## *Non-gaming Attractions and Branding Activities*

We recognize the importance of brand awareness in growing our business. 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.

The following are some of the exhibits and events we conducted in the first half of 2016:

- Art Exhibition in L2 Showcase featuring themed artworks by artists from Macau;
- MGM Water Aurora featuring an eight-meter-tall water-sky aquarium with fish darting among multi-hued corals located in our Grande Praça;
- Butterfly Garden featuring 160 glass butterflies hover above an indoor garden and surround the breathtaking cylindrical MGM Aquarium in our Grande Praça; and
- “Edgar Degas: Figures in Motion” presenting the impressionist’s collection of 74 Sculptures never been shown before in Asia.

These exhibits and events attracted visitors to our property and have created a sense of anticipation among our customers, local communities and tourists about the activities at MGM MACAU. In addition, we continue to improve our customer experiences by enhancing our hotel, food and beverage and retail offerings by expanding and refurbishing the non-gaming areas in MGM MACAU.

# Management Discussion and Analysis

## Other Revenue

Other revenue including hotel rooms, food and beverage, retail and others decreased by 14.8% to HK\$142.3 million for the six months ended June 30, 2016 primarily due to more non-gaming offerings which have been brought on line with the new property openings in the Macau market. The non-gaming facilities and services are critical for MGM MACAU to establish our brand and maintain our 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 major operating costs and expenses for the six months ended June 30, 2016 and 2015 were:

	For the six months ended	
	June 30	
	2016	2015
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	3,409,448	4,486,435
Inventories consumed	133,955	167,731
Staff costs	1,001,019	1,004,945
Other expenses and losses	883,129	1,405,924
Depreciation and amortization	394,602	395,764
Finance costs	45,796	37,204
Taxation	7,476	7,476

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

Special gaming tax and special levy to the Macau Government decreased by 24.0% to HK\$3,409.4 million for the six months ended June 30, 2016. This decrease resulted directly from the decrease in gross casino revenue during the current period.

## Inventories consumed

Inventories consumed decreased by 20.1% to HK\$134.0 million for the six months ended June 30, 2016. This decrease was primarily due to decrease in consumptions of supplies, including gaming supplies such as cards and other supplies in response to the decrease in our business activities during the current period.

## Management Discussion and Analysis

---

### *Staff costs*

Staff costs remained flat at HK\$1,001.0 million and HK\$1,004.9 million for the six months ended June 30, 2016 and 2015 respectively, which was primarily due to the salary increment for staff promotions in 2016 being offset by a decrease in the number of full-time equivalents (FTE) during the current period.

### *Other expenses and losses*

Other expenses and losses decreased by 37.2% to HK\$883.1 million for the six months ended June 30, 2016, which mainly resulted from:

*Junket commissions.* Commissions to gaming promoters decreased by 34.8% from HK\$522.3 million for the six months ended June 30, 2015 to HK\$340.7 million for the six months ended June 30, 2016. The decrease resulted directly from the lower VIP gross table games win during the current period.

*Advertising and promotion expense.* Advertising and promotion expense decreased by 27.5% from HK\$274.8 million for the six months ended June 30, 2015 to HK\$199.3 million for the six months ended June 30, 2016. The decrease resulted from less marketing activities being organized during the current period in response to the decrease in our business activities.

*License fee and marketing fees.* License fee and marketing fees due to related companies decreased by 21.8% from HK\$169.2 million for the six months ended June 30, 2015 to HK\$132.3 million for the six months ended June 30, 2016. The decrease resulted directly from the decrease in revenue during the current period.

*(Reversal of allowance)/allowance for doubtful debts, net.* Allowance for doubtful debts, net, was a gain of HK\$45.0 million for the six months ended June 30, 2016 compared to an expense of HK\$190.1 million for the six months ended June 30, 2015. There were no changes in the allowance for doubtful debts policy. The current period gain primarily resulted from recovery of doubtful debts provided for in previous years while the prior period expense was primarily due to the changing business conditions in the Macau gaming market that were previously described which started to impact the Group from the second half of 2014 which caused more casino debtors to default in repayment of their debts and/or their creditworthiness deteriorated.

### *Depreciation and amortization*

Depreciation and amortization remained flat at HK\$394.6 million and HK\$395.8 million for the six months ended June 30, 2016 and 2015 respectively, which was primarily due to new furniture and equipment placed into service and offset by the impact of full depreciation of certain assets during the current period.

# Management Discussion and Analysis

## Finance costs

Finance costs increased by 23.1% from HK\$37.2 million for the six months ended June 30, 2015 to HK\$45.8 million for the six months ended June 30, 2016. Total borrowing costs increased by HK\$129.1 million during the current period mainly due to HK\$77.4 million increase in amortization of debt finance costs incurred from the Second Amended Credit Facilities and Third Supplemental Agreement in June 2015 and February 2016 respectively, and HK\$71.7 million increase in interest incurred for additional bank borrowings because of funding requirements for MGM COTAI development as well as increase in interest margin. HK\$242.9 million of total borrowing costs was capitalized to construction in progress for the six months ended June 30, 2016 (six months ended June 30, 2015: HK\$122.3 million).

## Taxation

Taxation for the six months ended June 30, 2016 and 2015 primarily related to dividend withholding tax for the respective periods. Details of taxation are set out in note 8 to the condensed consolidated financial statements.

## Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased by 23.6% from HK\$1,700.0 million to HK\$1,298.5 million over the comparable periods in 2015 and 2016.

## Adjusted EBITDA

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement, profit attributable to owners of the Company, for the six months ended June 30, 2016 and 2015.

	For the six months ended	
	June 30	
	2016	2015
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	1,298,545	1,700,032
Add/(less):		
Depreciation and amortization	394,602	395,764
Interest income	(4,138)	(2,031)
Finance costs	45,796	37,204
Net foreign currency difference	(15,210)	120
Taxation	7,476	7,476
Share-based payments	33,908	46,579
Corporate expenses	188,203	218,102
Pre-opening costs	69,729	26,085
Property charges and other	9,868	6,422
Adjusted EBITDA <sup>(1)</sup>	2,028,779	2,435,753

# Management Discussion and Analysis

Note:

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

## Liquidity and Capital Resources

### Capital Resources

We funded our working capital, operating expenses and capital expenditures from equity, bank borrowings and cash generated from our operations. As at June 30, 2016, our bank and cash balances were HK\$3,471.7 million. Such balance is available for operations, new development activities including MGM COTAI and enhancement to MGM MACAU. As at June 30, 2016, the HK\$12.09 billion term loan facility was fully drawn, while HK\$10.51 billion of the revolving credit facility remained undrawn and available for utilization up to March 2019 for corporate purposes of the Group and future development activities including MGM COTAI.

### Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises bank borrowings, net of debt finance costs, less bank balances and cash. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group's gearing ratio as at June 30, 2016 and December 31, 2015.

	As at	
	June 30 2016	December 31 2015
	HK\$'000	HK\$'000
Bank borrowings, net of debt finance costs	12,599,167	11,731,951
Less: bank balances and cash	(3,471,675)	(5,421,058)
Net debt	9,127,492	6,310,893
Total equity	5,893,735	4,915,051
Total capital	15,021,227	11,225,944
Gearing ratio	60.8%	56.2%

# Management Discussion and Analysis

## Group Cash Flows

The following table presents a summary of the Group's cash flows for the six months ended June 30, 2016 and 2015.

	For the six months ended	
	June 30	
	2016	2015
	HK\$'000	HK\$'000
Net cash generated from operating activities	1,355,979	1,114,014
Net cash used in investing activities	(3,498,278)	(2,044,903)
Net cash generated from financing activities	193,285	746,412
Net decrease in cash and cash equivalents	(1,949,014)	(184,477)
Cash and cash equivalents at the beginning of the period	5,421,058	4,232,187
Effect of foreign exchange rate changes, net	(369)	—
Cash and cash equivalents at the end of the period	3,471,675	4,047,710

### Net cash generated from 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\$1,356.0 million for the six months ended June 30, 2016 compared to HK\$1,114.0 million for the six months ended June 30, 2015. The increase was mainly due to recovery of doubtful debts and our cost savings on various operating expense items during the current period. This increase is partly offset by decrease in profit attributable to owners of the Company as a result of lower gaming revenue during the current period.

### Net cash used in investing activities

Net cash used in investing activities was HK\$3,498.3 million for the six months ended June 30, 2016 compared to HK\$2,044.9 million for the six months ended June 30, 2015. The major components of the cash flow used in investing activities related to payments for the design and construction of MGM COTAI and renovation work carried out at MGM MACAU, and purchase of property and equipment in total amounting to HK\$3,285.4 million and HK\$1,838.4 million for the six months ended June 30, 2016 and 2015 respectively. Other amounts paid related to land use right premium and developers' fees due to a related company in both periods.

# Management Discussion and Analysis

## *Net cash generated from financing activities*

Net cash generated from financing activities was HK\$193.3 million for the six months ended June 30, 2016 compared to HK\$746.4 million for the six months ended June 30, 2015. The decrease mainly resulted from HK\$800.0 million of revolving credit facility drawn during the current period while HK\$5,230.0 million of term loan facility was drawn during the prior period, partially offset by dividend payments of HK\$353.4 million and HK\$4,031.8 million in the respective periods.

## *Capital Commitments*

As at June 30, 2016, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the condensed consolidated financial statements:

	As at	
	June 30 2016 HK\$'000	December 31 2015 HK\$'000
Contracted but not accounted for	4,470,000	6,164,810

## *Indebtedness*

As at June 30, 2016 and December 31, 2015, the Group had drawn down its Third Supplemental Agreement and Second Amended Credit Facilities in amounts of HK\$12.89 billion and HK\$12.09 billion respectively. The Group had HK\$10.51 billion and HK\$11.31 billion available to draw as at June 30, 2016 and December 31, 2015 respectively.

## *Contingent Liabilities*

As at June 30, 2016 and December 31, 2015, the Group had given bank guarantees totaling HK\$302.9 million and HK\$300.1 million in relation to our Subconcession, land concession and other operating purposes respectively.

# *Management Discussion and Analysis*

---

## *Term Loan Facility and Revolving Credit Facility*

### *Overview*

On October 22, 2012, the Company and MGM Grand Paradise as co-borrowers entered into an amended and restated credit agreement (the “Amended Credit Facilities”) with certain lenders. The Amended Credit Facilities included a HK\$4.29 billion term loan facility and a HK\$11.31 billion revolving credit facility.

On June 9, 2015, the Company and MGM Grand Paradise as co-borrowers entered into a second amended and restated credit agreement (the “Second Amended Credit Facilities”) with certain lenders. The Second Amended Credit Facilities were effective on June 12, 2015, which extended the maturity of the Amended Credit Facilities to April 29, 2019 and expanded the term loan facility set out in the Amended Credit Facilities to HK\$12.09 billion. The aggregate amount of the Second Amended Credit facilities is HK\$23.40 billion, consisting of a HK\$12.09 billion term loan facility and a HK\$11.31 billion revolving credit facility. Borrowings under the Second Amended Credit Facilities may be used for proper corporate purposes of the Group and future development opportunities including MGM COTAI.

As at December 31, 2015, the Group incurred and paid miscellaneous charges and bank fees of approximately HK\$363.8 million in relation to the Second Amended Credit Facilities.

On February 2, 2016, an amendment to the Second Amended Credit Facilities was executed (the “Third Supplemental Agreement”) to provide the Group with the necessary covenant flexibility while MGM COTAI is in the construction phase as discussed below. The Group incurred and paid miscellaneous charges and bank fees of approximately HK\$85.7 million in relation to the Third Supplemental Agreement during the current period.

### *Principal and Interest*

As at June 30, 2016, HK\$12.09 billion of the term loan facility was fully drawn, while HK\$10.51 billion of revolving credit facility is undrawn and available for utilization up to March 2019. The term loan facility is repayable on a quarterly basis commencing in October 2017 and will be fully repaid in April 2019. Each drawdown under the revolving credit facility will be repaid in full on the last date of the respective term but no later than April 2019.

The Second Amended Credit Facilities bear interest at HIBOR plus a fixed margin of 1.75% per annum for the first six months and thereafter a variable margin ranging from 1.375% to 2.5% per annum based on the Group’s leverage ratio. As at June 30, 2016, the Group paid interest at HIBOR plus 2.00% per annum (December 31, 2015: HIBOR plus 1.75% per annum).

# Management Discussion and Analysis

---

## *General Covenants*

The Second Amended Credit Facilities contains general covenants restricting the ability of the obligor group (the 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*

Under the Second Amended Credit Facilities, the Restricted Group was required to maintain a leverage ratio at the end of each quarter while the loans are outstanding. The leverage ratio was to be kept within 4.5 to 1.0 for each quarter and reduced to no greater than 4.0 to 1.0 for each quarter after the first anniversary of opening of MGM COTAI. In addition, the Group was required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end.

The leverage ratio under the Third Supplemental Agreement is required to be maintained within 4.5 to 1.0 for quarters ended March 31, 2016 and June 30, 2016. This ratio will be increased to no greater than 6.0 to 1.0 for each quarter ended September 30, 2016 through June 30, 2017 and reduced to no greater than 5.5 to 1.0 and 5.0 to 1.0 for quarters ended September 30, 2017 and December 31, 2017, respectively. The leverage ratio will be reduced to no greater than 4.5 to 1.0 for each quarter thereafter through maturity.

In addition, the Group is required to maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end.

## *Compliance with Covenants*

The Group has complied with the general and financial covenants contained in the Third Supplemental Agreement and the Second Amended Credit Facilities as set forth above for the six months ended June 30, 2016 and 2015.

## *Mandatory Prepayments*

The Second 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*

---

## *Dividend Restrictions*

Under the Second Amended Credit Facilities, the Group was not allowed to declare, make or pay any dividends while any default is outstanding or would result from such dividend payment or if the pro forma leverage ratio exceeded 4.0 multiples as result of such dividend payment. To the extent its leverage ratio fell below 4.0 multiples but still exceeded 3.5, the Group might only pay dividends up to US\$300 million, including if any dividends paid during preceding 12-month period.

Under the Third Supplemental Agreement, if the leverage ratio exceeds 4.00 multiples, the Group may only pay dividends up to US\$150 million, including any dividends paid during preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million, including if any dividends paid during preceding 12-month period. As at June 30, 2016, our leverage ratio was approximately 3.32.

## *Events of Default*

The Second Amended Credit Facilities contain certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Second 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 of the outstanding loan balances.

## *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 Financial Risk*

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

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

There has been no change to the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks during the six months ended June 30, 2016.

# Management Discussion and Analysis

---

## *Market Risk*

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

## *Foreign Exchange Risk*

The Group holds bank balances and deposits denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The majority of our foreign currency exposure comprises assets denominated in United States Dollars ("US\$"), Canadian Dollars, Taiwan Dollars and Singapore Dollars. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The majority of the receipts of the Group are denominated in HK\$. Macau Patacas is pegged to the HK\$ at a constant rate of approximately HK\$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

## *Interest Rate Risk*

The Group's exposure to fair value interest rate risk to fixed-rate borrowings is minimal because the Group has variable rate borrowings, except for land use right payable, which bears interest at 5% per annum.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 15 to the condensed consolidated financial statements for details of the bank borrowings). The Group's cash flow interest rate risk on bank balances is considered insignificant due to current low interest rates for bank deposits. The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

## *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 guarantees provided by the Group arises from:

- the carrying amount of the respective recognized financial assets as stated in the condensed consolidated statement of financial position; and
- the amount of contingent liabilities in relation to a guarantee issued by the Group

The Group has a concentration of credit risk with a small number of gaming promoters, 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 these gaming promoters, it would have a material effect to the carrying amount of trade receivables.

# *Management Discussion and Analysis*

---

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

The credit risk on the Group's bank balances and cash is limited because the counterparties are banks with high credit standing in Hong Kong and Macau.

## *Liquidity Risk*

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

The Group relies on existing credit facilities, cash and cash equivalents and cash flows from operations as sources of liquidity. As at June 30, 2016, the Group has unutilized credit facilities of approximately HK\$10,510.0 million.

## *Off Balance Sheet Arrangements*

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

## *Other Liquidity Matters*

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 development of MGM COTAI and will continue to incur capital expenditures for constructing this property.

Taking into consideration our financial resources, including the Group's cash and cash equivalents, bank borrowings and internally generated funds, we believe that we have sufficient available funds to meet our financial obligations for the following 12 months.

# Management Discussion and Analysis

---

## Employees and Remuneration Policy

As at June 30, 2016, MGM Grand Paradise employed 5,875 full-time and part-time employees in Macau, Hong Kong and Zhuhai.

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

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

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

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

## Other Information

### Dividends

On August 4, 2016, our principal subsidiary, MGM Grand Paradise declared the payment of a dividend to the Company of approximately MOP676.0 million (approximately HK\$656.3 million). This dividend declaration complied with MGM Grand Paradise's constitutional documents and the laws and regulations of Macau.

On August 4, 2016, the Board announced that it had resolved to declare the payment of an interim dividend of HK\$0.119 per Share (the "Interim Dividend"), amounting to approximately HK\$452.2 million in aggregate, representing approximately 35% of the Group's profit attributable to owners of the Company for the six months ended June 30, 2016. The register of members will be closed from August 18, 2016 to August 22, 2016, both days inclusive, for the purpose of ascertaining the members who are entitled to the Interim Dividend. This Interim Dividend is expected to be paid on or about August 30, 2016 to the Shareholders whose names would appear on the register of members on August 22, 2016. The Board has resolved to declare the Interim Dividend after reviewing the Group's general financial position as at August 4, 2016, 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, 2016, 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	12,988,800 <sup>(3)</sup>	—	—	12,988,800	0.34%

#### (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>(4)</sup>	—	—	20,000	10.00%

## Other Information

(c) *Long Position in the Common Stocks and Underlying Shares of Associated Corporations — MGM Resorts International<sup>(5)</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	525,000 <sup>(6)</sup>	—	—	525,000	0.0928%
	136,395 <sup>(7)</sup>	—	—	136,395	0.0241%
	1,391,664 <sup>(8)</sup>	—	—	1,391,664	0.2460%
	799,631 <sup>(9)</sup>	—	—	799,631	0.1414%
	—	175,329 <sup>(10)</sup>	—	175,329	0.0310%
Pansy Ho	—	—	16,149,210 <sup>(11)</sup>	16,149,210	2.8552%
William Joseph Hornbuckle	187,500 <sup>(12)</sup>	—	—	187,500	0.0331%
	50,029 <sup>(13)</sup>	—	—	50,029	0.0088%
	497,504 <sup>(14)</sup>	—	—	497,504	0.0880%
	96,307 <sup>(15)</sup>	—	—	96,307	0.0170%
William M. Scott IV	58,134 <sup>(16)</sup>	—	—	58,134	0.0103%
	28,152 <sup>(17)</sup>	—	—	28,152	0.0050%
	14,455 <sup>(18)</sup>	—	—	14,455	0.0026%
	63,864 <sup>(19)</sup>	—	—	63,864	0.0113%
	37,082 <sup>(20)</sup>	—	—	37,082	0.0066%
Daniel J. D'Arrigo	387,500 <sup>(21)</sup>	—	—	387,500	0.0685%
	32,814 <sup>(22)</sup>	—	—	32,814	0.0058%
	335,270 <sup>(23)</sup>	—	—	335,270	0.0593%
	92,873 <sup>(24)</sup>	—	—	92,873	0.0164%
Kenneth A. Rosevear	27,633 <sup>(25)</sup>	—	—	27,633	0.0049%
	45,402 <sup>(26)</sup>	—	—	45,402	0.0080%
	11,906 <sup>(27)</sup>	—	—	11,906	0.0021%
	34,272 <sup>(28)</sup>	—	—	34,272	0.0061%
	7,517 <sup>(29)</sup>	—	—	7,517	0.0013%

## Other Information

### (d) Long Positions in the Common Stocks and Underlying Shares of Associated Corporations — MGM Growth Properties<sup>(30)</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	35,714 <sup>(31)</sup>	—	—	35,714	0.0621%
	—	250,000 <sup>(32)</sup>	—	250,000	0.4348%
Pansy Ho	—	—	1,000,000 <sup>(33)</sup>	1,000,000	1.7391%
William Joseph Hornbuckle	7,143 <sup>(34)</sup>	—	—	7,143	0.0124%
	30,000 <sup>(35)</sup>	—	—	30,000	0.0522%
Daniel J. D'Arrigo	21,429 <sup>(36)</sup>	—	—	21,429	0.0373%
	5,000 <sup>(37)</sup>	—	—	5,000	0.0087%
Kenneth A. Rosevear	100,000 <sup>(38)</sup>	—	—	100,000	0.1739%

#### 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 12,988,800 share options of the Company granted to Grant R. Bowie pursuant to the share option scheme of the Company, details of which are set out in note 17 to the condensed consolidated financial statements.
- (4) These represent 50% of total issued class B shares of MGM Grand Paradise which carry 10% of the total voting power at any meetings of shareholders of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise, each holder of class B shares will be entitled to receive dividends of up to MOP1 only.
- (5) MGM Resorts International adopted an omnibus incentive plan in 2005 which, as amended, allows it to grant stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other stock-based awards to eligible directors, officers and employees of MGM Resorts International and its subsidiaries. Stock options and SARs granted under all plans generally have terms of either seven or ten years, and in most cases vest in either four or five equal annual installments. RSUs and PSUs granted vest ratably over four and three years respectively. MGM Resorts International's practice is to issue new shares upon exercise or vesting of awards.
- (6) This represents 525,000 vested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (7) This represents 136,395 unvested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.
- (8) This represents 869,790 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.

## Other Information

- (9) These represent the common stock of MGM Resorts International held by James Joseph Murren.
- (10) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (11) These represent the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Pansy Ho has control.
- (12) This represents 187,500 vested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (13) This represents 50,029 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (14) This represents 310,940 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.
- (15) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (16) This represents 58,134 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (17) This represents 28,152 unvested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (18) This represents 14,455 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.
- (19) This represents 39,915 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.
- (20) These represent the common stock of MGM Resorts International held by William M. Scott IV.
- (21) This represents 387,500 vested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (22) This represents 32,814 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (23) This represents 209,544 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.
- (24) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (25) This represents 27,633 vested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (26) This represents 45,402 unvested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (27) This represents 11,906 unvested RSUs in the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (28) This represents 21,420 unvested PSUs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (29) These represent the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (30) MGM Growth Properties adopted an omnibus incentive plan in 2016 which allows it to grant share options, share appreciation rights, restricted shares, RSUs, performance shares, PSUs and other share-based awards to eligible directors, officers and employees of MGM Growth Properties and its affiliates. RSUs granted to non-employee directors and employees of affiliates (including MGM Resorts International) vest over one year, and RSUs and PSUs granted to officers and employees of MGM Growth Properties vest ratably over four and three years respectively. MGM Growth Properties's practice is to issue new shares upon vesting of awards.

## Other Information

- (31) This represent 35,714 unvested RSUs in the common stock of MGM Growth Properties held by James Joseph Murren.
- (32) These represent the common stock of MGM Growth Properties held by Spousal Limited Access Trusts.
- (33) These represent the common stock of MGM Growth Properties held by August City Limited, a company which Pansy Ho has control.
- (34) This represent 7,143 unvested RSUs in the common stock of MGM Growth Properties held by William Joseph Hornbuckle.
- (35) These represent the common stock of MGM Growth Properties held by William Joseph Hornbuckle.
- (36) This represent 21,429 unvested RSUs in the common stock of MGM Growth Properties held by Daniel J. D'Arrigo.
- (37) These represent the common stock of MGM Growth Properties held by Daniel J. D'Arrigo.
- (38) These represent the common stock of MGM Growth Properties held by Kenneth A. Rosevear.

Save as disclosed above, as at June 30, 2016, 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, 2016, 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)(3)</sup>	Interest of a controlled corporation	1,938,000,001	51.00%
MGM International, LLC <sup>(1)(3)</sup>	Interest of a controlled corporation	1,938,000,001	51.00%
MGM Resorts International Holdings, Ltd. <sup>(1)(3)</sup>	Direct interest	1,938,000,001	51.00%
Pansy Ho <sup>(2)(3)</sup>	Direct interest	380,000,000	10.00%
	Interest of a controlled corporation	662,661,200	17.44%
Grand Paradise Macau Limited <sup>(2)(3)</sup>	Direct interest	662,661,200	17.44%

## Other Information

### 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.
- (3) Subsequent to June 30, 2016, MGM Resorts International entered into a securities purchase agreement with MGM Resorts International Holdings, Ltd., Grand Paradise Macau Limited and Expert Angels Limited in relation to, amongst others, 188,100,000 shares of the Company. Please refer to the announcement of the Company dated August 16, 2016 for details. The Company was informed that the transfer of 188,100,000 shares of the Company from Grand Paradise Macau Limited to MGM Resorts International Holdings, Ltd. was completed on 1 September 2016. Immediately upon completion of the transfer, the number of shares in the Company held by MGM Resorts International Holdings, Ltd. was increased to 2,126,100,001 shares (representing approximately 56% of the Company's issued shares) and the number of shares in the Company held by Grand Paradise Macau Limited was reduced to 474,561,200 shares (representing approximately 12.49% of the Company's issued shares). As MGM Resorts International Holdings, Ltd. is a wholly owned subsidiary of MGM International, LLC, which in turn is wholly owned by MGM Resorts International, MGM International, LLC and MGM Resorts International are deemed or taken to be interested in the 2,126,100,001 shares of the Company which are directly held by MGM Resorts International Holdings, Ltd. As Grand Paradise Macau Limited is a company controlled by Pansy Ho, Pansy Ho is deemed or taken to be interested in the 474,561,200 shares of the Company 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, 2016, 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.

Save as disclosed in this interim report, pursuant to paragraph 40 of Appendix 16 to the Listing Rules, there has been no material change to the information disclosed in the Company's 2015 Annual Report in relation to the matters set out in paragraph 32 of Appendix 16 to the Listing Rules.

### 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 were 25% per year on each of the subsequent four anniversary dates of the date of grant.

As at June 30, 2016, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 64,856,600, representing approximately 1.71% of the Shares of the Company in issue at that date.

The total number of securities available for issue under the Share Option Scheme of the Company as at June 30, 2016 was 315,143,400, which was approximately 8.29% of the issued share capital as at the date of this interim report.

## Other Information

A summary of the movements of the outstanding options under the scheme during the six months ended June 30, 2016 is as follows:

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2016	Number of share options			Outstanding at June 30, 2016
					Granted during the period	Exercised during the period	Forfeited during the period	
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	7,070,000	—	—	(1,000,000)	6,070,000
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.12	705,000	—	—	—	705,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.78	770,000	—	—	—	770,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.80	60,000	—	—	—	60,000
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	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.35	50,000	—	—	—	50,000
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
Grant R. Bowie	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	13,595,000	—	—	(800,000)	12,795,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.35	560,000	—	—	—	560,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.12	1,150,000	—	—	—	1,150,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.24	610,000	—	—	(150,000)	460,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.10	1,320,000	—	—	—	1,320,000
Grant R. Bowie	June 3, 2015	June 3, 2016 - June 2, 2025	14.09	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.09	9,832,400	—	—	(593,200)	9,239,200
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.47	360,000	—	—	—	360,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.45	1,250,000	—	—	(50,000)	1,200,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.13	—	230,000 <sup>(1)</sup>	—	—	230,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.48	—	260,000 <sup>(2)</sup>	—	—	260,000
Grant R. Bowie	June 3, 2016	June 3, 2017 - June 2, 2026	10.90	—	3,535,200 <sup>(3)</sup>	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.90	—	14,213,600 <sup>(3)</sup>	—	—	14,213,600
				49,211,000	18,238,800	—	(2,593,200)	64,856,600

## Other Information

---

### Notes:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$8.85 and the estimated weighted average fair value of share options granted on that date was HK\$2.85 per Share.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$10.20 and the estimated weighted average fair value of share options granted on that date was HK\$3.18 per Share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$10.96 and the estimated weighted average fair value of share options granted on that date was HK\$3.31 per Share.

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

There has been no exercise of any conversion or subscription rights, nor any purchase, sale or redemption by the Group of its listed Shares during the six months ended June 30, 2016.

### 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, 2016 to June 30, 2016, 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, 2016.

### Update on Directors' Information

Changes in the information of the Directors since disclosure made in the Company's 2015 annual report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Chen Yau Wong was a director of Grand Paradise Group (HK) Limited from December 2004 and retired in June 2016 and Grand Paradise Grupo S.A. from January 2005 and retired in June 2016.
2. Daniel J. D'Arrigo, is the Executive Vice President and Chief Financial Officer of MGM Resorts International. He has held the position of Executive Vice President and Chief Financial Officer since August 2007 and the position of Treasurer of the MGM Resorts International from 2009 to 2016.

# Other Information

---

## 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, being Russell Francis Banham (Chairperson), 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 4, 2016

# Report on Review of Condensed Consolidated Financial Statements

---

## 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 35 to 59, which comprise the condensed consolidated statement of financial position as of June 30, 2016 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require 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”) issued by the International Accounting Standard Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

# *Report on Review of Condensed Consolidated Financial Statements*

---

## Conclusion

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

August 4, 2016

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

For the six months ended June 30, 2016

	NOTES	Six months ended June 30,	
		2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>OPERATING REVENUE</b>			
Casino revenue	4	7,012,331	9,036,619
Other revenue	5	142,291	166,981
		7,154,622	9,203,600
<b>OPERATING COSTS AND EXPENSES</b>			
Special gaming tax and special levy to the Macau Government		(3,409,448)	(4,486,435)
Inventories consumed		(133,955)	(167,731)
Staff costs		(1,001,019)	(1,004,945)
Other expenses and losses	6	(883,129)	(1,405,924)
Depreciation and amortization		(394,602)	(395,764)
		(5,822,153)	(7,460,799)
Operating profit		1,332,469	1,742,801
Interest income		4,138	2,031
Finance costs	7	(45,796)	(37,204)
Net foreign currency gain/(loss)		15,210	(120)
Profit before taxation		1,306,021	1,707,508
Taxation	8	(7,476)	(7,476)
Profit for the period attributable to owners of the Company	9	1,298,545	1,700,032
Other comprehensive expense:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(369)	—
Total comprehensive income for the period attributable to owners of the Company		1,298,176	1,700,032
Earnings per Share — Basic and Diluted	11	HK34.2 cents	HK44.7 cents

# Condensed Consolidated Statement of Financial Position

At June 30, 2016

	NOTES	At June 30 2016 HK\$'000 (unaudited)	At December 31 2015 HK\$'000 (audited)
<b>ASSETS</b>			
Non-current assets			
Property and equipment	12	3,420,875	3,701,078
Construction in progress	12	13,632,005	10,126,453
Sub-concession premium		475,925	539,201
Land use right premium		1,295,341	1,329,759
Other assets		31,833	32,070
Prepayments and deposits	13	239,778	285,047
<b>Total non-current assets</b>		<b>19,095,757</b>	<b>16,013,608</b>
Current assets			
Inventories		101,684	108,007
Trade receivables	14	171,989	242,539
Prepayments, deposits and other receivables	13	90,010	42,342
Land use right premium		69,406	69,596
Amounts due from related companies	22(a)(i)	1,641	57,626
Bank balances and cash		3,471,675	5,421,058
<b>Total current assets</b>		<b>3,906,405</b>	<b>5,941,168</b>
<b>TOTAL ASSETS</b>		<b>23,002,162</b>	<b>21,954,776</b>

# Condensed Consolidated Statement of Financial Position

At June 30, 2016

NOTES	At June 30 2016 HK\$'000 (unaudited)	At December 31 2015 HK\$'000 (audited)
<b>EQUITY</b>		
Capital and reserves		
Share capital	3,800,000	3,800,000
Share premium and reserves	2,093,735	1,115,051
<b>TOTAL EQUITY</b>	<b>5,893,735</b>	<b>4,915,051</b>
<b>LIABILITIES</b>		
Non-current liabilities		
Bank borrowings	15 12,559,167	11,731,951
Payables and accrued charges	16 4,391	2,513
Land use right payable	—	111,121
Construction retention payable	224,119	343,704
<b>Total non-current liabilities</b>	<b>12,787,677</b>	<b>12,189,289</b>
Current liabilities		
Payables and accrued charges	16 3,839,004	4,586,279
Land use right payable	219,532	214,178
Construction retention payable	234,361	9,962
Amounts due to related companies	22(a)(ii) 20,377	25,066
Taxation payable	7,476	14,951
<b>Total current liabilities</b>	<b>4,320,750</b>	<b>4,850,436</b>
<b>TOTAL LIABILITIES</b>	<b>17,108,427</b>	<b>17,039,725</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>23,002,162</b>	<b>21,954,776</b>

The condensed consolidated financial statements on pages 35 to 59 were approved and authorized for issue by the Board of Directors on August 4, 2016 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, 2016

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Equity reserve	Other reserves	Currency translation reserves	Retained earnings	Share premium and reserves total	Shareholders' funds total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2016 (audited)	3,800,000	10,433,107	3,712	253,858	293,725	(13,133,305)	—	3,263,954	1,115,051	4,915,051
Profit for the period	—	—	—	—	—	—	—	1,298,545	1,298,545	1,298,545
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(369)	—	(369)	(369)
Total comprehensive income	—	—	—	—	—	—	(369)	1,298,545	1,298,176	1,298,176
Forfeiture of share options	—	—	—	(11,761)	—	—	—	11,761	—	—
Recognition of share-based payments	—	—	—	33,908	—	—	—	—	33,908	33,908
Dividends paid	—	—	—	—	—	—	—	(353,400)	(353,400)	(353,400)
At June 30, 2016 (unaudited)	3,800,000	10,433,107	3,712	276,005	293,725	(13,133,305)	(369)	4,220,860	2,093,735	5,893,735
At January 1, 2015 (audited)	3,800,000	10,432,828	3,692	184,761	293,725	(13,133,305)	—	4,759,822	2,541,523	6,341,523
Profit for the period and total comprehensive income	—	—	—	—	—	—	—	1,700,032	1,700,032	1,700,032
Forfeiture of share options	—	—	—	(127)	—	—	—	127	—	—
Recognition of share-based payments	—	—	—	46,579	—	—	—	—	46,579	46,579
Dividends paid	—	—	—	—	—	—	—	(4,031,800)	(4,031,800)	(4,031,800)
At June 30, 2015 (unaudited)	3,800,000	10,432,828	3,692	231,213	293,725	(13,133,305)	—	2,428,181	256,334	4,056,334

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2016

	Six months ended June 30	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,355,979	1,114,014
INVESTING ACTIVITIES		
Payments for construction in progress	(3,218,032)	(1,754,850)
Purchase of property and equipment	(67,374)	(83,547)
Proceeds from disposal of property and equipment and other assets	1,148	553
Payments of developers' fee capitalized to construction in progress	(90,682)	(81,402)
Payment for land use right premium	(113,899)	(113,899)
Purchase of other assets	(9,439)	(11,758)
NET CASH USED IN INVESTING ACTIVITIES	(3,498,278)	(2,044,903)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	800,000	5,230,000
Payment of debt finance costs	(85,703)	(353,750)
Interest paid	(167,612)	(98,038)
Dividends paid	(353,400)	(4,031,800)
NET CASH GENERATED FROM FINANCING ACTIVITIES	193,285	746,412
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,949,014)	(184,477)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,421,058	4,232,187
Effect of foreign exchange rate changes, net	(369)	—
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	3,471,675	4,047,710

# *Notes to the Condensed Consolidated Financial Statements*

---

For the six months ended June 30, 2016

## 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 principal activities of the Company’s subsidiaries are the development and operation of casino games of chance and other casino games and the related hotel and resort facilities in Macau. The Company’s shares were listed on the Hong Kong Stock Exchange on June 3, 2011. The Company’s immediate holding company is MGM Resorts International Holdings, Ltd., a company incorporated in Isle of Man. The Company’s ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, and listed on the New York Stock Exchange. The address of the registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business is Avenida Dr. Sun Yat Sen, Edifício MGM MACAU, NAPE, Macau.

The condensed consolidated financial statements are presented in 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 on the historical cost basis, and in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules of the Hong Kong Stock Exchange and with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”).

The Group continually reviews the content and presentation of the consolidated financial statements to ensure compliance with relevant accounting standards and regulations, and also considers their relevance and usefulness to users. During the current period, the Group changed the presentation of its condensed consolidated statement of financial position as at June 30, 2016 in order to improve the presentation of the financial position of the Group and to bring the presentation more in line with that adopted by the Company’s ultimate holding company. Accordingly, comparative information is restructured in conformity with the current period presentation.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2016 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2015.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

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

### *Application of amendments to International Financial Reporting Standards (“IFRSs”)*

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

Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidated Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IAS 27	Equity method in Separate Financial Statement
Amendments to IAS 1	Disclosure Initiative
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the above amendments to IFRSs in the current 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*

Up to the date of this report, the Group has not early adopted the new or amendments to IFRSs that have been issued, but are not yet effective. The Group has already commenced the assessment of the impact of the new or amendments to IFRSs to the Group, but is not yet in a position to state whether their adoption would have a significant impact on the results of operations and financial position of the Group.

## 3. Segment Information

The Group currently operates in one operating segment which is the ownership and management of its casino, hotel, food and beverage and retail operations in Macau. 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. Accordingly, the Group does not present separate segment information.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 4. Casino Revenue

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

	Six months ended June 30	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
VIP gross table games win	4,226,356	6,550,461
Main floor gross table games win	3,709,157	3,918,944
Slot machine gross win	627,355	836,372
Gross casino revenue	8,562,868	11,305,777
Commissions and discounts	(1,550,537)	(2,269,158)
	7,012,331	9,036,619

## 5. Other Revenue

Other revenue comprises:

	Six months ended June 30	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	37,017	38,828
Food and beverage	82,307	103,181
Retail and others	22,967	24,972
	142,291	166,981

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 5. Other Revenue (Continued)

From time to time, the Group provides hotel rooms, food and beverage, retail and other services to certain guests and customers without charges (the “Promotional Allowances”) and no revenue is received for such promotional activities. The retail value of the Promotional Allowances incurred during the period is as follows:

	Six months ended June 30	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	191,717	212,328
Food and beverage	123,082	152,046
Retail and others	3,716	4,823
	<b>318,515</b>	<b>369,197</b>

## 6. Other Expenses and Losses

	Six months ended June 30	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Junket commission	340,733	522,260
Advertising and promotion	199,317	274,804
License fees	125,206	161,063
Utilities and fuel	46,786	53,527
Repairs and maintenance	44,550	39,508
Other support services	42,570	49,071
Loss on disposal/write-off of property and equipment, construction in progress and other assets	9,868	6,422
(Reversal of allowance)/allowance for doubtful debts, net	(44,986)	190,110
Other	119,085	109,159
	<b>883,129</b>	<b>1,405,924</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 7. Finance Costs

	Six months ended June 30	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	166,844	95,155
Land use right payable	5,488	10,712
Amortization of debt finance costs	112,920	35,525
Loss on modification or early retirement of debt	—	14,918
Bank fees and charges	3,399	3,203
Total borrowing costs	288,651	159,513
Less: capitalized interest allocated to construction in progress	(242,855)	(122,309)
	45,796	37,204

Interest on land use right payable incurred for the period amounting to HK\$5.5 million (six months ended June 30, 2015: HK\$10.7 million) was capitalized in construction in progress as at June 30, 2016.

For the six months ended June 30, 2016, borrowing costs was capitalized by applying a capitalization rate of 4.58% (six months ended June 30, 2015: 4.28%) per annum to expenditure on qualifying assets.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 8. Taxation

	Six months ended June 30	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current taxation expense:		
Macau dividend withholding tax	(7,476)	(7,476)

Macau Complementary Tax is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the current and prior periods. Pursuant to the approval notice 186/2008 issued by the Macau Government dated June 19, 2008, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for income generated from gaming operations for 5 years from 2007 to 2011. This exemption was renewed for another 5 years from 2012 to 2016 pursuant to the approval notice 267/2011 issued by the Macau Government dated September 22, 2011. Accordingly, no liability for Macau Complementary Tax has been recognized by the Group for the six months ended June 30, 2016 and 2015.

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 is required 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 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods. For the six months ended June 30, 2016 and June 30, 2015, no provision for Hong Kong Profits Tax has been recognized since the Company's subsidiary did not have estimated assessable profit.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 9. Profit for the Period

	Six months ended June 30	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' and chief executive's emoluments	20,227	26,750
Retirement benefits scheme contributions for other staff	27,813	26,336
Share-based payments for other staff	26,216	37,808
Salaries and other benefits for other staff	926,763	914,051
	<b>1,001,019</b>	<b>1,004,945</b>
Amortization in respect of:		
— sub-concession premium	63,276	62,928
— land use right premium	9,597	9,544
— other assets	9,481	10,705
Depreciation of property and equipment	312,248	312,587
	<b>394,602</b>	<b>395,764</b>
Loss on disposal/write-off of property and equipment, construction in progress and other assets	9,868	6,422
Operating lease rentals in respect of:		
— equipment	7,701	6,406
— warehouse	4,374	3,499
— leasehold land	2,468	2,468
— office premises	5,993	3,490

## 10. Dividends

On February 17, 2015, a special dividend of HK\$0.816 per Share, amounting to approximately HK\$3,100.8 million in aggregate, was declared by the Directors of the Company. This dividend was paid to Shareholders on March 19, 2015.

On May 14, 2015, a final dividend of HK\$0.245 per Share, amounting to approximately HK\$931.0 million in aggregate for the year ended December 31, 2014 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 8, 2015.

On August 4, 2015, an interim dividend of HK\$0.156 per Share, amounting to approximately HK\$592.8 million in aggregate for the six months ended June 30, 2015 was declared by the Directors of the Company. This dividend was paid to Shareholders on August 31, 2015.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 10. Dividends (Continued)

On May 25, 2016, a final dividend of HK\$0.093 per Share, amounting to approximately HK\$353.4 million in aggregate for the year ended December 31, 2015 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 8, 2016.

On August 4, 2016, an interim dividend of HK\$0.119 per Share, amounting to approximately HK\$452.2 million in aggregate for the six months ended June 30, 2016 was 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, 2016 and 2015 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, 2016 and 2015 is based on the consolidated profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the period plus the potential Shares arising from exercise of share options (see note 17).

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

	Six months ended June 30	
	2016	2015
	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	1,298,545	1,700,032
<b>Weighted average number of Shares</b>		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,000	3,800,000
Number of dilutive potential Shares arising from exercise of share options ('000)	—	346
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	3,800,000	3,800,346
Earnings per Share — Basic and Diluted	HK34.2 cents	HK44.7 cents

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 12. Property and Equipment and Construction in Progress

	At June 30, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
Carrying amount at January 1	13,827,531	9,533,985
Additions	3,550,081	4,969,212
Disposal/write-off	(12,484)	(38,157)
Depreciation	(312,248)	(637,509)
Carrying amount at June 30/December 31	17,052,880	13,827,531
Property and equipment	3,420,875	3,701,078
Construction in progress	13,632,005	10,126,453
	17,052,880	13,827,531

During the six months ended June 30, 2016, borrowing costs and developers' fee of HK\$242.9 million (six months ended June 30, 2015: HK\$122.3 million) and HK\$47.5 million (six months ended June 30, 2015: HK\$20.2 million) have been capitalized in the Group's construction in progress respectively.

## 13. Prepayments, Deposits and Other Receivables

	At June 30, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
Prepaid goods and services	62,439	30,439
Deposits	19,608	20,868
Advances to construction contractor and sub-contractors	231,771	266,263
Other receivables	15,970	9,819
	329,788	327,389
Current	90,010	42,342
Non-current	239,778	285,047
	329,788	327,389

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 14. Trade Receivables

	At June 30, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
Trade receivables	219,561	311,805
Less: Allowance for doubtful debts	(47,572)	(69,266)
	<b>171,989</b>	<b>242,539</b>

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, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
Within 30 days	153,560	182,626
31 — 60 days	8,553	22,614
61 — 90 days	8,153	32,098
91 — 120 days	1,723	5,201
	<b>171,989</b>	<b>242,539</b>

The Group assesses the recoverability of trade receivables on an individual basis. Allowance for doubtful debts are recognized against trade receivables based on estimated recoverable amounts taking into account past default experience of the individual counterparty and an ongoing assessment of the counterparty's current financial position. The Group usually recognizes full allowance against receivables due from casino customers that are long overdue without subsequent settlement because historical experience has been that receivables with prolonged outstanding balances are generally irrecoverable. Trade receivables from hotel customers are not significant at the end of the reporting period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 14. Trade Receivables (Continued)

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the relevant counterparties from the date credit was initially granted up to the end of the reporting period.

As at June 30, 2016, casino receivables of HK\$40.2 million (December 31, 2015: HK\$47.0 million), have been fully provided for. The impairment losses recognized during the six months ended June 30, 2016 and 2015 are attributable to casino debtors who defaulted in repayment of their debts and/or their creditworthiness has deteriorated.

## 15. Bank Borrowings

	At June 30, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
The secured credit facilities are repayable:		
Between one to two years	3,022,500	604,500
Between two to five years	9,867,500	11,485,500
	12,890,000	12,090,000
Less: Debt finance costs	(330,833)	(358,049)
	12,559,167	11,731,951
Current	—	—
Non-current	12,559,167	11,731,951
	12,559,167	11,731,951

On October 22, 2012, the Company and MGM Grand Paradise as co-borrowers entered into an amended and restated credit agreement (the "Amended Credit Facilities") with certain lenders. The Amended Credit Facilities included a HK\$4.29 billion term loan facility and a HK\$11.31 billion revolving credit facility. These facilities bore interest at HIBOR plus a margin ranging from 1.75% to 2.5% per annum based on the Group's leverage ratio and were to be fully repaid in October 2017.

In June 2015, the Company and MGM Grand Paradise as co-borrowers entered into a second amended and restated credit agreement (the "Second Amended Credit Facilities") which extended the maturity of the Amended Credit Facilities with most of the lenders to April 29, 2019 and expanded the term loan facility set out in the Amended Credit Facilities to HK\$12.09 billion. The aggregate amount of the Second Amended Credit facilities is HK\$23.40 billion, consisting of a HK\$12.09 billion term loan facility and a HK\$11.31 billion revolving credit facility. The Group recognized a HK\$14.92 million loss on modification or early retirement of debt during the six months ended June 30, 2015.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 15. Bank Borrowings (Continued)

As at June 30, 2016, HK\$12.09 billion of the term loan facility was fully drawn, while HK\$10.51 billion of the revolving credit facility is undrawn and available for utilization up to March 2019. The term loan facility is repayable on a quarterly basis commencing in October 2017 and will be fully repaid in April 2019. Each drawdown under the revolving credit facility will be repaid in full on the last date of the respective term but no later than April 2019.

The Second Amended Credit Facilities bear interest at HIBOR plus a fixed margin of 1.75% per annum for the first six months and thereafter a variable margin ranging from 1.375% to 2.5% per annum based on the Group's leverage ratio. As at June 30, 2016, the Group paid interest at HIBOR plus 2.00% per annum (December 31, 2015: HIBOR plus 1.75% per annum). The weighted average interest rate on the Group's borrowings for the six months ended June 30, 2016 was 4.58% per annum (six months ended June 30, 2015: 4.28% per annum).

Under the Second Amended Credit Facilities, the Company and certain of its subsidiaries are required to comply with certain financial covenants whilst the loans are outstanding, being:

- a leverage ratio no greater than 4.5 to 1.0 for each quarter and which is reduced to no greater than 4.0 to 1.0 for each quarter after the first anniversary of opening of MGM COTAI.
- maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end.
- the Group cannot declare, make or pay any dividends while any default is outstanding or which would result from such dividend payment or if the pro forma leverage ratio exceeded 4.0 multiples as result of such dividend payment. To the extent its leverage ratio fell below 4.0 multiples but still exceeded 3.5, the Group may pay dividends up to US\$300 million, including any dividends paid during the preceding 12-month period.

In February 2016, an amendment to the Second Amended Credit Facilities was executed (the "Third Supplemental Agreement") to provide the Group with financial covenant flexibility while MGM COTAI is in the construction phase. The leverage ratio under the Third Supplemental Agreement is required to be maintained within 4.5 to 1.0 for the quarters ended March 31, 2016 and June 30, 2016. This ratio is increased to no greater than 6.0 to 1.0 for each quarter ended September 30, 2016 through June 30, 2017 and reduced to no greater than 5.5 to 1.0 and 5.0 to 1.0 for the quarters ended September 30, 2017 and December 31, 2017, respectively. The leverage ratio is reduced to no greater than 4.5 to 1.0 for each quarter thereafter through maturity of the credit facilities. In addition, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million, including any dividends paid during the preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million, including any dividends paid during the preceding 12-month period.

For the six months ended June 30, 2016 and 2015, the Group has complied with the financial covenants contained in the Third Supplemental Agreement and Second Amended Credit Facilities.

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, 2016

## 16. Payables and Accrued Charges

	At June 30, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
Outstanding chips liabilities	1,444,903	1,629,372
Accrued construction and renovation costs	829,014	767,655
Special gaming tax and special levy payables	404,950	557,559
Accrued staff costs	348,493	338,140
Deposits and advances	275,704	302,489
Other casino liabilities	272,031	390,464
Other payables and accrued charges	178,912	247,035
Trade payables	50,890	60,358
Construction payables	38,498	295,720
	<b>3,843,395</b>	<b>4,588,792</b>
Current	3,839,004	4,586,279
Non-current	4,391	2,513
	<b>3,843,395</b>	<b>4,588,792</b>

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

	At June 30, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
Within 30 days	27,685	39,800
31 — 60 days	11,430	15,943
61 — 90 days	9,930	2,673
91 — 120 days	650	1,456
Over 120 days	1,195	486
	<b>50,890</b>	<b>60,358</b>

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

## 17. Share-Based Payments

As at June 30, 2016, 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 64,856,600 (December 31, 2015: 49,211,000), representing approximately 1.71% (December 31, 2015: 1.3%) of the Shares of the Company in issue at that date.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 17. Share-Based Payments (Continued)

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

### June 30, 2016

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of share options				
				Outstanding at January 1, 2016 (audited)	Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2016 (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	7,070,000	—	—	(1,000,000)	6,070,000
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.12	705,000	—	—	—	705,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.78	770,000	—	—	—	770,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.80	60,000	—	—	—	60,000
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	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.35	50,000	—	—	—	50,000
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	13,595,000	—	—	(800,000)	12,795,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.35	560,000	—	—	—	560,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.12	1,150,000	—	—	—	1,150,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.24	610,000	—	—	(150,000)	460,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.10	1,320,000	—	—	—	1,320,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.09	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.09	9,832,400	—	—	(593,200)	9,239,200
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.47	360,000	—	—	—	360,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.45	1,250,000	—	—	(50,000)	1,200,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.13	—	230,000	—	—	230,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.48	—	260,000	—	—	260,000
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.90	—	3,535,200	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.90	—	14,213,600	—	—	14,213,600
				49,211,000	18,238,800	—	(2,593,200)	64,856,600
Weighted average exercise price per Share				HK\$19.68	HK\$10.87	—	HK\$18.86	HK\$17.24
Exercisable at end of the reporting period								24,685,700

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 17. Share-Based Payments (Continued)

June 30, 2015

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2015 (audited)	Number of share options			Outstanding at June 30, 2015 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (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	8,652,800	—	—	(25,200)	8,627,600
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.12	705,000	—	—	—	705,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.78	770,000	—	—	—	770,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.80	60,000	—	—	—	60,000
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	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.35	50,000	—	—	—	50,000
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	13,855,000	—	—	(60,000)	13,795,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.35	690,000	—	—	—	690,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.12	1,150,000	—	—	—	1,150,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.24	—	710,000	—	(50,000)	660,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.10	—	1,320,000	—	—	1,320,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.09	—	2,753,600	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.09	—	10,152,800	—	—	10,152,800
				35,057,800	14,936,400	—	(135,200)	49,859,000
Weighted average exercise price per Share				HK\$22.09	HK\$14.42	—	HK\$21.94	HK\$19.79
Exercisable at end of the reporting period								18,507,600

25% of the options granted will vest on each of the first, second, third and fourth anniversaries from the date of grant of the share option. During the six months ended June 30, 2016, options were granted on February 23, 2016, May 16, 2016 and June 3, 2016 and their estimated weighted average fair values were HK\$2.85, HK\$3.18 and HK\$3.31 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 which could materially affect the fair value estimate.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 17. Share-Based Payments (Continued)

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

### Options granted on February 23, 2016 and May 16, 2016

Risk-free interest rate	1.04% to 1.43% per annum
Expected dividend yield	2.52% per annum
Expected life	4.44 to 7.00 years
Expected volatility	43.57% per annum

### Options granted on June 3, 2016

Risk-free interest rate	0.793% to 0.985% per annum
Expected dividend yield	3.11% per annum
Expected life	4.43 to 7.00 years
Expected volatility	44.82% per annum

Expected volatility used in the valuation of options granted during the year 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\$33.9 million for the six months ended June 30, 2016 (six months ended June 30, 2015: HK\$46.6 million) in relation to share options granted by the Company.

## 18. Contingent Liabilities

As at June 30, 2016, the Group has given bank guarantees totalling HK\$302.9 million (December 31, 2015: HK\$300.1 million) to certain parties, of which HK\$295.6 million (December 31, 2015: HK\$294.6 million) was issued in favor of the Macau Government as required in the Subconcession Contract and land-concession contract in respect of MGM COTAI, HK\$3.8 million (December 31, 2015: HK\$2.0 million) was issued in favor of certain vendors and HK\$3.5 million (December 31, 2015: 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, 2016

## 19. Operating Lease Commitments

### *The Group as the lessee*

	At June 30, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
Within one year	33,742	29,547
More than one year and not longer than five years	82,705	46,221
More than five years	117,385	119,302
	233,832	195,070

### *The Group as the grantor of the right of use*

	At June 30, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
Within one year	15,053	21,994
More than one year and not longer than five years	54,180	21,660
More than five years	13,569	3,741
	82,802	47,395

## 20. Capital Commitments

The Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the condensed consolidated financial statements:

	At June 30, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
Contracted but not accounted for	4,470,000	6,164,810

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 21. Other Commitments

Pursuant to the gaming contract signed with the Macau Government, MGM Grand Paradise has committed to pay an annual premium of HK\$29.1 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\$58.1 million (six months ended June 30, 2015: HK\$60.5 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, 2016.

## 22. Related Party Transactions

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

- (a)(i) Amounts due from related companies represent balances with companies owned by the immediate holding company and companies in which one of the directors has non-controlling beneficial interests. 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\$2.7 million (December 31, 2015: HK\$1.1 million) and the ultimate holding company of the Company amounting to HK\$17.7 million (December 31, 2015: HK\$24.0 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, 2016 HK\$'000 (unaudited)	At December 31, 2015 HK\$'000 (audited)
Within 30 days	20,377	24,023
31 — 60 days	—	1,043
	20,377	25,066

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 22. 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	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Rental of premises*	1,816	1,827
	Travelling and accommodation, net of discounts	29,902	41,519
Ultimate holding company	Marketing referral fees	7,062	8,145
	Marketing referral income	(536)	(334)
Company which jointly-owned by Shareholders	Developers' fees capitalized	47,482	20,159
	License fee	125,206	161,063

\* At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments to related parties under non-cancellable operating leases in respect of rented office premises of HK\$2.8 million (December 31, 2015: HK\$1.8 million) which fall due within the following two years (December 31 2015: one year).

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 between the Company, MGM Grand Paradise, MGM Branding and Development Holdings, MGM Resorts International, MGM Resorts International Holdings, Ltd. and NCE 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. 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, 2016, the annual cap is US\$62.208 million (equivalent to approximately HK\$483.3 million) and for the year ended December 31, 2015, the annual cap was US\$51.84 million (equivalent to approximately HK\$401.5 million). The annual cap will increase by 20% per annum for each financial year during the term of the Branding Agreement. During the six months ended June 30, 2016, a total license fee of HK\$125.2 million (six months ended June 30, 2015: HK\$161.1 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, ultimate holding company of the Company, 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, 2016

## 22. Related Party Transactions *(Continued)*

### (c) Compensation to key management personnel

The remuneration of key management is as follows:

	Six months ended June 30	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	52,980	65,419
Post-employment benefits	1,291	1,243
Share-based payments	22,011	27,601
	<b>76,282</b>	<b>94,263</b>

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

---

## 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 slot machine gross 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
“Director(s)”	the director(s) of our Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“EBITDA”	earnings before interest, tax, depreciation and amortization

## Glossary

---

“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the Macau Government to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“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”	the total win generated by all casino gaming activities combined, calculated before deduction 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 slot machine gross 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
“high value main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer relationship programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards

## Glossary

---

“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“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 COTAI”	our another integrated casino, hotel and entertainment complex on the Cotai Land
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“sociedade anónima”) 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

## Glossary

---

“MGM Growth Properties”	MGM Growth Properties LLC, a Delaware corporation listed on the New York Stock Exchange under the ticker symbol MGP, a real estate investment trust (REIT) and an associate corporation of the Company
“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
“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
“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
“slot machine gross 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

## Glossary

---

“Subconcession” or “Subconcession Contract”	the tripartite Subconcession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
“Subconcessionaire(s)”	the holder(s) of a subconcession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable 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

Design by MO-Design LTD., a local Macau SME. Typeset and production by iLink Group Limited.



This interim report is printed on FSC<sup>™</sup> Certified Paper. Pulps used are chlorine-free and acid-free. The FSC<sup>™</sup> logo identifies products which contain wood from well-managed forest certified in accordance with the rules of the Forest Stewardship Council<sup>®</sup>.