



MGM CHINA HOLDINGS LIMITED
美高梅中國控股有限公司



INTERIM REPORT 2018 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
	Condensed Consolidated Financial Statements
36	Report on Review of Condensed Consolidated Financial Statements
38	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
39	Condensed Consolidated Statement of Financial Position
41	Condensed Consolidated Statement of Changes in Equity
42	Condensed Consolidated Statement of Cash Flows
43	Notes to the Condensed Consolidated Financial Statements
72	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 (resigned on February 14, 2018)
 Kenneth Xiaofeng Feng (appointed on May 24, 2018)

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
 Kenneth Xiaofeng Feng (appointed on May 24, 2018)

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

Stock Code

2282

Financial Highlights

	For the six months ended	
	June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Casino revenue	8,193,851	6,571,059
Other revenue	876,183	419,935
Total revenue	9,070,034	6,990,994
Adjusted EBITDA	2,307,731	2,243,211
Operating profit	668,310	1,431,461
Profit for the period attributable to owners of the Company	704,580	1,268,335
Earnings per Share		
— Basic	HK18.5 cents	HK33.4 cents
— Diluted	HK18.4 cents	HK33.3 cents

Note: The Company adopted the new revenue recognition accounting standard (“IFRS 15”), effective January 1, 2018. Certain prior period amounts have been retrospectively adjusted under IFRS 15.

Management Discussion and Analysis

Business Overview

We are a leading developer, owner and operator of integrated casino, hotel and entertainment resorts in Macau. MGM Grand Paradise, our subsidiary, holds one of the six gaming concessions/sub-concessions permitted by the Macau Government to operate casinos or gaming areas in Macau. The Group currently owns and operates MGM MACAU and MGM COTAI. We offer high-quality gaming, hospitality and entertainment experiences to attract and retain our customers.

MGM MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 34,404 square meters, with 1,063 slot machines, 342 gaming tables, and multiple VIP and private gaming areas as at June 30, 2018. The hotel comprises a 35-storey tower with 582 deluxe rooms, suites and villas. In addition, the resort offers luxurious amenities, including 8 diverse restaurants, 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. MGM MACAU 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.

MGM COTAI

On January 25, 2018, the Group received notification from the Gaming Inspection and Coordination Bureau of Macau ("DICJ") of the approval of 100 new gaming tables and 982 slot machines for operation at MGM COTAI in January 2018, and 25 new gaming tables for operation effective on January 1, 2019 for a total of 125 new gaming tables at MGM COTAI in aggregate. In addition, DICJ also approved the initial transfer of 77 gaming tables from MGM MACAU to MGM COTAI.

Under the land concession of MGM COTAI, the Group was required to complete the development by January 2018. The development period of this land concession extended for 3 months to April 2018 by the Macau Government, without payment of any fines, due to the delays caused by Typhoon Hato that struck Macau in 2017.

MGM COTAI opened on February 13, 2018 with an expected total development cost of approximately HK\$27 billion, excluding land costs and capitalized interest. The resort is conveniently located with multiple access points from other Cotai hotels and public offerings. The casino floor offers approximately 15,568 square meters, with 1,147 slot machines and 185 gaming tables as at June 30, 2018. The hotel comprises two towers with 1,315 deluxe rooms and suites, 12 diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM COTAI allows us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. The Spectacle, situated at the heart of MGM COTAI, is enriched with incredible experiential technology elements to entertain our guests. MGM COTAI will offer Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. Our new VIP gaming areas are anticipated to be opened by October's Golden week of 2018 with addition of a number of significant gaming promoters. This will allow us to expand our gaming operations and enhance our competitiveness. In addition, our ultra-luxury The Mansion is expected to launch in the fourth quarter of 2018.

Management Discussion and Analysis

Our Competitive Strengths and Operating Strategies

We have a number of competitive strengths including:

- Our international expertise in providing exciting and diversified entertainment offerings;
- Segment and targeted marketing to various customer groups through our Mlife customer loyalty program;
- Strong analytical capability for operations and marketing; and
- Effective execution of our strategies by our experienced operations team.

To build on our competitive strengths, we constantly implement the following strategies including continuous improvement in customer experience, employee engagement and operational efficiency.

- Make enhancements and refinements in our resorts such as the key gaming areas to enhance traffic flow and capture more high-end mass business;
- Review our business relationship with each of our gaming promoters and identify potential gaming promoters to grow our VIP business;
- Develop and diversify our offerings to cater to different market segments;
- Introduce innovative gaming products and technologies to enhance customer experience and maintain competitive advantage;
- Develop our Mlife customer loyalty program in order to increase brand awareness and customer loyalty;
- Work on technologies to enhance our analytical capability for operations and marketing to deliver personalized marketing programs;
- Manage our gaming mix by evaluating table yield and the number of table open hours in relation to business volume and maximize our table utilization and profitability;
- Bring world class arts and culture to entertain the local community and drive international visitation; and
- Invest in professional and service training to our employees with the goal of building a culture of excellence in executing customer experience.

Management Discussion and Analysis

Macau Gaming Market

The Macau gaming market has recovered since August 2016 and additional capacity has been added in recent years with several new large-scale integrated resorts opened in Cotai. Total gross gaming revenue in the Macau market increased by 18.9% to HK\$145.8 billion in the first half of 2018 over the comparable period in 2017.

Despite the recovery, a number of factors have adversely impacted the Macau gaming market commencing from the second half of 2014 as a result of China and Macau Government policies began to take effect including:

- The introduction of smoking restrictions on mass gaming floors implemented in October 2014;
- Extension of smoking restriction from mass gaming floors to VIP areas effective on January 1, 2018 which requires smoking lounges to be set up in all VIP areas and the existing smoking lounges in the mass gaming floors to be upgraded to comply with the enhanced technical standards within a one-year transition period after the effective date;
- Certain political initiatives introduced by the China and Macau Governments, including an anti-corruption campaign, currency transfer restrictions and a border currency declaration system. This particularly affected the number of high-end or premium players visiting the Group's VIP, main floor and slot machine gaming operations; and
- Tightened regulations on financial accounting, anti-money laundering reporting and accounting records required to be maintained for gaming promoters (started in the fourth quarter of 2015) and a ban on mobile telephone usage at VIP gaming tables from May 2016. These changes particularly impacted the Group's VIP gaming performance.

Tourism

The Statistics and Census Service of the Macau Government reported that visitor arrivals reached 16.8 million in the first half of 2018 which increased by 8.0% over the comparable period in 2017. Customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. Approximately 69.6% of visitors to Macau in the first half of 2018 were from mainland China which increased by 13.3% over the prior period and reached 11.7 million.

We are optimistic about the long-term growth of the Macau market due to:

- The financial investments made by gaming concessionaires, including MGM China, in the opening of new properties providing superior and diversified products to further position Macau as a world class tourism center;
- Infrastructure improvements, such as the opening of Taipa Ferry Terminal in June 2017; the expansion of the Macau Airport; the expected opening of the Hong Kong – Zhuhai – Macau bridge during 2018; the Zhuhai and Macau border gate 24-hour single check point; the Macau Light Rapid Transit System, that are all expected to facilitate more convenient travel to Macau;
- The ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in China; and
- The continuous growth of China outbound tourism, particularly in light of the growing middle class.

Management Discussion and Analysis

Competition

Currently, there are six gaming concessionaires operating in Macau, each of which has completed or has expansion plans underway. As at June 30, 2018, there were 41 casinos in Macau. Several development projects in the Cotai area were completed prior to our MGM COTAI opening on February 13, 2018. In addition, there are several development projects anticipated in the coming years. There is a continuing market share migration from the Macau Peninsula to Cotai. Our overall gaming market share increased from 7.2% for the six months ended June 30, 2017 to 7.6% for the six months ended June 30, 2018 due in part to the opening of MGM COTAI.

Our competition is not geographically limited to the Macau market. We compete with similar businesses in other parts of world including, but not limited to, integrated resorts in Cambodia, Vietnam, Saipan, South Korea, Singapore, the Philippines, Australia and Las Vegas.

Segment Information

The Group has determined its operating segments based upon the reports reviewed by the Group's Chief Executive Officer (being the chief operating decision-maker, "CODM") when allocating resources and assessing performance of the Group.

The Group's principal operating activities occur in Macau, which is the primary geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its operating segments being MGM MACAU and MGM COTAI (which opened on February 13, 2018). Each of the operating segments derives its revenue primarily from casino, hotel rooms, food and beverage and retail operations. MGM MACAU and MGM COTAI have been aggregated into one reportable segment on the basis that they have similar economic characteristics, types of customers, types of services and products provided, and the regulatory environments in which they operate. Adjusted EBITDA is considered to be the primary profit measure for the reportable segment.

Adjusted EBITDA

Adjusted EBITDA is profit before finance costs, income tax benefit/expense, 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 report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

Management Discussion and Analysis

The following table presents the reconciliation of the Group's adjusted EBITDA to profit attributable to owners of the Company for the six months ended June 30, 2018 and 2017:

	For the six months ended	
	June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA:		
MGM MACAU	2,046,614	2,243,211
MGM COTAI	261,117	—
Total adjusted EBITDA	2,307,731	2,243,211
Share-based payments	(40,170)	(38,864)
Corporate expenses	(232,515)	(190,268)
Pre-opening costs ⁽¹⁾	(425,179)	(153,120)
Loss on disposal/write-off of property and equipment and construction in progress	(4,309)	(2,582)
Depreciation and amortization	(937,248)	(426,916)
Interest income	4,719	2,094
Finance costs	(265,233)	(3,507)
Net foreign currency (loss)/gain	(5,579)	12,499
Income tax benefit/(expense)	302,363	(174,212)
Profit attributable to owners of the Company	704,580	1,268,335

(1) Pre-opening costs primarily represented personnel and other costs incurred prior to the opening of MGM COTAI.

Management Discussion and Analysis

Discussion of Results of Operations

Financial results for the six months ended June 30, 2018 compared to financial results for the six months ended June 30, 2017.

Operating Revenue

The following table sets forth the operating revenue for the six months ended June 30, 2018 and 2017.

	For the six months ended June 30	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
MGM MACAU		
Casino revenue	6,471,349	6,571,059
Other revenue	483,170	419,935
	6,954,519	6,990,994
MGM COTAI ⁽¹⁾		
Casino revenue	1,722,502	—
Other revenue	393,013	—
	2,115,515	—
Total operating revenue	9,070,034	6,990,994

Note: The Company adopted the new revenue recognition accounting standard ("IFRS 15"), effective January 1, 2018. Certain prior period amounts have been retrospectively adjusted under IFRS 15.

(1) MGM COTAI opened on February 13, 2018.

Total operating revenue of HK\$9,070.0 million for the six months ended June 30, 2018 was 29.7% higher than the prior period and included for the first time the results of MGM COTAI which opened on February 13, 2018. The recovery of the Macau gaming market that commenced in August 2016 resulted in us recording higher gaming volume in the current period compared to the prior period but reported casino revenue was adversely impacted by the decrease in table games win percentages and slot hold percentage during the current period as shown in the summary statistics table.

Management Discussion and Analysis

Summary Statistics

The following table presents the key measurements we use to evaluate operating revenue.

	For the six months ended	
	June 30	
	2018	2017
(in thousands, except for number of gaming units, percentage, and revenue per available room ("REVPAR"))	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
MGM MACAU		
VIP table games turnover	152,879,873	127,887,296
VIP gross table games win ⁽¹⁾	4,327,309	4,035,162
VIP table games win percentage (calculated before commissions, complimentarys and other incentives)	2.83%	3.16%
Average daily gross win per VIP gaming table	193.8	151.6
Main floor table games drop	20,421,299	19,183,744
Main floor gross table games win ⁽¹⁾	3,659,877	3,981,479
Main floor table games win percentage	17.9%	20.8%
Average daily gross win per main floor gaming table	84.6	81.3
Slot machine handle	17,499,870	14,581,124
Slot machine gross win ⁽¹⁾	759,439	654,998
Slot hold percentage	4.3%	4.5%
Average daily win per slot	4.0	3.5
Commissions, complimentarys and other incentives ⁽¹⁾	(2,275,275)	(2,100,580)
Room occupancy rate	97.0%	95.4%
REVPAR	1,936	1,979
	As at June 30	
	2018	2017
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	342	427
Slot machines	1,063	990

Management Discussion and Analysis

	For the six months ended June 30 2018 HK\$'000 (unaudited)
(in thousands, except for number of gaming units, percentage, and REVPAR)	
MGM COTAI ⁽³⁾	
VIP table games turnover	5,436,607
VIP gross table games win ⁽¹⁾	139,879
VIP table games win percentage (calculated before commissions, complimentarys and other incentives)	2.57%
Average daily gross win per VIP gaming table	89.7
Main floor table games drop	8,182,902
Main floor gross table games win ⁽¹⁾	1,559,321
Main floor table games win percentage	19.1%
Average daily gross win per main floor gaming table	67.9
Slot machine handle	8,348,660
Slot machine gross win ⁽¹⁾	320,913
Slot hold percentage	3.8%
Average daily win per slot	2.0
Commissions, complimentarys and other incentives ⁽¹⁾	(297,612)
Room occupancy rate	88.6%
REVPAR	1,218
As at June 30 2018 (unaudited)	
Gaming Units:	
Tables ⁽²⁾	185
Slot machines	1,147

- (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 commissions, complimentarys and other incentives. The following table sets forth a reconciliation of the gaming wins to casino revenue.

Management Discussion and Analysis

	For the six months ended June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
VIP gross table games win	4,467,188	4,035,162
Main floor gross table games win	5,219,198	3,981,479
Slot machine gross win	1,080,352	654,998
Gross casino revenue	10,766,738	8,671,639
Commissions, complimentaries and other incentives	(2,572,887)	(2,100,580)
Casino revenue	8,193,851	6,571,059

- (2) Table count as at June 30, 2018 and 2017.
- (3) MGM COTAI opened on February 13, 2018.

Note: The Company adopted the new revenue recognition accounting standard ("IFRS 15"), effective January 1, 2018. Certain prior period amounts have been retrospectively adjusted under IFRS 15.

Casino Revenue

Casino revenue increased by 24.7% to HK\$8,193.9 million for the six months ended June 30, 2018. The components of our gaming operations were:

VIP Gaming Operations

Gaming Promoters

A significant amount of our VIP casino play is referred to us by gaming promoters, with whom we have established good business relationships and who have historically played an important role in the Macau gaming market. Gaming promoters introduce high-end VIP players to us and normally assist those customers with their travel and entertainment arrangements.

From time to time and on a case-by-case basis, we grant credit, which is non-interest bearing, to certain gaming promoters at the beginning of each month to facilitate their working capital requirements. The credit is typically secured by the commissions earned along with business or personal cheques, promissory notes and financial guarantors.

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. The commission is settled on a monthly basis normally no later than the second business day of the succeeding month and prior to the re-issuance of credit.

Management Discussion and Analysis

They also earn a complimentary allowance based on a percentage of the table games turnover they generate, which can be applied to hotel rooms, food, beverage and other discretionary customer-related expenses.

The quality of gaming promoters with whom we engage in business is important to our reputation and ability to operate in compliance with our Sub-concession Contract and Macau gaming laws. We continue to review our business relationship with each of our gaming promoters and identify potential new gaming promoters having particular regard to their financial performance and management capability.

In-house VIP players

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, food and beverage based on a percentage of their rolling chip turnover.

We selectively grant credit to certain in-house VIP players whose level of play and financial resources meet our approval criteria. This credit is typically unsecured although we may be provided front money as a deposit, or security by personal cheques as collateral.

We conduct a number of credit checking procedures including the receipt of various signed documents from each credit recipient. If permitted by applicable laws, these documents may aid in legally enforcing collections in countries where the gaming promoters and VIP players reside.

In order to minimize the credit risk with gaming promoters and in-house VIP players, the Group has a designated management team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover all receivables. We have been successful in collecting some receivables previously considered to be irrecoverable. We regularly review the recoverable amount of each individual debt to ensure that adequate impairment losses are made for irrecoverable amounts.

Despite the market share migration from the Macau Peninsula to Cotai and the fact that the VIP gaming areas for gaming promoters are not anticipated to be opened at MGM COTAI until the October's Golden Week of 2018, our VIP gross table games win increased by 10.7% to HK\$4,467.2 million for the six months ended June 30, 2018. The increase was primarily due to an increase in turnover by 23.8% to HK\$158,316.5 million in the first half of 2018 and partly offset by the decrease in VIP table games win percentage.

Management Discussion and Analysis

Main Floor Table Gaming Operations

Main floor table gaming operations in the Macau market are also referred to as the “mass marketing 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 this operation represents the most potential for sustainable growth in the future.

Mass floor table games win increased by 31.1% to HK\$5,219.2 million for the six months ended June 30, 2018 primarily due to opening of MGM COTAI and an increase in drop by 49.1% to HK\$28,604.2 million. The increase was partly offset by a decrease in main floor table games win percentage in the first half of 2018. Despite the market share migration from the Macau Peninsula to Cotai, the effect on our revenues at MGM MACAU was mitigated by our continuous efforts to improve the gaming experience of our high value main floor players in MGM MACAU by renovating the dedicated exclusive gaming space for their use. We continued to reallocate tables from VIP gaming to our main floor gaming areas to maximize our yield. We leveraged our Golden Lion Club as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotions. In addition, we believe the opening of MGM COTAI allows us to enhance our market share.

Slot Machine Gaming Operations

Slot machine gross win increased by 64.9% to HK\$1,080.4 million for the six months ended June 30, 2018 primarily due to the opening of MGM COTAI and an increase in handle by 77.3% to HK\$25,848.5 million. The increase was partly offset by a decrease in slot hold percentage in the first half of 2018.

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and increased by 108.6% to HK\$876.2 million for the six months ended June 30, 2018 primarily due to the opening of MGM COTAI on February 13, 2018 that brought more non-gaming offerings on line. The non-gaming facilities and services are important to establish our brand and maintain our popularity in Macau and the region in order to encourage visitation and extend the length of customers' stay within our integrated resorts.

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. In the first half of 2018, we have brought two new art exhibitions into MGM MACAU including the “Giraffe-ic Park” and “ART IS PLAY” to support our goals of diversification and driving incremental visitors into our resorts.

With the opening of MGM COTAI on February 13, 2018, we continue to deliver exciting and memorable events at our properties for the benefit of our customers in support of the Macau Government's vision for diversification. Such elements include the explicit Art Collection of 28 Chinese imperial carpets dating from Qing Dynasty that once adorned the Forbidden City in Beijing; the innovative Spectacle and Asia's first dynamic theater featuring multi-dimensional sensory experience enriched with incredible experiential technology elements which we believe will break the boundaries between imagination and reality to delight and captivate our guests.

Management Discussion and Analysis

These non-gaming offerings attract visitors to our resorts and create a sense of anticipation among our customers, local communities and tourists about the activities at MGM MACAU and MGM COTAI. In addition, we continue to improve customer experience by enhancing our hotel rooms, food, beverage, retail and entertainment offerings by expanding and refurbishing our non-gaming areas.

Operating Costs and Expenses

The major operating costs and expenses for the six months ended June 30, 2018 and 2017 were:

	For the six months ended June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Special gaming tax and special levy to the Macau Government	4,335,259	3,449,619
Inventories consumed	302,758	133,789
Staff costs	1,823,955	1,052,940
Other expenses and losses	1,002,504	496,269
Depreciation and amortization	937,248	426,916
Finance costs	265,233	3,507
Income tax (benefit)/expense	(302,363)	174,212

Note: The Company adopted the new revenue recognition accounting standard ("IFRS 15"), effective January 1, 2018. Certain prior period amounts have been retrospectively adjusted under IFRS 15.

Special gaming tax and special levy to the Macau Government

Special gaming tax and special levy to the Macau Government increased by 25.7% to HK\$4,335.3 million for the six months ended June 30, 2018. This increase was mainly attributable to the higher gross casino win generated after the opening of MGM COTAI during the current period.

Inventories consumed

Inventories consumed increased by 126.3% to HK\$302.8 million for the six months ended June 30, 2018. This increase was primarily due to increase in consumptions of supplies, including gaming supplies such as cards and other supplies in response to our business activities and the opening of MGM COTAI.

Staff costs

Staff costs increased by 73.2% to HK\$1,824.0 million for the six months ended June 30, 2018 which was primarily due to hiring of additional staff for the pre-opening and operation of MGM COTAI, and one-time bonus during the current period.

Management Discussion and Analysis

Other expenses and losses

Other expenses and losses increased by 102.0% to HK\$1,002.5 million for the six months ended June 30, 2018, which mainly resulted from:

Advertising and promotion expense. Advertising and promotion expense increased by 148.4% from HK\$127.1 million for the six months ended June 30, 2017 to HK\$315.8 million for the six months ended June 30, 2018. This increase resulted from more marketing activities being organized during the current period in response to the increased competition and the opening of MGM COTAI.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 21.2% from HK\$137.3 million for the six months ended June 30, 2017 to HK\$166.5 million for the six months ended June 30, 2018. This increase primarily resulted from the higher revenue generated after the opening of MGM COTAI during the current period.

Allowance/(reversal of allowance) for doubtful debts, net. Allowance for doubtful debts, net, was an expense of HK\$26.4 million for the six months ended June 30, 2018 compared to a gain of HK\$28.8 million for the six months ended June 30, 2017. The prior period gain primarily resulted from recovery of doubtful debts provided for in previous years.

Depreciation and amortization

Depreciation and amortization increased by 119.5% to HK\$937.2 million for the six months ended June 30, 2018. This increase was primarily due to renovation works completed and placed into service at MGM MACAU since the second half of 2017 as well as the opening of MGM COTAI on February 13, 2018. This was partly offset by the impact of full depreciation of certain assets during the current period and a change in the estimated useful lives of buildings and improvements, which was effective from November 1, 2017, to better reflect the estimated periods during which these assets are expected to remain in service.

Finance costs

Total borrowing costs increased by HK\$78.9 million during the current period to HK\$395.6 million mainly due to a HK\$81.6 million increase in interest incurred for additional bank borrowings as well as an increase in interest rate.

Finance costs increased from HK\$3.5 million for the six months ended June 30, 2017 to HK\$265.2 million for the six months ended June 30, 2018 mainly due to a HK\$182.9 million decrease in capitalized interest as MGM COTAI opened on February 13, 2018.

Income tax (benefit)/expense

Income tax benefit for the six months ended June 30, 2018 primarily relates to the reversal of HK\$302.7 million difference between the deferred tax liability of HK\$317.1 million provided on the distributable profit of MGM Grand Paradise, calculated at the applicable statutory rate at December 31, 2017, and the amount granted by the Macau Government under the extended tax concession arrangement in the first quarter of 2018. Details of income tax (benefit)/expense are set out in note 7 to the condensed consolidated financial statements.

Management Discussion and Analysis

Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased by 44.4% from HK\$1,268.3 million to HK\$704.6 million over the comparable periods in 2017 and 2018. The decrease was due primarily to MGM COTAI being in the ramp-up phase of operations following its opening on February 13, 2018 and lower table games win percentages and slot hold percentage compared to the prior period.

Liquidity and Capital Resources

Capital Resources

As at June 30, 2018, our bank and cash balances and available undrawn credit facilities were HK\$3.52 billion and HK\$7.03 billion respectively. This balance is available for operations, new development activities, enhancement to our properties, repayment of bank borrowings and other corporate purposes.

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, 2018 and December 31, 2017.

	As at	
	June 30 2018 HK\$'000 (unaudited)	December 31 2017 HK\$'000 (audited)
Bank borrowings, net of debt finance costs	16,123,151	17,839,219
Less: bank balances and cash	(3,518,629)	(5,283,387)
Net debt	12,604,522	12,555,832
Total equity	8,791,389	8,512,356
Total capital	21,395,911	21,068,188
Gearing ratio	58.9%	59.6%

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, 2018 and 2017.

	For the six months ended	
	June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	2,881,480	2,648,004
Net cash used in investing activities	(2,065,937)	(3,967,066)
Net cash (used in)/generated from financing activities	(2,579,381)	918,847
Net decrease in cash and cash equivalents	(1,763,838)	(400,215)
Cash and cash equivalents at the beginning of the period	5,283,387	3,547,130
Effect of foreign exchange rate changes, net	(920)	492
Cash and cash equivalents at the end of the period	3,518,629	3,147,407

Net cash generated from operating activities

Our net cash generated from operating activities was primarily affected by operating income generated and changes in working capital. Net cash from operating activities was HK\$2,881.5 million for the six months ended June 30, 2018 compared to HK\$2,648.0 million for the six months ended June 30, 2017. The increase mainly resulted from the improvement in our working capital which was partly offset by a decrease in operating profit during the current period.

Net cash used in investing activities

Net cash used in investing activities was HK\$2,065.9 million for the six months ended June 30, 2018 compared to HK\$3,967.1 million for the six months ended June 30, 2017. The major components of the cash flow used in investing activities related to payments for the construction of MGM COTAI and renovation work carried out at MGM MACAU as well as purchase of property and equipment in total amounting to HK\$1,920.1 million and HK\$3,682.6 million for the six months ended June 30, 2018 and 2017 respectively. Other payments primarily related to the developers' fees due to a related company in both periods while the prior period amount also included payments of the land use right premium.

Net cash (used in)/generated from financing activities

Net cash used in financing activities was HK\$2,579.4 million for the six months ended June 30, 2018 compared to HK\$918.8 million of net cash generated from financing activities for the six months ended June 30, 2017. The decrease mainly resulted from repayment of HK\$2,818.0 million of credit facilities and dividend payments of HK\$368.6 million during the current period compared to HK\$1,800.0 million of credit facilities drawn and HK\$608.0 million of dividend paid in the prior period.

Management Discussion and Analysis

Capital Commitments

As at June 30, 2018, 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 2018 HK\$'000 (unaudited)	December 31 2017 HK\$'000 (audited)
Contracted but not accounted for	492,566	642,581

Contingent Liabilities

As at June 30, 2018 and December 31, 2017, the Group had given bank guarantees totaling HK\$299.1 million and HK\$302.6 million respectively in relation to the Sub-Concession, land concession and other operating purposes.

The Group has been named as a defendant in legal proceedings filed in the Macau Court of First Instance against two independent Macau gaming promoters by individuals who claim to have placed cash deposits with gaming promoters who had operations at MGM MACAU, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. These cases are at an early stage and the Group intends to vigorously defend its position that it is not liable. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

Indebtedness

As at June 30, 2018 and December 31, 2017, the Group had drawn down bank borrowings of HK\$16.37 billion and HK\$17.99 billion under our Fifth Supplemental Agreement and Fourth Supplemental Agreement, respectively. The Group had HK\$7.03 billion and HK\$4.81 billion available to draw as at June 30, 2018 and December 31, 2017 respectively under those agreements.

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.

The second amended and restated credit agreement (the "Second Amended Credit Facilities") which became effective on June 12, 2015 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.

Management Discussion and Analysis

Further amendments to the Group's borrowing facilities were executed on February 2, 2016 (the "Third Supplemental Agreement") and February 15, 2017 (the "Fourth Supplemental Agreement") to provide the Group with the necessary covenant flexibility while MGM COTAI was in the construction phase.

An amendment to the Fourth Supplemental Agreement was executed (the "Fifth Supplemental Agreement") on June 15, 2018. The Fifth Supplemental Agreement, effective on June 22, 2018, amended certain major terms of the Credit Facilities as follows: (i) the total revolving credit commitments (the "Total Revolving Credit Commitments") under the Second Amended Credit Facilities were reduced from HK\$11.31 billion to HK\$7.8 billion; and the total term loan commitments under the Second Amended Credit Facilities were increased from HK\$12.09 billion to HK\$15.6 billion (the aggregate amount under the Second Amended Credit Facilities remained unchanged); (ii) the final maturity date of the Second Amended Credit Facilities was extended from April 29, 2019 to June 26, 2022, but no revolving credit loans or term loans shall remain outstanding after, and no revolving credit or term loan commitments shall be available after, in each case, March 31, 2022. Save as disclosed above, other major terms under the Second Amended Credit Facilities remained unchanged.

The Group intends and has the ability to make the repayments of the term loan by drawing down on its available non-current credit facility. Bank borrowings of HK\$3.12 billion due to be paid within the next twelve months as at June 30, 2018 was classified as non-current.

Principal and Interest

The Fifth Supplemental Agreement bears interest at HIBOR plus a margin in the range of 1.375% to 2.50% per annum, as determined by the Group's leverage ratio. The term loan facility is repayable in installments of 5% of the principal amount on a quarterly basis commencing in September 30, 2018, and a final installment of 30% of the principal amount in March 31, 2022. As at June 30, 2018, HK\$15.6 billion of the term loan facility was fully drawn while HK\$7.03 billion of the revolving credit facility was undrawn and available for utilization up to March 2022. Each drawdown under the revolving credit facility is to be repaid in full no later than March 31, 2022. As at June 30, 2018, the Group paid interest at HIBOR plus 2.50% per annum (December 31 2017: HIBOR plus 2.50% per annum). The weighted average interest rate on the Group's borrowings for the six months ended June 30, 2018 was 4.75% per annum (six months ended June 30, 2017: 3.98% per annum).

General Covenants

The Fifth Supplemental Agreement 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. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

The leverage ratio under the Fifth Supplemental Agreement is required to be no greater than 6.0 to 1.0 for the quarter ended June 30, 2018. This ratio is reduced to no greater than 5.5 to 1.0 for quarter ended September 30, 2018, no greater than 5.0 to 1.0 for quarter ended December 31, 2018, and no greater than 4.5 to 1.0 for each accounting period occurring on and after March 31, 2019 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.

Management Discussion and Analysis

Compliance with Covenants

The Group has complied with the general and financial covenants contained in the Fifth Supplemental Agreement, the Fourth Supplemental Agreement and the Third Supplemental Agreement for the six months ended June 30, 2018 and 2017.

Mandatory Prepayments

The Fifth Supplemental Agreement contains 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.

In addition, in the event that MGM Grand Paradise does not obtain an extension to its gaming sub-concession arrangement under the Sub-Concession Contract (the “Sub-Concession Extension”) by March 31, 2020, the revolving credit facility will be reduced to HK\$4.68 billion on March 31, 2020. Any revolving credit loans in excess of HK\$4.68 billion outstanding on such date shall be prepaid together with accrued interest on such date (and not thereafter available for redrawing) and the Total Revolving Credit Commitments shall be reduced on such date to HK\$4.68 billion; and if, after any initial Sub-Concession Extension or any subsequent Sub-Concession Extensions, such gaming sub-concession arrangement expires prior to March 31, 2022, the revolving credit facility will be reduced to HK\$4.68 billion on the date of the expiry of such gaming sub-concession arrangement after any Sub-Concession Extension.

Dividend Restrictions

Under the Fifth Supplemental Agreement, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million (equivalent to approximately HK\$1.2 billion), 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 (equivalent to approximately HK\$2.3 billion), including any dividends paid during the preceding 12-month period. As at June 30, 2018, our leverage ratio was approximately 3.59.

Events of Default

The Fifth Supplemental Agreement contains certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Fifth Supplemental Agreement, 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.

Management Discussion and Analysis

Market Risk

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

Foreign Exchange Risk

The Group's principal operations are primarily conducted and recorded in HK\$. The financial statements of foreign operations are translated into HK\$ which is the Company's functional and presentation currency. The cash received from gaming activities is primarily in HK\$. The Group reports gross gaming win to the Macau Government in MOP and gaming taxes are paid in HK\$. Our operating expenses and capital expenditures are primarily denominated in MOP and HK\$. MOP is pegged to the HK\$ at a constant rate and accordingly we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The Group holds bank balances and deposits denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises assets denominated in Singapore Dollars, US\$, Taiwan Dollars, Renminbi and Canadian Dollars. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates.

Interest Rate Risk

The Group's exposure to fair value interest rate risk is minimal as the Group's borrowings and bank balances are at variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances and bank borrowings. Our cash flow interest rate risk on bank balances is considered insignificant due to current low interest rates for bank deposits. 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.

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, we have made and will continue to incur related capital expenditures on enhancements and refinements for our resorts to increase revenue. In addition, we will continue to incur capital expenditure as we are focusing on completion of the Mansion and other areas at MGM COTAI.

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, 2018, MGM Grand Paradise employed 10,126 full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM MACAU, shared service operations and MGM COTAI team members.

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 our 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 month 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 8, 2018, the Board announced that it had resolved to declare the payment of an interim dividend of HK\$0.064 per Share (the “Interim Dividend”), amounting to approximately HK\$243.2 million in aggregate, representing approximately 34.5% of the Group’s profit attributable to owners of the Company for the six months ended June 30, 2018. The register of members will be closed from August 23, 2018 to August 27, 2018, 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 September 10, 2018 to the Shareholders whose names would appear on the register of members on August 27, 2018. The Board has resolved to declare the Interim Dividend after reviewing the Group’s general financial position as at August 8, 2018, 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. 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, 2018, 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 ⁽¹⁾	—	474,561,200 ⁽²⁾	854,561,200	22.49%
Grant R. Bowie	18,944,800 ⁽³⁾	—	—	18,944,800	0.50%

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

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

Other Information

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

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren	35,065 ⁽⁶⁾	—	—	—	35,065	0.0065%
	230,543 ⁽⁷⁾	—	—	—	230,543	0.0429%
	4,437 ⁽⁸⁾	—	—	—	4,437	0.0008%
	1,335,537 ⁽⁹⁾	—	—	—	1,335,537	0.2483%
	27,004 ⁽¹⁰⁾	—	—	—	27,004	0.0050%
	395,435 ⁽¹¹⁾	—	—	—	395,435	0.0735%
	—	—	—	481,960 ⁽¹²⁾	481,960	0.0896%
Pansy Ho	—	175,329 ⁽¹³⁾	—	—	175,329	0.0326%
	—	—	16,149,210 ⁽¹⁴⁾	—	16,149,210	3.0025%
William Joseph Hornbuckle	—	—	11,060,492 ⁽¹⁵⁾	—	11,060,492	2.0564%
	18,163 ⁽¹⁶⁾	—	—	—	18,163	0.0034%
	61,021 ⁽¹⁷⁾	—	—	—	61,021	0.0113%
	1,113 ⁽¹⁸⁾	—	—	—	1,113	0.0002%
	492,569 ⁽¹⁹⁾	—	—	—	492,569	0.0916%
	9,867 ⁽²⁰⁾	—	—	—	9,867	0.0018%
William M. Scott IV	—	—	—	122,848 ⁽²¹⁾	122,848	0.0228%
	28,152 ⁽²²⁾	—	—	—	28,152	0.0052%
	9,384 ⁽²³⁾	—	—	—	9,384	0.0017%
	14,749 ⁽²⁴⁾	—	—	—	14,749	0.0027%
	246 ⁽²⁵⁾	—	—	—	246	0.00005%
	77,480 ⁽²⁶⁾	—	—	—	77,480	0.0144%
Daniel J. D'Arrigo	1,505 ⁽²⁷⁾	—	—	—	1,505	0.0003%
	39,458 ⁽²⁸⁾	—	—	—	39,458	0.0073%
	150,000 ⁽²⁹⁾	—	—	—	150,000	0.0279%
	7,363 ⁽³⁰⁾	—	—	—	7,363	0.0014%
	34,547 ⁽³¹⁾	—	—	—	34,547	0.0064%
	625 ⁽³²⁾	—	—	—	625	0.0001%
Kenneth A. Rosevear*	317,059 ⁽³³⁾	—	—	—	317,059	0.0589%
	6,451 ⁽³⁴⁾	—	—	—	6,451	0.0012%
	185,676 ⁽³⁵⁾	—	—	—	185,676	0.0345%
	8,884 ⁽³⁶⁾	—	—	—	8,884	0.0016%
	13,963 ⁽³⁷⁾	—	—	—	13,963	0.0025%
Kenneth Xiaofeng Feng**	130 ⁽³⁸⁾	—	—	—	130	0.00002%
	73,348 ⁽³⁹⁾	—	—	—	73,348	0.0130%
	890 ⁽⁴⁰⁾	—	—	—	890	0.0002%
	32,119 ⁽⁴¹⁾	—	—	—	32,119	0.0060%
Kenneth Xiaofeng Feng**	23,384 ⁽⁴²⁾	—	—	—	23,384	0.0043%
	8,053 ⁽⁴³⁾	—	—	—	8,053	0.0015%
	113 ⁽⁴⁴⁾	—	—	—	113	0.00002%
	5,956 ⁽⁴⁵⁾	—	—	—	5,956	0.0011%

Other Information

(d) Long Positions in the Common Stocks and Underlying Shares of Associated Corporations – MGM Growth Properties ⁽⁴⁶⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren	37,705 ⁽⁴⁷⁾	—	—	—	37,705	0.0532%
	—	250,000 ⁽⁴⁸⁾	—	—	250,000	0.3526%
Pansy Ho	—	—	1,000,000 ⁽⁴⁹⁾	—	1,000,000	1.4102%
William Joseph Hornbuckle	31,671 ⁽⁵⁰⁾	—	—	—	31,671	0.0447%
	—	—	—	7,541 ⁽⁵¹⁾	7,541	0.0106%
Daniel J. D'Arrigo	27,623 ⁽⁵²⁾	—	—	—	27,623	0.0390%
Kenneth A. Rosevear*	100,000 ⁽⁵³⁾	—	—	—	100,000	0.1411%

Notes:

- (1) These represent the Shares beneficially held by Pansy Ho in her personal capacity.
- (2) Pansy Ho was deemed to be interested in 474,561,200 Shares held by Grand Paradise Macau Limited, a company which she controls.
- (3) This represents 18,944,800 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 16 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 35,065 vested RSUs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (7) This represents 230,543 unvested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.

Other Information

- (8) This represents 4,437 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Joseph Murren.
- (9) This represents 834,711 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.
- (10) This represents 16,878 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (11) These represent the common stock of MGM Resorts International held by James Joseph Murren.
- (12) These represent the common stock of MGM Resorts International indirectly held through Grantor Retained Annuity Trust.
- (13) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (14) These represent the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Pansy Ho has control.
- (15) These represent the common stock of MGM Resorts International held by Expert Angels Limited, a company which Pansy Ho has control.
- (16) This represents 18,163 vested RSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (17) This represents 61,021 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (18) This represents 1,113 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.
- (19) This represents 307,856 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.
- (20) This represents 6,167 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (21) These represent the common stock of MGM Resorts International indirectly held through trust.
- (22) This represents 28,152 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (23) This represents 9,384 unvested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (24) This represents 14,749 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.
- (25) This represents 246 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William M. Scott IV.
- (26) This represents 48,425 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.

Other Information

- (27) This represents 941 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by William M. Scott IV. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (28) These represent the common stock of MGM Resorts International held by William M. Scott IV.
- (29) This represents 150,000 vested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (30) This represents 7,363 vested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (31) This represents 34,547 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (32) This represents 625 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. D'Arrigo.
- (33) This represents 198,162 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.
- (34) This represents 4,032 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by Daniel J. D'Arrigo. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (35) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (36) This represents 8,884 unvested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear*, representing approximately 0.0016% of the issued shares in MGM Resorts International, as at February 14, 2018.
- (37) This represents 13,963 unvested RSUs in the common stock of MGM Resorts International held by Kenneth A. Rosevear*, representing approximately 0.0025% of the issued shares in MGM Resorts International, as at February 14, 2018.
- (38) This represents 130 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth A. Rosevear*, representing approximately 0.00002% of the issued shares in MGM Resorts International, as at February 14, 2018.
- (39) This represents 45,843 unvested PSUs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear*, representing approximately 0.0130% of the issued shares in MGM Resorts International, as at February 14, 2018. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (40) This represents 556 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by Kenneth A. Rosevear*, representing approximately 0.0002% of the issued shares in MGM Resorts International, as at February 14, 2018. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (41) This represents 32,119 vested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng**,
- (42) This represents 23,384 unvested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng**.
- (43) This represents 8,053 unvested RSUs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng**.
- (44) This represents 113 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth Xiaofeng Feng**.
- (45) These represent the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng**.

Other Information

- (46) 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.
- (47) These represent the common stock of MGM Growth Properties held by James Joseph Murren.
- (48) These represent the common stock of MGM Growth Properties held by Spousal Limited Access Trusts.
- (49) These represent the common stock of MGM Growth Properties held by August City Limited, a company which Pansy Ho has control.
- (50) These represent the common stock of MGM Growth Properties held by William Joseph Hornbuckle.
- (51) These represent the common stock of MGM Growth Properties indirectly held through trust.
- (52) These represent the common stock of MGM Growth Properties held by Daniel J. D'Arrigo.
- (53) These represent the common stock of MGM Growth Properties held by Kenneth A. Rosevear*, representing approximately 0.1411% of the issued shares in MGM Growth Properties, as at February 14, 2018.

* Kenneth A. Rosevear resigned as a Non-executive Director with effect from February 14, 2018.

** Kenneth Xiaofeng Feng appointed as Non-executive Director with effect from May 24, 2018.

Save as disclosed above, as at June 30, 2018, 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, 2018, 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:

Other Information

(a) Long Position in the Shares of the Company

Name	Capacity/nature of interest	Number of Shares held	Percentage of shareholding
MGM Resorts International ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	56.00%
MGM International, LLC ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	56.00%
MRIH ⁽¹⁾	Direct interest	2,126,100,001	56.00%
Pansy Ho ⁽²⁾	Direct interest	380,000,000	10.00%
	Interest in a controlled corporation	474,561,200	12.49%
Grand Paradise Macau Limited ⁽²⁾	Direct interest	474,561,200	12.49%

Notes:

- (1) MRIH 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 2,126,100,001 Shares which are directly held by MRIH.
- (2) Grand Paradise Macau Limited is a company controlled by Pansy Ho and therefore Pansy Ho is deemed or taken to be interested in 474,561,200 Shares which are directly held by Grand Paradise Macau Limited.

Except as disclosed above, the Company had not been notified of any other corporation or person, who, as at June 30, 2018, 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 2017 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 which was adopted by the Company on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administration matters and further amended by the Shareholders at the Annual General Meeting held on May 24, 2017 ("Share Option Scheme").

The purpose of the Share Option Scheme is to provide incentives and/or rewards to eligible persons for their contributions to, and continuing efforts to promote the interests of the Group. Under the Share Option Scheme, options to subscribe for ordinary shares in the Company are granted to any director or employee of the Group and any other person (including a consultant or adviser) who in the sole discretion of the Board has contributed or will contribute to the Group (Eligible Persons).

Other Information

As at June 30, 2018, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 83,770,688, representing approximately 2.2% of the Shares of the Company in issue at that date.

The total number of Shares available for issue under the Share Option Scheme of the Company as at the date of this interim report is 296,399,812, which is approximately 7.8% of the issued share capital as at the date of this interim report.

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.

A summary of the movements of the outstanding options under the scheme during the six months ended June 30, 2018 is as follows:

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at June 30, 2018
					Granted during the period	Exercised during the period	Forfeited during the period	
Grant R. Bowie	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,633,400	—	(524,000)	—	4,109,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	—	—	—	750,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	(100,000)	—	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	(50,000)	—	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	—	—	—	25,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Grant R. Bowie	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,625,000	—	—	—	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	—	—	(80,000)	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	—	—	(12,500)	837,500
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	270,000	—	(12,500)	—	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2015	15.100	1,020,000	—	(425,000)	—	595,000
Grant R. Bowie	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,781,488	—	(447,000)	(27,200)	5,307,288

Other Information

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at June 30, 2018
					Granted during the period	Exercised during the period	Forfeited during the period	
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	310,000	—	(25,000)	—	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	962,500	—	(37,500)	(40,000)	885,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	172,500	—	(12,500)	—	160,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	—	—	—	187,500
Grant R. Bowie	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	9,769,800	—	(744,400)	(152,300)	8,873,100
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Grant R. Bowie	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	7,365,800	—	(79,500)	(73,800)	7,212,500
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	—	—	—	460,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,380,000	—	(12,500)	—	1,367,500
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	470,000	—	—	(50,000)	420,000
Grant R. Bowie	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	8,285,200	—	(132,300)	(169,300)	7,983,600
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	580,000	—	—	(50,000)	530,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	450,000	—	—	(50,000)	400,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	—	1,265,000 ⁽¹⁾	—	—	1,265,000

Other Information

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			
					Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2018
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	—	370,000 ⁽²⁾	—	—	370,000
Grant R. Bowie	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	1,629,600 ⁽³⁾	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	6,529,200 ⁽³⁾	—	—	6,529,200
Consultants	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	153,600 ⁽³⁾	—	—	153,600
				77,130,588	9,947,400	(2,602,200)	(705,100)	83,770,688

Notes:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$23.00 and the estimated weighted average fair value of share options granted on that date was HK\$7.88 per Share.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$23.15 and the estimated weighted average fair value of share options granted on that date was HK\$7.77 per Share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$22.10 and the estimated weighted average fair value of share options granted on that date was HK\$7.73 per Share.

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

During the six months ended June 30, 2018, the Company repurchased a total of 2,602,200 Shares at an aggregate purchase price of HK\$56.8 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2018	1,503,900	22.60	22.45	34,001
June 2018	1,098,300	20.75	20.55	22,769
	2,602,200			56,770

Other Information

New shares were issued pursuant to the exercise of share options by qualifying grantees under the Share Option Scheme. The Company repurchased the aggregate number of Shares equivalent to the aggregate number of all such new Shares being issued during the six months ended June 30, 2018 in accordance with Rule 10.06 of the Listing Rules, and all repurchased Shares were subsequently cancelled. The total issued share capital of the Company remains the same. The Board considered that such repurchases were made for the benefit of the Company and its Shareholders as a whole with the view of maintaining the same total issued share capital and enhancing stability of the Company's share capital and hence the net value of the Company and its assets and/or earnings per Share.

Save as disclose above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended June 30, 2018.

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, 2018 to June 30, 2018, 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 senior management of the Group (the "Securities Code") on terms which are no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry of all Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code and the Model Code throughout the six months ended June 30, 2018.

Update On Directors' Information

Changes in the information of the Directors since disclosure made in the Company's 2017 annual report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Kenneth A. Rosevear resigned as Non-executive Director of the Company on February 14, 2018.
2. Kenneth Xiaofeng Feng was appointed as Non-executive Director of the Company and member of the Audit Committee on May 24, 2018.
3. Pansy Catilina Chiu King Ho ceased to be a Standing Committee Member of the All China Federation of Industry and Commerce and a member of the Government of Macau SAR Tourism Development Committee.

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, Peter Man Kong Wong and Kenneth Xiaofeng Feng 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 8, 2018

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

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TO THE BOARD OF DIRECTORS OF MGM CHINA HOLDINGS LIMITED

(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 (collectively referred to as the “Group”) set out on pages 38 to 71, which comprises the condensed consolidated statement of financial position as of June 30, 2018 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 Standards 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 8, 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2018

	NOTES	Six months ended June 30	
		2018	2017
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
OPERATING REVENUE			
Casino revenue	4	8,193,851	6,571,059
Other revenue	4	876,183	419,935
		9,070,034	6,990,994
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government		(4,335,259)	(3,449,619)
Inventories consumed		(302,758)	(133,789)
Staff costs		(1,823,955)	(1,052,940)
Other expenses and losses	5	(1,002,504)	(496,269)
Depreciation and amortization		(937,248)	(426,916)
		(8,401,724)	(5,559,533)
Operating profit		668,310	1,431,461
Interest income		4,719	2,094
Finance costs	6	(265,233)	(3,507)
Net foreign currency (loss)/gain		(5,579)	12,499
Profit before tax		402,217	1,442,547
Income tax benefit/(expense)	7	302,363	(174,212)
Profit for the period attributable to owners of the Company	8	704,580	1,268,335
Other comprehensive (expense)/income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(769)	492
Total comprehensive income for the period attributable to owners of the Company		703,811	1,268,827
Earnings per Share — Basic	10	HK18.5 cents	HK33.4 cents
Earnings per Share — Diluted	10	HK18.4 cents	HK33.3 cents

Note: The Company adopted the new revenue recognition accounting standard ("IFRS 15"), effective January 1, 2018. Certain prior period amounts have been retrospectively adjusted under IFRS 15.

Condensed Consolidated Statement of Financial Position

At June 30, 2018

NOTES	At June 30 2018 HK\$'000 (unaudited)	At December 31 2017 HK\$'000 (audited)
ASSETS		
Non-current assets		
Property and equipment	27,406,717	3,027,253
Construction in progress	1,985,612	26,093,051
Sub-concession premium	222,125	285,053
Land use right premium	1,156,529	1,190,947
Other assets	370,197	167,297
Prepayments, deposits and other receivables	66,722	31,819
Total non-current assets	31,207,902	30,795,420
Current assets		
Inventories	170,981	135,776
Trade receivables	180,495	179,827
Prepayments, deposits and other receivables	168,888	142,249
Land use right premium	69,406	69,406
Amounts due from related companies	354	437
Bank balances and cash	3,518,629	5,283,387
Total current assets	4,108,753	5,811,082
TOTAL ASSETS	35,316,655	36,606,502

Condensed Consolidated Statement of Financial Position

At June 30, 2018

	NOTES	At June 30 2018 HK\$'000 (unaudited)	At December 31 2017 HK\$'000 (audited)
EQUITY			
Capital and reserves			
Share capital	13	3,800,000	3,800,000
Share premium and reserves		4,991,389	4,712,356
TOTAL EQUITY		8,791,389	8,512,356
LIABILITIES			
Non-current liabilities			
Bank borrowings	14	16,123,151	11,794,219
Payables and accrued charges	15	18,067	19,608
Construction retention payable		11,383	267,259
Deferred tax liability	7	—	317,147
Total non-current liabilities		16,152,601	12,398,233
Current liabilities			
Bank borrowings	14	—	6,045,000
Payables and accrued charges	15	9,945,336	9,319,489
Construction retention payable		395,924	301,511
Amounts due to related companies	21(a)(ii)	25,293	28,920
Income tax payable		6,112	993
Total current liabilities		10,372,665	15,695,913
TOTAL LIABILITIES		26,525,266	28,094,146
TOTAL EQUITY AND LIABILITIES		35,316,655	36,606,502

The condensed consolidated financial statements on pages 38 to 71 were approved and authorized for issue by the Board of Directors on August 8, 2018 and are 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, 2018

	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 December 31, 2017 (audited)	3,800,000	10,409,528	11,194	345,883	293,725	(13,133,305)	704	6,784,627	4,712,356	8,512,356
Effect of adoption of IFRS 9 (Note 2)	—	—	—	—	—	—	—	(75,448)	(75,448)	(75,448)
Restated balance at January 1, 2018 (unaudited)	3,800,000	10,409,528	11,194	345,883	293,725	(13,133,305)	704	6,709,179	4,636,908	8,436,908
Profit for the period	—	—	—	—	—	—	—	704,580	704,580	704,580
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(769)	—	(769)	(769)
Total comprehensive income	—	—	—	—	—	—	(769)	704,580	703,811	703,811
Exercise of share options	2,602	47,840	—	(14,532)	—	—	—	—	33,308	35,910
Share repurchase and cancellation										
— repurchases of Shares	(2,602)	(54,168)	—	—	—	—	—	—	(54,168)	(56,770)
— transfer	—	—	2,602	—	—	—	—	(2,602)	—	—
Forfeiture of share options	—	—	—	(585)	—	—	—	585	—	—
Recognition of share-based payments	—	—	—	40,170	—	—	—	—	40,170	40,170
Dividends paid	—	—	—	—	—	—	—	(368,640)	(368,640)	(368,640)
At June 30, 2018 (unaudited)	3,800,000	10,403,200	13,796	370,936	293,725	(13,133,305)	(65)	7,043,102	4,991,389	8,791,389
At January 1, 2017 (audited)	3,800,000	10,435,363	4,178	306,553	293,725	(13,133,305)	(1,853)	5,512,035	3,416,696	7,216,696
Profit for the period	—	—	—	—	—	—	—	1,268,335	1,268,335	1,268,335
Exchange differences on translation of foreign operations	—	—	—	—	—	—	492	—	492	492
Total comprehensive income	—	—	—	—	—	—	492	1,268,335	1,268,827	1,268,827
Exercise of share options	756	9,892	—	(2,365)	—	—	—	—	7,527	8,283
Share repurchase and cancellation										
— repurchases of Shares	(756)	(12,228)	—	—	—	—	—	—	(12,228)	(12,984)
— transfer	—	—	756	—	—	—	—	(756)	—	—
Forfeiture of share options	—	—	—	(7,761)	—	—	—	7,761	—	—
Recognition of share-based payments	—	—	—	38,864	—	—	—	—	38,864	38,864
Dividends paid	—	—	—	—	—	—	—	(608,009)	(608,009)	(608,009)
At June 30, 2017 (unaudited)	3,800,000	10,433,027	4,934	335,291	293,725	(13,133,305)	(1,361)	6,179,366	4,111,677	7,911,677

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

	Six months ended June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,881,480	2,648,004
INVESTING ACTIVITIES		
Purchase of property and equipment and construction in progress	(1,920,105)	(3,682,614)
Proceeds from disposal of property and equipment	41	917
Payments of developers' fee capitalized to construction in progress	(110,529)	(99,461)
Payments for land use right premium	—	(113,899)
Purchase of other assets	(48,281)	(72,009)
Proceeds from insurance claims	12,937	—
NET CASH USED IN INVESTING ACTIVITIES	(2,065,937)	(3,967,066)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	1,200,000	1,800,000
Repayment of bank borrowings	(2,818,000)	—
Payment of debt finance costs	(257,970)	(33,980)
Interest paid	(316,570)	(234,992)
Dividends paid	(368,640)	(608,009)
Proceeds from exercise of share options	38,569	8,812
Payments on repurchase of Shares	(56,770)	(12,984)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(2,579,381)	918,847
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,763,838)	(400,215)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,283,387	3,547,130
Effect of foreign exchange rate changes, net	(920)	492
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	3,518,629	3,147,407

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

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 and its subsidiaries (collectively referred to as the “Group”) are the operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau. The Group owns and operates MGM MACAU and MGM COTAI which opened on December 18, 2007 and February 13, 2018, respectively. 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 the Isle of Man. The Company’s ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the New York Stock Exchange. The address of the registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business is Avenida Dr. Sun Yat Sen, Edificio MGM MACAU, NAPE, Macau.

The condensed consolidated financial statements are presented in HK\$, which is also 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 and with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”).

The condensed consolidated financial statements have been prepared on a going concern basis. As at June 30, 2018, the Group had net current liabilities of approximately HK\$6,263.9 million. The Group has prepared a cash flow forecast which involves judgments and estimations based on management’s input of key variables and market conditions including the future economic conditions, increased competition in Macau, expected changes in the regulatory environment and the growth rates of the Macau gaming market. The cash flow forecast has been determined using estimations of future cash flows based on projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based on the available credit facilities (see note 14) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2017, except for the application of new and amendments to International Financial Reporting Standards (“IFRSs”) as at January 1, 2018, noted below which are relevant to the Group.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”) for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The key requirements of IFRS 9 relevant to the Group are in relation to the impairment of financial assets and the adjustment on the amortized cost of a financial liability when a modification does not result in derecognition. The Group has adopted the new standard from January 1, 2018 retrospectively and did not restate comparative information in accordance with the transitional provisions in IFRS 9.

Impairment of financial assets

IFRS 9 requires an expected credit loss model to be applied, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Group has applied the simplified approach to recognize lifetime expected credit losses for its trade receivables. To measure the expected credit losses, trade receivables have been grouped based upon shared credit risk characteristics and days past due. The loss allowance for trade receivables applying lifetime expected credit loss as compared to the incurred credit loss model under IAS 39 did not result in a material difference and hence did not result in an adjustment of opening retained earnings as at January 1, 2018.

Loss allowances for other financial assets at amortized cost are measured on a 12 month expected credit loss basis and there had been no significant increase in credit risk since initial recognition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

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

IFRS 9 Financial Instruments (Continued)

Classification and measurement — bank borrowings

For an adjustment of the amortized cost of a financial liability, when a modification does not result in derecognition of the financial liability, IFRS 9 requires an entity to recognize such adjustment in profit or loss at the date of the modification. The gain or loss arising on modification of a financial liability that does not result in derecognition, is calculated by discounting the change in contractual cash flows using the original effective interest rate, and is immediately recognized in profit or loss. Under IAS 39, such gain or loss would have been recognized over the remaining life of the financial liability by adjusting the effective interest rate, on the basis the terms and conditions of the credit facility remained largely unchanged.

The Group has retrospectively applied the accounting treatment as required by IFRS 9 for the modification of bank borrowings which has not resulted in derecognition. Differences in the carrying amounts of bank borrowings resulting from the adoption of IFRS 9 are recognized in retained earnings as at January 1, 2018.

The effect on the consolidated retained earnings as at January 1, 2018 is as follows:

	HK\$'000 (unaudited)
Retained earnings at December 31, 2017 — IAS 39	6,784,627
Change in carrying amount of bank borrowings measured at amortized cost	(75,448)
Retained earnings at January 1, 2018 — IFRS 9	6,709,179

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. See note 4 for these disclosures. The Group adopted IFRS 15 on January 1, 2018, on a full retrospective basis.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

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

IFRS 15 Revenue from Contracts with Customers (Continued)

The Group's revenue contracts with customers consist of casino, hotel rooms, food and beverage, retail and other transactions.

Gross casino revenue is the aggregate net difference between gaming wins and losses. Commissions paid to gaming promoters and in-house VIP players are recorded as a reduction to casino revenue. The Group accounts for casino revenue on a portfolio basis given the similar characteristics of wagers by recognizing net win per gaming day.

For casino transactions that include complimentary goods and services provided by the Group to gaming customers on a discretionary basis to incentivize gaming, the Group allocates revenue to the goods or services delivered based upon relative standalone selling prices. Discretionary complimentary provided by the Group and supplied by third parties are recognized as other expenses and losses. The Group accounts for complimentary on a portfolio basis given the similar characteristics of the incentives by recognizing redemption per gaming day.

For casino transactions that include award points earned by customers under the Group's loyalty programs, the Group allocates a portion of the net win based upon the relative standalone selling price of such award points (less estimated breakage). Such allocated amount is deferred and recognized in loyalty programs liabilities until customers redeem the award points for free goods and services. Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue. Redemption of award points at third party outlets are deducted from the loyalty programs liabilities and amounts owed are paid to the third party, with any discount received recorded as other revenue.

The transaction price of hotel rooms, food and beverage, and retail transactions is the net amount collected from the customer for such goods and services. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for the food and beverage, retail and other services.

The Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays and convention services. For such arrangements, the Group allocates revenue to each good or service based on its relative standalone selling price. The Group primarily determines the standalone selling price of hotel rooms, food and beverage, and retail goods and services based on the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

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

IFRS 15 Revenue from Contracts with Customers (Continued)

The effect on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2017 is as follows:

	For the six months ended June 30, 2017		
	As previously reported HK\$'000 (unaudited)	Effects of adoption of IFRS 15 HK\$'000 (unaudited)	As restated HK\$'000 (unaudited)
OPERATING REVENUE			
Casino revenue	7,259,741	(688,682)	6,571,059
Other revenue	133,843	286,092	419,935
	7,393,584	(402,590)	6,990,994
OPERATING COSTS AND EXPENSES			
Other expenses and losses	(898,859)	402,590	(496,269)

For the other amendments to IFRSs that are effective for the current period, there are no material impacts on these condensed consolidated financial statements.

3. Segment Information

The Group has determined its operating segments based upon the reports reviewed by the Group's Chief Executive Officer (being the chief operating decision-maker, "CODM") when allocating resources and assessing performance of the Group.

The Group's principal operating activities occur in Macau, which is the primary geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its operating segments being MGM MACAU and MGM COTAI (which opened on February 13, 2018). Each of the operating segments derives its revenue primarily from casino, hotel rooms, food and beverage and retail operations. MGM MACAU and MGM COTAI have been aggregated into one reportable segment on the basis that they have similar economic characteristics, types of customers, types of services and products provided, and the regulatory environments in which they operate.

Adjusted EBITDA is considered to be the primary profit measure for the reportable segment. Adjusted EBITDA is profit before finance costs, income tax benefit/expense, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

3. Segment Information (Continued)

The following table presents the reconciliation of the adjusted EBITDA of the Group's reportable segment to profit for the period attributable to owners of the Company:

	Six months ended June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA	2,307,731	2,243,211
Share-based payments	(40,170)	(38,864)
Corporate expenses	(232,515)	(190,268)
Pre-opening costs ⁽¹⁾	(425,179)	(153,120)
Loss on disposal/write-off of property and equipment and construction in progress	(4,309)	(2,582)
Depreciation and amortization	(937,248)	(426,916)
Operating profit	668,310	1,431,461
Interest income	4,719	2,094
Finance costs	(265,233)	(3,507)
Net foreign currency (loss)/gain	(5,579)	12,499
Profit before tax	402,217	1,442,547
Income tax benefit/(expense)	302,363	(174,212)
Profit for the period attributable to owners of the Company	704,580	1,268,335

(1) Pre-opening costs primarily represented personnel and other costs incurred prior to the opening of MGM COTAI.

Almost all of the non-current assets of the Group are located in Macau.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

4. Casino and Other Revenue

Casino revenue represents the aggregate net difference between gaming wins and losses, net of commissions, complimentarys and other incentives. Casino revenue comprises:

	Six months ended June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
VIP gross table games win	4,467,188	4,035,162
Main floor gross table games win	5,219,198	3,981,479
Slot machine gross win	1,080,352	654,998
Gross casino revenue	10,766,738	8,671,639
Commissions, complimentarys and other incentives	(2,572,887)	(2,100,580)
	8,193,851	6,571,059

Other revenue comprises:

	Six months ended June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	414,525	212,920
Food and beverage	383,075	177,664
Retail and other ⁽¹⁾	78,583	29,351
	876,183	419,935

Note: The Company adopted the new revenue recognition accounting standard ("IFRS 15"), effective January 1, 2018. Certain prior period amounts have been retrospectively adjusted under IFRS 15.

- (1) Of this amount, HK\$44.7 million (six months ended June 30, 2017: HK\$14.3 million) is related to income from right of use of certain MGM MACAU and MGM COTAI's space by retailers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

4. Casino and Other Revenue (Continued)

Contract and Contract Related Liabilities

There may be a difference between the timing of cash receipts from the customer and the recognition of revenue, resulting in a contract or contract-related liability. The Group generally has three types of liabilities related to contracts with customers: (1) outstanding chips liabilities, which represents the amounts owned in exchange for gaming chips held by gaming promoters and gaming customers, (2) loyalty programs liabilities, which represents the deferred allocation of revenue relating to award points earned, as discussed in note 2, and (3) customer advances and other, which is primarily funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as deposits on hotel rooms. These liabilities are generally expected to be recognized as revenue or refunded within one year of being purchased, earned, or deposited and are recorded within “payables and accrued charges” in the condensed consolidated statement of financial position.

The following table summarizes the activity related to contract and contract-related liabilities:

	Outstanding Chips Liabilities		Loyalty Programs Liabilities		Customer Advances and Other	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance at January 1	3,989,175	1,050,642	99,837	90,144	1,614,340	889,541
Balance at June 30	5,178,358	1,796,936	121,177	88,416	1,585,519	1,025,625
Increase/(decrease)	1,189,183	746,294	21,340	(1,728)	(28,821)	136,084

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

5. Other Expenses and Losses

	Six months ended June 30	
	2018	2017
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Advertising and promotion	315,759	127,135
License fees	158,726	129,518
Other support services	113,844	48,065
Utilities and fuel	104,863	44,102
Repairs and maintenance	94,733	53,663
Loss on disposal/write-off of property and equipment and construction in progress	4,309	2,582
Allowance/(reversal of allowance) for doubtful debts, net	26,367	(28,819)
Other	183,903	120,023
	1,002,504	496,269

6. Finance Costs

	Six months ended June 30	
	2018	2017
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Interest on bank borrowings	315,545	233,897
Amortization of debt finance costs	70,266	79,361
Loss on extinguishment of debt	5,899	—
Bank fees and charges	3,912	3,507
Total borrowing costs	395,622	316,765
Less: capitalized interest allocated to construction in progress (see note 11)	(130,389)	(313,258)
	265,233	3,507

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

7. Income Tax Benefit/(Expense)

	Six months ended June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax benefit/(expense):		
Macau Dividend Withholding Tax	(14,418)	—
Mainland China Income Tax	(368)	(156)
Hong Kong Profits Tax	(57)	—
Over provision in prior year	59	—
	(14,784)	(156)
Deferred tax:		
Current period	—	(174,056)
Reversal of deferred tax liability previously recognized	317,147	—
	302,363	(174,212)

Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to March 31, 2020. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the current and prior periods.

MGM Grand Paradise's exemption from Macau Complementary Tax does not apply to dividends to be distributed by MGM Grand Paradise. The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. Accordingly, the Company is required to recognize deferred tax liabilities for taxable temporary differences associated with its investment in MGM Grand Paradise except where the Company will be able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Pursuant to an extended tax concession arrangement issued by the Macau Government, MGM Grand Paradise paid dividend withholding tax 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 profits. In 2017, MGM Grand Paradise made an application to the Macau Government for another extension of the tax concession arrangement for an additional five years. As at June 30, 2017 and December 31, 2017, this application was still being processed and subject to approval by the Macau Government. The Company had reviewed its position and considered that cash dividends would be distributed to the shareholders of MGM Grand Paradise in the foreseeable future. Consequently, a deferred tax charge and a corresponding liability of HK\$174.1 million and HK\$317.1 million pertaining to the distributable profit of MGM Grand Paradise for six months ended June 30, 2017 and year ended December 31, 2017, was recognized respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

7. Income Tax Benefit/(Expense) (Continued)

On February 27, 2018, the Macau Government informed MGM Grand Paradise of the terms of the extended tax concession arrangement. MGM Grand Paradise is required to pay a dividend withholding tax of MOP9,900,000 (equivalent to approximately HK\$9,612,000) for each of the years ended December 31, 2017 through to December 31, 2019, and MOP2,475,000 (equivalent to approximately HK\$2,403,000) for the period from January 1, 2020 to March 31, 2020 as payments in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years. MGM Grand Paradise accepted the terms and the Macau Government issued dispatch 003/DIR/2018 which confirmed the extended tax concession arrangement on March 15, 2018. Consequently, the deferred tax liability of HK\$317.1 million previously recognized was reversed and the dividend withholding tax of approximately HK\$14.4 million was recognized during the current period.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods. Taxation assessable on profit generated in Mainland China has been provided at the rates of taxation prevailing in the areas in which those profit arose ranging from 20% to 25%.

8. Profit for the Period

	Six months ended June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' and chief executive's emoluments	40,464	34,540
Retirement benefits scheme contributions for other staff	37,524	29,813
Share-based payments for other staff	30,609	28,869
Salaries and other benefits for other staff	1,715,358	959,718
	1,823,955	1,052,940
Amortization in respect of:		
— Sub-concession premium	62,928	62,929
— land use right premium	28,371	9,544
— other assets	35,925	2,114
Depreciation of property and equipment	810,024	352,329
	937,248	426,916
Loss on disposal/write-off of property and equipment and construction in progress	4,309	2,582
Operating lease rentals in respect of:		
— equipment	11,633	7,512
— warehouse	5,268	5,402
— leasehold land	2,468	2,468
— office premises	7,748	8,198

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

9. Dividends

On May 24, 2017, a final dividend of HK\$0.160 per Share, amounting to approximately HK\$608.0 million in aggregate for the year ended December 31, 2016 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 16, 2017.

On August 3, 2017, an interim dividend of HK\$0.116 per Share, amounting to approximately HK\$440.8 million in aggregate for the six months ended June 30, 2017 was declared by the Directors of the Company. The dividend was paid to Shareholders on September 8, 2017.

On May 24, 2018, a final dividend of HK\$0.097 per Share, amounting to approximately HK\$368.6 million in aggregate for the year ended December 31, 2017 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 19, 2018.

On August 8, 2018, an interim dividend of HK\$0.064 per Share, amounting to approximately HK\$243.2 million in aggregate for the six months ended June 30, 2018 was declared by the Directors of the Company.

10. Earnings per Share

The calculation of the basic earnings per Share for the six months ended June 30, 2018 and 2017 is based on the consolidated profit attributable to owners of the Company and 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, 2018 and 2017 is based on the consolidated profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the period plus the potential Shares arising from exercise of share options (see note 16).

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

	Six months ended June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	704,580	1,268,335
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,390	3,800,055
Number of dilutive potential Shares arising from exercise of share options ('000)	18,585	5,792
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	3,818,975	3,805,847
Earnings per Share — Basic	HK18.5 cents	HK33.4 cents
Earnings per Share — Diluted	HK18.4 cents	HK33.3 cents

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

11. Property and Equipment and Construction in Progress

	At	
	June 30, 2018	December 31, 2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Carrying amount at January 1	29,120,304	21,209,964
Additions	1,268,405	8,599,839
Transfer to other assets	(180,259)	—
Disposal/write-off	(6,041)	(41,001)
Depreciation	(810,024)	(649,380)
Foreign exchange difference	(56)	882
Carrying amount at June 30/December 31	29,392,329	29,120,304
Property and equipment	27,406,717	3,027,253
Construction in progress	1,985,612	26,093,051
	29,392,329	29,120,304

During the six months ended June 30, 2018, borrowing costs of HK\$130.4 million (six months ended June 30, 2017: HK\$313.3 million) and developers' fees of HK\$13.9 million (six months ended June 30, 2017: HK\$47.5 million) were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.75% (six months ended June 30, 2017: 3.98%) to expenditure on qualifying assets during the six months ended June 30, 2018.

12. Trade Receivables

	At	
	June 30, 2018	December 31, 2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	271,990	238,577
Less: Allowance for doubtful debts	(91,495)	(58,750)
	180,495	179,827

Trade receivables mainly consist of casino receivables. 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 gaming customers ("VIP gaming 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 14 days to VIP gaming customers. Trade receivables are unsecured and non-interest bearing. The carrying amount of the trade receivables approximates their fair value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

12. Trade Receivables (Continued)

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, 2018 HK\$'000 (unaudited)	At December 31, 2017 HK\$'000 (audited)
Within 30 days	131,497	135,451
31 — 60 days	31,586	13,208
61 — 90 days	10,415	10,487
91 — 120 days	6,997	20,681
	180,495	179,827

The Group assesses the recoverability of trade receivables on an individual basis. An allowance for doubtful debts is recognized against trade receivables based on the lifetime expected credit losses with analysis of individual's collectability by taking into account the age, the counterparty's financial condition, collection history and any other known information, and the Group makes an allowance for trade receivables specifically identified as doubtful at the end of each reporting period.

The Group also performs an ongoing assessment to evaluate the sufficiency of the allowance for doubtful debts by taking consideration of the current economic conditions, forecasts and forward-looking information.

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, 2018

13. Share Capital

	Notes	Number of Shares	Share Capital HK\$
Issued and fully paid			
At January 1, 2017 (audited)		3,800,000,001	3,800,000,001
Share options exercised	16	756,500	756,500
Share repurchase and cancellation	(i)	(756,500)	(756,500)
At June 30, 2017 (unaudited)		3,800,000,001	3,800,000,001
At January 1, 2018 (audited)		3,800,000,001	3,800,000,001
Share options exercised	16	2,602,200	2,602,200
Share repurchase and cancellation	(i)	(2,602,200)	(2,602,200)
At June 30, 2018 (unaudited)		3,800,000,001	3,800,000,001

- (i) During the six months ended June 30, 2018, 2,602,200 Shares (six months ended June 30, 2017: 756,500) with a nominal value of HK\$1.00 each were repurchased for a total consideration of HK\$56.8 million (six months ended June 30, 2017: HK\$13.0 million).

14. Bank Borrowings

	At June 30, 2018 HK\$'000 (unaudited)	At December 31, 2017 HK\$'000 (audited)
The secured credit facilities are repayable:		
Within one year	3,120,000	6,045,000
Over one year but not exceeding two years	3,120,000	11,940,500
Over two years but not exceeding five years	10,127,500	—
	16,367,500	17,985,500
Less: Debt finance costs	(244,349)	(146,281)
	16,123,151	17,839,219
Current	—	6,045,000
Non-current	16,123,151	11,794,219
	16,123,151	17,839,219

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

14. Bank Borrowings (Continued)

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.

The second amended and restated credit agreement (the “Second Amended Credit Facilities”) which became effective on June 12, 2015 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.

Further amendments to the Group’s borrowing facilities were executed on February 2, 2016 (the “Third Supplemental Agreement”) and February 15, 2017 (the “Fourth Supplemental Agreement”) to provide the Group with the necessary covenant flexibility while MGM COTAI was in the construction phase.

An amendment to the Fourth Supplemental Agreement was executed (the “Fifth Supplemental Agreement”) on June 15, 2018. The Fifth Supplemental Agreement, effective on June 22, 2018, amended certain major terms of the Credit Facilities as follows: (i) the total revolving credit commitments (the “Total Revolving Credit Commitments”) under the Second Amended Credit Facilities were reduced from HK\$11.31 billion to HK\$7.8 billion; and the total term loan commitments under the Second Amended Credit Facilities were increased from HK\$12.09 billion to HK\$15.6 billion (the aggregate amount under the Second Amended Credit Facilities remained unchanged); (ii) the final maturity date of the Second Amended Credit Facilities was extended from April 29, 2019 to June 26, 2022, but no revolving credit loans or term loans shall remain outstanding after, and no revolving credit or term loan commitments shall be available after, in each case, March 31, 2022. Save as disclosed above, other major terms under the Second Amended Credit Facilities remained unchanged.

The Group intends and has the ability to make the repayments of the term loan by drawing down on its available non-current credit facility. Bank borrowings of HK\$3.12 billion due to be paid within the next twelve months as at June 30, 2018 was classified as non-current.

Principal and Interest

The Fifth Supplemental Agreement bears interest at HIBOR plus a margin in the range of 1.375% to 2.50% per annum, as determined by the Group’s leverage ratio. The term loan facility is repayable in installments of 5% of the principal amount on a quarterly basis commencing in September 30, 2018, and a final installment of 30% of the principal amount in March 31, 2022. As at June 30, 2018, HK\$15.6 billion of the term loan facility was fully drawn while HK\$7.03 billion of the revolving credit facility was undrawn and available for utilization up to March 2022. Each drawdown under the revolving credit facility is to be repaid in full no later than March 31, 2022. As at June 30, 2018, the Group paid interest at HIBOR plus 2.50% per annum (December 31 2017: HIBOR plus 2.50% per annum). The weighted average interest rate on the Group’s borrowings for the six months ended June 30, 2018 was 4.75% per annum (six months ended June 30, 2017: 3.98% per annum).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

14. Bank Borrowings (Continued)

General Covenants

The Fifth Supplemental Agreement 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. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

The leverage ratio under the Fifth Supplemental Agreement is required to be no greater than 6.0 to 1.0 for the quarter ended June 30, 2018. This ratio is reduced to no greater than 5.5 to 1.0 for quarter ended September 30, 2018, no greater than 5.0 to 1.0 for quarter ended December 31, 2018, and no greater than 4.5 to 1.0 for each accounting period occurring on and after March 31, 2019 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 Fifth Supplemental Agreement, the Fourth Supplemental Agreement and the Third Supplemental Agreement for the six months ended June 30, 2018 and 2017.

Mandatory Prepayments

The Fifth Supplemental Agreement contains 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.

In addition, in the event that MGM Grand Paradise does not obtain an extension to its gaming sub-concession arrangement under the Sub-Concession Contract (the “Sub-Concession Extension”) by March 31, 2020, the revolving credit facility will be reduced to HK\$4.68 billion on March 31, 2020. Any revolving credit loans in excess of HK\$4.68 billion outstanding on such date shall be prepaid together with accrued interest on such date (and not thereafter available for redrawing) and the Total Revolving Credit Commitments shall be reduced on such date to HK\$4.68 billion; and if, after any initial Sub-Concession Extension or any subsequent Sub-Concession Extensions, such gaming sub-concession arrangement expires prior to March 31, 2022, the revolving credit facility will be reduced to HK\$4.68 billion on the date of the expiry of such gaming sub-concession arrangement after any Sub-Concession Extension.

Dividend Restrictions

Under the Fifth Supplemental Agreement, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million (equivalent to approximately HK\$1.2 billion), 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 (equivalent to approximately HK\$2.3 billion), including any dividends paid during the preceding 12-month period. As at June 30, 2018, our leverage ratio was approximately 3.59.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

14. Bank Borrowings (Continued)

Events of Default

The Fifth Supplemental Agreement contains certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Fifth Supplemental Agreement, 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.

15. Payables and Accrued Charges

	Notes	At June 30, 2018 HK\$'000 (unaudited)	At December 31, 2017 HK\$'000 (audited)
Outstanding chips liabilities	4	5,178,358	3,989,175
Customer advances and other	4	1,585,519	1,614,340
Construction payables and accruals		1,423,207	2,034,857
Special gaming tax and special levy payables		614,219	619,066
Accrued staff costs		502,663	404,876
Other payables and accrued charges		275,303	371,628
Other casino liabilities		240,756	189,710
Loyalty programs liabilities	4	121,177	99,837
Trade payables		22,201	15,608
		9,963,403	9,339,097
Current		9,945,336	9,319,489
Non-current		18,067	19,608
		9,963,403	9,339,097

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

15. Payables and Accrued Charges *(Continued)*

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

	At June 30, 2018 HK\$'000 (unaudited)	At December 31, 2017 HK\$'000 (audited)
Within 30 days	18,108	10,727
31 — 60 days	2,220	4,292
61 — 90 days	1,149	171
91 — 120 days	314	357
Over 120 days	410	61
	22,201	15,608

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

16. Share-Based Payments

As at June 30, 2018, 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 83,770,688 (December 31, 2017: 77,130,588), representing approximately 2.2% (December 31, 2017: 2.0%) of the Shares of the Company in issue at that date.

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

June 30, 2018

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018 (audited)	Number of share options			Outstanding at June 30, 2018 (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	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,633,400	—	(524,000)	—	4,109,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	—	—	—	750,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	(100,000)	—	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	(50,000)	—	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	—	—	—	25,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,625,000	—	—	—	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	—	—	(80,000)	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	—	—	(12,500)	837,500
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	270,000	—	(12,500)	—	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	—	(425,000)	—	595,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,781,488	—	(447,000)	(27,200)	5,307,288
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	310,000	—	(25,000)	—	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	962,500	—	(37,500)	(40,000)	885,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

16. Share-Based Payments (Continued)

June 30, 2018 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018 (audited)	Number of share options			Outstanding at June 30, 2018 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	172,500	—	(12,500)	—	160,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	—	—	—	187,500
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	9,769,800	—	(744,400)	(152,300)	8,873,100
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Directors	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	7,365,800	—	(79,500)	(73,800)	7,212,500
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	—	—	—	460,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,380,000	—	(12,500)	—	1,367,500
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	470,000	—	—	(50,000)	420,000
Directors	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	8,285,200	—	(132,300)	(169,300)	7,983,600
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	580,000	—	—	(50,000)	530,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	450,000	—	—	(50,000)	400,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	—	1,265,000	—	—	1,265,000
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	—	370,000	—	—	370,000
Directors	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	1,629,600	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	6,529,200	—	—	6,529,200
Consultants	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	153,600	—	—	153,600
				77,130,588	9,947,400	(2,602,200)	(705,100)	83,770,688
Weighted average exercise price per Share				HK\$16.72	HK\$22.62	HK\$13.80	HK\$16.00	HK\$17.52
Exercisable at end of the reporting period								42,907,788

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

16. Share-Based Payments (Continued)

June 30, 2017

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017 (audited)	Number of share options			Outstanding at June 30, 2017 (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	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	5,832,000	—	—	(25,000)	5,807,000
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	770,000	—	—	—	770,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.800	60,000	—	—	—	60,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	50,000	—	—	—	50,000
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.250	750,000	—	—	(750,000)	—
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	12,100,000	—	—	(475,000)	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	—	—	—	260,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	—	—	—	850,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	460,000	—	—	—	460,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	—	—	—	1,020,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	8,122,100	—	(45,000)	(489,400)	7,587,700
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	360,000	—	—	(50,000)	310,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	1,135,000	—	—	—	1,135,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	230,000	—	(57,500)	—	172,500
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	260,000	—	(10,000)	—	250,000
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	12,885,200	—	(644,000)	(823,600)	11,417,600
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

16. Share-Based Payments (Continued)

June 30, 2017 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017 (audited)	Number of share options			Outstanding at June 30, 2017 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Directors	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	8,884,000	—	—	(49,600)	8,834,400
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	—	—	—	460,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	—	1,380,000	—	—	1,380,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	—	470,000	—	—	470,000
Directors	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	2,220,000	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	8,466,400	—	—	8,466,400
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	214,800	—	—	214,800
				73,575,900	12,751,200	(756,500)	(2,662,600)	82,908,000
Weighted average exercise price per Share				HK\$16.39	HK\$16.84	HK\$10.95	HK\$19.10	HK\$16.42
Exercisable at end of the reporting period								34,159,050

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 options. During the six months ended June 30, 2018, options were granted on February 23, 2018, May 15, 2018, June 4, 2018 and their estimated weighted average fair values were HK\$7.88, HK\$7.77 and HK\$7.73 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.

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

Options granted on February 23, 2018 and May 15, 2018

Risk-free interest rate	1.002% to 1.085% per annum
Expected dividend yield	1.88% per annum
Expected life	4.74 to 6.52 years
Expected volatility	43.28% per annum

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

16. Share-Based Payments *(Continued)*

Options granted on June 4, 2018

Risk-free interest rate	2.109% to 2.184% per annum
Expected dividend yield	1.23% per annum
Expected life	4.15 to 6.18 years
Expected volatility	42.10% per annum

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

The Group recognized a total expense of HK\$40.2 million for the six months ended June 30, 2018 (six months ended June 30, 2017: HK\$38.9 million) in relation to share options granted by the Company.

17. Contingent Liabilities

a) *Guarantees*

As at June 30, 2018, the Group has given bank guarantees totalling HK\$299.1 million (December 31, 2017: HK\$302.6 million) to certain parties, of which HK\$295.3 million (December 31, 2017: HK\$295.3 million) was issued in favor of the Macau Government as required in the Sub-concession Contract and land-concession contract in respect of MGM COTAI and HK\$3.8 million (December 31, 2017: HK\$3.8 million) was issued in favor of certain vendors. As at December 31, 2017, a bank guarantee of HK\$3.5 million (June 30, 2018: nil) was issued in favor of a service provider, which was a related company as one of the Directors of the Company had non-controlling beneficial interests.

b) *Litigation*

The Group has been named as a defendant in legal proceedings filed in the Macau Court of First Instance against two independent Macau gaming promoters by individuals who claim to have placed cash deposits with gaming promoters who had operations at MGM MACAU, on the grounds of section 29 of the Administrative Regulation no. 6/2002, whereby gaming concessionaires are jointly liable for the activities carried out in their casinos by gaming promoters. These cases are at an early stage and the Group intends to vigorously defend its position that it is not liable. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

18. Operating Lease Commitments

The Group as the lessee — future minimum lease payments

	At June 30, 2018 HK\$'000 (unaudited)	At December 31, 2017 HK\$'000 (audited)
Within one year	48,496	47,686
More than one year and not longer than five years	86,990	88,531
More than five years	98,824	103,007
	234,310	239,224

The Group as the grantor of the right of use — future minimum fees receivable

	At June 30, 2018 HK\$'000 (unaudited)	At December 31, 2017 HK\$'000 (audited)
Within one year	41,058	46,118
More than one year and not longer than five years	90,368	124,985
More than five years	678	2,108
	132,104	173,211

19. 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, 2018 HK\$'000 (unaudited)	At December 31, 2017 HK\$'000 (audited)
Contracted but not accounted for	492,566	642,581

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

20. Other Commitments

Sub-concession

Pursuant to the Sub-concession Contract signed with the Macau Government for a period of 15 years ending on March 31, 2020 (which is subject to renewal by the Macau Government), MGM Grand Paradise has committed to the following:

- i) To pay the Macau Government a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) To pay the Macau Government a variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
 - MOP300,000 (equivalent to approximately HK\$291,262) per annum per VIP gaming table;
 - MOP150,000 (equivalent to approximately HK\$145,631) per annum per main floor gaming table; and
 - MOP1,000 (equivalent to approximately HK\$971) per annum per electrical or mechanical gaming machine including slot machines.
- iii) To pay the Macau Government a sum of 1.6% of the gross gaming revenue on a monthly basis, that will be made available to a public foundation for the promotion, development or study of culture, society, economy, education, science, charity events in Macau.
- iv) To pay the Macau Government a sum of 2.4% of the gross gaming revenue on a monthly basis to be used for urban development, tourist promotion and social security in Macau.
- v) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.

Based on the number and types of gaming tables employed and gaming machines in operation as at June 30, 2018, the Group is obligated under its Sub-concession Contract to make minimum future payments of approximately MOP274.1 million (equivalent to approximately HK\$266.1 million).

Certain property and equipment used in casino operations is required to be returned to the Macau Government without compensation upon the expiry of the Sub-concession Contract.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

21. Related Party Transactions

Apart from the guarantees as described in note 17, 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 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\$0.5 million (December 31, 2017: HK\$1.2 million), and the ultimate holding company of the Company amounting to HK\$24.8 million (December 31, 2017: HK\$27.7 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, 2018 HK\$'000 (unaudited)	At December 31, 2017 HK\$'000 (audited)
Within 30 days	25,287	27,714
31 — 60 days	6	1,206
	25,293	28,920

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

21. Related Party Transactions (Continued)

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

Related parties	Type of transaction	Six months ended June 30	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Rental of premises *	1,945	1,906
	Travelling and accommodation, net of discounts	46,090	27,093
Ultimate holding company	Marketing referral fees	7,750	7,792
	Marketing referral income	(221)	(94)
Company jointly-owned by Shareholders	Developers' fees capitalized	13,915	47,519
	License fee	158,726	129,518

* At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises rented from related parties of HK\$3.1 million (December 31, 2017: HK\$4.9 million) which fall due within the following two years (December 31, 2017: two years).

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, MGM Resorts International, MRIH 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. In the event that the Group opens additional properties during the term of the Branding Agreement, the amount of the annual cap will increase by US\$20 million during the calendar year in which the relevant property is opened for business (the "Additional Property Cap Increase"). The Additional Property Cap Increase will also apply to subsequent calendar years, and shall also increase at the rate of 20% per year. For the year ended December 31, 2018, the annual caps of MGM MACAU and MGM COTAI are US\$89.580 million (equivalent to approximately HK\$702.1 million) and US\$20.0 million (equivalent to approximately HK\$156.8 million), respectively. For the year ended December 31, 2017, the annual cap was US\$74.650 million (equivalent to approximately HK\$581.7 million). During the six months ended June 30, 2018, a total license fee of HK\$158.7 million (six months ended June 30, 2017: HK\$129.5 million) was recognized in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

21. Related Party Transactions (Continued)

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

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.

- (c) Compensation to key management personnel

The remuneration of key management is as follows:

	Six months ended June 30	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	101,919	88,841
Post-employment benefits	1,591	1,549
Share-based payments	24,128	27,722
	127,638	118,112

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

“affiliate”	in relation to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“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, MGM Resorts International, MRIH 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 machines gross win), calculated net of commissions, complimentary and other incentives and in accordance with IFRS
“China” or “mainland China”	the People’s Republic of China excluding, for the purpose of this 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

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” or “gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions, complimentarys and other incentives
“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 commissions, complimentarys and other incentives
“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 loyalty programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

Glossary

“IFRS”	International Financial Reporting Standards
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“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”	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 (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Sub-concessionaires and one of our subsidiaries
“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 associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance)
“MGM MACAU”	the resort and casino property in Macau owned by MGM Grand Paradise

Glossary

“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“NCE”	New Corporate Enterprises Limited, a company incorporated in the British Virgin Islands and a 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, the Co-chairperson and an executive Director of our Company
“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

Glossary

“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 complimentary and other incentives
“Sub-Concession” or “Sub-Concession Contract”	the tripartite Sub-Concession 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
“Sub-Concessionaire(s)”	the holder(s) of a sub-concession 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
“visitation”	with respect to visitation of our properties, the number of times our properties are entered during a fixed time period. Estimates of the number of visits to our properties are based on information collected from digital cameras placed above every entrance to our properties capable of counting visitors (including repeat visitors) to our properties on a given day
“%”	per cent

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