



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



INTERIM REPORT 2019 中期報告

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

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



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Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Kenneth Xiaofeng Feng
James Armin Freeman (appointed on March 6, 2019,
resigned on June 27, 2019 and
reappointed on August 1, 2019)
John M. McManus (appointed on March 6, 2019)
Daniel J. D'Arrigo (resigned on March 1, 2019)
William M. Scott IV (resigned on February 22, 2019)

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 (resigned on March 1, 2019)
Zhe Sun
Peter Man Kong Wong*
Kenneth Xiaofeng Feng
James Armin Freeman (appointed on March 6, 2019,
resigned on June 27, 2019 and
reappointed on August 1, 2019)

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 (resigned on February 22, 2019)
Chen Yau Wong
Zhe Sun
Peter Man Kong Wong*
Russell Francis Banham
John M. McManus (appointed on March 6, 2019)

Company Secretary

Antonio Jose Menano

Authorized Representatives

Antonio Jose Menano
William Joseph Hornbuckle (appointed on February 22, 2019)
William M. Scott IV (resigned on February 22, 2019)

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
17M 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

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Stock Code

2282

* Mr. Peter Man Kong Wong passed away on March 11, 2019.

Financial Highlights

	For the six months ended June 30	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Casino revenue	10,158,920	8,193,851
Other revenue	1,137,714	876,183
Operating revenue	11,296,634	9,070,034
Adjusted EBITDA	3,076,803	2,307,731
Operating profit	1,470,453	668,310
Profit for the period attributable to owners of the Company	1,022,392	704,580
Earnings per Share		
— Basic	HK26.9 cents	HK18.5 cents
— Diluted	HK26.9 cents	HK18.4 cents

Management Discussion and Analysis

Business Overview

We are a leading developer, owner and operator of two integrated casino, hotel and entertainment resorts in Macau, MGM MACAU and MGM COTAI, where we offer high-quality gaming, hospitality and entertainment experiences to attract and retain our customers. 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.

On January 25, 2018, the Group received notification from DICJ of the approval of 100 new gaming tables and 982 slot machines for operation at MGM COTAI which opened in February 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.

On March 15, 2019, a Sub-Concession Extension Contract was approved by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended for a further period up to June 26, 2022 which now aligns with the expiry date of other gaming Concessionaires/Sub-Concessionaires in Macau.

On May 16, 2019, the Company completed a refinancing transaction through the issuance of senior notes with an aggregate principal amount of US\$1.50 billion (equivalent to approximately HK\$11.7 billion).

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company a revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024. The proceeds of the revolving credit facility were used to refinance the existing senior secured credit facilities of the Group, and for ongoing working capital needs and general corporate purposes of the Group.

The Company's Shares have been listed on the Hong Kong Stock Exchange since June 3, 2011. The Company's immediate holding company is MRIH, 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. MGM Resorts International is our controlling Shareholder (with an interest in 55.95% of our issued share capital) and Pansy Ho and her controlled companies are our substantial Shareholders (with an interest in 22.49% of our issued share capital). We benefit from the complementary expertise of MGM Resorts International and Ms. Pansy Ho.

MGM MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 34,404 square meters, with 1,080 slot machines, 291 gaming tables, and multiple VIP and private gaming areas as at June 30, 2019. The hotel comprises a 35-storey tower with 582 hotel rooms, suites and villas, and we have a service agreement with the Mandarin Oriental Hotel, through which they supplement our room offerings with additional room availability when there is excess demand by our customers. 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.

Management Discussion and Analysis

MGM COTAI

MGM COTAI opened on February 13, 2018. The resort is conveniently located with multiple access points from other Cotai hotels and public amenities. The casino floor offers approximately 27,696 square meters, with 1,203 slot machines and 261 gaming tables as at June 30, 2019. The hotel comprises two towers with 1,363 hotel rooms, suites and skylofts, 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 experiential technology elements to entertain our guests. MGM COTAI offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. Our new VIP gaming areas opened in the second half of 2018 with the addition of a number of significant gaming promoters and Mansion One, the ultra-luxury gaming area for invitation-only premium mass customers, was introduced in December 2018. The new gaming areas allow us to expand our gaming operations and enhance our competitiveness. In addition, The Mansion, an ultra-exclusive resort within a resort, which is available only to our most selective guests, was launched in late March 2019.

Our Competitive Strengths and Operating Strategies

We have a number of competitive strengths including:

- Significant benefits from relationships with MGM Resorts International and Ms. Pansy Ho;
- Experienced management team with a proven track record;
- Diversified resort and entertainment offerings in the world's largest gaming market;
- Unique strategic position towards premium mass;
- Strong cash flow generation and significant growth potential; and
- Strong balance sheet with significant financial flexibility.

Management Discussion and Analysis

To build on our competitive strengths, operationally we focus on continuously improving the customer experience through product and service enhancement, greater asset utilization and the maximization of our operational efficiencies. These strategic efforts allow us to streamline and expand our organization across several key business segments, including sales and marketing, VIP and mass business development, and entertainment. We conduct business with a holistic strategic approach with a focus on creating economic benefits across our properties on the Macau Peninsula and Cotai. Additionally, we continue to implement the following business strategies to enhance our position as the leading developer and operator of integrated casino, hotel and entertainment resorts in Macau:

- Develop and diversify our offerings to cater to different market segments;
- Continuously improve scale of operations to create optimal financial performance;
- Maintain strong business relationships with our gaming promoters and identify potential gaming promoters to further grow our VIP business;
- Utilize The Mansion and Mansion One to attract ultra-high end customers, while maintaining our focus on the high margin mass market gaming segment; and
- Identify innovative gaming and non-gaming investment opportunities.

Macau Gaming Market

Following year-over-year revenue declines from the second half of 2014 to the middle of 2016, 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 opening in Cotai. Additionally, infrastructure investment and growth in room supply have supported increased visitation, including overnight visitors to Macau. Macau's total GGR of HK\$145.1 billion for the six months ended June 30, 2019 remained stable over the comparable period in 2018. GGR remains 22.6% below the peak of HK\$187.5 billion for the six months ended June 30, 2014.

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 the effect of China and Macau Government policies. Major factors impacting the Macau gaming market include: economic disruption or uncertainty in China; trade tensions; restriction on exit visas from China for travel to Macau and Hong Kong; anti-corruption campaigns; currency transfer restrictions; border currency declaration system and monetary outflow policies. These policies may affect the number of visitors and amount of capital outflow from China to Macau. Additionally, smoking restrictions in mass gaming floors and VIP areas also impact the Group's gaming performance.

GGR Mix

With its focus on premium mass gaming, the Company is strategically positioned to leverage the gaming market's recovery and growth potential. Our proportion of GGR from the mass and VIP market was 62% and 38%, respectively, for the six months ended June 30, 2019. The higher margins from the mass market significantly contributed to casino profit in the first half of 2019.

Management Discussion and Analysis

Tourism

The Statistics and Census Service of the Macau Government reported that visitor arrivals reached 20.3 million in the first half of 2019 which increased by 20.6% over the comparable period in 2018. Customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. Approximately 70.6% of visitors to Macau in the first half of 2019 were from mainland China which increased by 22.3% over the comparable period in 2018 and reached 14.3 million.

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

- The financial investments made by gaming Concessionaires and Sub-Concessionaires, including MGM Grand Paradise, in the opening of new properties providing superior and diversified products to further position Macau as a world class tourism center;
- Infrastructure improvements in Macau and Greater Bay area, such as the opening of the Hong Kong-Zhuhai-Macau bridge in October 2018; the expansion of the Macau Airport; the Zhuhai and Macau border gate 24-hour single check point; the Macau Light Rapid Transit System; the ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in China. All are expected to facilitate more convenient travel to Macau;
- Development of Hengqin into a tourism island, together with Macau designated as a key tourism hub by the Chinese Government; and
- The continuous growth of China outbound tourism, particularly in light of the growing middle class.

Competition

Currently, there are six gaming operators in Macau, each of which has completed or has expansion plans underway. As at June 30, 2019, there were 41 casinos in Macau. Several development projects in the Cotai area were completed prior to MGM COTAI's 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 7.6% for the six months ended June 30, 2018 to 9.3% for the six months ended June 30, 2019 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 the world including, but not limited to, integrated resorts in Cambodia, Vietnam, Saipan, South Korea, Singapore, the Philippines, Australia and Las Vegas.

Management Discussion and Analysis

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) 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 properties being MGM MACAU and MGM COTAI. Each of the properties 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 environment 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 expense/benefit, depreciation and amortization, loss on disposal/write-off of property and equipment and construction in progress, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company. 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, 2019 and 2018:

	For the six months ended	
	June 30	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	1,022,392	704,580
Income tax expense/(benefit)	5,768	(302,363)
Net foreign currency (gain)/loss	(56,600)	5,579
Finance costs	511,190	265,233
Interest income	(12,297)	(4,719)
Operating profit	1,470,453	668,310
Depreciation and amortization	1,286,026	937,248
Loss on disposal/write-off of property and equipment and construction in progress	3,210	4,309
Pre-opening costs ⁽¹⁾	20,548	425,179
Corporate expenses	263,511	232,515
Share-based payments	33,055	40,170
Adjusted EBITDA	3,076,803	2,307,731
MGM MACAU Adjusted EBITDA	2,045,595	2,046,614
MGM COTAI Adjusted EBITDA	1,031,208	261,117

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

Management Discussion and Analysis

Discussion of Results of Operations

Financial results for the six months ended June 30, 2019 compared to financial results for the six months ended June 30, 2018.

Operating Revenue

The following table sets forth the operating revenue for the six months ended June 30, 2019 and 2018.

	For the six months ended June 30	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
MGM MACAU	6,459,349	6,954,519
Casino revenue	5,980,908	6,471,349
Other revenue	478,441	483,170
MGM COTAI ⁽¹⁾	4,837,285	2,115,515
Casino revenue	4,178,012	1,722,502
Other revenue	659,273	393,013
Operating revenue	11,296,634	9,070,034

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

Total operating revenue of HK\$11,296.6 million for the six months ended June 30, 2019 was 24.5% higher than the comparable period in 2018. The current period benefited from a full half year and continued ramp up of operations at MGM COTAI, and the addition of 25 new-to-market gaming tables on January 1, 2019.

Management Discussion and Analysis

	For the six months ended June 30	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
VIP gross table games win	4,937,958	4,467,188
Main floor gross table games win	7,075,798	5,219,198
Slot machine gross win	1,097,114	1,080,352
Gross casino revenue	13,110,870	10,766,738
Commissions, complimentary and other incentives	(2,951,950)	(2,572,887)
Casino revenue	10,158,920	8,193,851

Casino Revenue

Casino revenue increased by 24.0% to HK\$10,158.9 million for the six months ended June 30, 2019. 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 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.

In exchange for their services, we compensate the gaming promoters by paying them a commission based upon 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. They also earn a complimentary allowance based upon 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.

Management Discussion and Analysis

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 upon 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. 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. The Group currently has a legally enforceable right to set off the receivables against the deposits, commissions and incentives liabilities that are to be settled simultaneously. We generally do not charge interest for credit granted, but require a personal cheque or other acceptable form of security. We have been successful in collecting some receivables previously considered to be irrecoverable. The Group regularly reviews the recoverable amount of each individual debt to ensure that adequate loss allowances are made for irrecoverable amounts.

Our VIP gross table games win increased by 10.5% to HK\$4,938.0 million for the six months ended June 30, 2019. The current period benefited from a full half year of operations at MGM COTAI, with an increase in turnover by 3.9% to HK\$164,492.8 million in total in the first half of 2019 as a result of the opening of VIP gaming areas at MGM COTAI in the second half of 2018, continued ramp up of operations at MGM COTAI, and the increase in VIP table games win percentage during the current period.

Main Floor Table Gaming Operations

Main floor table gaming operations in the Macau market are also referred to as the "mass market 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.

Main floor gross table games win increased by 35.6% to HK\$7,075.8 million for the six months ended June 30, 2019. The current period benefited from a full half year and continued ramp up of operations at MGM COTAI, the addition of 25 new-to-market gaming tables on January 1, 2019, an increase in the drop of 10.5% to HK\$31,611.3 million in total and the increase in main floor table games win percentage during the current period. 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.

Management Discussion and Analysis

Slot Machine Gaming Operations

Slot machine gross win increased by 1.6% to HK\$1,097.1 million for the six months ended June 30, 2019. The current period benefited from a full half year and continued ramp up of operations at MGM COTAI, with an increase in handle by 37.9% to HK\$35,636.6 million. The increase was partly offset by a decrease in slot hold percentage in the current period.

Other Revenue

Other revenue includes hotel rooms, food, beverage, retail and entertainment and increased by 29.8% to HK\$1,137.7 million for the six months ended June 30, 2019. The increase was 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.

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 experiential technology elements which we believe will break the boundaries between imagination and reality to delight and captivate our guests.

In the first half of 2019, new art exhibitions were brought into MGM COTAI including "Hua Yuan Exhibition" and new shows were performed at MGM Theater including the "JABBAWOCKEEZ — true to yourself", "The Harry Potter Film Concert Series" and "Fuerza Bruta Wayra" to support our goals of diversification and attract incremental visitors into our resorts.

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.

Management Discussion and Analysis

Operating Costs and Expenses

The major operating costs and expenses for the six months ended June 30, 2019 and 2018 were:

	For the six months ended June 30	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Gaming taxes	5,288,587	4,335,259
Inventories consumed	330,544	302,758
Staff costs	1,824,775	1,823,955
Other expenses and losses	1,096,249	1,002,504
Depreciation and amortization	1,286,026	937,248
Finance costs	511,190	265,233
Income tax expense/(benefit)	5,768	(302,363)

Gaming taxes

Gaming taxes increased by 22.0% to HK\$5,288.6 million for the six months ended June 30, 2019. This increase was mainly attributable to the higher gross casino win generated during the current period.

Inventories consumed

Inventories consumed increased by 9.2% to HK\$330.5 million for the six months ended June 30, 2019. This increase was primarily due to an increase in consumptions of supplies, including gaming supplies such as cards and other supplies in response to our business activities.

Staff costs

Staff costs remained stable at HK\$1,824.8 million for the six months ended June 30, 2019 which was primarily due to a one-time bonus made in the prior period, offset by hiring of additional staff in the operation of MGM COTAI in the current period.

Management Discussion and Analysis

Other expenses and losses

Other expenses and losses increased by 9.4% to HK\$1,096.2 million for the six months ended June 30, 2019, which mainly result from:

Advertising and promotion expense. Advertising and promotion expense decreased by 4.4% from HK\$315.8 million for the six months ended June 30, 2018 to HK\$301.8 million for the six months ended June 30, 2019. The decrease resulted from specific marketing activities in the prior period related to the opening of MGM COTAI.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 22.7% from HK\$166.5 million for the six months ended June 30, 2018 to HK\$204.2 million for the six months ended June 30, 2019. This increase primarily resulted from higher revenue generated during the current period.

Loss allowance on trade receivables, net. Loss allowance on trade receivables, net, increased by 52.7% to HK\$40.3 million for the six months ended June 30, 2019. The increase primarily resulted from the origination of new trade receivables as a result of the continued ramp up of operations at MGM COTAI and increased provision for VIP players.

Depreciation and amortization

Depreciation and amortization increased by 37.2% to HK\$1,286.0 million for the six months ended June 30, 2019. This increase was primarily due to the opening of MGM COTAI on February 13, 2018, launch of VIP gaming areas at MGM COTAI and The Mansion in the second half of 2018 and March 2019, respectively. The current period also included the depreciation of right-of-use assets due to the adoption of IFRS 16 effective January 1, 2019. This increase was partly offset by the impact of full depreciation of certain assets in 2019. Details of IFRS 16 are set out in note 2 to the condensed consolidated financial statements.

Finance costs

Total borrowing costs increased from HK\$395.6 million for the six months ended June 30, 2018 to HK\$526.3 million for the six months ended June 30, 2019. This increase was primarily due to a HK\$83.5 million increase in interest expense attributable to the Senior Notes issued in May 2019 and a HK\$27.7 million increase in interest expense of the MGM China Credit Facility as a result of increases in interest rates during the current period.

Finance costs increased from HK\$265.2 million for the six months ended June 30, 2018 to HK\$511.2 million for the six months ended June 30, 2019 mainly due to a HK\$130.7 million increase in total borrowing costs and a HK\$115.3 million decrease in capitalized interest as MGM COTAI and The Mansion opened on February 13, 2018 and in March 2019, respectively.

Income tax expense/(benefit)

Income tax expense in the current period primarily relates to the Macau dividend withholding tax of HK\$4.8 million under the extended tax concession arrangement entered with the Macau Government in March 2018. Income tax benefit in the prior period primarily relates to a reversal of deferred tax charge of HK\$317.1 million provided on the distributable profit of MGM Grand Paradise following the approval of the extension of the tax concession arrangement. Details of income tax expense/(benefit) 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 increased by 45.1% from HK\$704.6 million for the six months ended June 30, 2018 to HK\$1,022.4 million for the six months ended June 30, 2019. The current period benefited from a full half year and continued ramp up of operations at MGM COTAI, as well as an increase in main floor table games win percentage at both properties.

Liquidity and Capital Resources

Capital Resources

As at June 30, 2019, our bank balances and cash, and available undrawn credit facilities were HK\$3.42 billion and HK\$7.00 billion, respectively. These balances are available for operations, new development activities and enhancement to our properties, repayment of bank borrowings and other corporate purposes.

On May 16, 2019, the Company issued two series of senior unsecured notes in an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 and US\$750 million of 5.875% senior notes due May 15, 2026. The net proceeds from the issuance was used to pay down outstanding borrowings under the MGM China Credit Facility.

Gearing Ratio

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises 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, 2019 and December 31, 2018.

	As at	
	June 30 2019 HK\$'000 (unaudited)	December 31 2018 HK\$'000 (audited)
Borrowings, net of debt finance costs	16,920,743	18,873,205
Less: bank balances and cash	(3,415,739)	(3,992,107)
Net debt	13,505,004	14,881,098
Total equity	9,871,451	8,945,779
Total capital ⁽¹⁾	23,376,455	23,826,877
Gearing ratio	57.8%	62.5%

(1) Total capital represents the sum of net debt and total equity.

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, 2019 and 2018.

	For the six months ended June 30	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net cash generated from operating activities	2,543,342	2,881,480
Net cash used in investing activities	(653,276)	(2,065,937)
Net cash used in financing activities	(2,466,146)	(2,579,381)
Net decrease in cash and cash equivalents	(576,080)	(1,763,838)
Cash and cash equivalents at the beginning of the period	3,992,107	5,283,387
Effect of foreign exchange rate changes, net	(288)	(920)
Cash and cash equivalents at the end of the period	3,415,739	3,518,629

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\$2,543.3 million for the six months ended June 30, 2019 compared to HK\$2,881.5 million for the six months ended June 30, 2018. The decrease was due primarily to a decrease in payables and accrued charges, offset by an increase in operating profit in the current period.

Net cash used in investing activities

Net cash used in investing activities was HK\$653.3 million for the six months ended June 30, 2019 compared to HK\$2,065.9 million for the six months ended June 30, 2018. The major components of the cash flow used in investing activities related to payments for the construction and development activities at MGM COTAI and renovation work carried out at MGM MACAU, as well as purchase of property and equipment in total amounting to HK\$444.7 million and HK\$1,920.1 million for the six months ended June 30, 2019 and 2018, respectively. Other significant payments included HK\$213.6 million of Sub-concession premium related to the Sub-Concession Extension in the current period and HK\$110.5 million of developers' fees due to a related company in the prior period.

Net cash used in financing activities

Net cash used in financing activities was HK\$2,466.1 million for the six months ended June 30, 2019 compared to HK\$2,579.4 million for the six months ended June 30, 2018. The net cash used in financing activities in the current period was primarily due to HK\$13,580.0 million of net repayments of the MGM China Credit Facility, HK\$345.8 million of interest payments and HK\$129.2 million of dividends paid, partially offset by HK\$11,772.5 million of proceeds from the issuance of the Senior Notes. The prior period was primarily due to HK\$1,618.0 million of net repayment on the MGM China Credit Facility, HK\$316.6 million of interest payments and HK\$368.6 million of dividends paid.

Management Discussion and Analysis

Capital Commitments

As at June 30, 2019, 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 2019 HK\$'000 (unaudited)	December 31 2018 HK\$'000 (audited)
Contracted but not accounted for	126,432	144,442

Contingent Liabilities

As at June 30, 2019 and December 31, 2018, the Group had given bank guarantees totaling HK\$1,095.2 million and HK\$299.1 million, respectively in relation to the Sub-Concession, land concession and other operating purposes. The significant increase in the current period relates to the bank guarantee of MOP820 million (equivalent to HK\$796.12 million) to the Macau Government as required by the Sub-Concession Extension.

The Group has been named as a defendant in two 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. The Group intends to 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 2019 HK\$'000 (unaudited)	December 31 2018 HK\$'000 (audited)
Secured credit facilities	5,480,000	19,060,000
Unsecured senior notes	11,714,272	—
Less: debt finance costs	(273,529)	(186,795)
Total borrowings	16,920,743	18,873,205

Management Discussion and Analysis

Secured Credit Facilities

Overview

On October 22, 2012, the Company and MGM Grand Paradise as co-borrowers entered into an amended and restated credit agreement (the “First Supplemental Agreement”) with certain lenders. The First Supplemental Agreement became effective on October 29, 2012 and 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 Supplemental Agreement”), which became effective on June 12, 2015, extended the maturity of the obligations to April 29, 2019 and expanded the amounts available under the term loan facility to HK\$12.09 billion.

Further amendments to the Group’s borrowing facilities were executed and became effective 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 as of June 22, 2018, amended certain major terms of the MGM China Credit Facility as follows: (i) the total revolving credit commitments (the “Total Revolving Credit Commitments”) under the MGM China Credit Facility were reduced from HK\$11.31 billion to HK\$7.8 billion; and the total term loan commitments under the MGM China Credit Facility were increased from HK\$12.09 billion to HK\$15.6 billion (the aggregate amount under the MGM China Credit Facility remained unchanged); (ii) the final maturity date of the MGM China Credit Facility 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 MGM China Credit Facility remained unchanged.

The terms of the Sub-Concession Extension included a requirement for the Company to submit a bank guarantee of no less than MOP820 million (equivalent to HK\$796.12 million) to the Macau Government. As a result, a further amendment of the secured credit facility (the “Sixth Supplemental Agreement”) was entered into to increase the monetary limit provided under limb (b) of the definition of Performance Bond Facility in clause 1.1 of the Amended and Restated Credit Agreement, from US\$75,000,000 or its equivalent to US\$150,000,000 or its equivalent. The Sixth Supplemental Agreement became effective on April 16, 2019.

Principal and Interest

The MGM China Credit Facility, pursuant to the Sixth Supplemental Agreement, bears interest at HIBOR plus a margin ranging from 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, 2019, HK\$7.0 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, 2019, the Group paid interest at HIBOR plus 2.25% per annum (December 31, 2018: HIBOR plus 2.50% per annum).

Management Discussion and Analysis

General Covenants

The MGM China Credit Facility, pursuant to the Sixth 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 MGM China Credit Facility, pursuant to the Sixth Supplemental Agreement, was required to be no greater than 4.5 to 1.0 for each accounting period occurring on and after March 31, 2019 through to 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 under the MGM China Credit Facility for the six months ended June 30, 2019 and 2018.

Mandatory Prepayments

The MGM China Credit Facility, pursuant to the Sixth 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.

Pursuant to the Sixth 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.

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended for a further period up to June 26, 2022, which matches the final maturity date of the MGM China Credit Facility and coincides with the expiry date of other Concessionaires and Sub-Concessionaires. All of the original gaming concessions and Sub-Concessions authorized by the Macau Government will expire at the same time.

If, after the signing of the Sub-Concession Extension Contract 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.

Management Discussion and Analysis

Dividend Restrictions

Under the MGM China Credit Facility, pursuant to the Sixth 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, 2019, the Group's leverage ratio was approximately 3.42.

Events of Default

The MGM China Credit Facility, pursuant to the Sixth Supplemental Agreement, contains certain events of default, and certain insolvency related proceedings relating to the Group.

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.

Unsecured Senior Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 (the "2024 Notes") and US\$750 million of 5.875% senior notes due May 15, 2026 (the "2026 Notes" and, together with the 2024 Notes, the "Senior Notes"). The net proceeds from the issuance were used to pay down outstanding borrowings under the MGM China Credit Facility. Interest on the Senior Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019.

The Senior Notes are general unsecured obligations of the Company. Each series of Senior Notes ranks equally in right of payment with all of the Company's existing and future senior unsecured indebtedness and, ranks senior to all of the Company's future subordinated indebtedness, if any. The Senior Notes are effectively subordinated to all of the Company's existing and future secured indebtedness (including the MGM China Credit Facility) to the extent of the value of the collateral securing such debt. None of the Company's subsidiaries will guarantee the Senior Notes.

The Senior Notes were issued pursuant to an indenture, dated May 16, 2019 (the "Indenture"), between the Company and U.S. Bank National Association, as trustee. Upon the occurrence of certain events described in the Indenture, the interest rate on the Senior Notes may be adjusted.

The Senior Notes contain covenants that limit the ability of the Company and its subsidiaries to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another person; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

The Senior Notes also provide for certain events of default and certain insolvency related proceedings relating to the Group.

Management Discussion and Analysis

Revolving Credit Facility

Overview

On August 12, 2019, the Company entered into agreements with certain lenders pursuant to which the lenders agreed to make available to the Company a revolving credit facility in an aggregate amount of HK\$9.75 billion with a final maturity date on May 15, 2024 (the “Revolving Credit Facility”). The Revolving Credit Facility became effective on August 14, 2019. The proceeds of the Revolving Credit Facility will be used for ongoing working capital needs and general corporate purposes of the Group and were used to refinance the existing senior secured credit facilities of the Group. The existing senior secured credit facilities of the Company and MGM Grand Paradise were replaced in its entirety.

Principal and Interest

The Revolving Credit Facility bears interest at a fluctuating rate per annum based on HIBOR plus a margin (in the range of 1.625% to 2.75%), which will be determined by the Company’s leverage ratio.

General Covenants

The Revolving Credit Facility contains general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the “Restricted Group”) from incurring liens or engaging in certain asset dispositions. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

The Company is also required to maintain compliance with a maximum consolidated total leverage ratio and a minimum interest coverage ratio.

Mandatory Prepayments

Pursuant to Revolving Credit Facility, lenders will be permitted to cancel their commitments and to require the prepayment in full of the Revolving Credit Facility if a Change of Control occurs or there is a sale of all or substantially all of the assets or business of the Group. Change of Control is defined as: MGM Resorts International fails to be the legal and beneficial owner, directly or indirectly, of more than 50% of the capital stock of the Company having ordinary voting rights; or the Company ceases to be the beneficial owner directly or indirectly of all of the share capital of MGM Grand Paradise (other than any portion of the share capital of MGM Grand Paradise with only nominal economic interests created for the purposes of complying with Macanese ownership requirements).

Events of Default

The Revolving Credit Facility contains certain events of default, including loss of concession and certain insolvency related proceedings relating to the Group.

Security and Guarantees

No security or guarantees were provided by the Group in relation to the Revolving Credit Facility.

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 US\$ and Singapore Dollars and liabilities denominated in US\$. 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 is primarily exposed to cash flow interest rate risk in relation to borrowings which bear interest at floating rates. The Group manages interest rate risk through the mix of long-term fixed rate borrowings under our Senior Notes and variable rate borrowings under our MGM China Credit Facility and by utilizing interest rate swap agreements when considered necessary. A change in interest rates generally does not have an impact upon our future earnings and cash flow for fixed rate debt instruments. As fixed rate borrowings mature, however, and if additional debt is acquired to fund the debt repayment, future earnings and cash flow may be affected by changes in interest rates. This effect would be realized in the periods subsequent to periods when the debt matures.

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. We will continue to incur capital expenditure at MGM COTAI including the finalization of obligations related to the close out of the construction contracts.

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

Management Discussion and Analysis

Employees and Remuneration Policy

As at June 30, 2019, MGM Grand Paradise employed 10,911 full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM MACAU, MGM COTAI and shared services 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 and retain quality talents.

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 upon clear and measurable objectives designed to support the Group's strategy.

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

Other Information

Dividends

On August 1, 2019, the Board announced that it had resolved to declare the payment of an interim dividend of HK\$0.094 per Share (the “Interim Dividend”), amounting to approximately HK\$357.2 million in aggregate, representing approximately 34.9% of the Group’s profit attributable to owners of the Company for the six months ended June 30, 2019. The register of members will be closed from August 16, 2019 to August 20, 2019, both days inclusive, for the purpose of ascertaining the members who are entitled to the Interim Dividend. This Interim Dividend is expected to be paid on or about August 29, 2019 to the Shareholders whose names appear on the register of members on August 20, 2019. The Board has resolved to declare the Interim Dividend after reviewing the Group’s general financial position, its capital and liquidity requirements going forward and other factors that the Board considered relevant, and determined that the Group has 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, 2019, 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	22,937,200 ⁽³⁾	—	—	22,937,200	0.60%

(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	62,215 ⁽⁶⁾	—	—	—	62,215	0.0118%
	278,342 ⁽⁷⁾	—	—	—	278,342	0.0529%
	9,122 ⁽⁸⁾	—	—	—	9,122	0.0017%
	257,649 ⁽⁹⁾	—	—	—	257,649	0.0490%
	687,806 ⁽¹⁰⁾	—	—	—	687,806	0.1307%
	29,912 ⁽¹¹⁾	—	—	—	29,912	0.0057%
	—	793,788 ⁽¹²⁾	—	—	793,788	0.1508%
	—	318,669 ⁽¹³⁾	—	—	318,669	0.0605%
—	131,373 ⁽¹⁴⁾	—	—	131,373	0.0250%	
—	131,372 ⁽¹⁵⁾	—	—	131,372	0.0250%	
Pansy Ho	—	—	16,149,210 ⁽¹⁶⁾	—	16,149,210	3.0682%
William Joseph Hornbuckle	30,657 ⁽¹⁷⁾	—	—	—	30,657	0.0058%
	79,811 ⁽¹⁸⁾	—	—	—	79,811	0.0152%
	2,495 ⁽¹⁹⁾	—	—	—	2,495	0.0005%
	98,729 ⁽²⁰⁾	—	—	—	98,729	0.0188%
	267,812 ⁽²¹⁾	—	—	—	267,812	0.0509%
	11,505 ⁽²²⁾	—	—	—	11,505	0.0022%
	9,396 ⁽²³⁾	—	—	—	9,396	0.0018%
—	—	—	227,884 ⁽²⁴⁾	227,884	0.0433%	
Kenneth Xiaofeng Feng	43,534 ⁽²⁵⁾	—	—	—	43,534	0.0083%
	11,969 ⁽²⁶⁾	—	—	—	11,969	0.0023%
	11,937 ⁽²⁷⁾	—	—	—	11,937	0.0023%
	264 ⁽²⁸⁾	—	—	—	264	0.0001%
	8,021 ⁽²⁹⁾	—	—	—	8,021	0.0015%
John M. McManus (*)	3,030 ⁽³⁰⁾	—	—	—	3,030	0.0006%
	35,316 ⁽³¹⁾	—	—	—	35,316	0.0067%
	915 ⁽³²⁾	—	—	—	915	0.0002%
	16,350 ⁽³³⁾	—	—	—	16,350	0.0031%
	119,496 ⁽³⁴⁾	—	—	—	119,496	0.0227%
	4,020 ⁽³⁵⁾	—	—	—	4,020	0.0008%
	100,177 ⁽³⁶⁾	—	—	—	100,177	0.0190%
James Armin Freeman (**)	49,099 ⁽³⁷⁾	—	—	—	49,099	0.0093%
	12,628 ⁽³⁸⁾	—	—	—	12,628	0.0024%
	309 ⁽³⁹⁾	—	—	—	309	0.0001%
	44,083 ⁽⁴⁰⁾	—	—	—	44,083	0.0084%
	1,280 ⁽⁴¹⁾	—	—	—	1,280	0.0002%
	25,460 ⁽⁴²⁾	—	—	—	25,460	0.0048%

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
William M. Scott IV (***)	37,536 ⁽⁴³⁾	—	—	—	37,536	0.0070%
	4,551 ⁽⁴⁴⁾	—	—	—	4,551	0.0008%
	121 ⁽⁴⁵⁾	—	—	—	121	0.00002%
	41,278 ⁽⁴⁶⁾	—	—	—	41,278	0.0077%
	1,095 ⁽⁴⁷⁾	—	—	—	1,095	0.0002%
	58,729 ⁽⁴⁸⁾	—	—	—	58,729	0.0109%
Daniel J. D'Arrigo (****)	11,102 ⁽⁴⁹⁾	—	—	—	11,102	0.0021%
	44,678 ⁽⁵⁰⁾	—	—	—	44,678	0.0083%
	747 ⁽⁵¹⁾	—	—	—	747	0.0001%
	267,982 ⁽⁵²⁾	—	—	—	267,982	0.0499%
	6,356 ⁽⁵³⁾	—	—	—	6,356	0.0012%
	239,460 ⁽⁵⁴⁾	—	—	—	239,460	0.0446%

(d) *Long Positions in the Common Stocks and Underlying Shares of Associated Corporations — MGM Growth Properties⁽⁵⁵⁾*

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 ⁽⁵⁶⁾	—	—	—	37,705	0.0407%
	—	250,000 ⁽⁵⁷⁾	—	—	250,000	0.2699%
Pansy Ho	—	—	1,000,000 ⁽⁵⁸⁾	—	1,000,000	1.0795%
William Joseph Hornbuckle	31,671 ⁽⁵⁹⁾	—	—	—	31,671	0.0342%
	—	—	—	7,541 ⁽⁶⁰⁾	7,541	0.0081%
John M. McManus (*)	27,582 ⁽⁶¹⁾	—	—	—	27,582	0.0298%
James Armin Freeman (**)	14,311 ⁽⁶²⁾	—	—	—	14,311	0.0154%
Daniel J. D'Arrigo (****)	27,623 ⁽⁶³⁾	—	—	—	27,623	0.0305%

Other Information

Notes:

- (1) These represent the Shares beneficially held by Pansy Ho in her personal capacity.
- (2) These represent the Shares held by Grand Paradise Macau Limited, a company which Pansy Ho has control.
- (3) This represents 22,937,200 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 18 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 62,215 vested RSUs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (7) This represents 278,342 unvested RSUs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (8) This represents 9,122 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Joseph Murren.
- (9) This represents 161,031 vested 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 429,879 unvested PSUs in the common stock of MGM Resorts International granted to James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (11) This represents 18,695 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.
- (12) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (13) These represent the common stock of MGM Resorts International held by J&H Investments LLC.
- (14) These represent the common stock of MGM Resorts International held by Jack Murren Irrevocable Trust.
- (15) These represent the common stock of MGM Resorts International held by Theodore Murren Irrevocable Trust.

Other Information

- (16) These represent the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Pansy Ho has control.
- (17) This represents 30,657 vested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (18) This represents 79,811 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (19) This represents 2,495 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.
- (20) This represents 61,706 vested 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.
- (21) This represents 167,383 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.
- (22) This represents 7,190 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.
- (23) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (24) These represent the common stock of MGM Resorts International indirectly held through trust.
- (25) This represents 43,534 vested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (26) This represents 11,969 unvested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (27) This represents 11,937 unvested RSUs in the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (28) This represents 264 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (29) These represent the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (30) This represents 3,030 vested RSUs in the common stock of MGM Resorts International held by John M. McManus.
- (31) This represents 35,316 unvested RSUs in the common stock of MGM Resorts International held by John M. McManus.
- (32) This represents 915 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by John M. McManus.
- (33) This represents 10,219 vested PSUs in the common stock of MGM Resorts International granted to John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (34) This represents 74,685 unvested PSUs in the common stock of MGM Resorts International granted to John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.

Other Information

- (35) This represents 2,512 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by John M. McManus. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (36) These represent the common stock of MGM Resorts International held by John M. McManus.
- (37) This represents 49,099 vested SARs in the common stock of MGM Resorts International granted to James Armin Freeman.
- (38) This represents 12,628 unvested RSUs in the common stock of MGM Resorts International held by James Armin Freeman.
- (39) This represents 309 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Armin Freeman.
- (40) This represents 27,552 unvested PSUs in the common stock of MGM Resorts International granted to James Armin Freeman. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (41) This represents 800 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by James Armin Freeman. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (42) These represent the common stock of MGM Resorts International held by James Armin Freeman.
- (43) This represents 37,536 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (44) This represents 4,551 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.
- (45) This represents 121 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William M. Scott IV.
- (46) This represents 25,799 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.
- (47) This represents 684 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.
- (48) These represent the common stock of MGM Resorts International held by William M. Scott IV.
- (49) This represents 11,102 vested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (50) This represents 44,678 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (51) This represents 747 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. D'Arrigo.
- (52) This represents 167,489 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.
- (53) This represents 3,972 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.
- (54) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.

Other Information

- (55) 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.
- (56) These represent the common stock of MGM Growth Properties held by James Joseph Murren.
- (57) These represent the common stock of MGM Growth Properties held by Spousal Limited Access Trusts.
- (58) These represent the common stock of MGM Growth Properties held by August City Limited, a company which Pansy Ho has control.
- (59) These represent the common stock of MGM Growth Properties held by William Joseph Hornbuckle.
- (60) These represent the common stock of MGM Growth Properties indirectly held through trust.
- (61) These represent the common stock of MGM Growth Properties held by John M. McManus.
- (62) These represent the common stock of MGM Growth Properties held by James Armin Freeman.
- (63) These represent the common stock of MGM Growth Properties held by Daniel J. D'Arrigo.
- (*) John M. McManus was appointed as a non-executive Director with effect from March 6, 2019.
- (**) James Armin Freeman was appointed as a non-executive Director with effect with March 6, 2019, resigned on June 27, 2019 and reappointed on August 1, 2019.
- (***) William M. Scott IV resigned as non-executive Director with effect from February 22, 2019.
- (****) Daniel J. D'Arrigo resigned as non-executive Director with effect from March 1, 2019.

Save as disclosed above, as at June 30, 2019, 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, 2019, 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	55.95%
MGM International, LLC ⁽¹⁾	Interest in a controlled corporation	2,126,100,001	55.95%
MRIH ⁽¹⁾	Direct interest	2,126,100,001	55.95%
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, 2019, 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 2018 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, 2019, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 97,739,288, representing approximately 2.6% 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 282,328,212, which is approximately 7.4% 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, 2019 is as follows:

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at June 30, 2019
					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	4,109,400	—	—	—	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
Consultant	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	775,000	—	—	—	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	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	—	—	(275,000)	11,350,000
Consultant	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	180,000	—	—	—	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	800,000	—	—	—	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	257,500	—	—	—	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	595,000	—	(87,500)	(187,500)	320,000
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	5,219,888	—	(27,100)	(28,400)	5,164,388

Other Information

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at June 30, 2019
					Granted during the period	Exercised during the period	Forfeited during the period	
Consultant	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	285,000	—	—	—	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	780,000	—	—	—	780,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	135,000	—	—	—	135,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	—	(25,000)	(25,000)	137,500
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	8,674,000	—	(115,000)	(265,100)	8,293,900
Consultant	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	7,101,300	—	(37,900)	—	7,063,400
Consultant	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	400,000	—	—	(25,000)	375,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,307,500	—	(12,500)	—	1,295,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	382,500	—	—	(12,500)	370,000
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	7,719,200	—	—	(295,500)	7,423,700
Consultant	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	355,000	—	—	(25,000)	330,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	400,000	—	—	—	400,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	1,215,000	—	—	(37,500)	1,177,500
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	370,000	—	—	—	370,000
Grant R. Bowie	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	6,358,800	—	—	(251,000)	6,107,800
Consultant	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	—	—	—	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	200,000	—	—	—	200,000

Other Information

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019	Number of share options			Outstanding at June 30, 2019
					Granted during the period	Exercised during the period	Forfeited during the period	
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	110,000	—	—	—	110,000
Employees	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	—	150,000	—	—	150,000
Employees	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	—	550,000	—	—	550,000
Grant R. Bowie	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	3,992,400	—	—	3,992,400
Employees	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	11,806,000	—	—	11,806,000
Consultant	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	275,200	—	—	275,200
				82,698,188	16,773,600	(305,000)	(1,427,500)	97,739,288

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

During the six months ended June 30, 2019, the Company repurchased a total of 305,000 Shares at an aggregate purchase price of HK\$4.36 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 2019	192,900	15.40	15.30	2,976
June 2019	112,100	12.38	12.28	1,386
	305,000			4,362

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, 2019 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 disclosed 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, 2019.

Other Information

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, 2019 to June 30, 2019, 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, 2019.

Update on Directors' Information

Changes in the information of the Directors since disclosure made in the Company's 2018 annual report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. William Joseph Hornbuckle is a member of the CityCenter Board of Directors (a joint venture with Dubai World), T-Mobile Arena (a joint venture with AEG), and the Las Vegas Stadium Authority.
2. William M. Scott resigned as Non-executive Director of the Company on February 22, 2019.
3. Daniel J. D'Arrigo resigned as Non-executive Director of the Company on March 1, 2019.
4. John M. McManus was appointed as Non-executive Director of the Company and member of the Nomination and Corporate Governance Committee on March 6, 2019.
5. James Armin Freeman was appointed as Non-executive Director of the Company and a member of the Audit Committee on March 6, 2019 and resigned on June 27, 2019. He was reappointed as Non-executive Director of the Company on August 1, 2019.
6. Russell Francis Banham was appointed as a member of the Health, Safety, Environmental Committee of National Atomic Company Kazatomprom.
7. Zhe Sun ceased to be a professor at the Institute for International Studies and a Director of the Center for U.S. China Relations at Tsinghua University.

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), Zhe Sun 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 1, 2019

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 42 to 77, which comprise the condensed consolidated statement of financial position as of June 30, 2019 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 1, 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2019

	NOTES	Six months ended June 30	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
OPERATING REVENUE			
Casino revenue	4	10,158,920	8,193,851
Other revenue	4	1,137,714	876,183
		11,296,634	9,070,034
OPERATING COSTS AND EXPENSES			
Gaming taxes		(5,288,587)	(4,335,259)
Inventories consumed		(330,544)	(302,758)
Staff costs		(1,824,775)	(1,823,955)
Other expenses and losses	5	(1,096,249)	(1,002,504)
Depreciation and amortization		(1,286,026)	(937,248)
		(9,826,181)	(8,401,724)
Operating profit		1,470,453	668,310
Interest income		12,297	4,719
Finance costs	6	(511,190)	(265,233)
Net foreign currency gain/(loss)		56,600	(5,579)
Profit before tax		1,028,160	402,217
Income tax (expense)/benefit	7	(5,768)	302,363
Profit for the period attributable to owners of the Company	8	1,022,392	704,580
Other comprehensive expense:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(54)	(769)
Total comprehensive income for the period attributable to owners of the Company		1,022,338	703,811
Earnings per Share — Basic	10	HK26.9 cents	HK18.5 cents
Earnings per Share — Diluted	10	HK26.9 cents	HK18.4 cents

Condensed Consolidated Statement of Financial Position

At June 30, 2019

	NOTES	At June 30 2019 HK\$'000 (unaudited)	At December 31 2018 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment	11	27,994,144	27,221,918
Construction in progress	11	121,281	1,781,527
Right-of-use assets	12	1,382,710	—
Sub-concession premium	13	308,817	158,153
Land use right premium	2	—	1,121,541
Other assets		85,629	128,656
Prepayments, deposits and other receivables		47,977	62,816
Total non-current assets		29,940,558	30,474,611
Current assets			
Inventories		153,637	159,696
Trade receivables	14	356,558	322,637
Prepayments, deposits and other receivables		162,300	112,058
Land use right premium	2	—	69,406
Amounts due from related companies	22	1,640	2,060
Bank balances and cash		3,415,739	3,992,107
Total current assets		4,089,874	4,657,964
TOTAL ASSETS		34,030,432	35,132,575

Condensed Consolidated Statement of Financial Position

At June 30, 2019

	NOTES	At June 30 2019 HK\$'000 (unaudited)	At December 31 2018 HK\$'000 (audited)
EQUITY			
Capital and reserves			
Share capital	15	3,800,000	3,800,000
Share premium and reserves		6,071,451	5,145,779
TOTAL EQUITY		9,871,451	8,945,779
LIABILITIES			
Non-current liabilities			
Borrowings	16	16,920,743	18,093,205
Lease liabilities	2	186,515	—
Payables and accrued charges	17	12,265	17,492
Construction retention payable		7,570	18,065
Total non-current liabilities		17,127,093	18,128,762
Current liabilities			
Borrowings	16	—	780,000
Lease liabilities	2	27,623	—
Payables and accrued charges	17	6,603,023	6,856,506
Construction retention payable		369,313	387,778
Amounts due to related companies	22	26,446	22,531
Income tax payable		5,483	11,219
Total current liabilities		7,031,888	8,058,034
TOTAL LIABILITIES		24,158,981	26,186,796
TOTAL EQUITY AND LIABILITIES		34,030,432	35,132,575

The condensed consolidated financial statements on pages 42 to 77 were approved and authorized for issue by the Board of Directors on August 1, 2019 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, 2019

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Equity reserve	Other reserves	Currency translation reserves	Retained earnings	Share premium and reserves total	Shareholders' funds total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2019 (unaudited)	3,800,000	10,403,377	13,876	406,505	293,725	(13,133,305)	(2,770)	7,164,371	5,145,779	8,945,779
Profit for the period	—	—	—	—	—	—	—	1,022,392	1,022,392	1,022,392
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(54)	—	(54)	(54)
Total comprehensive income	—	—	—	—	—	—	(54)	1,022,392	1,022,338	1,022,338
Exercise of share options	305	4,772	—	(1,232)	—	—	—	—	3,540	3,845
Share repurchase and cancellation										
— repurchases of Shares	(305)	(4,057)	—	—	—	—	—	—	(4,057)	(4,362)
— transfer	—	—	305	—	—	—	—	(305)	—	—
Forfeiture of share options	—	—	—	(2,919)	—	—	—	2,919	—	—
Recognition of share-based payments	—	—	—	33,055	—	—	—	—	33,055	33,055
Dividends paid	—	—	—	—	—	—	—	(129,204)	(129,204)	(129,204)
At June 30, 2019 (unaudited)	3,800,000	10,404,092	14,181	435,409	293,725	(13,133,305)	(2,824)	8,060,173	6,071,451	9,871,451
At January 1, 2018 (unaudited)	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	—	—	—	—	—	—	—	(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

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019

	NOTES	Six months ended June 30	
		2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES		2,543,342	2,881,480
INVESTING ACTIVITIES			
Purchase of property and equipment and construction in progress		(444,714)	(1,920,105)
Payment of Sub-concession premium	13	(213,592)	—
Proceeds from disposal of property and equipment		538	41
Payments of developers' fee capitalized to construction in progress		—	(110,529)
Purchase of other assets		—	(48,281)
Proceeds from insurance claims		4,492	12,937
NET CASH USED IN INVESTING ACTIVITIES		(653,276)	(2,065,937)
FINANCING ACTIVITIES			
Proceeds from secured credit facilities		400,000	1,200,000
Proceeds from issuance of unsecured senior notes	16	11,772,525	—
Repayment of secured credit facilities	16	(13,980,000)	(2,818,000)
Payment of debt finance costs		(168,543)	(257,970)
Payment of lease liabilities		(14,729)	—
Interest paid		(345,836)	(316,570)
Dividends paid		(129,204)	(368,640)
Proceeds from exercise of share options		4,003	38,569
Payments on repurchase of Shares		(4,362)	(56,770)
NET CASH USED IN FINANCING ACTIVITIES		(2,466,146)	(2,579,381)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(576,080)	(1,763,838)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,992,107	5,283,387
Effect of foreign exchange rate changes, net		(288)	(920)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		3,415,739	3,518,629

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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 (“IAS”) 34 *Interim Financial Reporting*.

The condensed consolidated financial statements have been prepared on a going concern basis. As at June 30, 2019, the Group had net current liabilities of approximately HK\$2,942.0 million (December 31, 2018: HK\$3,400.1 million). The Group has prepared a cash flow forecast which involves judgments and estimations based upon management’s input of key variables and market conditions including the future economic conditions, increased competition in Macau, 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 upon projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based upon the credit facilities (see note 16) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2018, except for the application of new and amendments to International Financial Reporting Standards (“IFRSs”) which are relevant to the Group as at January 1, 2019, the most significant of which is IFRS 16 *Leases* as described below.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

IFRS 16 Leases

IFRS 16 supersedes the current lease guidance including IAS 17 *Leases* and the related interpretations, introducing a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability are to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

For both lessor and lessee accounting, IFRS 16 requires the Group to allocate consideration in a contract to lease and non-lease components on the basis of the relative stand-alone price of the lease component and non-lease components. Lease payments do not include payments allocated to non-lease components of a contract.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Transition and summary of effects arising from initial application of IFRS 16

The Group applied IFRS 16 for the first time in the current interim period using the modified retrospective approach without restating comparative information. For the purpose of applying the modified retrospective approach to all leases, the Group elected to measure the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments, at the date of initial application.

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease at modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

IFRS 16 Leases (Continued)

Transition and summary of effects arising from initial application of IFRS 16 (Continued)

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the practical expedients of using hindsight in determining the lease term for the land concession contracts.

Under the land concession contracts with the Macau Government and other applicable legislation in Macau, the land concessions have an initial term of 25 years, which is renewable at the Group's option for further consecutive periods of 10 years. The Group applied judgement in evaluating whether it is reasonably certain to exercise the option to renew and considered all relevant factors that create an economic incentive for it to exercise the renewal. The Group concluded that the renewal period should be included as part of the lease terms of the land concession contracts due to its significance to the Group's operations, with the lease terms aligned to the end dates of the useful lives of the Group's hotel and casino buildings.

The Group also applied the following practical expedients to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognize right-of-use assets and lease liabilities for lease terms ending within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- applied a single discount rate to a portfolio of leases with similar remaining terms for similar classes of underlying assets in a similar economic environment.

In addition, the Group applied the recognition exemption to leases of low value assets and leases that have a lease term of 12 months or less from the commencement date. Lease payments on these leases are recognized as expense on a straight-line basis over the lease term.

The Group has assessed the non-cancellable operating lease commitments as at December 31, 2018 and has recognized lease liabilities in respect of these lease arrangements that meet the definition of a lease unless they qualify for treatment as low value or short-term leases. In addition, the current and non-current portions of the previously recognized land use right premium asset have been reclassified as part of the right-of-use assets. On transition, the Group recognized lease liabilities of HK\$219.2 million and right-of-use assets of HK\$1,409.5 million (the latter includes the reclassification of HK\$1,190.9 million of land use right premium).

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.36%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

IFRS 16 Leases (Continued)

Transition and summary of effects arising from initial application of IFRS 16 (Continued)

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	HK\$'000 (unaudited)
Operating lease commitments at December 31, 2018	263,923
Recognition exemption — short-term leases	(31,718)
Recognition exemption — low value assets	(762)
Increase in future payment due to reassessment of lease terms of the land concession contracts	316,172
Contracts committed but not yet commenced at January 1, 2019	(17,217)
Payment for non-lease components included in operating lease commitment	(3,000)
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(308,179)
Lease liabilities as at January 1, 2019	219,219
	At January 1, 2019 HK\$'000 (unaudited)
Current	20,096
Non-current	199,123
	219,219

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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

IFRS 16 Leases (Continued)

Transition and summary of effects arising from initial application of IFRS 16 (Continued)

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	At January 1, 2019 HK\$'000 (unaudited)
Right-of-use assets relating to operating leases recognized upon application of IFRS 16	219,219
Reclassified from land use right premium ⁽ⁱ⁾	1,190,947
Other	(629)
	1,409,537
By class:	
Leasehold land	1,340,337
Buildings	30,779
Equipment and other	38,421
	1,409,537

(i) Upon application of IFRS 16, the current and non-current portion of land use right premium amounting to HK\$69.4 million and HK\$1,121.5 million respectively were reclassified to right-of-use assets.

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) 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 properties being MGM MACAU and MGM COTAI (the latter opened on February 13, 2018). Each of the properties 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

3. Segment Information (Continued)

Adjusted EBITDA is considered to be the primary profit measure for the reportable segment. Adjusted EBITDA is profit before finance costs, income tax expense/benefit, depreciation and amortization, loss on disposal/write-off of property and equipment and construction in progress, interest income, net foreign currency difference, share-based payments, pre-opening costs and corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company.

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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA	3,076,803	2,307,731
Share-based payments	(33,055)	(40,170)
Corporate expenses	(263,511)	(232,515)
Pre-opening costs ⁽¹⁾	(20,548)	(425,179)
Loss on disposal/write-off of property and equipment and construction in progress	(3,210)	(4,309)
Depreciation and amortization	(1,286,026)	(937,248)
Operating profit	1,470,453	668,310
Interest income	12,297	4,719
Finance costs	(511,190)	(265,233)
Net foreign currency gain/(loss)	56,600	(5,579)
Profit before tax	1,028,160	402,217
Income tax (expense)/benefit	(5,768)	302,363
Profit for the period attributable to owners of the Company	1,022,392	704,580

(1) Pre-opening costs primarily represented personnel and other costs incurred prior to the opening of ongoing development phases 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, 2019

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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
VIP gross table games win	4,937,958	4,467,188
Main floor gross table games win	7,075,798	5,219,198
Slot machine gross win	1,097,114	1,080,352
Gross casino revenue	13,110,870	10,766,738
Commissions, complimentarys and other incentives	(2,951,950)	(2,572,887)
	10,158,920	8,193,851

Other revenue comprises:

	Six months ended June 30	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel rooms	552,064	414,525
Food and beverage	483,295	383,075
Retail and other ⁽¹⁾	102,355	78,583
	1,137,714	876,183

(1) Included is HK\$60.2 million (six months ended June 30, 2018: HK\$44.7 million) pertaining to income from right of use to retail areas within MGM MACAU and MGM COTAI by retailers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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 owed 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, and (3) customer advances and other, which are 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	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance at January 1	1,694,055	3,989,175	131,636	99,837	1,607,727	1,614,340
Balance at June 30	1,759,826	5,178,358	136,576	121,177	1,577,182	1,585,519
Increase/(decrease)	65,771	1,189,183	4,940	21,340	(30,545)	(28,821)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

5. Other Expenses And Losses

	Six months ended June 30	
	2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Advertising and promotion	301,808	315,759
License fees	197,028	158,726
Other support services	154,892	113,844
Utilities and fuel	124,261	104,863
Repairs and maintenance	113,757	94,733
Loss allowance on trade receivables, net	40,285	26,367
Loss on disposal/write-off of property and equipment and construction in progress	3,210	4,309
Other	161,008	183,903
	1,096,249	1,002,504

6. Finance Costs

	Six months ended June 30	
	2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Interest on secured credit facilities	343,245	315,545
Interest on unsecured senior notes	83,456	—
Loss on extinguishment of debt (note 16)	75,513	5,899
Amortization of debt finance costs	11,756	70,266
Interest on lease liabilities	6,838	—
Bank fees and charges	5,479	3,912
Total borrowing costs	526,287	395,622
Less: capitalized interest allocated to construction in progress (note 11)	(15,097)	(130,389)
	511,190	265,233

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

7. Income Tax (Expense)/Benefit

	Six months ended June 30	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax expense:		
Macau Dividend Withholding Tax	(4,806)	(14,418)
Mainland China Income Tax	(995)	(368)
Hong Kong Profits Tax	(27)	(57)
Over provision in prior year	60	59
	(5,768)	(14,784)
Deferred tax:		
Reversal of deferred tax liability previously recognized	—	317,147
	(5,768)	302,363

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, has been 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.

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. However, pursuant to an extended tax concession arrangement issued by the Macau Government in dispatch 003/DIR/2018 which MGM Grand Paradise confirmed on March 15, 2018, 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.

Hong Kong Profits Tax is calculated at the maximum rate of 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%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

8. Profit for the Period

	Six months ended June 30	
	2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Directors' and chief executive's emoluments	33,103	40,464
Retirement benefits scheme contributions for other staff	42,985	37,524
Share-based payments for other staff	24,407	30,609
Salaries and other benefits for other staff	1,724,280	1,715,358
	1,824,775	1,823,955
Amortization in respect of:		
— Sub-concession premium	62,928	62,928
— land use right premium	—	28,371
— other assets	51,982	35,925
Depreciation in respect of:		
— Property and equipment	1,141,383	810,024
— Right-of-use assets	29,733	—
	1,286,026	937,248
Loss on disposal/write-off of property and equipment and construction in progress	3,210	4,309
Operating lease expenses under IAS 17	—	27,117

9. Dividends

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. The dividend was paid to Shareholders on September 10, 2018.

On March 6, 2019, a final dividend of HK\$0.034 per Share, amounting to approximately HK\$129.2 million in aggregate for the year ended December 31, 2018 was approved by the Shareholders of the Company. The dividend was paid to Shareholders on June 20, 2019.

On August 1, 2019, an interim dividend of HK\$0.094 per Share, amounting to approximately HK\$357.2 million in aggregate for the six months ended June 30, 2019 was declared by the Directors of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

10. Earnings Per Share

The calculation of the basic earnings per Share for the six months ended June 30, 2019 and 2018 is based upon 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, 2019 and 2018 is based upon 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 18).

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

	Six months ended June 30	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	1,022,392	704,580
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,079	3,800,390
Number of dilutive potential Shares arising from exercise of share options ('000)	4,874	18,585
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	3,804,953	3,818,975
Earnings per Share — Basic	HK26.9 cents	HK18.5 cents
Earnings per Share — Diluted	HK26.9 cents	HK18.4 cents

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

11. Property and Equipment and Construction In Progress

	At	At
	June 30, 2019	December 31, 2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Carrying amount at January 1	29,003,445	29,120,304
Additions	268,620	1,947,611
Transfers to other assets	(10,355)	(178,214)
Disposal/write-off	(5,085)	(7,499)
Depreciation	(1,141,383)	(1,877,500)
Foreign exchange difference	183	(1,257)
Carrying amount at June 30/December 31	28,115,425	29,003,445
Property and equipment	27,994,144	27,221,918
Construction in progress	121,281	1,781,527
	28,115,425	29,003,445

During the six months ended June 30, 2019, borrowing costs of HK\$15.1 million (six months ended June 30, 2018: HK\$130.4 million) were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.00% (six months ended June 30, 2018: 4.75%) to expenditure on qualifying assets during the six months ended June 30, 2019. During the six months ended June 30, 2019, no developers' fees (six months ended June 30, 2018: HK\$13.9 million) were capitalized to construction in progress.

During the six months ended June 30, 2019 and 2018, HK\$1,777.3 million and HK\$25,585.7 million was transferred from construction in progress to property and equipment pertaining to the assets in use of MGM COTAI. As at June 30, 2019, the finalization of the obligations related to the close out of the construction contracts was in progress.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

12. Right-of-Use Assets

	HK\$'000 (unaudited)
Carrying amount at January 1, 2019	1,409,537
Additions	2,731
Depreciation	(29,733)
Foreign exchange difference	175
Carrying amount at June 30, 2019	1,382,710
By class:	
Leasehold land	1,321,857
Buildings	25,000
Equipment and other	35,853
	1,382,710

13. Sub-Concession Premium

	At June 30, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
Carrying amount at January 1	158,153	285,053
Additions	213,592	—
Amortization	(62,928)	(126,900)
Carrying amount at June 30/December 31	308,817	158,153

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended for a further period up to June 26, 2022. MGM Grand Paradise paid the Macau Government MOP200 million (equivalent to approximately HK\$194.17 million) as a contract premium upon signing such extension. MGM Grand Paradise submitted a bank guarantee to the Macau Government to warrant the fulfillment of an existing commitment of labor liabilities upon expiry of the Sub-Concession Extension Contract (refer note 19). In addition, MGM Grand Paradise paid SJM MOP20 million (equivalent to approximately HK\$19.42 million) in connection with the extension of the gaming sub-concession.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

14. Trade Receivables

	At June 30, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
Trade receivables	496,696	419,066
Less: Loss allowance	(140,138)	(96,429)
	356,558	322,637

Trade receivables mainly consist of casino receivables. The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based upon 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.

Trade receivables from hotel customers are not significant at the end of the reporting period.

The following is an analysis of trade receivables, net of loss allowance, by age presented based upon marker issuance date or invoice date:

	At June 30, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
Within 30 days	217,556	178,490
31 — 90 days	70,840	97,208
91 — 180 days	68,162	46,939
	356,558	322,637

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

15. Share Capital

	Notes	Number of Shares	Share Capital HK\$
Issued and fully paid			
At January 1, 2018 (unaudited)		3,800,000,001	3,800,000,001
Share options exercised	18	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
At January 1, 2019 (unaudited)		3,800,000,001	3,800,000,001
Share options exercised	18	305,000	305,000
Share repurchase and cancellation	(i)	(305,000)	(305,000)
At June 30, 2019 (unaudited)		3,800,000,001	3,800,000,001

- (i) During the six months ended June 30, 2019, 305,000 Shares (six months ended June 30, 2018: 2,602,200) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$4.4 million (six months ended June 30, 2018: HK\$56.8 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

16. Borrowings

During the six months ended June 30, 2019, the Company completed a refinancing transaction through the issuance of senior notes with an aggregate principal amount of US\$1.50 billion (equivalent to approximately HK\$11.7 billion). At June 30, 2019 the Company's borrowings included both secured and unsecured debt.

	At June 30, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
The secured credit facilities are repayable:		
Within one year	3,120,000	3,120,000
Over one year but not exceeding two years	1,560,000	3,120,000
Over two years but not exceeding five years	800,000	12,820,000
	5,480,000	19,060,000
Less: debt finance costs	(102,702)	(186,795)
	5,377,298	18,873,205
The unsecured senior notes are repayable:		
Over four years but not exceeding five years	5,857,136	—
Over five years	5,857,136	—
	11,714,272	—
Less: debt finance costs	(170,827)	—
	11,543,445	—
Current	—	780,000
Non-current	16,920,743	18,093,205
	16,920,743	18,873,205

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

16. Borrowings (Continued)

Secured Credit Facilities

Overview

On October 22, 2012, the Company and MGM Grand Paradise as co-borrowers entered into an amended and restated credit agreement (the “First Supplemental Agreement”) with certain lenders. The First Supplemental Agreement became effective on October 29, 2012 and 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 Supplemental Agreement”), which became effective on June 12, 2015, extended the maturity of the obligations to April 29, 2019 and expanded the amounts available under the term loan facility to HK\$12.09 billion.

Further amendments to the Group’s borrowing facilities were executed and became effective 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 as of June 22, 2018, amended certain major terms of the MGM China Credit Facility as follows: (i) the total revolving credit commitments (the “Total Revolving Credit Commitments”) under the MGM China Credit Facility were reduced from HK\$11.31 billion to HK\$7.8 billion; and the total term loan commitments under the MGM China Credit Facility were increased from HK\$12.09 billion to HK\$15.6 billion (the aggregate amount under the MGM China Credit Facility remained unchanged); (ii) the final maturity date of the MGM China Credit Facility 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 MGM China Credit Facility remained unchanged.

The terms of the Sub-Concession Extension (refer note 13) included a requirement for the Company to submit a bank guarantee of no less than MOP820 million (equivalent to HK\$796.12 million) to the Macau Government. As a result, a further amendment of the secured credit facility (the “Sixth Supplemental Agreement”) was entered into to increase the monetary limit provided under limb (b) of the definition of Performance Bond Facility in clause 1.1 of the Amended and Restated Credit Agreement, from US\$75,000,000 or its equivalent to US\$150,000,000 or its equivalent. The Sixth Supplemental Agreement became effective on April 16, 2019.

The net proceeds from the unsecured senior notes as described below were used to pay down outstanding borrowings under the MGM China Credit Facility. As a result, the Group recorded a HK\$75.5 million of loss on extinguishment of debt during the six months ended June 30, 2019.

As at June 30, 2019 and December 31, 2018, the Group intends and has the ability to make the repayments of the term loan by drawing down on its revolving credit facility. Bank borrowings due to be repaid within the next twelve months under the MGM China Credit Facility as at June 30, 2019 and December 31, 2018 were classified as non-current, with the exception of HK\$780 million of the term loan in excess of the available borrowings under the revolving credit facility, and this amount was classified as a current liability as at December 31, 2018.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

16. Borrowings (Continued)

Secured Credit Facilities (Continued)

Principal and Interest

The MGM China Credit Facility, pursuant to the Sixth Supplemental Agreement, bears interest at HIBOR plus a margin ranging from 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, 2019, HK\$7.0 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, 2019, the Group paid interest at HIBOR plus 2.25% per annum (December 31, 2018: HIBOR plus 2.50% per annum).

General Covenants

The MGM China Credit Facility, pursuant to the Sixth 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 MGM China Credit Facility, pursuant to the Sixth Supplemental Agreement, was required to be no greater than 4.5 to 1.0 for each accounting period occurring on and after March 31, 2019 through to 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 under the MGM China Credit Facility for the six months ended June 30, 2019 and 2018.

Mandatory Prepayments

The MGM China Credit Facility, pursuant to the Sixth 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.

Pursuant to the Sixth 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

16. Borrowings (Continued)

Secured Credit Facilities (Continued)

Mandatory Prepayments (Continued)

On March 15, 2019, a Sub-Concession Extension Contract was approved and authorized by the Macau Government and executed between SJM, as Concessionaire, and MGM Grand Paradise, as Sub-Concessionaire, pursuant to which the Sub-Concession of MGM Grand Paradise, which was due to expire on March 31, 2020, was extended for a further period up to June 26, 2022, which matches the final maturity date of the MGM China Credit Facility and coincides with the expiry date of other Concessionaires and Sub-Concessionaires. All of the original gaming concessions and Sub-Concessions authorized by the Macau Government will expire at the same time.

If, after the signing of the Sub-Concession Extension Contract 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 MGM China Credit Facility, pursuant to the Sixth 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, 2019, the Group's leverage ratio was approximately 3.42.

Events of Default

The MGM China Credit Facility, pursuant to the Sixth Supplemental Agreement, contains certain events of default, and certain insolvency related proceedings relating to the Group.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

16. Borrowings (Continued)

Unsecured Senior Notes

On May 16, 2019, the Company issued two series of senior unsecured notes with an aggregate principal amount of US\$1.50 billion, consisting of US\$750 million of 5.375% senior notes due May 15, 2024 (the “2024 Notes”) and US\$750 million of 5.875% senior notes due May 15, 2026 (the “2026 Notes”) and, together with the 2024 Notes, the “Senior Notes”). The net proceeds from the issuance were used to pay down outstanding borrowings under the MGM China Credit Facility. Interest on the Senior Notes is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019.

The Senior Notes are general unsecured obligations of the Company. Each series of Senior Notes ranks equally in right of payment with all of the Company’s existing and future senior unsecured indebtedness and ranks senior to all of the Company’s future subordinated indebtedness, if any. The Senior Notes are effectively subordinated to all of the Company’s existing and future secured indebtedness (including the MGM China Credit Facility) to the extent of the value of the collateral securing such debt. None of the Company’s subsidiaries will guarantee the Senior Notes.

The Senior Notes were issued pursuant to an indenture, dated May 16, 2019 (the “Indenture”), between the Company and U.S. Bank National Association, as trustee. Upon the occurrence of certain events described in the Indenture, the interest rate on the Senior Notes may be adjusted.

The Senior Notes contain covenants that limit the ability of the Company and its subsidiaries to, among other things, whether directly or indirectly, (1) consolidate or merge with or into another person; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its subsidiaries.

The Senior Notes also provide for certain events of default and certain insolvency related proceedings relating to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

17. Payables and Accrued Charges

	Notes	At	
		June 30, 2019 HK\$'000 (unaudited)	December 31, 2018 HK\$'000 (audited)
Outstanding chips liabilities	4	1,759,826	1,694,055
Customer advances and other	4	1,577,182	1,607,727
Construction payables and accruals		1,082,223	1,214,164
Gaming taxes payables		828,357	931,609
Accrued staff costs		568,121	574,746
Other casino liabilities		259,464	387,719
Other payables and accrued charges		336,972	300,942
Loyalty programs liabilities	4	136,576	131,636
Trade payables		66,567	31,400
		6,615,288	6,873,998
Current		6,603,023	6,856,506
Non-current		12,265	17,492
		6,615,288	6,873,998

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

	At	
	June 30, 2019 HK\$'000 (unaudited)	December 31, 2018 HK\$'000 (audited)
Within 30 days	57,211	17,552
31 — 60 days	8,093	9,173
61 — 90 days	1,038	4,283
91 — 120 days	56	35
Over 120 days	169	357
	66,567	31,400

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, 2019

18. Share-Based Payments

As at June 30, 2019, 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 97,739,288 (December 31, 2018: 82,698,188), representing approximately 2.6% (December 31, 2018: 2.2%) 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, 2019

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019 (unaudited)	Number of share options			Outstanding at June 30, 2019 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Director	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	4,109,400	—	—	—	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
Consultant	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	775,000	—	—	—	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	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
Director	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	—	—	(275,000)	11,350,000
Consultant	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	180,000	—	—	—	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	800,000	—	—	—	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	257,500	—	—	—	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	595,000	—	(87,500)	(187,500)	320,000
Director	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	5,219,888	—	(27,100)	(28,400)	5,164,388
Consultant	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	285,000	—	—	—	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	780,000	—	—	—	780,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	135,000	—	—	—	135,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

18. Share-Based Payments (Continued)

June 30, 2019 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2019 (unaudited)	Number of share options			Outstanding at June 30, 2019 (unaudited)
					Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	—	(25,000)	(25,000)	137,500
Director	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	8,674,000	—	(115,000)	(265,100)	8,293,900
Consultant	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Director	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	7,101,300	—	(37,900)	—	7,063,400
Consultant	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	400,000	—	—	(25,000)	375,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,307,500	—	(12,500)	—	1,295,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	382,500	—	—	(12,500)	370,000
Director	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	7,719,200	—	—	(295,500)	7,423,700
Consultant	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	355,000	—	—	(25,000)	330,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	400,000	—	—	—	400,000
Employees	February 23, 2018	February 23, 2019 - February 22, 2028	23.200	1,215,000	—	—	(37,500)	1,177,500
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	370,000	—	—	—	370,000
Director	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	6,358,800	—	—	(251,000)	6,107,800
Consultant	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	153,600	—	—	—	153,600
Employees	August 15, 2018	August 15, 2019 - August 14, 2028	15.932	200,000	—	—	—	200,000
Employees	November 15, 2018	November 15, 2019 - November 14, 2028	11.940	110,000	—	—	—	110,000
Employees	April 4, 2019	April 4, 2020 - April 3, 2029	17.500	—	150,000	—	—	150,000
Employees	May 15, 2019	May 15, 2020 - May 14, 2029	14.292	—	550,000	—	—	550,000
Director	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	3,992,400	—	—	3,992,400
Employees	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	11,806,000	—	—	11,806,000
Consultant	June 6, 2019	June 6, 2020 - June 5, 2029	11.744	—	275,200	—	—	275,200
				82,698,188	16,773,600	(305,000)	(1,427,500)	97,739,288
Weighted average exercise price per Share				HK\$17.54	HK\$11.88	HK\$12.61	HK\$18.44	HK\$16.57
Exercisable at end of the reporting period								57,500,838

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

18. Share-Based Payments (Continued)

June 30, 2018

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018 (unaudited)	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)	
Director	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
Consultant	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
Director	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
Consultant	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
Director	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
Consultant	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
Director	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
Consultant	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Director	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

18. 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 (unaudited)	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	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	7,365,800	—	(79,500)	(73,800)	7,212,500
Consultant	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
Director	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
Consultant	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
Director	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
Consultant	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

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, 2019, options were granted on April 4, 2019, May 15, 2019, June 6, 2019 and their estimated weighted average fair values were HK\$6.26, HK\$4.71 and HK\$4.27 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 upon the management's best estimate, changes in which could materially affect the fair value estimate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

18. Share-Based Payments (Continued)

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

Options granted on April 4, 2019 and May 15, 2019

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

Options granted on June 6, 2019

Risk-free interest rate	1.573% to 1.614% per annum
Expected dividend yield	0.87% per annum
Expected life	4.44 to 6.35 years
Expected volatility	43.17% 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 upon 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\$33.1 million for the six months ended June 30, 2019 (six months ended June 30, 2018: HK\$40.2 million) in relation to share options granted by the Company.

19. Contingent Liabilities

a) Guarantees

As at June 30, 2019, the Group has given bank guarantees totalling HK\$1,095.2 million (December 31, 2018: HK\$299.1 million) to certain parties, of which HK\$1,091.4 million (December 31, 2018: 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, HK\$0.6 million (December 31, 2018: HK\$0.6 million) was issued in favor of a company in which one of the Directors of the Company has non-controlling beneficial interests and HK\$3.2 million (December 31, 2018: HK\$3.2 million) was issued in favor of certain vendors.

b) Litigation

The Group has been named as a defendant in two 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. The Group intends to 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, 2019

20. Capital Commitments

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

	At June 30, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
Contracted but not accounted for	126,432	144,442

21. Other Commitments

Sub-Concession

Pursuant to the Sub-Concession Contract and the Sub-Concession Extension Contract signed with the Macau Government for an extended period ending on June 26, 2022, 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 upon 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 4% of the gross gaming revenue as public development and social related contributions.
- iv) 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 upon the number and types of gaming tables employed and gaming machines in operation as at June 30, 2019, the Group is obligated under its Sub-Concession Contract to make minimum future payments of approximately MOP426.4 million (equivalent to approximately HK\$414.0 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 Extension Contract.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

21. Other Commitments (Continued)

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

	At June 30, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
Within one year	50,813	51,111
More than one year and not longer than five years	54,486	77,248
More than five years	—	43
	105,299	128,402

22. Related Party Transactions

Apart from the guarantees as described in note 19, details of transactions between the Group and other related parties are disclosed below.

- (a)(i) Amounts due from related companies represent balances with companies owned by the immediate holding company and companies in which one of the Directors has non-controlling beneficial interests. The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(ii) Amounts due to related companies represent balances with companies in which one of the Directors of the Company has non-controlling beneficial interests amounting to HK\$5.3 million (December 31, 2018: HK\$0.2 million), and the ultimate holding company of the Company amounting to HK\$21.2 million (December 31, 2018: HK\$22.3 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, 2019 HK\$'000 (unaudited)	At December 31, 2018 HK\$'000 (audited)
Within 30 days	26,446	22,369
31 — 60 days	—	81
61 — 90 days	—	—
91 — 120 days	—	81
	26,446	22,531

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

22. Related Party Transactions (Continued)

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

Related parties	Type of transaction	Six months ended June 30	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Rental of premises *	2,285	1,945
	Travelling, accommodation and transportation, net of discounts *	42,650	46,090
Ultimate holding company	Marketing referral fees	7,176	7,750
	Marketing referral income	(17)	(221)
	Rental income	(194)	—
Company jointly-owned by Shareholders	Developers' fees capitalized	—	13,915
	License fee	197,028	158,726

* At December 31, 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and equipment leased from related parties of HK\$33.5 million which fall due within the following three years.

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 ending December 31, 2019, the annual caps of MGM MACAU and MGM COTAI are US\$107.5 million (equivalent to approximately HK\$843.1 million) and US\$24.0 million (equivalent to approximately HK\$188.2 million), respectively. For the year ended December 31, 2018, the annual caps of MGM MACAU and MGM COTAI were US\$89.58 million (equivalent to approximately HK\$702.0 million) and US\$20.0 million (equivalent to approximately HK\$156.7 million). During the six months ended June 30, 2019, a total license fee of HK\$197.0 million (six months ended June 30, 2018: HK\$158.7 million) was recognized in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

22. 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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	73,483	101,919
Post-employment benefits	1,473	1,591
Share-based payments	18,818	24,128
	93,774	127,638

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(s)”	the holder(s) 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
“DICJ”	the Gaming Inspection and Coordination Bureau of Macau (“Direcção de Inspeção e Coordenação de Jogos” in Portuguese), a department of the Public Administration of Macau
“Director(s)”	the director(s) of our Company

Glossary

“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
“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
“Gaming Promoters Regulation”	Macau Administrative Regulation No. 6/2002
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Pansy Ho
“GGR” 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

Glossary

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based upon 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 China Credit Facility”	the Second Amended Credit Agreement, entered into between MGM China Holdings Limited, MGM Grand Paradise, MGM Grand Paradise (HK) Limited, Superemrego Limitada, MGM — Security Services, Ltd. and Bank of America, N.A., dated June 9, 2015, as amended by the Third Supplemental Agreement, dated February 2, 2016, the Fourth Supplemental Agreement, dated February 15, 2017, the Fifth Supplemental Agreement, dated June 15, 2018 and the Sixth Supplemental Agreement, dated April 15, 2019
“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

Glossary

“MGM Growth Properties”	MGM Growth Properties LLC, a Delaware corporation listed on the New York Stock Exchange under the ticker symbol MGP, a real estate investment trust (REIT) and an 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
“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
“REVPAR”	Revenue per available room includes commissions, complimentary and other incentives
“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

Glossary

“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“slot machine gross win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of complimentary and other incentives
“Sub-Concession”, “Sub-Concession Contract” or “Sub-Concession Extension Contract”	the agreement for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into by SJM and MGM Grand Paradise on April 19, 2005, as extended to June 26, 2022 by the Sub-Concession Extension Contract, dated as of March 15, 2019
“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”, “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 upon 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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