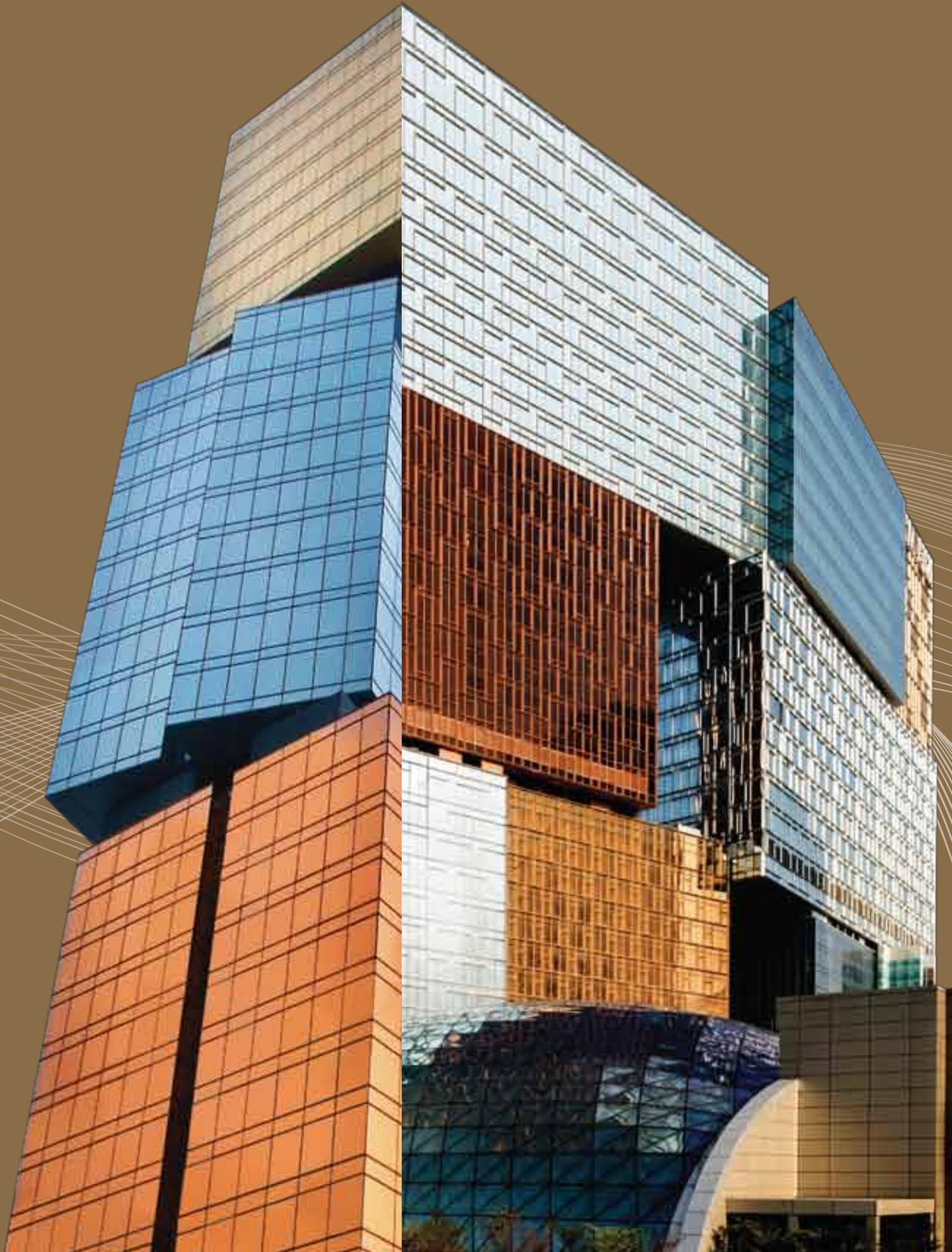


ANNUAL REPORT OF 2018

MGM China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2282



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





MGM COTAI



MGM MACAU

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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 (*appointed on May 24, 2018*)
 James Armin Freeman (*appointed on March 6, 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*)
 Kenneth A. Rosevear (*resigned on February 14, 2018*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhe Sun
 Sze Wan Patricia Lam
 Peter Man Kong Wong*
 Russell Francis Banham

AUDIT COMMITTEE

Russell Francis Banham (*Chairperson*)
 Daniel J. D'Arrigo (*resigned on March 1, 2019*)
 Zhe Sun
 Peter Man Kong Wong*
 Kenneth Xiaofeng Feng (*appointed on May 24, 2018*)
 James Armin Freeman (*appointed on March 6, 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

www.mgmchinaholdings.com

STOCK CODE

2282

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

FINANCIAL HIGHLIGHTS

	For the year ended	
	December 31	
	2018	2017
	HK\$'000	HK\$'000
Casino revenue	17,176,050	13,557,440
Other revenue	2,024,671	923,092
Total revenue	19,200,721	14,480,532
Adjusted EBITDA (unaudited)	4,837,180	4,587,435
Operating profit	1,434,993	2,624,201
Profit for the year attributable to owners of the Company	1,068,499	2,320,185
Earnings per Share		
— Basic	HK28.1 cents	HK61.1 cents
— Diluted	HK28.0 cents	HK60.9 cents

Note: The Company adopted the new revenue recognition accounting standard ("IFRS 15"), effective January 1, 2018.

Certain prior year amounts have been retrospectively adjusted under IFRS 15.



CHAIRPERSON'S STATEMENT

2018 was a milestone for MGM China.
We opened our second property,
MGM COTAI in Macau in February.
We are incredibly proud of our talented
team at MGM China for bringing
this vision to life.

CHAIRPERSON'S STATEMENT



JAMES JOSEPH MURREN

Chairperson



Dear Shareholders,

In 2018, the gaming industry experienced another year of growth. Macau gross gaming revenue grew by 14.0% year over year to HK\$294.0 billion. We are glad to report a solid growth of approximately 17% in market mass gaming revenue, while VIP gaming revenue grew by approximately 10%. Macau has remained resilient, particularly with respect to the mass market segment.

2018 was also a milestone for MGM China. We opened our second property, MGM Cotai in Macau in February. We are incredibly proud of our talented team at MGM China for bringing this vision to life.

The HK\$27 billion integrated resort redefines the way people experience art and entertainment through

innovative technology. Targeting a broader market segment, MGM Cotai is equipped with expanded non-gaming offerings and is home to a unique collection of over 300 contemporary art pieces. MGM Cotai also offers a first-of-its-kind entertainment experiences through the Spectacle and MGM Theater. Asia's first dynamic theater, the MGM Theater creates a sense of wonder that a traditional, standalone theater could not possibly deliver. The space has hosted many events and concerts featuring top performers. Both the audience and performing artists have praised the MGM Theatre's design and quality. We have fully booked the MGM Theater's entertainment calendar for 2019, in collaboration with the MGM Resorts International entertainment team and our Macau team. We look forward to continually delivering multisensory theater experiences that are unlike any others in Macau.

CHAIRPERSON'S STATEMENT



Last year, Macau was named the Creative City of Gastronomy by The United Nations Educational, Scientific and Cultural Organization. At MGM COTAI, the team has placed a strong emphasis on new food experiences. In partnership with renowned partners and local talent, our resort offers unprecedented Macau dining concepts and stands out as one of the city's most creative culinary destinations.

MGM COTAI, along with our beautiful property MGM MACAU on the Macau Peninsula, resulted in MGM China's operating revenue in 2018 growing by approximately 32.6% year over year to HK\$19.2 billion. Adjusted EBITDA reached HK\$4.8 billion, the highest in four years. MGM China recorded a growth of approximately 34.0% year over year for main floor gross table games win, 58.8% growth for

slot machine gross win; and 13.0% growth for VIP gross table games win. The opening of MGM COTAI in February helped us capture growth of the market share, and we look forward to continued success. Macau is the largest gaming market in the world, and we are pleased and well-positioned there to continue our growth and market share in the region.

Our team of over 10,000 employees are the cornerstone of our business, and we thank them for delivering on this remarkable growth. We celebrated our 11th anniversary of operations in Macau in 2018 and honored the nearly 20% of our team who have been with us since the very beginning. These employees were key to our success in Macau and to our future. We also believe that Macau's future is shaped by its community. That's why we fully support



the Macau Government's local talent development initiatives, and are committed to developing local capability and leadership to enhance the overall local talent pool.

While people now have a stronger incentive to travel to Macau to experience our unique and innovative offerings, they are also looking for a faster and easier way to get there. We are thrilled to see improved connectivity across the region. The 55 km bridge connecting Hong Kong, Macau and Zhuhai in Mainland China opened in October 2018 and has significantly reduced travel times and improved accessibility. As a result, we have seen a strong uptake in visitation. We are confident that in

the future, an increasing number of visitors from non-Guangdong provinces will use the bridge to visit Macau.

Amid market uncertainties, we are looking at moderate growth in 2019. MGM China is committed to supporting the development of Macau as a global tourism destination. We look forward to embracing opportunities for growth and will continue to invest in Macau, one of the most important gaming markets in the world.

Jim Murren

Chairperson

DIRECTORS AND SENIOR MANAGEMENT

MEMBERS OF OUR BOARD

Executive Directors

James Joseph Murren, aged 57, is the Chairperson and an executive Director of the Company. Mr. Murren is the Chairman and Chief Executive Officer of MGM Resorts International. He has served as a director of MGM Grand Paradise since January 19, 2010. Since April 22, 2016, Mr. Murren also serves as Chairman of the Board of MGM Growth Properties LLC, a real estate investment fund listed in the New York Stock Exchange that is engaged in the acquisition, ownership and leasing of large-scale destination entertainment and leisure resorts, whose diverse amenities include casino gaming, hotel, convention, dining, entertainment and retail offerings. In 1998, Mr. Murren joined MGM Grand Inc. (a predecessor of MGM Resorts International) as Chief Financial Officer and a member of the board. He completed significant acquisitions over the next seven years, overseeing the transformation of MGM Resorts International into one of the world's leading gaming companies. In 1999, the board promoted Mr. Murren to President and then to Chief Operating Officer in 2007. As Chief Financial Officer, Mr. Murren directed the implementation of an extensive reorganization of MGM Grand Inc. and started the development of CityCenter. Before he joined MGM Grand Inc., Mr. Murren served as a Managing Director of U.S. Equity Research at Deutsche Bank AG. Mr. Murren graduated with a Bachelor's degree in art history and urban studies from Trinity College, Hartford in 1983. Prior to joining the board of MGM Grand Paradise, Mr. Murren was involved in the design, development, financing, management and operations of MGM Grand Paradise.

Pansy Catilina Chiu King Ho, JP, aged 56, is the Co-Chairperson, an executive Director and a member of the Remuneration Committee of the Company. Ms. Ho is the Managing Director of Shun Tak Holdings Limited, a leading business conglomerate listed on the Hong Kong Stock Exchange, a position she has held since 1999. In June 2017, she was appointed as Group Executive Chairman of Shun Tak Holdings Limited. She has served as a director of MGM Grand Paradise since June 1, 2005. Ms. Ho is also a director of a number of privately held companies, including Grand Paradise Macau Limited, Grand Paradise Grupo S.A., New Corporate Enterprises Limited, Bright Elite Holdings Limited and Grand Paradise Group (HK) Limited. In addition, Ms. Ho is the Vice Chairman and an executive director of the board of directors of Macau International Airport Company Limited and an independent non-executive director of Sing Tao News Corporation Limited which is listed on the Hong Kong Stock Exchange. She is also a Chairperson of Hong Kong Federation of Women. In China, she is also a Standing Committee Member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a Vice President of its Women's Chamber and Chamber of Tourism of the All-China Federation of Industry and Commerce. In Macau, Ms. Ho is a Committee Member of the Committee for Cultural Industries, the Chairperson of the Global Tourism Economy Research Center and the Vice Chairperson and Secretary-General of Global Tourism Economy Forum, a Vice President of the Macau Chamber of Commerce and a Vice Chairperson of Macau Convention & Exhibition Association. Internationally, she is also an Executive Committee Member of the World Travel & Tourism Council and a member of Sotheby's International Council, and was appointed as a Tourism ambassador by the United Nations World Tourism Organization in October 2018. Ms. Ho was appointed as Honorary Professor of School of Political Communication, Central China Normal University in November 2013, she was appointed as Honorary Fellowship from the Hong Kong Academy for Performing Arts and University of Hong Kong in June 2014 and September 2015 respectively, and appointed as Justices of Peace in July 2015. Ms. Ho graduated with a Bachelor's degree in marketing and international business management from the University of Santa Clara in the United States.

Chen Yau Wong, aged 65, is an executive Director and a member of the Nomination and Corporate Governance Committee of the Company. Mr. Wong is a director of MGM Grand Paradise, a position he has held since September 2007. Mr. Wong was a director of Grand Paradise Group (HK) Limited from December 2004 and retired in June 2016 and Grand Paradise Grupo S.A. from January 2005 and retired in June 2016. Prior to that, Mr. Wong was appointed by Shun Tak Holdings Limited as a financial advisor and operations controller between 2000 and 2007. Mr. Wong qualified as a chartered accountant in England and Wales in 1980 and graduated with a Bachelor's degree in mechanical engineering science from the University of Salford in the United Kingdom.

William Joseph Hornbuckle, aged 61, is an executive Director and a member of the Remuneration Committee of the Company. He also serves as a director of MGM Grand Paradise with operations and resorts in Macau since November 16, 2009. A 40-year veteran of the gaming industry, Mr. Hornbuckle currently serves as President of MGM Resorts International. In addition to his current role as President, Mr. Hornbuckle was appointed as Chief Operating Officer of MGM Resorts International, effective from March 1, 2019. Mr. Hornbuckle also serves as Director of MGM Growth Properties LLC. In this capacity, one of his main roles is to serve as the Company's Chief Construction Design and Development Officer. He is also in charge of the global expansion efforts of the Company through its gaming development and MGM Hospitality divisions. In addition, Mr. Hornbuckle oversees the Company's Entertainment team in creating a synergistic approach for the Company's entertainment programming. He also serves as a key operational liaison to the Chief Executive Officer and Chief Operating Officer on all matters of operational significance. Mr. Hornbuckle was previously Chief Marketing Officer of MGM Resorts International from 2009 until 2012. From April 2005 until August 2009, Mr. Hornbuckle served as President and Chief Operating Officer of Mandalay Bay Resort & Casino in Las Vegas. He also served as President and Chief Operating Officer of MGM Grand Las Vegas from 1998 to 2001. Prior to MGM Grand Las Vegas, Mr. Hornbuckle served as President and Chief Operating Officer for Caesars Palace, Las Vegas. Mr. Hornbuckle is a graduate of the University of Nevada, Las Vegas and has a Bachelor of Science degree in Hotel Administration. He serves on the Board of Advisors of the Andre Agassi Foundation, the Board of Trustees for Three Square Food Bank and is a Founder of the Bank of George. Previously, Mr. Hornbuckle served on the boards for the United Way of Southern Nevada and the University of Nevada, Las Vegas Foundation. From 1999 to 2003, he also served as a Board Member of the Las Vegas Convention and Visitors Authority.

DIRECTORS AND SENIOR MANAGEMENT

Grant R. Bowie, aged 61, is the Chief Executive Officer and an executive Director of the Company. Mr. Bowie is responsible for the overall management, strategic development and expansion of the Company including the direction and operations of MGM MACAU and MGM COTAI, the latest addition to the MGM portfolio in China. Mr. Bowie joined MGM Grand Paradise in August 1, 2008 as President. Prior to this, he was President and General Manager of Wynn Resorts (Macau) S.A. from 2003 to 2007. Before coming to Macau, Mr. Bowie spent 16 years with Park Place Entertainment Corporation in Australia, holding senior positions in gaming, general finance and hotel operations. His last position held was Area Senior Vice President for Park Place Entertainment Corporation overseeing their Australian operations. Mr. Bowie was educated in New Zealand and obtained a Bachelor's degree in Commerce from the University of Otago in 1980. He was recognized by leading financial publication "Institutional Investor" as "Best CEO" in the All-Asia Executive Team survey for three consecutive years from 2015 to 2017. He is currently a Governor of the American Chamber of Commerce in Macau, a Member to Advisory Board of the Institute for the Study of Commercial Gaming at University of Macau and an adjunct professor of Tourism and Leisure Management at University of Queensland. Previously, he was a member of Australian Federal Government's Tourism Forecasting Council, Chairman of Queensland's Responsible Gambling Advisory Committee and a member of the National Advisory Body on Gambling.

Non-executive Directors

Kenneth Xiaofeng Feng, aged 48, is a non-executive Director and a member of the Audit Committee of the Company since May 24, 2018. Mr. Feng is the Executive Vice President of MGM Asia Pacific Limited and has been employed by MGM Resorts International since 2001 in a variety of finance, advisory, strategic and development positions. Mr. Feng was closely involved in the negotiations and developments of both for the MGM Macau and for Diaoyutai MGM Hospitality, Ltd., the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the PRC government). Mr. Feng was promoted first to Vice President - International Operations in 2007, Senior Vice President of MGM Resorts International in 2009, and to his present post in 2013. He is active in strategic, development and operations roles both with MGM China Holdings Limited and with Diaoyutai MGM Hospitality. Mr. Feng graduated from Nankai University in China with a degree in Bachelor of Science and also holds a Master of Science degree from Columbia University, USA.

John M. McManus, aged 52, is a non-executive Director and a member of the Nomination and Corporate Governance Committee of the Company since March 6, 2019. He is the Executive Vice President, General Counsel and Secretary of MGM Resorts International since July 2010. Mr. McManus served as MGM Resorts International's Senior Vice President, Acting General Counsel and Secretary from December 2009 to July 2010, Senior Vice President, Deputy General Counsel and Assistant Secretary from September 2009 to December 2009 and Senior Vice President, Assistant General Counsel and Assistant Secretary from July 2008 to September 2009. Mr. McManus acted as counsel to various operating MGM subsidiaries from May 2008 to July 2011. Mr. McManus holds a bachelor of Arts degree from Vanderbilt University and a Juris Doctor degree from University of Miami.

James Armin Freeman, aged 50, is a non-executive Director and a member of the Audit Committee of the Company since March 6, 2019. Mr. Freeman joined MGM Resorts International in March 2010 and currently serves as Senior Vice President, Capital Markets and Strategy. Mr. Freeman's role with MGM Resorts International is to reshape the company's balance sheet through his leadership of debt and equity capital raising activities. In addition, Mr. Freeman assists with strategic planning, market analysis and strategic development. Mr. Freeman also serves as the lead, from a financial perspective, on merger and acquisition activity and continues to be active in special projects. Since joining the company, Mr. Freeman has overseen significant capital markets transactions for MGM Resorts International and its subsidiaries including the initial public offering of the Company, the initial public offering of MGM Growth Properties LLC, and the US\$2.0 billion refinancing of CityCenter Holdings LLC, a 50% venture between MGM Resorts International and Infinity World Development Corp. Prior to joining MGM Resorts International, Mr. Freeman served as Senior Vice President and Chief Financial Officer of Fontainebleau Resorts. Prior to that, Mr. Freeman served as an Investment Banking Principal at Banc of America Securities. In this role, he executed significant debt and equity transactions for clients in the gaming, lodging and leisure industries. Mr. Freeman's experience includes a broad range of financial execution including project finance, acquisition finance, bank syndications, high yield offerings, convertible debt offerings and initial public offerings. Mr. Freeman earned his Bachelor of Science degree in Accounting from the University of Illinois and his Master of Business Administration with concentrations in Finance and Business Economics from the University of Chicago Booth School of Business.

DIRECTORS AND SENIOR MANAGEMENT

Daniel J. D'Arrigo, aged 50, was a non-executive Director and a member of the Audit Committee of the Company until March 1, 2019. Mr. D'Arrigo served as the Executive Vice President, Chief Financial Officer and Treasurer of MGM Resorts International until March 1, 2019. He has held the positions of Executive Vice President and Chief Financial Officer since August 2007 and the position of Treasurer of MGM Resorts International since 2009 to 2016 and since 2018 to March 1, 2019. Mr. D'Arrigo previously served as Senior Vice President-Finance of MGM Resorts International from February 2005 to August 2007 and as Vice President-Finance of MGM Resorts International from December 2000 to February 2005. Mr. D'Arrigo holds a Bachelor's degree in Business Administration from West Virginia University in 1991. Mr. D'Arrigo resigned as a non-executive Director of the Company with effect from March 1, 2019 due to having agreed the termination of his position with MGM Resorts International and the Company as part of the MGM Resorts 2020 voluntary resignation program. Mr. D'Arrigo has confirmed that he has no disagreement with the Board and there are no other matters in relation to his resignation as a non-executive Director of the Company which need to be brought to the attention of the Shareholders of the Company.

William M. Scott IV, aged 58, was a non-executive Director and a member of the Nomination and Corporate Governance Committee of the Company until February 22, 2019. Mr. Scott also served as President of MGM Asia Pacific and its corporate predecessors since June 2014 and was the executive director and General Manager of Diaoyutai MGM Hospitality, Ltd., the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the PRC government) for the development of hospitality resources in Greater China. Previously, Mr. Scott served as an Executive Vice President-Corporate Strategy and Special Counsel of MGM Resorts International and various executive positions with that company from August 2009 to June 2014. From 1986 to 2009, Mr. Scott practiced law with firm Sheppard, Mullin, Richter & Hampton, LLP, specializing in financing transactions, being a partner of the firm commencing January 1993. Mr. Scott holds a Bachelor's degree in history from the Dartmouth College in 1982 and a Juris Doctor degree from Union University in 1985. He also obtained a Master of Laws in Banking and Financial Services Law from Boston University in 1986. Mr. Scott resigned as a non-executive Director of the Company with effect from February 22, 2019 due to having agreed the termination of his position with MGM Resorts International and the Company. Mr. Scott has confirmed that he has no disagreement with the Board and there are no other matters in relation to his resignation as a non-executive Director of the Company which need to be brought to the attention of the Shareholders of the Company.

Kenneth A. Rosevear, aged 69, was a non-executive Director of the Company until February 14, 2018 and a member of the Audit Committee of the Company until April 1, 2014. Mr. Rosevear is the President of MGM Resorts Development, LLC (a subsidiary of MGM Resorts International), a position he has held since 1995. He has served as director of MGM Grand Paradise since December 4, 2008. Prior to joining MGM Resorts International, Mr. Rosevear was the President of Development of Caesars World for two years. Mr. Rosevear was Chief Executive of Sun International Group, which operated casino resorts in southern Africa, from 1985 to 1993 and its Deputy Managing Director from 1983 to 1985. He held the position of Financial Director of Southern Sun Group from 1982 to 1983. Mr. Rosevear began his career at Price Waterhouse in 1967 and rose to partnership in 1979, a position he held until 1982. During his career, Mr. Rosevear has overseen the design, construction and development of a number of gaming resorts internationally, including MGM MACAU. Mr. Rosevear obtained a Certificate in the Theory of Accountancy from the University of the Witwatersrand, Johannesburg and was qualified as a chartered accountant by the Chartered Accountants of South Africa in 1973. Mr. Rosevear resigned as a non-executive Director of the Company with effect from February 14, 2018 due to his planned retirement. Mr. Rosevear has confirmed that he has no disagreement with the Board and there are no other matters in relation to his resignation as a non-executive Director of the Company which need to be brought to the attention of the shareholders of the Company.

Independent non-executive Directors

Zhe Sun, aged 53, is an independent non-executive Director, the Chairperson of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination and Corporate Governance Committee of the Company since September 27, 2010. Mr. Sun is an independent non-executive director of China Resources Land Limited, a company listed on the Hong Kong Stock Exchange, a position he has held since April 18, 2017. He is currently an adjunct senior research scholar and co-director of the China Initiative at Columbia University's School of International and Public Affairs. Mr. Sun is the founding director of the Center for U.S.-China Relations at Tsinghua University at Beijing. Prior to that, he was a professor and deputy director of the Center for American Studies at Fudan University between 2000 and 2007. Professor Sun has also taught at the East Asian Institute, Columbia University and Ramapo College, New Jersey. Professor Sun is the author and editor of eighteen books on comparative politics and U.S.-China relations. He has a Bachelor's and a Master's degree in law from Fudan University in 1987 and 1989, respectively, and obtained a Doctor's degree in political science from Columbia University in 2000. He also obtained a Master of Art degree from Indiana State University in 1992.

DIRECTORS AND SENIOR MANAGEMENT

Sze Wan Patricia Lam, aged 52, is an independent non-executive Director, the Chairperson of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of the Company since March 16, 2011. She is the Chairman of Sotheby's Asia and a member of the Board of Governors of the Hang Seng University in Hong Kong. Now based in Hong Kong, Ms. Lam previously held the post of Head of Sotheby's Private Client Services Department in London before her appointment as Chairman of Sotheby's Asia in 2004. She was also appointed as Chairman of Sotheby's Diamonds, a retail joint venture established in December 2005 between Sotheby's and Diacore. She received her Bachelor's degree in Monetary Economics from the London School of Economics in 1990 and a post graduate diploma in Asian Arts — Chinese, Japanese and Korean Arts at the School of Oriental and African Studies, London University in 1991.

Peter Man Kong Wong. It is with great sorrow that the Board informs that Mr. Wong passed away on March 11, 2019. Mr. Wong was an independent non-executive Director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination and Corporate Governance Committee of the Company since November 30, 2012. Mr. Wong had over forty years of industrial, commercial and public service experience. He served as a deputy to the 12th National People's Congress of the People's Republic of China and as a deputy to the 13th National People's Congress. Mr. Wong was the Chairman of M.K. Corporation Limited, Culture Resources Development Co., Ltd. and North West Development Limited. Mr. Wong had a Bachelor of Science Degree from the University of California, Berkeley. He was nominated a Justice of the Peace in 1987 and was awarded Bronze Bauhinia Star in 2003 for his valuable contributions to promote public services in Hong Kong. Mr. Wong had an extensive record in public services. From 1979 to 1992, he served as a director of Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He was also a member of the Hong Kong Special Administrative Region Preparatory Committee during 1996 and 1997 and a member of the Election Committee of the Second Chief Executive of the Hong Kong Special Administrative Region in 2002. At the time Mr. Wong passed away, he was a director of a number of public companies listed on the Hong Kong Stock Exchange. He was an independent non-executive director of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co., Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited and New Times Energy Corporation Limited. He was a non-executive director of Hong Kong Ferry (Holdings) Company Limited. Before he was an independent non-executive director of Chinney Investments, Limited from March 27, 2004 to August 25, 2017. Mr Wong made invaluable contribution to the Company during his tenure of office. The Board would like to express its sincere gratitude to Mr. Wong for his dedication.

Russell Francis Banham, aged 65, is an independent non-executive Director, the Chairperson of the Audit Committee, a member of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of the Company since November 2014. Mr. Banham is also a non-executive Director and chairperson of the Audit Committee of Eureka Group Holdings Limited since November 2018; a non-executive director and chairperson of the Audit Committee, a member of the Nomination and Remuneration Committee and a member of the Strategic Planning and Investments Committee of National Atomic Company Kazatomprom since August 2018; a non-executive director of Wiggins Island Coal Export Terminal Pty. Ltd. since November 2017; and a member of the Audit and Risk Management Committee of the Queensland Audit Office since November 2017. Mr. Banham retired from Deloitte CIS, Moscow Office in 2014, where he had been a partner since 2011. Before that, he worked from 2007 to 2011 at Deloitte CIS in Almaty, Kazakhstan, and from 2002 to 2007 he worked for Ernst and Young in Brisbane, Australia. Mr. Banham started his professional career as an auditor in 1974 working for Andersen and stayed at the Sydney Office, Australia, until 1984, from 1984 to 1985 he worked at the Andersen Los Angeles office, United States of America, and from 1985 to 2002 he worked at the Andersen Brisbane office, Australia. In his professional career in Australia, he was the lead audit partner for several clients in the gaming and hospitality industries and acquired relevant experience in these sectors. In 2016, Mr. Banham completed the Company Directors' course at the Australian Institute of Company Directors and is a Graduate of the Australian Institute of Company Directors. He has a Bachelor of Commerce in Accounting degree from the University of New South Wales, Sydney, Australia and is a Fellow of the Institute of Chartered Accountants in Australia.

SENIOR MANAGEMENT

John L. Shigley, aged 62, is our Chief Operating Officer of Gaming. Mr. Shigley has been with the Company since January 2014. Mr. Shigley oversees our casino operations, casino marketing, VIP marketing and VIP operations for both MGM MACAU and MGM COTAL. Having been with MGM Resorts International since 2002, Mr. Shigley brings with him a wealth of experience and accomplishments. Just prior to joining us here in Macau, he served as President and Chief Operating Officer of MGM Grand Ho Tram Beach in Vietnam. His previous experience with MGM Resorts International includes serving as Executive Vice President - Operations and Executive Vice President/Chief Financial Officer for MGM Grand Las Vegas, and Executive Vice President of New York-New York Hotel and Casino. Before joining MGM Resorts International, Mr. Shigley served as President of both Caesars Palace in Las Vegas and Primm Valley Resorts. He also held executive positions at Caesars World and Caesars Tahoe. Mr. Shigley graduated with a Bachelor of Science in Accountancy from Northern Illinois University and is also a licensed certified public accountant in the state of Nevada, USA.

DIRECTORS AND SENIOR MANAGEMENT

Zhi Qi (Hubert) Wang, aged 51, is our Senior Vice President – Finance & Chief Financial Officer. Mr. Wang has been with the Company since July 2011. Mr. Wang is a seasoned executive with a wealth of knowledge in the operation of integrated resorts and corporate finance. Mr. Wang plays a key role in both daily operations and corporate strategies and affairs. He had worked for a number of large integrated resort companies in the United States, including Caesars Entertainment Inc. and Las Vegas Sands Corporation before he joined MGM China. He held senior positions in either property operations or corporate finance in these companies. Mr. Wang has been instrumental in leading yield management and continuous improvement business initiatives. He has also successfully led the execution of key technology and business process innovations for our business. He has led a few rounds of successful refinancing and amendments which was crucial to the Company's Cotai project. He currently oversees the Company's relationship marketing group as well. Mr. Wang holds a graduate degree in Master of Business Administration.

Antonio Jose Menano, aged 56, is our Company Secretary and Senior Vice President, Legal & General Counsel. Mr. Menano originally joined MGM Grand Paradise as Company Secretary and Director, Legal & Administrative Affairs on September 1, 2005. Before joining us, he was the director of Air Law, Air Transport & International Relations for the Civil Aviation Authority of Macau for more than ten years. In this capacity, he was responsible for negotiation of air service agreements, drafting of Macau Special Administrative Region civil aviation laws and regulations and providing legal support to the Civil Aviation Authority. Simultaneously, Mr. Menano worked as a Government Delegate in Air Macau Company Limited and previously worked in Instituto de Acção Social de Macau. He graduated with a law degree from the University of Coimbra.

Yuen Ying (Wendy) Yu, aged 51, is our Senior Vice President, Human Resources with responsibilities for all Human Resources functions at both MGM MACAU and MGM COTAI. Ms. Yu has been with the Company since July 2009 after having spent two decades being actively involved in the transformation of Macau's hospitality and human resources industries. Ms. Yu started her hospitality career with the Hyatt Regency Macau and then was hired as Human Resources Manager of Holiday Inn Macau from its pre-opening stage. Subsequently she moved and worked for an assignment in Shanghai with the New World Group. Upon returned to Macau, she left the corporate world for a one-year stint as a lecturer for the Institute of Tourism Education in Macau. She then joined the Westin Resort Macau where she held the position of Director of Human Resources and was in charge of the organizational realignment when the Westin brand was integrated into the Starwood Family. From 2003 to 2008, Ms. Yu was the Vice President of Human Resources for Wynn Resorts (Macau) S.A. as part of the opening team. Prior to joining our Company, Ms. Yu returned to Starwood Hotels and Resorts to set up their opening teams for their Sheraton and St. Regis projects in Cotai. Ms. Yu graduated with a Bachelor's degree in business administration in Personnel Management from the University of East Asia Macau (now University of Macau).

Mel Hansen, aged 52, is our Senior Vice President of Design, Development and Construction. Mr. Hansen has been with the Company since September 2011. Mr. Hansen oversees the planning and development of our expansion projects with focus on our Cotai project. Mr. Hansen is a seasoned professional with over a decade of senior management experience in casino and resort development. Since joining MGM Grand Las Vegas in 1996, Mr. Hansen was responsible for various opening and expansion projects in Las Vegas, New York and South Africa. From 2004 to 2006, he was posted to Macau as Vice President for MGM Mirage to oversee the development of MGM MACAU.

Han Tian, aged 39, is our Senior Vice President – Relationship Marketing & Analytics. Mr. Tian has been with the Company since November 2007. He has a proven track record of developing company's data driven management culture from enterprise data warehouse to advanced customer analytics. In addition, he oversees the strategy and execution of the Company's casino marketing programs including loyalty and customer relationship management programs. Prior to joining our Company, Mr. Tian worked for MGM Resorts International in Las Vegas. Mr. Tian holds a graduate degree in Master of Business Administration from University of Nevada, Las Vegas.

DIRECTORS AND SENIOR MANAGEMENT

Scott L. Wessel, age 47, is our Senior Vice President, Digital and Technology Solutions. Mr. Wessel has been in this position since 2013. He currently oversees all aspects of the Technology/Digital environment and provides executive oversight/direction for all technological, infrastructure, application, and digital solutions as well as the information security program at both MGM MACAU and MGM COTAI. Previously, Mr. Wessel spent over 20 years at MGM Resorts International, which included a 4-year assignment in Macau. During his time with MGM in Las Vegas, Nevada, USA, he held various management positions in Information Technology such as Director, Application Support, Director, Program Management & Executive Director, Information Technology Strategy. During this time, he was responsible for overseeing the governance of a US\$20 million project portfolio as well as the direct management and oversight of a US\$125 million capital budget for a multi-faceted hotel/casino/retail/residential project in Las Vegas. From 2006-2008, during the planning and opening stages of MGM MACAU, Mr. Wessel was in the role of Director, Information Technology directing all facets of the technology implementation. He rejoined MGM MACAU as our Vice President of Information Technology in 2011 and in 2013, he became the Senior Vice President, Digital & Technology Solutions for MGM China. Mr. Wessel has a Bachelor Degree in Hotel Administration from the University of Nevada, Las Vegas and a Master's in Information Technology from American Intercontinental University.

Michael G. Holubowskyj, aged 54, is our Senior Vice President of Security & Safety. Mr. Holubowskyj has been with the Company since November 2008. He is responsible for overseeing all security and safety operations and risk management processes in MGM MACAU and MGM COTAI. Mr. Holubowskyj has 31 years of experience in the security and policing field. Before joining our Company, Mr. Holubowskyj was the Head of Security Services for the Hong Kong Jockey Club from 2007 to 2008. Prior to that he was the Director of Security for Wynn Resorts (Macau) S.A. from 2006 and 2007 where he helped establish the security department in preparation for the opening of the resort and from 2004 to 2006 Mr. Holubowskyj worked as the Director of Security, Safety, Fire and Health Services for Hong Kong Disneyland. Before joining the private sector, Mr. Holubowskyj spent 17 years in law enforcement with the Hong Kong Police Force where he attained the rank of Superintendent of Police. He graduated from the University of London with a Bachelor of Science (Honors) in Mathematics and Statistics. He also obtained a Master's degree in Business Administration from Heriot Watt University in the United Kingdom.

Weng Kei (Catarina) Lio, aged 41, is our Vice President of Brand Marketing. Ms. Lio has been with the Company since July 2017. She is responsible for leading the Brand marketing to protect and promote MGM brand message by harnessing the combined capabilities of Public Relations, Arts & Culture and Brand & Campaign, to trigger interest and translate this into sales by leveraging the persuasive power of Digital marketing, Program & Events and Creative Services. Prior to joining the Company, Ms. Lio served as Chief Operating Officer of Ogilvy Group Hong Kong. Her extensive experience in transforming multi-million dollar global accounts equips her with the knowledge and insights to lead operating strategies that transform businesses, lead on accounts like Sands China, Hongkong Land, Asia Miles, Huawei and Philips since 2009. Prior to that she was Executive Director of Conde Group. Ms. Lio started her career in Macau with TDM – Teledifusão de Macau, S.A. as journalist and journalism background came in handy later when she worked in Macao Water as Public Relations & Communications officer during on-going Salinity social issue. Ms. Lio graduated with a Bachelor's degree in Business Administration, majoring in Marketing at University of Macau.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

MGM China, a leading developer, owner and operator of gaming and lodging resorts. MGM MACAU, a Forbes Five-Star luxury integrated resort inspired by the arts with every element of the resort infused with creativity and style. MGM COTAI, the latest addition to the MGM portfolio in China. Designed as the “jewelry box” of Cotai, it offers gaming area and approximately 1,400 hotel rooms and suites, meeting space, retail, food and beverage and other non-gaming offerings, as well as The Mansion for the ultimate luxury experience.

BUSINESS OVERVIEW

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

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

On March 15, 2019, a Sub-Concession Extension Contract has been 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 MACAU

MGM MACAU opened in December 2007. The casino floor offers approximately 34,404 square meters, with 806 slot machines, 291 gaming tables, and multiple VIP and private gaming areas as at December 31, 2018. The hotel comprises a 35-storey tower with 585 deluxe rooms, suites and villas. In addition, the resort offers luxurious amenities, including 8 diverse restaurants, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The resort’s focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. MGM MACAU is directly connected to the One Central complex, which features many of the world’s leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.



MGM COTAI

MGM COTAI opened on February 13, 2018 with an expected total development cost of approximately HK\$27 billion, excluding land costs and capitalized interest. The resort is conveniently located with multiple access points from other Cotai hotels and public offerings. The casino floor offers approximately 27,696 square meters, with 1,218 slot machines and 236 gaming tables as at December 31, 2018. The hotel comprises two towers with 1,362 deluxe rooms and suites, 12 diverse restaurants and bars, retail outlets, approximately 2,870 square meters of meeting space and other non-gaming offerings. The scale of MGM COTAI allows us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. The Spectacle, situated at the heart of MGM COTAI, is enriched with incredible experiential technology elements to entertain our guests. MGM COTAI offers Asia's first dynamic theater introducing advanced and innovative entertainment to Macau. Our new VIP gaming areas were opened in September 2018 with the addition of

a number of significant gaming promoters. This allows us to expand our gaming operations and enhance our competitiveness. In addition, our ultra-luxury The Mansion is expected to be launched in March 2019.

OUR COMPETITIVE STRENGTHS AND OPERATING STRATEGIES

We have a number of competitive strengths including:

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

MANAGEMENT DISCUSSION AND ANALYSIS



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

- Make enhancements and refinements in our resorts such as the key gaming areas to enhance traffic flow and capture more high-end mass business;
- Review our business relationship with each of our gaming promoters and identify potential gaming promoters to grow our VIP business;
- Develop and diversify our offerings to cater to different market segments;
- Introduce innovative gaming products and technologies to enhance customer experience and maintain competitive advantage;
- Develop our Mlife customer loyalty program in order to increase brand awareness and customer loyalty;
- Work on technologies to enhance our analytical capability for operations and marketing to deliver personalized marketing programs;
- Manage our gaming mix by evaluating table yield and the number of table open hours in relation to business volume and maximize our table utilization and profitability;



- Bring world class arts and culture to entertain the local community and drive international visitation; and
- Invest in professional and service training to our employees with the goal of building a culture of excellence in executing customer experience.

MACAU GAMING MARKET

The Macau gaming market has recovered since August 2016 and additional capacity has been added in recent years with several new large-scale integrated resorts opening in Cotai. Total gross gaming revenue in the Macau market increased by 14.0% to HK\$294.0 billion for the year ended December 31, 2018 over the prior year.

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; 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.

MANAGEMENT DISCUSSION AND ANALYSIS

TOURISM

The Statistics and Census Service of the Macau Government reported that visitor arrivals reached 35.8 million in 2018 which increased by 9.8% over the prior year. 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 2018 were from mainland China which increased by 13.8% over the prior year and reached 25.3 million.

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

- The financial investments made by gaming concessionaires, including MGM China, in the opening of new properties providing superior and diversified products to further position Macau as a world class tourism center;
- Infrastructure improvements, such as the opening of 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. All are expected to facilitate more convenient travel to Macau;
- The ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in China; and
- The continuous growth of China outbound tourism, particularly in light of the growing middle class.

COMPETITION

Currently, there are six gaming concessionaires operating in Macau, each of which has completed or has expansion plans underway. As at December 31, 2018, there were 41 casinos in Macau. Several development projects in the Cotai area were completed prior to our MGM COTAI opening on February 13, 2018. In addition, there are several development projects anticipated in the coming years. There is a continuing market share migration from the Macau Peninsula to Cotai. Our overall gaming market share increased from 7.0% for the year ended December 31, 2017 to 7.9% for the year ended December 31, 2018 due in part to the opening of MGM COTAI.

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

SEGMENT INFORMATION

The Group has determined its operating segments based upon the reports reviewed by the Group's Chief Executive Officer (being the chief operating decision-maker) 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 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 benefit/expense, depreciation and amortization, loss on disposal/write-off of property and equipment, construction in progress and other assets, interest income, net foreign currency difference, share-based payments, pre-opening costs, corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company and other non-recurring expenses. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table presents the reconciliation of the Group's adjusted EBITDA to profit attributable to owners of the Company for the years ended December 31, 2018 and 2017:

	For the year ended	
	December 31	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Adjusted EBITDA:		
MGM MACAU (unaudited)	3,983,223	4,587,435
MGM COTAI (unaudited)	853,957	—
Total adjusted EBITDA (unaudited)	4,837,180	4,587,435
Share-based payments	(76,639)	(79,900)
Corporate expenses (unaudited)	(484,033)	(414,375)
Pre-opening costs ⁽¹⁾ (unaudited)	(496,945)	(624,583)
Loss on disposal/write-off of property and equipment, construction in progress and other assets	(194,265)	(45,331)
Depreciation and amortization	(2,150,305)	(799,045)
Interest income	12,113	5,046
Finance costs	(667,876)	(7,273)
Net foreign currency (loss)/gain	(6,336)	16,505
Income tax benefit/(expense)	295,605	(318,294)
Profit for the year attributable to owners of the Company	1,068,499	2,320,185

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

DISCUSSION OF RESULTS OF OPERATIONS

Financial results for the year ended December 31, 2018 compared to financial results for the year ended December 31, 2017

OPERATING REVENUE

The following table sets forth the operating revenue for the years ended December 31, 2018 and 2017.

	For the year ended December 31	
	2018 HK\$'000	2017 HK\$'000
MGM MACAU	13,488,705	14,480,532
Casino revenue	12,502,405	13,557,440
Other revenue	986,300	923,092
MGM COTAI ⁽¹⁾	5,712,016	—
Casino revenue	4,673,645	—
Other revenue	1,038,371	—
Total operating revenue	19,200,721	14,480,532

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

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

Total operating revenue of HK\$19,200.7 million for the year ended December 31, 2018 was 32.6% higher than the prior year and included for the first time the results of MGM COTAI which opened on February 13, 2018. The continued growth in the Macau gaming market has resulted in us recording higher total gaming volumes in the current year compared to the prior year but the reported casino revenue has been adversely affected by a decrease in table games win percentages and slot hold percentages during the current year as shown in the summary statistics table.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY STATISTICS

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

(in thousands, except for number of gaming units, percentage, and revenue per available room ("REVPAR"))	For the year ended	
	December 31	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
MGM MACAU		
VIP table games turnover	280,358,952	269,102,995
VIP gross table games win ⁽¹⁾	8,415,507	8,566,563
VIP table games win percentage (calculated before commissions, complimentary and other incentives)	3.00%	3.18%
Average daily gross win per VIP gaming table	210.5	162.1
Main floor table games drop	39,303,702	40,200,290
Main floor gross table games win ⁽¹⁾	7,004,478	8,138,837
Main floor table games win percentage	17.8%	20.2%
Average daily gross win per main floor gaming table	83.7	82.5
Slot machine handle	34,555,278	31,025,807
Slot machine gross win ⁽¹⁾	1,504,785	1,406,587
Slot hold percentage	4.4%	4.5%
Average daily win per slot	4.0	3.8
Commissions, complimentary and other incentives ⁽¹⁾	(4,422,365)	(4,554,547)
Room occupancy rate	96.8%	96.0%
REVPAR	1,941	2,022

	As at December	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gaming Units:		
Tables ⁽²⁾	291	427
Slot machines	806	923

	For the year ended December 31 2018 HK\$'000 (unaudited)
(in thousands, except for number of gaming units, percentage, and REVPAR)	
MGM COTAI ⁽³⁾	
VIP table games turnover	37,836,369
VIP gross table games win ⁽¹⁾	1,266,838
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)	3.35%
Average daily gross win per VIP gaming table	173.6
Main floor table games drop	19,997,067
Main floor gross table games win ⁽¹⁾	3,901,036
Main floor table games win percentage	19.5%
Average daily gross win per main floor gaming table	72.7
Slot machine handle	23,774,287
Slot machine gross win ⁽¹⁾	728,263
Slot hold percentage	3.1%
Average daily win per slot	1.9
Commissions, complimentaries and other incentives ⁽¹⁾	(1,222,492)
Room occupancy rate	90.4%
REVPAR	1,290

	As at December 31 2018 HK\$'000 (unaudited)
Gaming Units:	
Tables ⁽²⁾	236
Slot machines	1,218

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

MANAGEMENT DISCUSSION AND ANALYSIS

	For the year ended	
	December 31	
	2018	2017
	HK\$'000	HK\$'000
VIP gross table games win	9,682,345	8,566,563
Main floor gross table games win	10,905,514	8,138,837
Slot machine gross win	2,233,048	1,406,587
Gross casino revenue	22,820,907	18,111,987
Commissions, complimentaries and other incentives	(5,644,857)	(4,554,547)
Casino revenue	17,176,050	13,557,440

(2) Permanent table count as at December 31, 2018 and 2017.

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

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

CASINO REVENUE

Casino revenue increased by 26.7% to HK\$17,176.1 million for the year ended December 31, 2018. The components of our gaming operations were:

VIP Gaming Operations

Gaming Promoters

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

those customers with their travel and entertainment arrangements. From time to time and on a case-by-case basis, we grant credit, which is non-interest bearing, to certain gaming promoters at the beginning of each month to facilitate their working capital requirements.

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.

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 check or other acceptable forms 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 13.0% to HK\$9,682.3 million for the year ended December 31, 2018. The increase was primarily due to an increase in turnover by 18.2% to HK\$318,195.3 million in 2018 which includes the impact of the opening of MGM COTAI and partly offset by the decrease in VIP table games win percentage at MGM MACAU.

MANAGEMENT DISCUSSION AND ANALYSIS



Main Floor Table Gaming Operations

Main floor table gaming operations in the Macau market are also referred to as the “mass 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 34.0% to HK\$10,905.5 million for the year ended December 31, 2018 primarily due to opening of MGM

COTAI which contributed an increase in the drop of 47.5% to HK\$59,300.8 million in total. The increase was partly offset by a decrease in main floor table games win percentage in 2018. Despite the market share migration from the Macau Peninsula to Cotai, the effect on our revenues at MGM MACAU was mitigated by our continuous efforts to improve the gaming experience of our high value main floor players in MGM MACAU by renovating the dedicated exclusive gaming space for their use. We continued to reallocate tables from VIP gaming to our main floor gaming areas to maximize our yield. We leveraged our Golden Lion Club as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotions.



Slot Machine Gaming Operations

Slot machine gross win increased by 58.8% to HK\$2,233.0 million for the year ended December 31, 2018 primarily due to an increase in handle by 88.0% to HK\$58,329.6 million which includes the impact of the opening of MGM COTAI. The increase was partly offset by a decrease in slot hold percentage in 2018.

OTHER REVENUE

Other revenue includes hotel rooms, food, beverage, retail and entertainment and increased by 119.3% to HK\$2,024.7 million for the year ended December 31, 2018 primarily due to the opening of MGM COTAI on February 13, 2018 that brought more non-gaming offerings on line. The non-gaming facilities and services are important to establish our brand and maintain our popularity in Macau and the region in order to encourage visitation and extend the length of customers' stay within our integrated resorts.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-gaming Attractions and Branding Activities

We recognize the importance of brand awareness in growing our business. We have enhanced our marketing activities to take advantage of our internationally recognized brand. Brand-building initiatives are driven through promotions, events, strategic alliances and public relation activities. In 2018, new art exhibitions were brought into MGM MACAU and MGM COTAI including the “Giraffe-ic Park”, “ART IS PLAY”, “Explore the beauty of Chinese embroidery” and “Celebrating Life – Ju Ming Living World Sculpture Selling Exhibition” to support our goals of diversification and driving incremental visitors into our resorts.

With the opening of MGM COTAI on February 13, 2018, we continue to deliver exciting and memorable events at our properties for the benefit of our customers in support of the Macau Government’s

vision for diversification. Such elements include the explicit Art Collection of 28 Chinese imperial carpets dating from Qing Dynasty that once adorned the Forbidden City in Beijing; the innovative Spectacle and Asia’s first dynamic theater featuring multi-dimensional sensory experience enriched with incredible experiential technology elements which we believe will break the boundaries between imagination and reality to delight and captivate our guests.

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

OPERATING COSTS AND EXPENSES

The major operating costs and expenses for the years ended December 31, 2018 and 2017 were:

	For the year ended	
	December 31	
	2018	2017
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	9,198,431	7,214,106
Inventories consumed	653,828	302,666
Staff costs	3,505,758	2,324,209
Other expenses and losses	2,257,406	1,216,305
Depreciation and amortization	2,150,305	799,045
Finance costs	667,876	7,273
Income tax (benefit)/expense	(295,605)	318,294

Note: The Company adopted the new revenue recognition accounting standard ("IFRS 15"), effective January 1, 2018.

Certain prior year amounts have been retrospectively adjusted under IFRS 15.

Special gaming tax and special levy to the Macau Government

Special gaming tax and special levy to the Macau Government increased year-over-year by 27.5% to HK\$9,198.4 million in 2018. This increase was mainly attributable to the higher gross casino win generated after the opening of MGM COTAI during the current year.

Inventories consumed

Inventories consumed increased year-over-year by 116.0% to HK\$653.8 million in 2018. This increase was primarily due to increase in consumptions of supplies, including gaming supplies such as cards and other supplies in response to our business activities and the opening of MGM COTAI.

Staff costs

Staff costs increased year-over-year by 50.8% to HK\$3,505.8 million in 2018 which was primarily due to hiring of additional staff in preparation for the pre-opening and operation of MGM COTAI during the current year.

Other expenses and losses

Other expenses and losses increased year-over-year by 85.6% to HK\$2,257.4 million in 2018, which mainly result from:

Advertising and promotion expense. Advertising and promotion expense increased by 79.1% from HK\$349.0 million in 2017 to HK\$625.1 million in 2018. The increase resulted from more marketing activities

MANAGEMENT DISCUSSION AND ANALYSIS

being organized during the current year in response to the increased competition and the opening of MGM COTAI.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 23.9% from HK\$284.4 million in 2017 to HK\$352.2 million in 2018. This increase primarily resulted from the higher revenue generated after the opening of MGM COTAI during the current year.

Loss allowance/(reversal of loss allowance) on trade receivables, net. Loss allowance on trade receivables, net, was an expense of HK\$51.3 million in 2018 compare to a gain of HK\$42.1 million in 2017. The prior year gain primarily resulted from recovery of doubtful debts provided for in previous years. The Company applied the IFRS 9 simplified approach to recognize lifetime expected credit losses for trade receivables effective from January 1, 2018. Details of lifetime expected credit losses are set out in note 26 to the consolidated financial statements.

Loss on disposal/write-off of property and equipment, construction in progress and other assets. Loss on disposal/write-off of property and equipment, construction in progress and other assets increased by 328.6% from HK\$45.3 million in 2017 to HK\$194.3 million in 2018. This increase primarily resulted from a HK\$188.5 million write-off of show production costs during the current year.

Depreciation and amortization

Depreciation and amortization increased year-over-year by 169.1% to HK\$2,150.3 million in 2018. This increase was primarily due to the opening of MGM COTAI on February 13, 2018 as well as renovation works completed and placed into service at MGM MACAU during the current year. This was partly offset by the impact of full depreciation of certain assets in 2018 and a change in the estimated useful lives of buildings and improvements, which was effective from November 1, 2017, to better reflect the estimated periods during which these assets are expected to remain in service.

Finance costs

Total borrowing costs increased by HK\$150.5 million to HK\$846.7 million in 2018 mainly due to a HK\$175.7 million increase in interest incurred for additional bank borrowings as well as an increase in interest rates during the current year.

Finance costs increased from HK\$7.3 million in 2017 to HK\$667.9 million in 2018 mainly due to a HK\$510.1 million decrease in capitalized interest as MGM COTAI opened on February 13, 2018.

Income tax (benefit)/expense

Income tax expense in the prior year primarily relates to a deferred tax charge of HK\$317.1 million provided on the distributable profit of MGM Grand Paradise due to the application by the Group for the extension of the tax concession arrangement being not yet approved at December 31, 2017. This deferred tax charge was reversed during the year following approval of the Group's application. Details of income tax (benefit)/expense are set out in note 10 to the consolidated financial statements.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by 53.9% from HK\$2,320.2 million in 2017 to HK\$1,068.5 million in 2018. The decrease was due primarily to the impact of the ramp up of operations at MGM COTAI with some of the elements of that property such as VIP gaming areas, The Mansion and theater not being available when MGM COTAI opened on February 13, 2018 combined with the lead times required for operational enhancements. The decrease was also affected by lower table games win percentages and slot hold percentages compared to the prior year as well as pre-opening and depreciation expenses of MGM COTAI.

LIQUIDITY AND CAPITAL RESOURCES**CAPITAL RESOURCES**

As at December 31, 2018, our bank balances and cash, and available undrawn credit facilities were HK\$3.99 billion and HK\$2.78 billion respectively. This balance is available for operations, new development activities and enhancement to our properties, repayment of bank borrowings and other corporate purposes.

GEARING RATIO

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises bank borrowings, net of debt finance costs, less bank balances and cash. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group's gearing ratio as at December 31, 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

	As at	
	December 31 2018 HK\$'000	December 31 2017 HK\$'000
Bank borrowings, net of debt finance costs	18,873,205	17,839,219
Less: bank balances and cash	(3,992,107)	(5,283,387)
Net debt	14,881,098	12,555,832
Total equity	8,945,779	8,512,356
Total capital	23,826,877	21,068,188
Gearing ratio	62.5%	59.6%

GROUP CASH FLOWS

The following table presents a summary of the Group's cash flows for the years ended December 31, 2018 and 2017.

	For the year ended	
	December 31 2018 HK\$'000	2017 HK\$'000
Net cash generated from operating activities	2,159,044	7,157,880
Net cash used in investing activities	(2,915,072)	(6,773,410)
Net cash (used in)/generated from financing activities	(532,933)	1,348,971
Net (decrease)/increase in cash and cash equivalents	(1,288,961)	1,733,441
Cash and cash equivalents at the beginning of the year	5,283,387	3,547,130
Effect of foreign exchange rate changes, net	(2,319)	2,816
Cash and cash equivalents at the end of the year	3,992,107	5,283,387

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\$2,159.0 million in 2018 compared to HK\$7,157.9 million in 2017. The decrease was due primarily to cash used in the opening of MGM COTAI and the ramp up of its operations during the current year.

Net cash used in investing activities

Net cash used in investing activities was HK\$2,915.1 million in 2018 compared to HK\$6,773.4 million in 2017. The major components of the cash flow used in investing activities related to payments for the construction of MGM COTAI and renovation work carried out at MGM MACAU as well as purchase

of property and equipment in total amounting to HK\$2,786.1 million and HK\$6,559.7 million in 2018 and 2017 respectively. Other payments primarily related to developers' fees due to a related company in both years while the 2017 amount also included payments of the land use right premium.

Net cash (used in)/generated from financing activities

Net cash used in financing activities was HK\$532.9 million in 2018 compared to HK\$1,349.0 million of net cash generated from financing activities in 2017. The increase in net cash used mainly resulted from HK\$3,825.5 million of credit facilities repaid and HK\$611.8 million of dividend paid in 2018 compared to HK\$1,404.5 million of credit facilities repaid and HK\$1,048.8 million of dividend paid in 2017.

CAPITAL COMMITMENTS

As at December 31, 2018, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the consolidated financial statements:

	As at	
	December 31 2018 HK\$'000	December 31 2017 HK\$'000
Contracted but not accounted for	144,442	642,581

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

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

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

Pursuant to the execution of the Sub-Concession Extension Contract, on March 15, 2019, MGM Grand Paradise has undertaken to submit a bank guarantee in an amount of not less than MOP820 million (equivalent to approximately HK\$796.12 million) to the Macau Government within three months from the date of signing of the Sub-Concession Extension Contract to warrant the fulfillment of an already existing commitment of labor liabilities upon expiry of

the Sub-Concession Extension Contract. The Macau Government may require an increase in the amount of the said guarantee, depending on the actual number of employees employed by MGM Grand Paradise.

INDEBTEDNESS

As at December 31, 2018 and 2017, the Group had drawn down bank borrowings of HK\$19.06 billion and HK\$17.99 billion under our Fifth Supplemental Agreement and Fourth Supplemental Agreement, respectively. The Group has HK\$2.78 billion and HK\$4.81 billion available to draw down as at December 31, 2018 and 2017 respectively under those agreements.

TERM LOAN FACILITY AND REVOLVING CREDIT FACILITY

Overview

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

The second amended and restated credit agreement (the "Second Amended Credit Facilities") which became effective on June 12, 2015 extended the maturity of the Amended Credit Facilities to April 29, 2019 and expanded the term loan facility set out in the Amended Credit Facilities to HK\$12.09 billion.

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

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

As at 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 paid within the next twelve months as at 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.

Principal and Interest

The Fifth 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 December 31, 2018, HK\$15.6 billion of the term loan facility was fully drawn while HK\$2.78 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 December 31, 2018, the Group paid interest at HIBOR plus 2.50% per annum (2017: HIBOR plus 2.50% per annum). The weighted average interest rate on the Group's borrowings for the year ended December 31, 2018 was 4.92% per annum (2017: 4.11% per annum).

MANAGEMENT DISCUSSION AND ANALYSIS

General Covenants

The Fifth Supplemental Agreement contains general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the “Restricted Group”) to, among other things, enter into, dispose of or amend to certain commitments and/or investments. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Financial Covenants

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

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

Compliance with Covenants

The Group has complied with the general and financial covenants contained in the Fifth Supplemental Agreement, the Fourth Supplemental Agreement and the Third Supplemental Agreement for the years ended December 31, 2018 and 2017.

Mandatory Prepayments

The Fifth Supplemental Agreement contains mandatory prepayment provisions which include, among other things, prepayment of all outstanding loans, together with accrued interest and all other amounts due thereunder, upon a change of control or sale of the MGM Grand Paradise business.

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

On March 15, 2019, a Sub-Concession Extension Contract has been 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 coincides with the expiry date of other Concessionaires and Sub-Concessionaires so that all the original gaming concessions and sub-concessions will expire at the same time.

Dividend Restrictions

Under the Fifth Supplemental Agreement, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million (equivalent to approximately HK\$1.2 billion), including any dividends paid during the preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million (equivalent to approximately HK\$2.3 billion), including any dividends paid during the preceding 12-month period. As at December 31, 2018, the Group's leverage ratio was approximately 4.28. The aggregate dividends paid and payable by the Group are within the cap of US\$150 million (equivalent to approximately HK\$1.2 billion) during the preceding 12-month period.

Events of Default

The Fifth Supplemental Agreement contains certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Fifth Supplemental Agreement, a divestment of holdings in the Company by MGM Resorts

International below 50% control or any holdings in MGM Grand Paradise by the Company would constitute a change of control and trigger mandatory prepayment of the outstanding loan balances.

Security and Guarantees

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

pegged to the HK\$ at a constant rate and accordingly we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The Group holds bank balances and deposits denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises assets denominated in Singapore Dollars and 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's exposure to fair value interest rate risk is minimal as the Group's borrowings and bank balances are at variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances and bank borrowings. Our cash flow interest rate risk on bank balances is considered insignificant due to current low interest rates for bank deposits. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

OFF BALANCE SHEET ARRANGEMENTS

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

OTHER LIQUIDITY MATTERS

In the ordinary course of business, in response to market demands and client preferences, we have made and will continue to incur related capital expenditures on enhancements and refinements for our resorts to increase revenue. We will continue to incur capital expenditure including completion of The Mansion and other areas 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, bank borrowings and internally generated funds, we believe that we have sufficient available funds to meet our financial obligations for the following 12 months.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2018, MGM Grand Paradise employed 10,735 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.
- Objective – to be consistent with local market rates.
- Developmental – to encourage career and professional development within the workforce and retain quality talent.

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.



MGM
清潔長者屋



SUSTAINABILITY



An Experience of a Life-time
with MGM

SUSTAINABILITY

This section of our Annual Report provides a summary of our Company's approach, progress and performance in implementing our sustainability program.

Reporting Framework & Scope

The content of this sustainability summary is prepared in accordance with the requirements of the Hong Kong Stock Exchange Environmental, Social and Governance ("ESG") Reporting Guide ("ESG Guide"), as well as with additional guidance from international reporting frameworks such as the Global Reporting Initiative's Sustainability Reporting Guidelines.

As this report is in summary form, for full disclosure against the ESG Guide, as well as for more detailed sustainability reporting, please visit the sustainability section of our corporate website at www.mgmchinaholdings.com.

We have adopted an operational control approach in reporting our environmental parameters. Environmental data (energy, emissions, water and waste) for MGM MACAU and MGM COTAI are reported.

OUR APPROACH TO SUSTAINABILITY

At MGM China, sustainability is about doing well by doing good. To ensure the long-term success of our business, it is fundamental we look after those who mean the most to us, including: our employees, customers, the communities in which we operate, our Shareholders, business partners and suppliers. It is also equally important to take care of the earth and its precious natural resources, which we depend on for life itself.

This ethos is the foundation of our sustainability vision, "Create a Better Tomorrow Today", signifying that the decisions we make today, will affect the society and the environment of tomorrow. Our vision serves as a call to action to operate a sustainable and responsible company where our business activities positively impact the people and environment of Macau.

MGM SUSTAINABILITY POLICY

Our Sustainability Policy outlines commitments to three overarching pillars: Responsible Business, Social Responsibility and Environmental Sustainability, with the following objectives:

1. **Commitment to Responsible Business:** We are committed to have governance systems in place to best manage sustainability risks and opportunities. We will include important stakeholder groups in the development of our sustainability programs through regular reporting and engagement initiatives.
2. **Commitment to Social Responsibility:** We are committed to provide employees with a great place to work and develop. We will give back to the community and invest in its long-term development and prosperity.
3. **Commitment to Environmental Responsibility:** We will continuously work to minimize the environmental impacts of our business operations.

SUSTAINABILITY

FOCUSING ON WHAT MATTERS

Based upon these pillars, the following have been identified as the most material areas to our business through internal and external analysis and consultation which is updated on an ongoing basis. Our sustainability strategy along with this sustainability summary is structured according to these material areas.

	Material areas
Commitment to Responsible Business	<ul style="list-style-type: none"> — Sustainability governance — Stakeholder engagement — Product responsibility — Business conduct
Commitment to Social Responsibility	<p>Employees:</p> <ul style="list-style-type: none"> — Recruitment and development — Diversity and equal opportunity — Health, safety and wellbeing <p>Community:</p> <ul style="list-style-type: none"> — Community engagement — Inspiring the next generation — Charitable contributions — Contributing to local arts and culture — Responsible gaming — Anti-human trafficking — Supporting local Small and medium-sized businesses (“SMEs”) — Advocator of national development
Commitment to Environmental Responsibility	<ul style="list-style-type: none"> — Emissions — Natural resource use — Waste management — Green building — Biodiversity — Employee engagement — Community outreach

SUPPORTING GLOBAL GOALS

In 2016, the United Nations set a new global agenda for human progress and social impact through 17 Sustainable Development Goals (“SDGs”) to make dramatic progress on development issues by 2030. MGM has identified three SDGs where we believe our sustainability strategy can make the greatest impact including: Goal 8: Decent Work and Economic Growth, Goal 11: Sustainable Cities and Communities and Goal 12: Responsible Consumption. For more information on how we are achieving these goals, see: www.mgmchinaholdings.com.

COMMITMENT TO RESPONSIBLE BUSINESS

SUSTAINABILITY GOVERNANCE

Formed in 2012, the MGM Sustainability Committee (“Committee”) is responsible for establishing policies, programs and procedures that help us to move towards fulfilling our sustainability vision and goals. The Committee includes senior representatives from across different departments, ensuring that a committee member champions each of our important impact areas. We also have a team of dedicated sustainability professionals that are responsible for the daily implementation of our sustainability objectives and targets.

Department-specific teams support our Committee and help to bring an integrated approach to our efforts and communicate top down. Our Resource Efficiency Team champions the technical aspects of the resource efficiency of our operations, meeting monthly to discuss environmental management opportunities and implementation. Our Green Team includes employees from across our operations with the aim of finding ways to engage and inspire fellow team members to help us achieve our environmental objectives.

We are proud of our team members who actively volunteer their time to help fulfil our role as a corporate citizen in community engagements to shape a better Macau. In 2018, we held 106 different community activities with our Golden Lion Volunteer Team, who volunteered over 10,000 hours towards bettering the community – our highest record ever. Our senior management and team members’ families also actively participated in the activities, showing care and love to those who matter in the community.

Ultimately our Board has overall responsibility for our sustainability strategy and reporting. In line with the Corporate Governance Code, the Board is responsible for evaluating and determining the Company’s sustainability-related risks, and ensuring that appropriate and effective sustainability risk management and internal control systems are in place. Senior management provide confirmation to the board on the effectiveness of these systems. Where relevant, executive compensation is tied to achievements in sustainability objectives.

SUSTAINABILITY

STAKEHOLDER ENGAGEMENT

Engaging our key stakeholders in long-term dialogue provides important input that informs our decision-making to continuously help us strengthen our company policies and programs. Throughout the course of any given year we communicate with our stakeholders through various channels as indicated in the table below.

Table 1: Stakeholder Engagement Process

Stakeholder	Communications goal	Communication method	Frequency	Incorporation into corporate activities
Employees 	Engage employees in 2-way communication to create a motivated, active and well-informed team	<ul style="list-style-type: none"> Internal announcements and bulletins via intranet, email announcements, posters, digital signage and notice boards Employee opinion box and online system Employee hotline Team meetings Staff performance reviews 	Ongoing Ongoing Ongoing Ongoing Annual, with mid-term review	Improving workplace culture and evaluating/planning labor-management and personnel policies
Customers 	Understand our customers' needs and respond to their feedback with product/service improvement	<ul style="list-style-type: none"> M Life (customer relationship management) Onsite customer care & interaction Customer call center Social media 	Ongoing Ongoing Ongoing Ongoing	Improving customer satisfaction activities and disseminating information in response to consumer demand
Communities 	Support community development and contribute to the well-being and economic progress of the communities in which we operate	<ul style="list-style-type: none"> Monthly Sustainability Newsletter Meetings with community associations/NGOs MGM community program through engagement and charitable contributions MGM Golden Lion Volunteer Team 	Monthly Ongoing Ongoing Ongoing	Understanding the needs of the community and modifying our programs and policies to best meet those needs
Shareholders 	Provide timely and appropriate disclosure of operating results and financial conditions to shareholders and build constructive dialogue for value enhancement	<ul style="list-style-type: none"> Annual General Meeting Annual Report One-to-one meetings with investors Financial results announcement Corporate website 	Annual Annual Ongoing Quarterly Ongoing	Improving management quality through constructive dialogue

Apart from these key stakeholder groups we also seek and welcome feedback from broader society including government, NGOs, academics and other local associations with a view to continuously build relationships with the local community and strengthen risk management approaches.

PRODUCT RESPONSIBILITY

Our company Privacy Policy is available on our website: <https://www.mgm.mo/en/macau/privacy>. Our Privacy Policy and Information Security Policy and Standards outline our responsibility to protect information resources and customer data and must strictly be adhered to by all employees, contractors, consultants, temporary employees, and other workers.

We are governed by clear policies and practices to ensure no unfair or misleading marketing information is delivered to consumers. Feedback is actively sought from our customers, with any material feedback provided being seriously considered by senior management and used to update our policies and practices.

To date no customer data privacy breaches or unfair marketing cases have been reported.

BUSINESS CONDUCT

Our Code of Conduct is applicable to all staff and provides guidelines on how employees should conduct themselves at work. The Code of Conduct covers matters such as anti-corruption, use of confidential information, conflicts of interest and insider trading.

Anti-Corruption Guidelines supplement our Code of Conduct and provide guidance to ensure compliance with all applicable anti-corruption laws. Available to all staff, the guidelines provide a clear definition of what anticorruption is, what the associated risks are and what each one of us can do to maintain practices that counter corruption and extortion.

An Integrity Hotline is maintained by an independent third party service provider and operates on a 24/7 basis to report concerns of unethical behavior related to us.

Training on ethical business conduct is provided to all employees upon induction and comprehensive training is provided to all assistant-managers and above, as well as to selected suppliers.

Our suppliers are required to adhere to our Vendor Code of Conduct, as well as our Sustainability Policy. Site visit inspections are carried out to ensure compliance with contractual obligations and company sustainability expectations such as health and safety, environmental compliance and ethical business conduct.

In 2018, the Group was in compliance with all applicable laws and regulations. Further, there have been no legal cases regarding corrupt practices brought against us or our employees during 2018.

SUSTAINABILITY

COMMITMENT TO SOCIAL RESPONSIBILITY

EMPLOYEES

Recruitment and Development

We are always working hard to create great moments for our customers and community. Our team of over 10,000 employees form the cornerstone of our business. As we celebrate our 11th anniversary of operations in Macau, we honor the 1,948 team members who have been with us for the past 11 years.

At MGM China, we believe that Macau's future is being shaped by Macau's very own people. That's why we fully support the Macau Government's local talent development initiatives, and are committed to developing local capability and leadership to enhance the overall local talent pool. In 2018, we offered over 200 training courses and provided more than 917,000 training hours, an average of 85 hours per team member.

Everything we do is guided by our goal to unleash the greatness of our talent. As part of this endeavor, we provided training programs for local employees from all walks of life in the hopes of cultivating lifelong learning in the workplace. In August 2018, we saw everyone's efforts bear fruit when nearly 900 team members graduated, a momentous learning achievement which we commemorated with a grand ceremony.

Graduates of our talent development programs hail from three major categories:

1. **Local Leadership Development** – MGM Management Associate Program (“MAP”) and PRIDE Program;
2. **Continuing Education** – MGM Academy, MGM eAcademy and other diploma courses in collaboration with tertiary and secondary educational institutions, such as MGM High School Diploma Program and Diploma in Gaming Management;
3. **Professional Skills and Vocational Training** – in partnership with the Labour Affairs Bureau (“DSAL”), Macau Federation of Trade Unions and other educational institutions; these programs cover a wide spectrum ranging from occupational health and safety, facility management, to electrical and chiller maintenance.

CASE STUDY: Developing Local Leadership Capabilities

The **PRIDE Program** aims to enhance career and personal development through an intensive 9-to-15-month course. It focuses on identifying and nominating local team members for participation in crucial leadership skill development and cross-departmental exposure, projects, site visits and overseas study field trips. The program has since expanded into four specific topics, namely Leadership, Managerial, Specialist and Supervisory, all of which have been designed to help team members of different levels and departments to unleash their potential. Since the launch of the program in 2014, the Program has honored over 160 graduates, and achieved a talent retention rate of 90%.



Encouraging Lifelong Learning: MGM Academy offers to all team members with the access and resources to further develop themselves in different fields, in which more than 200 academy courses are available. Taking into consideration the different learning needs of team members who may work in different shift and locations, MGM eAcademy, an online learning platform, adopts the technological approach to ensure that learning resources are made available to them anytime and anywhere.

We want to bring continuing education and professional certification opportunities to our team members. To bring this goal to life, we have partnered with the Macau Government, universities and community associations. In 2018, 7 local team members successfully completed the MGM High School Diploma Program and received their diplomas from Escola Secundária Luso-Chinesa de Luís Gonzaga Gomes ("ESLC").

SUSTAINABILITY

DIVERSITY AND EQUAL OPPORTUNITY

Human Rights: As per our Human Rights Policy, we respect the human rights of our employees and follow the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, including non-discrimination, prohibition of child and forced labor, and civil and political rights. Our ethos is to treat all employees with equity and fairness, and provide a proper process and forum where grievances can be heard, discussed and resolved. Our labor policies and practices, which are often above minimum compliance, are laid out in our Employee Handbook and available to all employees in new hire orientation including important information such as compensation and benefits, working hours, and leave entitlement. Rigorous background checks, and relationships with established and trusted contracting agencies support our stance to protect human rights and avoid any child or forced labor.

Diversity and Equal Opportunity: We support equal opportunities and diversity in our workforce, in knowing that a diverse team is a stronger team. Currently we have employees of more than 31 different nationalities with a gender ratio of 53% male and 47% female.

We fully support equal opportunities and diversity in our workforce. At present, we have 40 team members with disabilities who are working in seven departments. We are the current eight-time winner of the annual “Hiring Disabled Staff Recognition Scheme” and “Excellent Disabled Employees Scheme” organized by DSAL and the Social Welfare Bureau of the Macau Government.

To raise awareness of the importance of diversity and inclusion, annually we sponsor the “Conference on Intellectually Disabled People in Asia” organized by the Charity Association of Macau Business Readers, and supported by the Special Olympics.

Referred by Fu Hong Society over a year ago, Vong Heng Lon continues to join us in the Laundry Team. He expressed his appreciation to all colleagues who, thanks to their patient teachings, have helped him progress day by day.



Lo Ka Kio from the MGM Food & Beverage Kitchen was recognized as a top 10 achiever among 72 nominations for the 2018 Outstanding Disabled Employee Award, organized by the DSAL and Social Welfare Bureau.



HEALTH, SAFETY AND WELLBEING

Occupational Health and Safety: The health and safety of our employees is our utmost priority. This is why we believe in investing to raise their awareness on Occupational Safety and Health (“OSH”) in order to maintain a healthy and safe workplace for everyone.

In August 2018, we teamed up with DSAL to launch the “Hospitality and Catering Industry Safety Card Training” program. 83 of our team members passed the eventual assessment and obtained their Safety Card.



SUSTAINABILITY

We also organized the “Healthy Workplace & Happy Life” campaign in collaboration with DSAL in September 2018, which saw over 3,000 team members participating in numerous OSH activities, including seminars and the educational game zone.



Promoting a Wholesome Lifestyle: Another important aspect in our role as an employer is taking care of our employees’ wellbeing. In May 2018, we launched a three-week “Healthy Mind Healthy Life” campaign that featured various wellbeing-related activities. Over 10,000 team members and their families took part in the fun-filled events, which included “Health Fun Day”, “Chinese Medical Consultation Day”, “Health Checkpoint”, “World Challenge Day 2018”, “Fun Terrarium Workshop” and health seminars with different topics.



CASE STUDY: Golden Lion Sports Teams

We strive to boost team spirit and provide avenues for different sporting activities, from soccer to fencing, badminton and table tennis, basketball and running clubs. These teams bring people together to enjoy fitness, teamwork, as well as to create new work friendships, bringing back team spirit to the workplace.

**COMMUNITY**

Creating a better Macau is an ethos that we live and work by, and supporting and investing in its development is a cornerstone of our business. By donating our time, talents, skills and resources to those in need, we are proud to contribute to making Macau a better place.

COMMUNITY ENGAGEMENT

To create great moments and building friendships with the elderly, the MGM Volunteer Team are always ready to spend time and energy to spread happiness. In the spirit of the Chinese tradition of spring-cleaning the home before the first day of the Chinese New Year, 180 Volunteer Team members rolled up their sleeves to help get the homes of over 220 households at the Fai Chi Kei housing unit for elderlies ready to welcome the Chinese New Year.

We also celebrated the beginning of Chinese New Year with 200 elderly citizens of the Women's General Association of Macau. The day's festive program included a joyful lion dance performed by MGM's Junior Lion Dance Team.

SUSTAINABILITY

Every month, the MGM Volunteer Hairdressing Team, formed by team members, work to give local senior citizens refreshing makeovers with complimentary haircuts for the elderly from different community associations. Our Volunteer Hairdressers have delivered the service for approximately 2,000 senior citizens since 2015.



CASE STUDY: Inclusive Education and Sports

We believe it is important to raise awareness of the importance of diversity and inclusion. In April 2018, we sponsored the “Conference on Inclusive Education, Sports and Social Media”, organized by the Charity Association of Macau Business Readers. On that same day, we also organized an art workshop for over 100 athletes with disabilities. The athletes were patiently guided by local artists as well as our Volunteer Team.



INSPIRING THE NEXT GENERATION

We are always looking for ways to engage with the youths of Macau. We seek to help them find a career they can be passionate about and to give them a taste of the professional working environment. We have been opening our doors to thousands of students over the years for them to meet our team members, and see with their own eyes what goes on behind the scenes of a five-star integrated resort.

CASE STUDY: A Day with MGM

Our annual summer program for local students, “A Day with MGM”, aims to give them a hands-on working experience at an integrated resort. This year, we welcomed 86 local teenagers aged between 13 to 17 years. These young participants included children and siblings of our team members, as well as members from Sheng Kung Hui Macau Social Service Coordination Office and General Union of Neighborhood Association of Macao. They enjoyed the unique opportunity of visiting 16 different departments to learn about the daily operations and work culture of MGM.



SUSTAINABILITY

CASE STUDY: A Taste of Culinary Fun

We invited local youths to tour our properties for a closer look at the professional hospitality, food and beverage industry. Through “A Fun Serving Up Experience”, 60 students from Lar de S. Jose Ká-Hó had the chance to be our food and beverage ambassadors, while learning the intricacies of restaurant service and sequence. 15 teenagers from Sheng Kung Hui Astor Shore joined the “MGM Culinary Program” that aims to enhance their confidence through a structured cooking program, where they learnt how to prepare meals. During the Fun Culinary Day, we also invited 60 children from the Family Service Center of The Women’s General Association of Macau for a cooking class, where they learnt how to create tasty dishes alongside the MGM Culinary Team and Volunteer Team.



CASE STUDY: Learn From the Best

In celebration of the “2018 Macao Year of Gastronomy”, we invited consulting celebrity chefs from MGM COTAI to visit our communities and inspire local talents’ to reinforce Macau’s position as a “UNESCO Creative City of Gastronomy”.

In June 2018, Chef Janice Wong teamed up with 20 students and professors from the Macao Polytechnic Institute’s Visual Art, Design as well as Music bachelor’s degree programs.

They collaborated to put the finishing touches on her edible art installation, which was on display at our “ART IS PLAY” exhibition. Janice Wong also shared the stories and thinking behind her famed edible artwork, as well as the influences and experiences that have shaped her career.



In July 2018, we organized the “Celebrity Chef Graham Elliot Sharing Session – Creativity X Gastronomy” at the Macao Young Entrepreneur Incubation Centre. Over 100 local young entrepreneurs had the exclusive opportunity to get up close and personal with Chef Graham Elliot. The celebrated chef shed light on the latest culinary trends around the world, and discussed with participants the many ways anyone can integrate creativity with gastronomy.



In September 2018, we partnered with the Macau University of Science and Technology (“MUST”) to co-host a culinary workshop with two-Michelin starred Chef Mauro Colagreco at the launch of MUST’s Culinary Labs. 30 students from MUST’s Faculty of Hospitality and Tourism Management joined the workshop. Among the highlights was a demonstration by Chef Mauro, where he showcased his cooking skills and shared his insights.



SUSTAINABILITY

CHARITABLE CONTRIBUTIONS

We supplement our community programs through cash and in-kind donations. Some of our key donations in 2018 included:

- MOP600,000 to the Macao Daily News Readers' Foundation as part of the "Walk for a Million" campaign for the 11th consecutive year
- MOP500,000 to Macau Tung Sin Tong Charitable Society for 11 years in a row
- MOP300,000 to the Welfare Shop of Holy House of Mercy for the 7th consecutive year
- MOP238,500 to Orbis Macau Charity Raffle Sale Campaign, where we were also named the biggest corporate donor in Macau for the 10th consecutive year

CASE STUDY: Strengthening the Community's Disaster Response Capacity

We are always looking for ways to support the local social service sector in dealing with traumas after a crisis. In May 2018, we sponsored the "Certificate Course on Critical Incident Stress Management - Group Crisis Intervention", organized by the Sheng Kung Hui Macau Social Services Coordination Office, which aims to strengthen the community's preparedness to reactively respond to a disaster.



CONTRIBUTING TO LOCAL ARTS AND CULTURE

With art and entertainment being at the heart of our brand for over a decade, we have synergized sports, tourism as well as art and cultural elements to create innovative entertainment experiences. This has driven the diversification of tourism products in Macau, making us a leader in cultural tourism.

From 2007 to 2018, we hosted 25 world-class international and local exhibitions and welcomed around 300,000 visitors. Since its inception in 2013, the MGM Art Space at MGM MACAU remains the only dedicated gallery space in a Macau resort – one which is designed specifically for art and cultural exhibitions. The exhibition at the MGM Art Space, ART IS PLAY, is the most fun and colorful art exhibition with playful art installations by five international female artists.



Art surrounds visitors from the moment they step through our doors at MGM COTAI. Creativity pervades our resorts, forming an immersive experience wherever they go. Our property features over 300 captivating and thought-provoking works that seamlessly integrated with its public spaces. The MGM COTAI Art Collection spans imperial carpets dating from the Qing Dynasty, to modern and contemporary Asian paintings and sculptures. An art symposium was held shortly after the opening of MGM COTAI to redefine public art and further our mission of making art more accessible to the public.

SUSTAINABILITY

CASE STUDY: Redefine Public Art

The Spectacle is pioneering digital art in MGM COTAI. The Spectacle comprises the world's largest area of permanent indoor LED screens, featuring digital artworks by internationally renowned artists such as Joel Sartore, Magda Indigo, Garth Williams, Rob Kessler and Wolfgang Stuppy.



CASE STUDY: Driving Innovation In Asia's Leading Performance Venue

As Asia's first dynamic theater, MGM COTAI's MGM Theater uses revolutionary technology to present multi-sensory experiences unlike anything ever seen before. MGM Theater seats up to 2,000 people in more than 10 spectacular configurations, which allows the innovative space to host concerts, shows, corporate and other events. It is also the world's first theater to feature a GALA revolving seating system in a 360-degree format surrounding stage. Big names that have hit the stage at MGM Theater include pop diva Kylie Minogue, Grammy award-winning British vocalist Sam Smith, K-Pop powerhouse SUPER JUNIOR, and Chinese legendary singer Na Ying.



CASE STUDY: Passing On Chinese Cultural Heritage

The celebration of traditional Chinese arts and culture is a fundamental theme of our Art Program. In an increasingly global society, we recognize the importance of preserving and celebrating age-old traditions and treasuring arts from a bygone era.

The MGM COTAI Art Collection features an impressive collection of 28 imperial carpets dating back to the Qing Dynasty. These rare relics, which once decorated the halls of the Forbidden City, are a testament to the exquisite craftsmanship that existed in Imperial China.



Meanwhile, riding on the popularity of Chinese television drama “Story of Yanxi Palace” which attracted a worldwide audience of 15 billion especially among the younger generations, we held the “Explore the Beauty of Chinese Embroidery”, showcasing intangible cultural heritage and craftsmanship, as depicted in the drama and in our imperial carpets exhibition. The curation includes exhibits of actual items from the wardrobe designs of the drama, as well as ancient costumes from the Kunqu opera.

The launch of the exhibition was followed with a living heritage symposium at the MGM Theater. Over 500 art and culture enthusiasts from Macau and across the region came together with 4 industry experts to discuss Chinese heritage, its modern interpretation and presentation, to a new wave of designers and innovators.

SUSTAINABILITY

RESPONSIBLE GAMING

Responsible gaming is a topic which employees from every department must learn on the first day of their job and are reminded of regularly through classroom instruction or internal communications. Trained staff and representatives are on duty 24/7 who can offer assistance to players regarding problem gambling issues. Responsible gaming is promoted to our guests through information kiosks and other communications throughout our properties. The first line of contact in handling a responsible gaming case onsite is the Responsible Gaming Operations Team, who is specifically trained to identify issues, file self-exclusion forms and liaise with counseling agencies. In line with Macau legislation, we also have a Responsible Gaming Committee, comprised of our senior management.

Under the Employee Assistance Program (“EAP”), “Enrich Your Life”, the Human Resources department works closely with the Responsible Gaming Committee to hold annual events and activities to promote responsible gaming practices to our employees. We also actively participate in community-wide events such as the Macau Responsible Gaming Campaign. We also have a long-standing collaboration with Sheng Kung Hui Macau Social Service Coordination Office to provide a professional counseling service for our employees and their families.

CASE STUDY: Boosting Awareness

We believe that awareness among team members is the key to make responsible gaming an integral part of our daily operations. In November and December 2018, we hosted a two-week campaign themed “Gambling is Not Business, Stay in Control” in MGM MACAU and MGM COTAI to engage with team members and help them gain a better understanding of relevant topics such as gambling probability and its prevailing myths, risks of borrowing money and credit card overdrafts, and prevention of gambling disorders. The campaign was filled with interesting and fun-filled activities, which included workshops, roadshows, professional counselling services and online quizzes.



ANTI-HUMAN TRAFFICKING

At MGM China, we recognize that forced labor and human trafficking are crimes of global proportions. We were the first operator in Macau to develop a Human Rights & Anti-Human Trafficking Policy which states the company's support for the elimination of forced labor and human trafficking and its destructive effect upon humanity and our communities across the globe. The policy is accessible here: <http://en.mgmchinaholdings.com/sustainability-Anti-human-trafficking>.

We address risks associated with human trafficking through three key areas including recruitment, supply chain and community outreach and partnerships, with events in 2018 including:

- Training provided to all employees in new hire orientation as well as to our Security department
- Expert training provided to senior management by the Mekong Club, an NGO dedicated to combating modern slavery
- Sponsored Good Shepherd Center's "2018 Anti-Human Trafficking Activities" to raise awareness and educate the youth about the subject

SUPPORTING LOCAL SMALL AND MEDIUM-SIZED BUSINESSES

Since 2007, we have worked consistently with local businesses to build long-term partnerships, while providing support and advice where needed to help smaller businesses thrive and grow. Testament to our approach, approximately 80% of our procurement is with local Macau businesses. Recognizing the vital role that SMEs play in our local economy, significant attention is given to SME engagement.

In 2018, we created 129 new SME partnerships and spent over MOP1 billion with SMEs – an increase of 48% in total spend from the previous year. We also helped the SMEs that are developing E-commerce and promoting data management through electronic platforms. We are honored to have this opportunity to help bolster the city's SME competitiveness, stimulate local economies and, ultimately, contribute to Macau's progression toward becoming a smart city.

SUSTAINABILITY

CASE STUDY: Co-development of a New Purchasing System

In our quest to find a supplier that could help simplify the purchase of office materials, we engaged with New Fast, a local stationery supplier. Facing pressure from scale platforms, New Fast had an urgent need to innovate its system in order to remain competitive.



Recognizing this mutual synergy, we began a collaboration with New Fast. We helped them develop an advanced and efficient purchasing system with the aid of our resources and expertise. The new system eventually reduced our internal delivery procedures from 1.5 hours to only 10 minutes, and has helped New Fast's revenue grow by an impressive 40% in 2018 versus 2017.

CASE STUDY: SME Business Matching Sessions



In collaboration with the Macao Chamber of Commerce, Macao Economic Bureau, Macao Trade and Investment Promotion Institute and the Macau Productivity and Technology Transfer Centre, we held our latest SME Business Matching Session at MGM COTAI in November 2018. Over 110 SMEs had one-to-one meetings directly with buying departments related to their product offerings. Attendees were also invited to MGM China's back-of-house area to see MGM China's supply chain operations.

CASE STUDY: Stimulating The Economy of Our Communities

MGM Leo's Macau Travel Tips program is one of our long-term initiatives to support SMEs. Through this program, we offer free shuttle bus services and a specially designed, dedicated website with tour maps that introduce visitors to specialty shops and key events in the old districts. This way, we hope to increase foot traffic in the old districts by attracting more visitors to experience the authentic side of Macau.



ADVOCATOR OF NATIONAL DEVELOPMENT

Through our national education programs, we organize a wide range of seminars, exchange activities and other initiatives for staff members, all of which are designed to raise awareness about the opportunities created by the government's national development priorities, including the Belt and Road Initiative, as well as the Greater Bay Area ("GBA") plan.

SUSTAINABILITY

CASE STUDY: Capitalizing on GBA Opportunities

An integral part of our national development efforts is the SME Engagement Program, which aims to prepare Macau SMEs that are tapping into the development of GBA markets. In October 2018, we partnered with the Macao Wisdom Humanities Encourage Political Association to co-organize a seminar on the taxation and legal system policies in the GBA. The Macao Economic Bureau, Macao Trade and Investment Promotion Institute, and the Macao Chamber of Commerce collaborated as supporting units. The seminar invited 5 renowned professionals as speakers. These distinguished guests hail from the legal and tax disciplines in Mainland China, Hong Kong and Macau, and were joined by participants that comprise around 300 professionals and SME representatives. Learnings include the understanding of the policies of the three regions and the difference between the three legal and tax systems.

We also continue to explore opportunities for local entrepreneurs. In July 2018, we supported the “Greater Bay Area Young Entrepreneur Forum 2018” organized by the Macau Youth Entrepreneur Association. This event provides young entrepreneurs with a platform where they can meet, network and exchange ideas.



CASE STUDY: National Education Seminar Series Assimilating into the GBA

Our Zhuhai Brief Shared Services Center was established in November 2014, and we subsequently initiated a talent exchange program in the Greater Bay Area to support our growth strategy. Located in the new central business district of Zhuhai, the modern and stylish workplace is designed with a range of amenities to help our employees relax and recharge. The Center has seen huge success in attracting world-class talent from leading universities in China – affirming our position as a leading talent developer.

COMMITMENT TO ENVIRONMENTAL RESPONSIBILITY**OUR APPROACH TO ENVIRONMENTAL MANAGEMENT**

At MGM China, we believe an environmentally-responsible business is a better business. As a developer, owner and operator of premiere integrated resorts, we are aware of our impacts on the environment through our consumption of natural resources and generation of emissions and waste. We are committed to integrating environmental considerations into all operational practices from our supply chain, to our facilities management and hotel rooms.

Our environmental management approach is defined by an ethos of continual improvement and we strive to find innovative ways to minimize our impacts on the environment. The Company's Environmental Management System is aligned to recognized best practice frameworks, including ISO 50001 in Energy Management. Being Macau's first integrated resort operator to receive ISO 50001 Energy Management System certification in 2016 for MGM MACAU, MGM China has been recognized for excellence and leadership in the use of energy management to improve building performance.

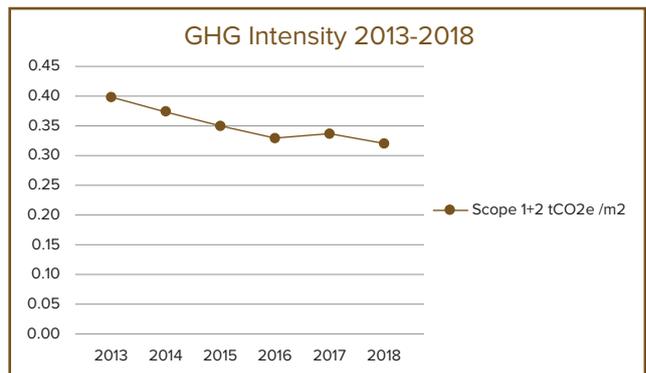
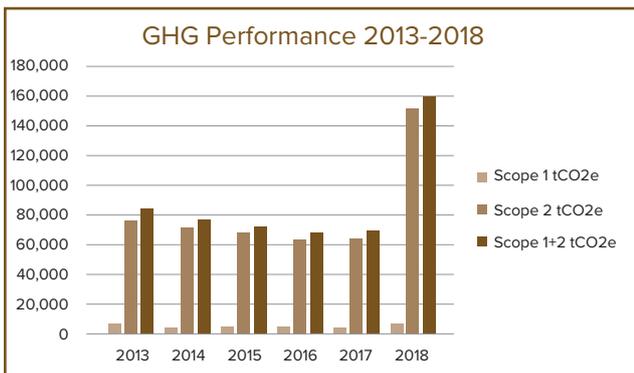
EMISSIONS

In planning for the future, we recognize the potential threat of climate change to our business and the impact on the communities in which we operate. We are committed to reducing our emissions through our resource efficiency initiatives and fostering climate change awareness and action among our people. Further, we disclose our carbon footprint through the Carbon Disclosure Project ("CDP") as part of our parent company, MGM Resorts International's report. Through this reporting tool, we have considered the risks and opportunities presented by climate change, as well as future global trends that may affect our business.

With energy accounting for approximately 98% of our emissions, our carbon reduction strategy focuses on the rigorous reduction of our emissions from energy sources (see the below "Energy Performance" section for more detail on our efforts to reduce energy consumption, which will also reduce our emissions from energy sources). In 2018, the total greenhouse gas emissions (Scope 1¹ and Scope 2²) were 159,024^{3,5} tons of CO₂e, 89% increase from 2013, the increase of GHG emission in 2018 was due to the addition of our new MGM COTAL.

SUSTAINABILITY

All guest limousines and leased shuttle buses are Euro IV and V compliant, meaning lower levels of pollution. Emissions through our leased shuttle bus service is also an area of focus with ongoing initiatives to reduce the quantity of shuttle buses on Macau roads with the joint aim to reduce traffic and emissions. In 2018, we purchased 6 electric buses that have zero emission, which are used on the routes that pick up and drop off our guests at the newly opened Hong Kong-Zhuhai-Macau bridge terminal and running on the routes between MGM China properties and the border gates.



NATURAL RESOURCE USE

At MGM China, we are aware that our planet’s supply of natural resources is limited. With this in mind we are actively engaged and committed to resource conservation and efficiency.

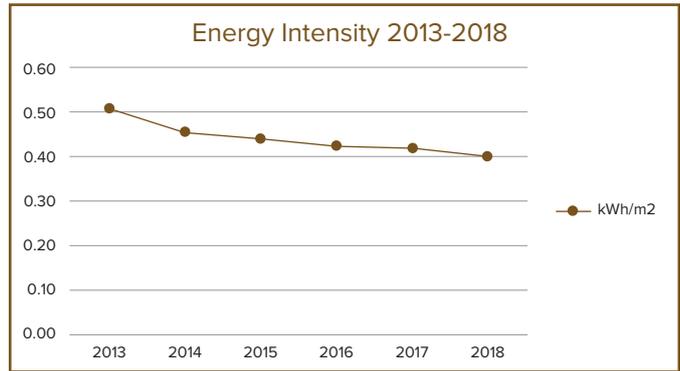
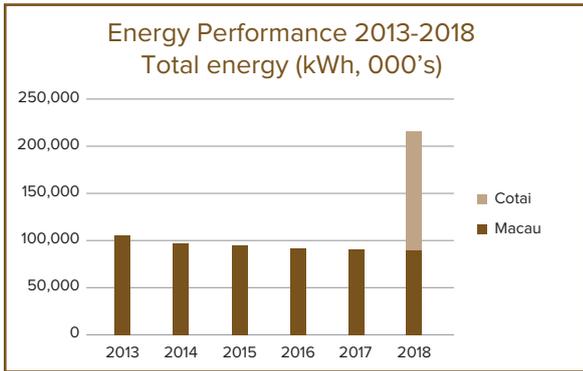
Our Building Management System ensures energy and water consumption is closely monitored and energy and water-intensive equipment is effectively calibrated and maintained. We have also implemented a data management system which allows us to access real-time energy and metered water data in a central, web-based system. Through this system, analytical tools allow us to perform complex analyses to help us better understand our impacts and areas for improvement, as well as to enable us to produce automated reports for distribution.

Energy Performance

Our energy consumption in 2018 was 215,666,000⁵ kilo watt hours (“kWh”), which included purchased electricity, liquefied petroleum gas (“LPG”), diesel and gasoline.

Energy type	Amount consumed in 2018 (kWh in 000s)	Energy unit consumed per m2 (intensity)	Emissions (tons of CO2e)
Purchased electricity	180,474	0.362	151,237
LPG	28,689	0.058	6,283
Gasoline	979	0.002	238
Diesel	5,524	0.011	99

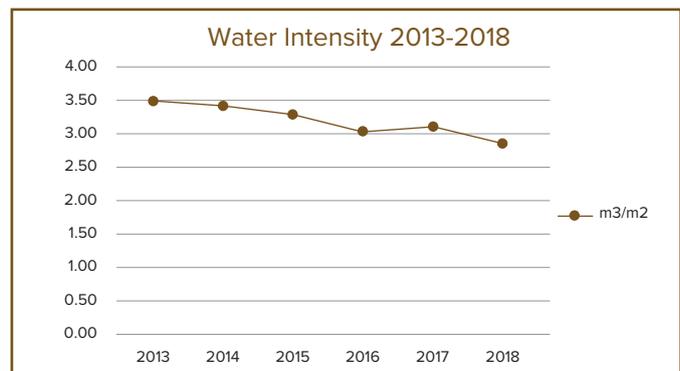
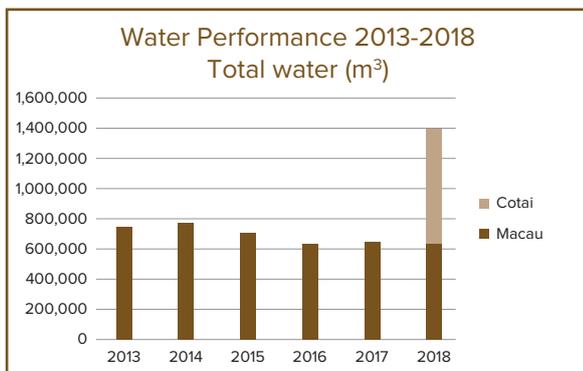
We remain dedicated to continuous improvement and finding new and innovative ways to continue our downward trend, despite a growing business and a progressively warming climate. Targeted retrofitting of our properties with more energy efficient equipment and focusing on employee behavior change in favour of energy conservation will continue to be areas of focus.



Water Performance

Water scarcity is a pressing and urgent issue for many countries around the world and it is therefore everyone’s responsibility to ensure this vital resource is conserved. The majority of Macau’s water is sourced from the Xijiang River, the mainstream of the Pearl River. Whilst there is a low risk of lack of potable water supply, concerns have been raised concerning salinity levels during certain periods of the year⁴.

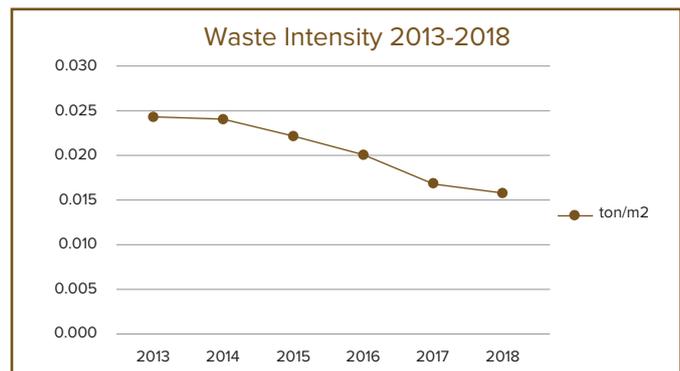
In 2018, we continued to conserve our water usage through our ongoing program of upgrading our fixtures and fittings (for example, shower heads and faucets) with low-flow alternatives, as well as adjusting our flow rates where possible. Throughout the year, we also continued to increase the scope of our water recycling program which serves to recycle the condensate from our air handling units, as well as the cooling tower bleed-off, to be reused for flushing. In 2018, MGM MACAU consumed 647,177 m³ and MGM COTAI consumed 754,879 m³.



SUSTAINABILITY

WASTE MANAGEMENT

We recognize the importance of responsible waste management, and endeavor to reduce waste (hazardous and non-hazardous) sent to the landfill and incineration by managing our resources wisely. In 2018, the Group generated 4,175 tons of waste for MGM MACAU and 3,882 tons of waste for MGM COTAI.



Our waste management approach in 2018 focused on three important areas:

Reducing: For example, MGM China has announced its intention to cease use of single use plastics in all of our food and beverage outlets by early 2019, becoming the first operator in Macau to offer plastic straws only upon request in all of our restaurants.

Our efforts to phase out single use plastic include:

- Providing straws to our guests by request only
- Replacing all plastic bags with paper bags
- Giving out takeaway cutleries only upon request
- Minimizing packaging for our pastry retail items
- Replacing all the plastic takeaway food containers, beverage cups, straws, and cutleries with plant based materials

Reusing: For example, using items such as reusable containers and cups instead of disposable ones, giving our guests the option of not having their towels and linen refreshed if they do not see the need, and donating furniture to local charities; and

Recycling: Our goal is to reduce waste as much as possible. But when we do have waste, we have a comprehensive recycling program for plastic, paper, cardboard, glass metals and e-waste. Other departments have specific facilities for particular products such as soap recycling collection points for housekeeping, and cooking oil collection drums for food and beverage. In 2018, we added new recycling streams to our program, including:



Safety gear: We initiated a helmet and safety gear recycling campaign for reusing and recycling.



Coffee capsules: In partnership with Nespresso, we launched a coffee capsule recycling scheme to collect capsules from our resorts' rooms, restaurants and offices.



Lai See Packets (Red Packets): We supported the "Lai See Packets Recycling Campaign 2018" initiated by the Macau Environment Protection Bureau, where we collected used red packets from staff.



Once again in support of the Macau Environment Protection Bureau's festive recycling program, we set up collection points for staff to drop off their empty mooncake boxes.

SUSTAINABILITY

Typical non-hazardous waste includes organic waste, plastics, metals, paper & cardboard, fabrics and textiles. Common hazardous wastes include diesel, compressed gases, oil-based paint, cooking oil, solvent adhesives, dry clean oil, acidic/alkaline and chlorine solutions (for pool water treatment), and batteries. Our hazardous waste management procedure ensures that such wastes are used up or returned to suppliers for safe disposal. Items such as cooking oil, toner cartridges and rechargeable batteries are recycled. In 2018, 0.002% of waste, or 16⁵ tons, was hazardous waste.



GREEN BUILDING

Opened in February 2018, MGM COTAI has become the largest property and the first mega-size complex project in Macau to achieve the China Green Building Design Label Three-Star Certification, which is the highest and most prestigious ranking available. We are also the only private sector organization in Macau to be awarded with this label. The label is the first informative national standard for green buildings in China, aiming to achieve maximum energy savings in the full life cycle of the buildings, create green buildings and achieve the objectives of saving energy, land, water and materials, protection of the environment and reducing pollution. The accolade recognized MGM China's commitment to designing a property with environmental sustainability at its heart. We have incorporated green building techniques into our design, development and construction processes using industry-leading green building frameworks. Some of the key highlights of our green building program at MGM COTAI include: high-tech energy efficient air-conditioning, 100% LED lighting, low-flow water fixtures and fittings, use of recyclable and local construction materials, and systems for advanced indoor air quality.

By making these changes, we can reduce the amount of waste being sent to Macau's incinerators, improve the air quality, and protect the environment for our next generation.

BIODIVERSITY

We are committed to protecting ecosystem biodiversity. When selecting the site for MGM COTAI, an external Environmental Impact Assessment was commissioned to ensure there was no loss to ecosystem biodiversity of the site chosen. Outside of our direct operational impact, we also seek to encourage our employees, suppliers and partners to also adopt responsible practices to support biodiversity through our engagement programs and policies.

We are also bringing the wonders of nature to our visitors through the permanent Nature's Art installation in the Spectacle at MGM COTAI. The vertical and horizontal greenery will comprise over 100,000 plants. This display of exquisite biodiversity will also bring back to life several extinct and extremely rare plant species through the use of seed banks in Hong Kong and Europe.

EMPLOYEE ENGAGEMENT

We proactively engage our employees in our efforts to manage our environmental impacts. In 2018, our environmental employee engagement program focused on periodical themed events, and ongoing education and communication.

CASE STUDY: Say Goodbye to Single-use Plastics

Single-use plastics negatively impact the environment on an alarming scale. Accordingly, we made an official announcement in September 2018 that we will stop the usage of single-use plastics at our restaurants. These include plastic straws, drinkware, take-out containers, cutleries, and more. We aim to replace them with environmentally friendly alternatives in the first quarter of 2019. We estimate that this initiative will see a yearly reduction of over 860,000 plastic straws and over 470,000 plastic take-out containers from the environment.



SUSTAINABILITY

CASE STUDY: Green Transport

We responded to the call of the Macau Government for greener transport with our newest fleet of electric shuttle buses, which became operational in November 2018. To further support the low carbon development of Macau and help to improve the city's air quality, we installed four BMWi and four Tesla charging stations in the parking area of MGM COTAI for guests to charge their electric vehicles – free of charge.



COMMUNITY OUTREACH

We are passionate about sharing and promoting the green initiatives in our daily lives, by hosting events including:

- Go Green Marketplace:** In order to help our team members to Live Green, Eat Green and Shop Green, we held a Go Green Marketplace in March. We invited two local businesses, Concept H and StuffBOX, to a special marketplace where our staff could peruse a selection of healthy food and eco-friendly products. We also arranged a barter market for team members to bring pre-loved items their children have outgrown and exchange them for something useful.
- Energy-Saving Week:** In support of the Office for the Development of the Energy Sector's ("GDSE") Energy Saving Week 2018, we held a host of energy-saving activities during the period to help raise awareness for energy conservation. These include an Energy Saving Champion Competition across all departments, joining the "Lights Off" initiative and Casual Wear Day, as organized by the GDSE.

AWARDS IN 2018

In 2018, we are proud to have been recognized with the following awards:

CORPORATE SOCIAL RESPONSIBILITY

- Recognized with the “**PATA Gold Award in the CSR category**”, acknowledging MGM China’s on-going commitment to the local community, its employees and shareholders, as well as the environment
- Received the “**Best Corporate Social Responsibility Contribution**” award at the Asia Gaming Awards Ceremony, co-organized by G2E Asia and Inside Asian Gaming
- Won the “**Best of the Best: Social Caring Organization Award**” at the 6th Social Caring Pledge Scheme Award, organized by Social Enterprise Research Institute of Hong Kong
- Garnered the “**Outstanding Corporate Social Responsibility Award**” and the “**Ambassadors of Corporate Social Responsibility**” at the 7th Cross-Strait-Four-Region Outstanding Corporate Social Responsibility Award Ceremony, organized by The Mirror Post Hong Kong
- Recognized by the Macau Youth Chamber of Commerce and Associação de Jovens Empresários Chineses de Macau at **Caridade Social 2017-18**
- Recognized with **11 awards** at HR Distinction Awards 2018, including the “**Grand HR Winner**” for the third consecutive year, as well as taking home 5 gold awards, 3 silver awards and 2 bronze awards
- Won the “**Best HR Teams in Greater China**” at the HRoot Awards 2018
- Honored the “**BEST Award**” by the Association of Talent Development, we became the first enterprise in Macau to receive the award from the world’s largest association dedicated to the talent development profession
- Recognized with the gold award under the category of “**Best E-Commerce Merchant – Hospitality and Travel**” at the Asia e-Commerce Awards 2018 for MGM COTAL’s innovative e-commerce campaigns

SUSTAINABILITY

SUSTAINABILITY

- Awarded with the “**Asia Pacific Best Innovation Award**” by the International Facility Management Association Hong Kong Chapter at the Asia-Pacific Facility Management Awards, which recognizes outstanding achievements in optimizing building performance, resource efficiency and improving service quality using data driven approaches
- MGM COTAI received the **Three-Star certification under the China Green Building Design Label** by the China Green Building and Energy Saving (Macau) Association, which is the largest property and the first mega-size complex project in Macau to have achieved this highest accolade
- Received the “**Continuous Energy Saving Award**” from Companhia de Electricidade de Macau — CEM’s annual energy saving contest. The competition is organized in partnership with the Office for the Development of Energy Sector

TOURISM AND LEISURE

- MGM MACAU was once again named as a **Forbes Travel Guide Five-Star Hotel**
- MGM MACAU was once again named “**Best Business Hotel in Macau**” at the 11th Annual TTG China Travel Awards 2018
- MGM MACAU received the “**The Best Integrated Resort and Hotel Service and Brand**” at the 5th Macau Elite Service Award Ceremony, organized by Exmoo
- MGM COTAI was acknowledged as “**Best New Hotel** – Asia Pacific category” by Travel Weekly Asia 2018 Reader’s Choice
- MGM COTAI received the “**Euroexcellence Award**” for its dedication to bringing international fine arts to Macau, as well as for developing Asia’s first dynamic theater

Notes:

- ¹ Scope 1 emissions include: emissions from stationary combustion sources, such as boilers, emergency generators and fuel stoves; mobile combustion sources, such as company-owned and leased fleet vehicles, including cars, limousines, shuttle buses, etc; and fugitive emissions which are the hydrofluorocarbons used in refrigeration and AC equipment.
- ² Scope 2 emissions comprise emissions from the generation of purchased electricity.
- ³ The GHG emissions calculation for 2016 has been updated to reflect the correct emissions factor for the year, which was previously unavailable at the time of the 2016 report writing.
- ⁴ “Report on the State of the Environment of Macao”, 2015, DSPA
- ⁵ Data including MGM MACAU and MGM COTAI

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures to attain high ethical standards as well as to ensure accountability, transparency and equity in all areas of its operations and in all interactions with its stakeholders. We believe that effective corporate governance is fundamental to enhancing Shareholders' value and safeguarding the interests of employees, business partners, and the communities in which the Company operates.

During the year ended December 31, 2018, the Company has complied with all provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings.

The key corporate governance principles and practices of the Company are as follows:

ROLE OF THE BOARD

The Board is collectively responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs. It focuses on the overall leadership and control of the Group. The principal functions of the Board are to determine strategic directions and performance objectives of the Group, set management targets and monitor management performance, approve financial budgets, funding and investment proposals as well as to perform corporate governance duties.

BOARD COMPOSITION

Under article 102(1) of the Articles of Association, the minimum number of Directors shall not be less than eleven and the maximum number shall not be more than fifteen.

The Board is currently comprised of eleven Directors, of whom five are executive Directors, three are non-executive Directors and three are independent non-executive Directors. Details of the membership of the Board (including the independent non-executive Directors) have been posted on the Company's website and such information will be updated following any changes. There is no relationship (including financial, business, family or other material relationship) among members of the Board. Biographical details of the Directors are set out on pages 10 to 17 of this annual report and on the Company's website.

CORPORATE GOVERNANCE REPORT

Mr. Peter Man Kong Wong passed away on March 11, 2019. Following the passing away of Mr. Wong, the Board comprises eleven members, including five executive Directors, three non-executive Directors and three independent non-executive Directors, with the number of independent non-executive Directors falling below one-third of the Board as required under Rule 3.10A of the Listing Rules. The Company will take steps to fulfill the requirements of Rules 3.10A of the Listing Rules as soon as practicable and in any event within three months after March 11, 2019, and will make further announcement(s) as and when appropriate.

The Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers that all the three independent non-executive Directors as at the date of this annual report, namely, Professor Zhe Sun, Ms. Sze Wan Patricia Lam and Mr. Russell Francis Banham are independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules. They are expressly identified as such in all corporate communications that disclose the names of the Directors of the Company. The Company has also received from the independent non-executive Director Mr. Peter Man Kong Wong an annual confirmation of his independence and considers that Mr. Peter Man Kong Wong was independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules until the date Mr. Peter Man Kong Wong passed away on March 11, 2019.

CHAIRPERSONS AND CHIEF EXECUTIVE OFFICER

The Chairperson, Mr. James Joseph Murren, jointly with the Co-Chairperson, Ms. Pansy Catilina Chiu King Ho lead the Board. The role of the Chief Executive Officer is held by Mr. Grant R. Bowie. While the Chairperson and Co-Chairperson oversee the Board's overall direction and functions, the Chief Executive Officer, supported by his management team, is responsible for the day-to-day management of the business of the Group.

The Chairperson met with the non-executive Directors (including the independent non-executive Directors) during the year ended December 31, 2018 without the presence of the executive Directors.

NON-EXECUTIVE DIRECTORS

Non-executive Directors (including independent non-executive Directors) are subject to retirement by rotation and re-election by Shareholders at the annual general meeting in accordance with article 105 of the Articles of Association.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Every Director is subject to retirement by rotation at least once every three years in accordance with article 105 of the Articles of Association. Any new Director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election, in accordance with article 102 of the Articles of Association.

DIRECTORS' TRAINING AND DEVELOPMENT

Directors are regularly updated on the Group's businesses, the regulatory and industry-specific environments in which the Group operates as well as changes on their legal duties and obligations as Directors, where appropriate. These updates are in the form of written memoranda or reports to the Board, presentations and briefings by senior executives or external advisers, or site visits. During the year, materials on topics including anti-corruption regulations applicable to the Group and the latest amendments to the Listing Rules were provided to the Directors. Publications, periodicals, presentations, summaries of the latest developments in the relevant laws, regulations, governance standards and practices are uploaded on the Company's board portal for online access and reference for each of the Directors. The Directors are regularly informed by the Company Secretary of the availability of appropriate courses, conferences and seminars conducted by external professional bodies and they are encouraged to attend.

CORPORATE GOVERNANCE REPORT

The training provided to the Directors for the year ended December 31, 2018 is summarized below:

Directors	Connected and			
	Corporate Governance	Notifiable Transactions	Legal and Regulatory	Business
Executive Directors				
Mr. James Joseph Murren	✓	✓	✓	✓
Ms. Pansy Catilina Chiu King Ho	✓	✓	✓	✓
Mr. Chen Yau Wong	✓	✓	✓	✓
Mr. William Joseph Hornbuckle	✓	✓	✓	✓
Mr. Grant R. Bowie	✓	✓	✓	✓
Non-executive Directors				
Mr. William M. Scott IV (*)	✓	✓	✓	✓
Mr. Daniel J. D'Arrigo (**)	✓	✓	✓	✓
Mr. Kenneth A. Rosevear (***)	✓	✓	✓	✓
Mr. Kenneth Xiaofeng Feng (****)	✓	✓	✓	✓
Independent Non-executive Directors				
Professor Zhe Sun	✓	✓	✓	✓
Ms. Sze Wan Patricia Lam	✓	✓	✓	✓
Mr. Peter Man Kong Wong (*****)	✓	✓	✓	✓
Mr. Russell Francis Banham	✓	✓	✓	✓

(*) William M. Scott IV resigned as a non-executive Director with effect from February 22, 2019.

(**) Daniel J. D'Arrigo resigned as a non-executive Director with effect from March 1, 2019.

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

(****) Kenneth Xiaofeng Feng was appointed as a non-executive Director with effect from May 24, 2018.

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

BOARD MEETINGS

The Board held five meetings during the year ended December 31, 2018. Board decisions are made by voting at the Board meetings and supplemented by circulation of written resolutions between Board meetings.

The attendance of each Director at the Board, Board Committees and general meetings during the year ended December 31, 2018 is summarized in the following table:

Name of Directors	Number of meetings attended/held [#]					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	General Meeting	Continuous Professional Development ^{##}
EXECUTIVE DIRECTORS						
Mr. James Joseph Murren	4/5	N/A	N/A	N/A	1/1	√
Ms. Pansy Catilina Chiu King Ho	4/5	N/A	2/2	N/A	1/1	√
Mr. Chen Yau Wong	5/5	N/A	N/A	1/1	1/1	√
Mr. William Joseph Hornbuckle	5/5	N/A	2/2	N/A	0/1	√
Mr. Grant R. Bowie	5/5	N/A	N/A	N/A	1/1	√
NON-EXECUTIVE DIRECTORS						
Mr. William M. Scott IV (*)	4/5	N/A	N/A	1/1	0/1	√
Mr. Daniel J. D'Arrigo (**)	5/5	5/5	N/A	N/A	1/1	√
Mr. Kenneth A. Rosevear (***)	1/1	N/A	N/A	N/A	N/A	√
Mr. Kenneth Xiaofeng Feng (****)	3/3	2/2	N/A	N/A	N/A	√
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Professor Zhe Sun	4/5	4/5	2/2	1/1	1/1	√
Ms. Sze Wan Patricia Lam	4/5	N/A	2/2	1/1	1/1	√
Mr. Peter Man Kong Wong (*****)	5/5	4/5	2/2	1/1	1/1	√
Mr. Russell Francis Banham	5/5	5/5	2/2	1/1	1/1	√

CORPORATE GOVERNANCE REPORT

the number of meetings held during the year ended December 31, 2018 where each Director was a member of the Board and/or the relevant Board Committees

keeping abreast of matters relevant to their role as Directors by means of written memoranda or reports to the Board, presentations and briefings by senior executives or external advisers concerning relevant laws, regulations, governance standards and practices about the industry

(*) William M. Scott IV resigned as a non-executive Director with effect from February 22, 2019.

(**) Daniel J. D'Arrigo resigned as a non-executive Director with effect from March 1, 2019.

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

(****) Kenneth Xiaofeng Feng was appointed as a non-executive Director with effect from May 24, 2018.

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

DELEGATION BY THE BOARD

The Board has delegated responsibility for day-to-day operations of the Group to the executive Directors and senior management under the leadership of the Chief Executive Officer but has reserved certain matters for its own approval. These matters include, but are not limited to, strategic policies, funding and capital investment decisions. The Board has also delegated certain functions and matters to the Board Committees pursuant to their respective terms of reference.

BOARD COMMITTEES

The Board has established the following committees with specific and clear written terms of reference:

AUDIT COMMITTEE

The Audit Committee is comprised of four members: Mr. Russell Francis Banham (Chairperson) and Professor Zhe Sun who are independent non-executive Directors, Mr. Kenneth Xiaofeng Feng and Mr. James Armin Freeman, who are non-executive Directors. Mr. Daniel J. D'Arrigo resigned as non-executive Director and member of the Audit Committee with effect as from March 1, 2019 and Mr. James Armin Freeman was appointed as non-executive Director and member of the Audit Committee on March 6, 2019. Mr. Peter Man Kong Wong, who was a member of the Audit Committee, passed away on March 11, 2019. The Audit Committee held five meetings during the year ended December 31, 2018.

The major duties of the Audit Committee under its terms of reference adopted by a resolution of the Board passed on February 16, 2012 and amended by a resolution of the Board passed on November 5, 2015 (which are available on the websites of the Hong Kong Stock Exchange and the Company) include overseeing the relationship between the Company and its external auditors, monitoring the integrity of the financial statements, annual and interim reports and reviewing significant financial reporting judgments contained therein, monitoring compliance with statutory and the Listing Rules requirements in relation to financial reporting and reviewing the Group's financial controls, internal controls and risk management systems. The Management Risk Committee, appointed by and subject to the oversight of the Audit Committee assists the Audit Committee, the Board and senior management as appropriate, to oversee the overall risk management framework of the Group and to identify and effectively manage on an ongoing basis risks considered by the Management Risk Committee to be significant to the Group, including strategic, financial, business, operational, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks.

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2018 by the Audit Committee included the following:

- the announcements relating to the Group's final results for the year ended December 31, 2017 and interim results for the six months ended June 30, 2018;
- 2017 annual and 2018 interim reports;
- significant accounting and key audit matters arising in respect of the audit of the financial statements for the year ended December 31, 2017, the review of the financial statements for the six months ended June 30, 2018, the management letter prepared by the independent auditor and management's responses;
- declaration of the 2017 final dividend;
- declaration of the 2018 interim dividend;
- adequacy of resources, staff qualifications and experience, training programs and budget for the Group's accounting and financial reporting functions;
- review of financial forecasts, refinancing initiatives and financial covenant compliance under the Group's borrowing arrangements;
- budgeting process;
- approval of internal audit plan for 2018 and the Internal Audit Department Charter;
- periodic reports from the Internal Audit Department and progress in resolving any matters identified therein and the progress of the 2018 internal Audit plan;
- compliance with the Deed of Non-Compete Undertakings by MGM Resorts International and Pansy Ho;
- re-appointment of independent auditor;

CORPORATE GOVERNANCE REPORT

- external audit plan and audit timetable for the financial year ended December 31, 2018 presented by the independent auditor;
- approval of audit and non-audit fees;
- compliance with obligations in relation to continuing connected transactions under the Listing Rules;
- review of the close-out policy and procedures for the Cotai Construction Project;
- review of management reports on MGM COTAI construction costs;
- review of implementation of the new accounting standards relevant to the Group;
- matters arising from the meetings of the Compliance Committee of MGM Grand Paradise;
- matters reported on the Company's integrity hotline and whistle-blowing initiatives;
- matters reported on the anti-corruption program as part of the report on the Compliance Committee activities;
- assessment of internal controls over financial reporting of the Company relevant to compliance by MGM Resorts International with the Sarbanes-Oxley Act;
- review of internal controls and risk management systems; and
- matters separately raised by the independent auditor and head of internal audit in sessions without the presence of management.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of five members: Professor Zhe Sun (Chairperson), Ms. Sze Wan Patricia Lam and Mr. Russell Francis Banham, all of whom are independent non-executive Directors, Ms. Pansy Catilina Chiu King Ho and Mr. William Joseph Hornbuckle, both of whom are executive Directors. The Remuneration Committee held two meetings during the year ended December 31, 2018 supplemented by circulation of written resolutions of all committee members where appropriate. Mr. Peter Man Kong Wong, who was a member of the Remuneration Committee, passed away on March 11, 2019.

The principal functions of the Remuneration Committee under its terms of reference adopted by a resolution of the Board passed on February 16, 2012, which are available on the websites of the Hong Kong Stock Exchange and the Company, include determining (with delegated responsibilities) the remuneration packages of executive Directors and recommending to the Board the remuneration packages for the non-executive Directors and members of the senior management of the Group, approving the terms of the executive Directors' service contracts and compensation-related issues.

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2018 by the Remuneration Committee included the following:

- recommending to the Board that no fees be payable to new non-executive Director;
- granting of share options to certain existing and new senior executives;
- bonus payout for senior management and general staff;
- 2018 cost of living adjustment;
- new senior management appointments; and
- medical insurance renewal

Details of the remuneration of the Directors for the year ended December 31, 2018 are set out in note 12 to the consolidated financial statements.

The remuneration of the members of senior management by band for the year ended December 31, 2018 is set out below:

	Number of members of senior management
HK\$2,500,001 to HK\$3,000,000	1
HK\$4,000,001 to HK\$4,500,000	1
HK\$7,000,001 to HK\$7,500,000	1
HK\$8,000,001 to HK\$8,500,000	1
HK\$9,000,001 to HK\$9,500,000	3
HK\$10,500,001 to HK\$11,000,000	1
HK\$12,000,001 to HK\$12,500,000	1
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CORPORATE GOVERNANCE REPORT

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination and Corporate Governance Committee is comprised of five members: Ms. Sze Wan Patricia Lam (Chairperson), Professor Zhe Sun and Mr. Russell Francis Banham, all of whom are independent non-executive Directors, Mr. Chen Yau Wong, an executive Director and Mr. John M. McManus, a non-executive Director. Mr. William M. Scott IV resigned as non-executive Director and member of the Nomination and Corporate Governance Committee with effect as from February 22, 2019. Mr. John M. McManus was appointed as non-executive Director and member of the Nomination and Corporate Governance Committee on March 6, 2019. Mr. Peter Man Kong Wong, who was a member of the Nomination and Corporate Governance Committee, passed away on March 11, 2019. The Nomination and Corporate Governance Committee held one meeting during the year ended December 31, 2018.

The duties of the Nomination and Corporate Governance Committee under its terms of reference adopted by a resolution of the Board passed on February 16, 2012, and amended by a resolution of the Board passed on November 9, 2018 which are available on the websites of the Hong Kong Stock Exchange and the Company, include making recommendations to the Board on nominations and appointments of Directors, reviewing the size, diversity and composition of the Board, assessing the independence of independent non-executive Directors and performing corporate governance functions as set out in code provision D.3.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

BOARD DIVERSITY

The Board has a balance of skills, experience and diversity of perspectives appropriate for the requirements of the Group's gaming and hospitality businesses. The representation on the Board by the non-executive and independent non-executive Directors ensures that objective and independent judgment is exercised by the Board and enables their views to carry weight.

The Board's composition ensures there is experience in commercial, professional, financial, legal and gaming industry matters. There is proper balance of various attributes, including but not limited to, gender, age, cultural and education background, race, family status and skills in order to discharge its functions effectively and to enhance the quality of its deliberations and decisions. No single individual or group of individuals is able to dominate the decision-making process.

The Company's Corporate Governance Policy relating to Board diversity sets out the Company's approach to achieve diversity on the Board.

The Company is committed to achieving equality of opportunity in all respects of its business and seeks continuously to enhance the effectiveness of the Board and recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieve sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The Board should have a diversity of perspectives appropriate for the requirements of the Group's business model and specific needs. When considering appointments to the Board and assessing the composition of the Board, a range of diversity factors will be considered, including but not limited to gender, age, cultural and education background, race, family status, skills or professional experience. Board appointments will continue to be made based upon merit and candidates will be considered against objective criteria.

The Nomination and Corporate Governance Committee is primarily responsible for identifying and nominating suitably qualified candidates to become members of the Board and reviewing and assessing the Board's structure, size and composition. In carrying out this responsibility, it will give adequate consideration to the Board's diversity policy.

The Nomination and Corporate Governance Committee is also responsible for reviewing the Board's diversity policy, and will recommend any revisions to the Board for consideration and approval. The Nomination and Corporate Governance Committee is also responsible for monitoring and reporting on the implementation of the Board's diversity policy regularly to ensure its continued effectiveness.

SELECTION AND APPOINTMENT OF DIRECTORS

The Company has in place a formal and transparent procedure for the selection and appointment of new Directors to the Board, adopted by a resolution of the Board passed on November 30, 2012 and amended by a resolution of the Board passed on November 9, 2018. In the circumstances where the Nomination and Corporate Governance Committee or the Board believe there is a need to appoint another Director, whether due to retirement of a Director or the growth or complexity of the Company's business, certain procedures have to be followed by the Nomination and Corporate Governance Committee, including:

- determining the skills and experience required from the candidate considering those of the existing Directors and any other likely changes made to the Board;
- agreeing the process and timetable for seeking such a person;
- preparing a short list of candidates

CORPORATE GOVERNANCE REPORT

The Nomination and Corporate Governance Committee shall evaluate each candidate based upon whether they will be able to make meaningful contributions to the Board's oversight of the business and affairs of the Company and pursuant to the following criteria:

- skills, competencies and qualifications;
- status under applicable independence requirements (i.e. serving more than nine years could be relevant to the determination of an independent non-executive Director's independence and his further appointment should be subject to a separate resolution to be approved by the Company's shareholders);
- personal and professional ethics and integrity;
- business and professional experience in fields relevant to the Company's business (including whether that experience complements the expertise and experience of the other Directors);
- other directorships held in other listed companies (Hong Kong or overseas) (previously and currently) (for example, independent non-executive Directors sitting on multiple boards will need to ensure that they devote sufficient time to each Board and Board committees);
- ability to devote sufficient time to perform their duties as a Director;
- contribution to the overall balance of the composition of the Board;
- commitment to represent the interests of all shareholders of the Company, and
- contribution to the diversity of the Board, including gender, age, cultural and educational background or professional experience.

The Board will appoint any new Director during the year and that person will hold office only until the next following annual general meeting of the Company where that person will then stand for re-election by Shareholders.

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2018 by the Nomination and Corporate Governance Committee included the following:

- review of the Corporate Governance Report in the draft 2018 annual report;
- review of the Environmental, Social and Governance ("ESG") Report;
- review of the structure, size and composition of the Board, in particular relating to Board diversity, and monitoring the implementation of the board diversity policy;
- independence of independent non-executive Directors;
- review of compliance with deed of non-compete undertakings by substantial Shareholders;

- review of the Code of Business Conduct and Ethics and Conflict of Interest Policy and its Underlying Principles; and
- retirement of Directors by rotation at the 2018 annual general meeting and re-election of retiring Directors.

DISCLOSURE COMMITTEE

The Disclosure Committee which was established by written resolution of the Board on August 8, 2011 comprises all the executive Directors.

The Disclosure Committee is delegated by the Board to assess the likely impact of any unexpected and significant event that may impact the Company's share price and/or share trading volume and to decide whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. The Disclosure Committee may also be responsible for approving certain announcements and/or circulars to be issued by the Company under powers delegated by the Board from time to time. The form and contents of the announcements and/or circulars submitted to the approval of the Disclosure Committee are communicated and circulated to all Directors and the feedback and comments received are properly addressed prior to publication.

DIRECTORS' AND OFFICERS' INSURANCE

The Group has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted its own code of conduct regarding securities transactions by Directors and senior management of the Group (the "Code"), the terms of which are no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers' contained in Appendix 10 to the Listing Rules. The last revision of the Code was approved by a resolution of the Board passed on November 9, 2018, to restore the role of the Company Secretary in the pre-clearance procedure to deal in MGM China Securities as provided in the original version of the Code dated May 13, 2011.

The Company has made specific inquiries and has received written confirmations from all Directors that they have complied with the required standard as set out in the Code during the period covered by this annual report.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

DIRECTORS' RESPONSIBILITY

The Board acknowledges its responsibility for preparing financial statements which give a true and fair view of the state of affairs and financial performance of the Company and of the Group. In presenting the interim and annual financial statements of the Company and the Group, the Directors have considered whether suitable accounting policies were applied consistently, that judgments and estimates are prudent and reasonable and whether those financial statements have been prepared on a going concern basis.

The management team recognizes the importance of providing the Board with sufficient explanations as well as appropriate and relevant information on an accurate and timely basis. Management presents to the Board annual and interim business reviews and financial reports comparing the Group's actual performance with the budget and highlights relevant matters to enable the Board to make an informed assessment on the Group's performance, position and prospects.

AUDITOR'S RESPONSIBILITY AND AUDITOR'S REMUNERATION

A statement by the external auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 149 to 156 of this annual report.

During the year ended December 31, 2018, the remuneration paid and payable to the Company's external auditor, is set out below:

Type of Services	HK\$'000
Audit services	11,288
Non-audit services	
Taxation and advisory services	435

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining clear, timely and effective communications with the Company's shareholders and potential investors. The Group is committed to ensuring the Shareholders and potential investors receive timely information through the publication of annual and interim reports, announcements, circulars and press releases. All Shareholders' communications are available on the Company's website. The Company regards the annual general meeting as an opportunity for the Board to communicate directly with the Shareholders. Questions from the Shareholders at the annual general meeting are encouraged and welcomed. The Company has adopted a Shareholders' Communication Policy to ensure effective communication with the Shareholders, which has been reviewed on a regular basis to ensure its effectiveness. A copy of the policy is available on the websites of the Hong Kong Stock Exchange and the Company.

INVESTOR RELATIONS

The Board recognizes that effective communications with the Shareholders is the key to establish Shareholders' confidence and to attract new investors. The Company maintains regular dialogues with institutional investors, financial analysts and financial media to keep them informed of the Group's latest strategy, operations, management and plans.

The Articles of Association were amended at the annual general meeting held on May 17, 2012 and the extraordinary general meeting held on November 30, 2012. Details of the amendments to the Articles of Association were set out in the circulars to the Shareholders dated April 16, 2012 and November 6, 2012.

RISK MANAGEMENT AND INTERNAL CONTROLS

Our risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage rather than eliminate significant risks of failure in operational systems and achievement of the Group's objectives.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT

Key principles

Risk management is a core discipline of our business. We are exposed to a range of different risk types, including: strategic, operational, financial, compliance, cross-border, reputational and cyber threats.

We recognize the importance of having in place an effective and robust risk management system.

We are committed to continually monitor and improve our group-wide risk management system in order to ensure that significant risks are appropriately managed such that the Group's strategic and operational plans are met.

The Board is responsible for setting risk tolerance and the Board and the Audit Committee are responsible for monitoring and reviewing the effectiveness of the risk management system.

Management Risk Committee

A decision was made in 2015 by the Board to establish the Management Risk Committee which has the responsibility to create and implement the risk management system of the Group.

The Management Risk Committee is appointed by and is subject to the oversight of the Audit Committee.

The Management Risk Committee's mission is to develop and oversee the overall risk management system of the Group by, on an ongoing and enterprise-wide basis, identifying and measuring the risks which could have a material impact on our business including the development, monitoring and reporting of risk mitigation and management strategies in order to avoid or reduce these risks to a level as low as reasonably practicable and, thus, protect our assets and enhance Shareholder value.

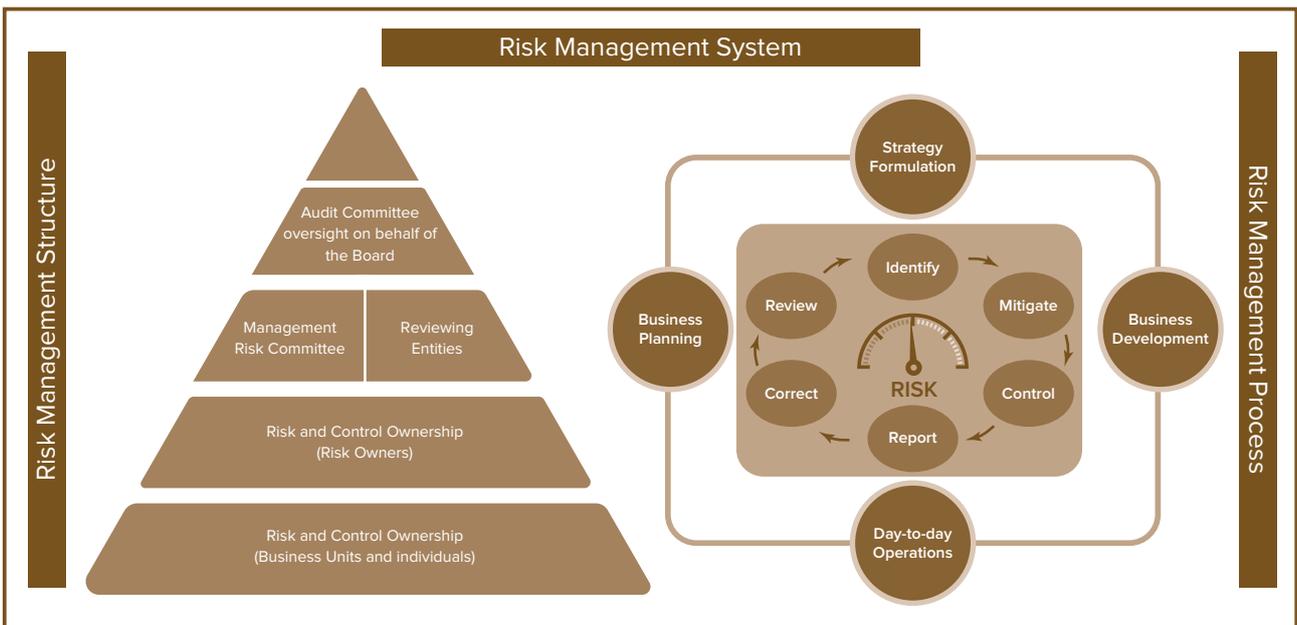
By doing this, the Management Risk Committee gives management a clear view of the significant risks facing the Company, which is used to support the decision making process including strategy formulation, business development and planning, internal control and day-to-day operations.

Risk Management System

Our risk management system is reviewed every quarter and analyzes risks based upon an Impact/Likelihood matrix which assigns to the risks one of the following ratings: Low, Medium Low, Medium, Medium High and High.

In addition to rating the risks, our risk management system identifies the parties who will be primarily and secondarily responsible for such risks as well as the relevant reviewing parties and any plans to mitigate such risks.

The list of risks, their risk rating and the mitigation plans in place are analyzed regularly, at least on an annual basis, by the Audit Committee on behalf of the Board, to ensure that our risk management system is effective, as the business and external environment in which the Group is operating is constantly changing.



Periodic reports on the activities of the Management Risk Committee are presented to the Audit Committee and by the Audit Committee to the Board.

CORPORATE GOVERNANCE REPORT

Initiative in 2018

The major Risk Management initiative in 2018 was the following:

- Implementation of an internal process to align the significant risks and their mitigation plans with the contents of all Company's Policies and Standard Operating Procedures in order to enable all employees to act as the first line of defense regarding the Company's significant risks by complying with the applicable Policies and Standard Operating Procedures.

INTERNAL CONTROLS

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Shareholders' investment and the Group's assets. The Group conducts regular reviews of the internal control systems. The management team is primarily responsible for the design, implementation and maintenance of the internal controls. The Board is responsible for overseeing the performance of the management team and the Board and the Audit Committee are responsible for monitoring and reviewing the effectiveness of the internal controls that have been put in place.

The Group's internal control systems encompass policies and procedures aiming to:

- respond appropriately to significant business, operational, financial, compliance and other risks in a timely manner with a view to achieving the Group's business objectives. This includes safeguarding assets from inappropriate use or from loss and fraud and ensuring that potential liabilities are identified and managed;
- ensure maintenance of proper accounting records for the provision of reliable financial information for internal or external reporting; and
- ensure compliance with the relevant legislation, rules and regulations and also with our internal policies with respect to the conduct of our business.

The Company's Internal Audit Department ("IA") is responsible for conducting independent reviews of the adequacy and effectiveness of the internal controls and reporting the review results to the Board through the Audit Committee. IA plans its internal audit projects annually based upon applicable regulatory requirements and risk assessments. In accordance with the annual audit plan approved by the Audit Committee, IA conducts statutory required gaming compliance audits, as well as risk-based audits on the business operations. IA communicates with the management the audit findings and recommendations for remedial actions, and performs follow up to confirm that the implementation of remedial actions by the management team occurred. Status of follow up and the management team's remedial actions are reported to the Audit Committee. To preserve IA's independence, the director of IA reports directly to the Audit Committee on audit matters and to the Chief Executive Officer on administrative matters. During 2018, no material internal control weakness that might have an adverse impact on the financial position or operations of the Group was identified.

In respect of the year ended December 31, 2018, the Board reviewed the scope and quality of management's ongoing monitoring of risks and of the internal control systems, the work of the internal audit function and risk management, and through the review and findings of the Audit Committee, considered that (i) the Group's risk management and internal control systems were effective and adequate and that the Group had complied satisfactorily with the provisions on risk management and internal controls as set forth in the Corporate Governance Code; and (ii) the resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting functions were adequate.

The risk management and internal control systems are designed to provide reasonable but not absolute assurance against misstatement or loss and to manage rather than to eliminate risks of failure in operational systems and achievement of the Group's objectives. Please refer to the scope of work of our Disclosure Committee in relation to the handling of inside information.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

The Board shall, on the written requisition of any one or more Shareholders holding at the date of deposit of the requisition not less than one-third of the paid-up capital of the Company, or any one Shareholder being a recognized clearing house (or its nominee(s)) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company, proceed duly to convene an extraordinary general meeting of the Company. The requisition must specify the objects of the meeting and must be signed by the requisitioner(s) and deposited at the principal place of business of the Company in Hong Kong at 1402 China Merchants Tower, 200 Connaught Road, Central, Hong Kong. Once the Company verifies that the request is proper and in order, the Company Secretary will as soon as practicable inform the Board of such request. If the Board does not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting to be held with a further twenty-one days, the requisitioner(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may themselves convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

By letter to the Hong Kong Stock Exchange dated January 15, 2019, the directors of the Company have undertaken to, commencing from the date of the letter and until the date on which the Company's Articles of Association are amended pursuant to a shareholders' resolution, convene an extraordinary general meeting on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings and to put forward a resolution to approve an amendment to the Articles at the next annual general meeting of the Company.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Enquiries can be made by the public in writing with their contact information and deposited at the Company's principal place of business and head office in Macau at Avenida Dr. Sun Yat Sen, Edifício MGM MACAU, NAPE, Macau or the Company's principal place of business in Hong Kong at 1402 China Merchants Tower, 200 Connaught Road, Central, Hong Kong. The Company has a dedicated investor relations team which supports the Board in dealing with enquiries raised by the Shareholders and potential investors. The Company's corporate website also includes the contact details of the Company for the Shareholders and potential investors to post their queries.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

To put forward a proposal at a general meeting, the Shareholder(s) should submit a written notice of the proposal specifying the intention to move it as an ordinary or a special resolution, the particulars of the resolution together with the detailed contact information to the Company Secretary at the Company's principal place of business in Hong Kong as detailed above not less than six weeks (42 days) before the meeting at which it is moved. Once the Company verifies that the request is proper and in order, the Company Secretary will request the Board to include the said resolution in the agenda for the general meeting.

To put forward a proposal to elect a person (other than a retiring Director and other than the Shareholder himself/herself) as a Director (the "Candidate") at a general meeting of the Company, the Shareholder shall deposit a written notice of such proposal (signed by the Shareholder who is duly qualified to attend and vote at the general meeting) providing the biographical details of the Candidate as set out in Rule 13.51(2)(a) to (x) of the Listing Rules at the Company's principal place of business and head office in Macau as detailed above or the Company's registered office at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands for the attention of the Company Secretary, and a written consent signed by the Candidate indicating his/her willingness to be elected. Unless otherwise determined by the Directors and notified by the Company to the Shareholders, the period for lodgement of such a written notice will commence on the day after the dispatch of the notice of the relevant general meeting and end no later than seven days prior to the date of such general meetings.

CODE OF BUSINESS CONDUCT AND ETHICS AND CONFLICT OF INTEREST POLICY

The Board and senior staff are committed to conducting the Group's business with integrity and the highest standard of business ethics, and in compliance with all the applicable laws and regulatory requirements. The Company has adopted an internal Code of Business Conduct and Ethics and Conflict of Interest Policy which sets out the Company's ethical value and business principles and applies to employees, Directors, contractors or other agents of the Company or its subsidiaries and affiliates. Periodically, the Company may adopt additional guidelines to assist in complying with this policy.

CORPORATE GOVERNANCE REPORT

WHISTLE-BLOWING POLICY

The Group has in place an integrity hotline, available by telephone or internet, where employees, customers, contractors and vendors can raise in confidence (where they can choose to be anonymous or otherwise), their concerns on possible improprieties or relating to any alleged breach of the Code of Business Conduct and Ethics and Conflict of Interest Policy, without fear of reprisals. Under the policy, there are arrangements in place for independent investigations of such matters of concern and for appropriate follow up actions to be taken.

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the development and 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. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and other particulars, is set out in note 33 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis and Chairperson's Statement set out on pages 22 to 49 and pages 4 to 9 of this annual report respectively. An account of the Company's relations with its key stakeholders are included in the Management Discussion and Analysis and Sustainability sections set out on pages 22 to 49 and pages 50 to 86 respectively, and as described on pages 114 to 117 of this annual report. Discussions on the Group's environmental policies and performance are included in the Sustainability section set out on pages 50 to 86. This discussion forms part of this directors' report.

COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS WHICH HAVE A SIGNIFICANT IMPACT ON THE GROUP

The Group and its activities are subject to extensive regulations in several jurisdictions and are required to obtain and maintain licenses in order to operate certain aspects of the business.

As a public company listed on the Hong Kong Stock Exchange, the Company is subject to the regulations imposed by the Securities and Futures Ordinance, the Listing Rules, and the Hong Kong Companies Ordinance.

REPORT OF THE DIRECTORS

Gaming is a highly regulated industry in Macau. The continuation of operations is contingent upon maintaining all necessary regulatory licenses, permits, approvals, registrations, findings of suitability, orders and authorizations pursuant to the Macau Law. The laws, regulations and ordinances requiring these licenses, permits and approvals generally impose on the Group specific requirements related to responsibility, financial stability and character of the owners, their shareholders, directors and key employees of the gaming operations, as well as gaming promoters involved in gaming operations.

The activities of the Group in Macau are subject to administrative review and approval by various agencies of the Macau Government, including the Gaming Inspection and Coordination Bureau, the Health Department, the Labor Bureau, the Public Works Bureau, the Fire Department, the Economic Services Bureau (including the Tax Department), the Institute for Civic and Municipal Affairs, the Macau Monetary Authority, the Financial Intelligence Bureau and the Macau Government Tourism Office.

As a subsidiary of MGM Resorts International, the Company is subject to regulations imposed by the Foreign Corrupt Practices Act (the “FCPA”). MGM Resorts International, the controlling Shareholder of the Company, is subject to the laws, rules and regulations of the State of Nevada, U.S.A., and the laws of other jurisdictions in which MGM Resorts International operates pertaining to gaming activities.

The Group is subject to various reporting and anti-money laundering regulations as it deals with significant amounts of cash in its operations. The Group recognizes the importance of complying with applicable legal and regulatory requirements and seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and oversight of business units with designated resources at different levels of the Group.

FINANCIAL RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 157 of this annual report. The financial highlights of the Group for the most recent five years are set out on page 260 of this annual report.

DIVIDEND POLICY

In accordance with the dividend policy announced by the Company on February 28, 2013 the Company may make semi-annual distributions in an aggregate amount per year that will not exceed 35% of the anticipated consolidated annual profits of the Company, taking into consideration the criteria described below and the Directors' fiduciary duties. The Company may also declare special distributions from time to time in addition to the semi-annual distributions. It is anticipated that these distributions will be declared semi-annually following the announcement of the half-year results and following the announcement of the full year results. Dividends will be declared and paid in Hong Kong dollars.

The Company will evaluate its distribution policy and distributions made in any particular year in light of its financial position, the prevailing economic climate and expectations about the future macroeconomic environment and business performance. The determination to make distributions will be made at the discretion of the Board and will be based upon the Company's operations and earnings, development pipeline, cash flow, financial condition, capital and other reserve requirements and surplus, general financial conditions, contractual restrictions and any other conditions or factors which the Board deems relevant and having regard to the Directors' fiduciary duties. The payment of distributions may also be limited by legal restrictions and by the Company's financing agreements (including any financing agreements that the Company may enter into in the future).

The Company's ability to make distributions is also subject to the requirements of Cayman Islands law and the Company's Memorandum and Articles of Association. Other limitations on the Company's ability to declare and pay dividends include the fact that, as a holding company, the Company is dependent upon the receipt of cash contributions from MGM Grand Paradise, and its other subsidiaries to fund any dividend payments that the Company makes. As substantially all of the Company's operations are conducted through MGM Grand Paradise and the Company's other operating subsidiaries, the ability of these subsidiaries to make dividend and other payments to the Company will be restricted by their constitutional documents and to the laws of and regulations of Macau or other relevant laws and regulations to which those subsidiaries are subject.

REPORT OF THE DIRECTORS

DIVIDENDS

On May 24, 2018, the Shareholders approved 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, which was paid to Shareholders on June 19, 2018.

On August 8, 2018, the Board declared 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, which was paid to Shareholders on September 10, 2018.

The Board recommends a final dividend of HK\$0.034 per Share (the “Final Dividend”), amounting to approximately HK\$129.2 million in aggregate for the year ended December 31, 2018, representing approximately 12.09% of the Group’s profit attributable to owners of the Company for the year ended December 31, 2018. The Final Dividend, subject to approval by the Shareholders in the forthcoming annual general meeting, together with the interim dividend of HK\$0.064 per Share, amounting to approximately HK\$243.2 million, approved on August 8, 2018 and paid to Shareholders on September 10, 2018, represents approximately 34.9% of the Group’s profit attributable to owners of the Company for the year ended December 31, 2018.

The Board has recommended the payment of the Final Dividend after reviewing the Group’s financial position as at March 6, 2019, 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 Final Dividend (which is subject to Shareholders’ approval) to finance its operations and expansion of its business. The Final Dividend should not be taken as an indication of the level of profit or dividend going forward.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

Except as disclosed in note 23 to the consolidated financial statements and the subsection headed “Share Option Scheme” in this report of the Directors, there have been no convertible securities, warrants or similar rights issued or granted by the Company, or any of its subsidiaries during the year ended December 31, 2018.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Articles of Association which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended December 31, 2018, the Company repurchased a total of 2,682,200 Shares at an aggregate purchase price of HK\$57.8 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2018	1,503,900	22.60	22.45	34,001
June 2018	1,098,300	20.75	20.55	22,769
September 2018	39,000	12.28	12.12	474
December 2018	41,000	13.90	13.90	572
	2,682,200			57,816

New Shares were issued pursuant to the exercise of share options by qualifying grantees under the share option scheme adopted by the Company. The Company repurchased the aggregate number of Shares equivalent to the aggregate number of all such new Shares being issued during the year ended December 31, 2018 in accordance with Rule 10.06 of the Listing Rules, and all the repurchased Shares were subsequently cancelled. The total issued share capital of the Company remains the same. The Board considered that such repurchases were made for the benefit of the Company and its Shareholders as a whole with a view of maintaining the same total issued share capital.

Except 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 year.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2018, the Company's reserves available for distribution to Shareholders were as follows:

	2018 HK\$'000	2017 HK\$'000
Share premium	10,403,377	10,409,528
Retained earnings	6,769,770	5,180,109
	17,173,147	15,589,637

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the Shareholders of the Company subject to the provisions of its memorandum and Articles of Association and provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

CHARITABLE CONTRIBUTIONS

During the year ended December 31, 2018, the Group made charitable contributions totaling HK\$13.8 million.

EMPLOYEES

The Group recognizes the accomplishment of the employees by providing comprehensive benefit packages, career development opportunities and training in a healthy and safe workplace. The Group is committed to maintaining a work environment free from all forms of harassment and discrimination based upon race, color, religion, gender, national origin, ancestry, age, sexual orientation, mental or physical disability, or any other basis protected by law. This applies to all aspects of employment including, but not limited to, recruitment, hiring, training, promotion, compensation and benefits.

CUSTOMERS

The Group's business is built upon a customer-oriented culture. To maintain our market competitiveness within the industry, the Group has continued to execute our strategies on improving customer experience by providing high quality gaming and non-gaming offerings. We have also invested in the diversification of Macau by bringing world class art to both entertain our local community and drive international visitation. Our new MGM COTAI property allows us to capitalize on our international expertise in providing exciting, diversified entertainment offerings that local residents and visitors to Macau have not previously experienced. It will represent what we are known for and Make Great Moments for our customers. Customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan.

Our results of operations are substantially dependent upon casino revenue from high value individuals in the VIP gaming, main floor gaming and slot machines gaming operations. There is volatility in such revenue sources including the risk of loss of a substantial amount of revenue if we should lose the business of these individuals. To address this risk, risk owners have been designated by the Management Risk Committee and mitigation plans have been put in place, including adjusting the Company's business mix between operations according to the economic context, and monitoring and assuring a volume of business from these individuals which is sufficient to ensure that the volatility is in an acceptable range in the long term by means of a marketing plan and budget to support the acquisition and retention of these high value individuals.

Further information about our relationship with our customers is included in the Management Discussion and Analysis and Sustainability sections.

For the year ended December 31, 2018, the aggregate amount of operating revenues attributable to the Group's five largest customers represented less than 30% of the Group's total operating revenues.

None of our Directors, their associates or any Shareholders, who to the knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in any of our top five customers in 2018.

REPORT OF THE DIRECTORS

SUPPLIERS

The Group is committed to upholding the highest ethical and professional standards when dealing with suppliers and contractors. The departments work closely to make sure the procurement process is conducted in an open and fair manner. The Group's requirements and standards are also well-communicated to suppliers, which are required to adhere to our Code of Conduct as well as our Sustainability Policy.

The Vendor Code of Conduct as well as the Sustainable Procurement Policy adopted by the Company provides guidance in the procurement of goods and services that contribute to achieving the sustainability goals of our Company. The policy applies to all employees authorized to initiate, contribute to, and/or participate in, the purchasing process. By incorporating sustainable considerations in procurement decisions, the Company is able to reduce its burden on the local and global environment, remove unnecessary hazards from operations, help to protect public health, contribute to reducing costs and liabilities, and potentially improve the environmental quality of the areas in which we operate.

The Company has also in place a Purchasing Standard Operating Procedure, applicable to all parties involved in the purchasing process, which details the procedures to be followed to obtain quality goods and services at the best available prices from reputable vendors, and to ensure that robust internal controls are maintained and adhered to.

Risks related to reliance on major suppliers are considered by the Management Risk Committee and mitigation plans are in place.

Further information about our relationship with our suppliers, including engagement of local SME, are included in the Sustainability section.

For the year ended December 31, 2018, the aggregate amount of purchases (not including the purchases of items that are of a capital nature) attributable to the Group's five largest suppliers represented 26.1% of the Group's total purchases. Our five largest suppliers were MGM Branding, AIA International Limited, Companhia de Electricidade de Macau — CEM, Angel Playing Cards Macau Ltd and Transmac — Transportes Urbanos de Macau, S.A.R.L, which accounted for approximately 9.7%, 6.2%, 5.9%, 2.8% and 1.5% of our total purchases, respectively.

With the exception of MGM Resorts International and Pansy Ho, which have an interest in MGM Branding, none of our Directors, their associates or any of our Shareholders, who to the knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in any of our top five suppliers in 2018.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

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 A. Rosevear*

Kenneth Xiaofeng Feng**

William M. Scott IV***

Daniel J. D'Arrigo ****

John M. McManus*****

James Armin Freeman*****

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Zhe Sun

Sze Wan Patricia Lam

Peter Man Kong Wong*****

Russell Francis Banham

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

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

*** William M. Scott IV resigned as a Non-executive Director with effect from February 22, 2019.

**** Daniel J. D'Arrigo resigned as a Non-executive Director with effect from March 1, 2019.

***** 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 from March 6, 2019.

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

REPORT OF THE DIRECTORS

In accordance with article 105 of the amended Articles of Association of the Company adopted at the extraordinary general meeting held on November 30, 2012, at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Every Director shall be subject to retirement at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any other Directors to retire shall be determined on the basis that (a) at least one executive Director shall retire each year, (b) at least one non-executive Director (who is not an independent non-executive Director) shall retire each year, and (c) at least one independent non-executive Director shall retire each year, provided that no Director shall be required by the Board to retire by rotation if the last re-election or appointment of that Director is more recent than the last re-election or appointment of any other Director who is not being required to retire by rotation. Any Director appointed pursuant to article 102(2) or 102(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Details of the Directors who shall retire from office of the Company and, being eligible, offer themselves for re-election at the forthcoming annual general meeting will be set out in the circular and notice of the annual general meeting to be sent to the Shareholders.

The Company has received annual confirmations of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 21 of this annual report.

UPDATE ON DIRECTORS' INFORMATION

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

1. Ms. Pansy Catilina Chiu King Ho was appointed as a Tourism Ambassador by the United Nations World Tourism Organization in October 2018.
2. Mr. Daniel J. D'Arrigo was re-appointed as Treasurer of MGM Resorts International in 2018.

3. Mr. Russell Francis Banham was appointed as a non-executive Director and Chairperson of the Audit Committee, a member of the Nomination and Remuneration Committee and a member of the Strategic Planning and Investments Committee of National Atomic Company Kazatomprom in August 2018; and as a non-executive Director and Chairperson of the Audit Committee of Eureka Group Holdings Limited in November 2018.
4. Professor Zhe Sun is currently an adjunct senior research scholar and co-director of the China Initiative at Columbia University's School of International and Public Affairs.
5. Mr. William M. Scott IV resigned as a non-executive Director with effect from February 22, 2019.
6. Mr. Daniel J. D'Arrigo resigned as a non-executive Director with effect from March 1, 2019.
7. Mr. William Joseph Hornbuckle was appointed as Chief Operating Officer of MGM Resorts International, with effect from March 1, 2019.
8. Mr. John M. McManus was appointed as a non-executive Director with effect from March 6, 2019.
9. Mr. James Armin Freeman was appointed as a non-executive Director with effect from March 6, 2019.
10. Mr. Peter Man Kong Wong passed away on March 11, 2019.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in note 12 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments. The Directors' emoluments are determined by the Board with reference to their duties and responsibilities. In addition, the emoluments of the Chief Executive Officer are also based upon performance and on the results of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN CONTRACTS

Except as disclosed in note 32 to the consolidated financial statements on pages 249 to 252 of this annual report, there is no contract of significance in relation to the Group's business at the end of the year or at any time during the year ended December 31, 2018 in which the Group was a party and in which a Director was materially interested.

PERMITTED INDEMNITY

Pursuant to the Company's article 178 of the amended Articles of Association, every Director shall be indemnified and held harmless out of the assets of the Company, to the fullest extent permitted by applicable laws, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred.

DEED OF NON-COMPETE UNDERTAKINGS WITH PANSY HO AND MGM RESORTS INTERNATIONAL

The Company entered into a Deed of Non-compete Undertakings with Pansy Ho and MGM Resorts International on May 17, 2011 so as to maintain a clear delineation of the respective businesses of each party as set out in pages 134 to 137 of the Company's IPO Prospectus. The Company has received annual written declarations of their compliance with the undertakings under the Deed of Non-compete Undertakings during the year ended December 31, 2018 from Pansy Ho and MGM Resorts International. Based upon the confirmations received from Pansy Ho and MGM Resorts International and after review, our independent non-executive Directors considered that Pansy Ho and MGM Resorts International have complied with the terms set out in the Deed of Non-compete Undertakings during the year ended December 31, 2018.

Except as disclosed above, none of our Directors had any interest in any business which competes with our Group's business during the year ended December 31, 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2018.

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 December 31, 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code or as the Company was aware, were as follows:

(A) LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares and Underlying Shares held	Percentage of issued share capital
Pansy Ho	380,000,000 ⁽¹⁾	—	474,561,200 ⁽²⁾	854,561,200	22.49%
Grant R. Bowie	18,944,800 ⁽³⁾	—	—	18,944,800	0.50%

(B) LONG POSITION IN THE SHARES OF ASSOCIATED CORPORATIONS – MGM GRAND PARADISE

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

REPORT OF THE DIRECTORS

(C) LONG POSITION IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS – MGM RESORTS INTERNATIONAL ⁽⁵⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren	35,065 ⁽⁶⁾	—	—	—	35,065	0.0066%
	278,342 ⁽⁷⁾	—	—	—	278,342	0.0528%
	5,756 ⁽⁸⁾	—	—	—	5,756	0.0011%
	453,795 ⁽⁹⁾	—	—	—	453,795	0.0860%
	687,806 ⁽¹⁰⁾	—	—	—	687,806	0.1304%
	26,555 ⁽¹¹⁾	—	—	—	26,555	0.0050%
	6,560 ⁽¹²⁾	—	—	—	6,560	0.0012%
	—	—	—	481,960 ⁽¹³⁾	481,960	0.0914%
—	793,788 ⁽¹⁴⁾	—	—	793,788	0.1505%	
Pansy Ho	—	—	16,149,210 ⁽¹⁵⁾	—	16,149,210	3.0616%
William Joseph Hornbuckle	18,163 ⁽¹⁶⁾	—	—	—	18,163	0.0034%
	79,811 ⁽¹⁷⁾	—	—	—	79,811	0.0151%
	1,408 ⁽¹⁸⁾	—	—	—	1,408	0.0003%
	165,692 ⁽¹⁹⁾	—	—	—	165,692	0.0314%
	267,812 ⁽²⁰⁾	—	—	—	267,812	0.0508%
	9,925 ⁽²¹⁾	—	—	—	9,925	0.0019%
	4,683 ⁽²²⁾	—	—	—	4,683	0.0009%
	—	—	—	200,884 ⁽²³⁾	200,884	0.0381%
William M. Scott IV (*)	37,536 ⁽²⁴⁾	—	—	—	37,536	0.0071%
	4,551 ⁽²⁵⁾	—	—	—	4,551	0.0009%
	121 ⁽²⁶⁾	—	—	—	121	0.00002%
	41,278 ⁽²⁷⁾	—	—	—	41,278	0.0078%
	1,095 ⁽²⁸⁾	—	—	—	1,095	0.0002%
	58,729 ⁽²⁹⁾	—	—	—	58,729	0.0111%
Daniel J. D'Arrigo (**)	7,363 ⁽³⁰⁾	—	—	—	7,363	0.0014%
	44,678 ⁽³¹⁾	—	—	—	44,678	0.0085%
	747 ⁽³²⁾	—	—	—	747	0.0001%
	115,984 ⁽³³⁾	—	—	—	115,984	0.0220%
	151,998 ⁽³⁴⁾	—	—	—	151,998	0.0288%
	6,356 ⁽³⁵⁾	—	—	—	6,356	0.0012%
	239,460 ⁽³⁶⁾	—	—	—	239,460	0.0454%

(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
Kenneth Xiaofeng Feng	43,534 ⁽³⁷⁾	—	—	—	43,534	0.0083%
	11,969 ⁽³⁸⁾	—	—	—	11,969	0.0023%
	11,937 ⁽³⁹⁾	—	—	—	11,937	0.0023%
	146 ⁽⁴⁰⁾	—	—	—	146	0.00003%
	8,021 ⁽⁴¹⁾	—	—	—	8,021	0.0015%
James Armin	49,099 ⁽⁴²⁾	—	—	—	49,099	0.0091%
Freeman (***)	12,628 ⁽⁴³⁾	—	—	—	12,628	0.0024%
	184 ⁽⁴⁴⁾	—	—	—	184	0.00003%
	44,083 ⁽⁴⁵⁾	—	—	—	44,083	0.0082%
	843 ⁽⁴⁶⁾	—	—	—	843	0.0002%
	25,460 ⁽⁴⁷⁾	—	—	—	25,460	0.0047%
John M.	3,030 ⁽⁴⁸⁾	—	—	—	3,030	0.0006%
McManus (****)	35,316 ⁽⁴⁹⁾	—	—	—	35,316	0.0066%
	537 ⁽⁵⁰⁾	—	—	—	537	0.0001%
	143,550 ⁽⁵¹⁾	—	—	—	143,550	0.0267%
	2,910 ⁽⁵²⁾	—	—	—	2,910	0.0005%
	95,627 ⁽⁵³⁾	—	—	—	95,627	0.0178%

REPORT OF THE DIRECTORS

(D) LONG POSITIONS IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS – MGM GROWTH PROPERTIES ⁽⁵⁴⁾

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 ⁽⁵⁵⁾	—	—	—	37,705	0.0532%
	—	250,000 ⁽⁵⁶⁾	—	—	250,000	0.3526%
Pansy Ho	—	—	1,000,000 ⁽⁵⁷⁾	—	1,000,000	1.4102%
William Joseph Hornbuckle	31,671 ⁽⁵⁸⁾	—	—	—	31,671	0.0447%
	—	—	—	7,541 ⁽⁵⁹⁾	7,541	0.0106%
Daniel J. D'Arrigo	27,623 ⁽⁶⁰⁾	—	—	—	27,623	0.0390%
James Armin Freeman (***)	14,311 ⁽⁶¹⁾	—	—	—	14,311	0.0158%
John M. McManus (****)	27,582 ⁽⁶²⁾	—	—	—	27,582	0.0305%

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 18,944,800 share options of the Company granted to Grant R. Bowie pursuant to the share option scheme of the Company, details of which are set out in note 23 to the consolidated financial statements.
- (4) These represent 50% of total issued class B shares of MGM Grand Paradise which carry 10% of the total voting power at any meetings of shareholders of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise, each holder of class B shares will be entitled to receive dividends of up to MOP1 only.
- (5) MGM Resorts International adopted an omnibus incentive plan in 2005 which, as amended, allows it to grant stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other stock-based awards to eligible directors, officers and employees of MGM Resorts International and its subsidiaries. Stock options and SARs granted under all plans generally have terms of either seven or ten years, and in most cases vest in either four or five equal annual installments. RSUs and PSUs granted vest ratably over four and three years respectively. MGM Resorts International's practice is to issue new shares upon exercise or vesting of awards.

- (6) This represents 35,065 vested RSUs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (7) This represents 278,342 unvested RSUs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (8) This represents 5,756 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Joseph Murren.
- (9) This represents 283,622 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 16,597 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 James Joseph Murren.
- (13) These represent the common stock of MGM Resorts International indirectly held through Grantor Retained Annuity Trust.
- (14) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (15) These represent the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Pansy Ho has control.
- (16) This represents 18,163 vested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (17) This represents 79,811 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (18) This represents 1,408 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.

REPORT OF THE DIRECTORS

- (19) This represents 103,558 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.
- (20) 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.
- (21) This represents 6,203 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.
- (22) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (23) These represent the common stock of MGM Resorts International indirectly held through trust.
- (24) This represents 37,536 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (25) This represents 4,551 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.
- (26) This represents 121 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William M. Scott IV.
- (27) 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.
- (28) 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.
- (29) These represent the common stock of MGM Resorts International held by William M. Scott IV.
- (30) This represents 7,363 vested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (31) This represents 44,678 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.

- (32) This represents 747 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. D'Arrigo.
- (33) This represents 72,490 vested PSUs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (34) This represents 94,999 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.
- (35) 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.
- (36) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (37) This represents 43,534 vested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (38) This represents 11,969 unvested SARs in the common stock of MGM Resorts International granted to Kenneth Xiaofeng Feng.
- (39) This represents 11,937 unvested RSUs in the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (40) This represents 146 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (41) These represents the common stock of MGM Resorts International held by Kenneth Xiaofeng Feng.
- (42) This represents 49,099 vested SARs in the common stock of MGM Resorts International granted to James Armin Freeman.
- (43) This represents 12,628 unvested RSUs in the common stock of MGM Resorts International held by James Armin Freeman.
- (44) This represents 184 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Armin Freeman.

REPORT OF THE DIRECTORS

- (45) 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.
- (46) This represents 527 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.
- (47) These represent the common stock of MGM Resorts International held by James Armin Freeman.
- (48) This represents 3,030 vested RSUs in the common stock of MGM Resorts International granted to John M. McManus.
- (49) This represents 35,316 unvested RSUs in the common stock of MGM Resorts International granted to John M. McManus.
- (50) This represents 537 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by John M. McManus.
- (51) This represents 89,719 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.
- (52) This represents 1,819 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.
- (53) These represent the common stock of MGM Resorts International held by John M. McManus.
- (54) 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' practice is to issue new shares upon vesting of awards.
- (55) These represent the common stock of MGM Growth Properties held by James Joseph Murren.
- (56) These represent the common stock of MGM Growth Properties held by Spousal Limited Access Trusts.

- (57) These represent the common stock of MGM Growth Properties held by August City Limited, a company which Pansy Ho has control.
- (58) These represent the common stock of MGM Growth Properties held by William Joseph Hornbuckle.
- (59) These represent the common stock of MGM Growth Properties indirectly held through trust.
- (60) These represent the common stock of MGM Growth Properties held by Daniel J. D'Arrigo.
- (61) These represent the common stock of MGM Growth Properties held by James Armin Freeman.
- (62) These represent the common stock of MGM Growth Properties held by John M. McManus.
- (*) William M. Scott IV resigned as a non-executive Director with effect from February 22, 2019.
- (**) Daniel J. D'Arrigo resigned as a non-executive Director with effect from March 1, 2019.
- (***) James Armin Freeman was appointed as a non-executive Director with effect from March 6, 2019. The interests disclosed herein are his interests in the respective associated corporations as at March 6, 2019.
- (****) John M. McManus was appointed as a non-executive Director with effect from March 6, 2019. The interests disclosed herein are his interests in the respective associated corporations as at March 6, 2019.

Except as disclosed above, as at December 31, 2018, none of the Directors or the chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2018, so far as is known to any Director or the chief executive of the Company, the persons who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company were as follows:

(A) LONG POSITION IN THE SHARES OF THE COMPANY

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

Notes:

- (1) MRIH is a wholly-owned subsidiary of MGM International, LLC, which in turn is wholly-owned by MGM Resorts International. Therefore, MGM International, LLC and MGM Resorts International are deemed or taken to be interested in 2,126,100,001 Shares which are directly held by MRIH.
- (2) Grand Paradise Macau Limited is a company controlled by Pansy Ho and therefore Pansy Ho is deemed or taken to be interested in 474,561,200 Shares which are directly held by Grand Paradise Macau Limited.

Except as disclosed above, the Company had not been notified of any other corporation or person, who, as at December 31, 2018, had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO.

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 administrative matters and further amended by the Shareholders at the Annual General Meeting held on May 24, 2017 (“Share Option Scheme”) to approve changes to paragraphs 1.1, 6, 7 and 11 of the Share Option Scheme, details of which were set out in the circular of the Company dated April 20, 2017.

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).

The Share Option Scheme is valid and effective for a period of ten years commencing on the adoption date, after which period no further options shall be granted. For options remaining outstanding on the expiration of the ten-year period, the provisions of the Share Option Scheme shall remain in full force and effect.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% (or such other percentage as may be allowed under the Listing Rules) of the total number of Shares of the Company in issue from time to time.

As at December 31, 2018, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 82,698,188, representing approximately 2.2% of the Shares of the Company in issue at that date.

The total number of Shares available for issue under the Share Option Scheme of the Company as at the date of this annual report is 297,581,712, which is approximately 7.8% of the issued share capital as at the date of this annual report.

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The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of Shares of the Company in issue at the date of approval of the Share Option Scheme, being 380,000,000 Shares. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the 10% limit.

The maximum number of Shares issued and to be issued upon the exercise of all options granted and to be granted (including exercised, cancelled and outstanding options) pursuant to the Share Option Scheme to each Eligible Person within any twelve month period is limited to 1% of the total number of Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

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.

The period during which an option may be exercised, to be determined and notified by the Board to a grantee, shall not in any event be more than ten years commencing on the date on which the offer in relation to such option is deemed to have been accepted by the grantee, subject to the payment of the option price, in the amount of HK\$1.00 payable for each acceptance of grant of an option, and expiring on the last day of such ten year period subject to the provisions for early termination contained in the scheme.

The Board may in its absolute discretion specify such conditions as it thinks fit when making an offer to an Eligible Person (including, without limitation, as to any performance criteria which must be satisfied by the Eligible Person and/or the Company and/or its Subsidiaries, and any minimum period for which an option must be held, before an option may be exercised, if any), provided that such conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme.

The exercise price shall be a price determined by the Board and notified to an Eligible Person and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

A summary of the movements of the outstanding options under the scheme during the year ended December 31, 2018 is as follows:

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Grant R. Bowie	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 – May 10, 2021	15.620	4,633,400	—	(524,000)	—	4,109,400
Employees	August 22, 2011	August 21, 2012 – May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 – May 10, 2021	14.780	750,000	—	—	—	750,000
Consultants	February 23, 2012	February 22, 2013 – May 10, 2021	13.820	875,000	—	(100,000)	—	775,000
Employees	February 26, 2013	February 25, 2014 – February 26, 2023	18.740	100,000	—	(50,000)	—	50,000
Employees	May 15, 2013	May 14, 2014 – May 15, 2023	20.350	25,000	—	—	—	25,000
Employees	February 24, 2014	February 23, 2015 – February 24, 2024	32.250	700,000	—	—	—	700,000
Grant R. Bowie	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	11,625,000	—	—	—	11,625,000
Consultants	June 3, 2014	June 2, 2015 – June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 – August 14, 2024	26.350	260,000	—	—	(80,000)	180,000
Employees	November 17, 2014	November 17, 2015 – November 16, 2024	24.120	850,000	—	—	(50,000)	800,000
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
Grant R. Bowie	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	5,781,488	—	(465,700)	(95,900)	5,219,888
Consultants	June 3, 2015	June 3, 2016 – June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 – August 16, 2025	16.470	310,000	—	(25,000)	—	285,000
Employees	November 16, 2015	November 16, 2016 – November 15, 2025	11.450	962,500	—	(77,500)	(105,000)	780,000
Employees	February 23, 2016	February 23, 2017 – February 22, 2026	9.130	172,500	—	(12,500)	(25,000)	135,000
Employees	May 16, 2016	May 16, 2017 – May 15, 2026	10.480	187,500	—	—	—	187,500
Grant R. Bowie	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	9,769,800	—	(765,700)	(330,100)	8,674,000
Consultants	June 3, 2016	June 3, 2017 – June 2, 2026	10.900	550,000	—	—	—	550,000
Grant R. Bowie	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	7,365,800	—	(79,500)	(185,000)	7,101,300

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Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Consultants	August 23, 2016	August 23, 2017 – August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 – November 14, 2026	14.650	460,000	—	—	(60,000)	400,000
Employees	February 21, 2017	February 21, 2018 – February 20, 2027	14.500	1,380,000	—	(12,500)	(60,000)	1,307,500
Employees	May 15, 2017	May 15, 2018 – May 14, 2027	16.990	470,000	—	—	(87,500)	382,500
Grant R. Bowie	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	8,285,200	—	(132,300)	(433,700)	7,719,200
Consultants	June 5, 2017	June 5, 2018 – June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 – August 14, 2027	15.910	580,000	—	—	(225,000)	355,000
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⁾	—	(50,000)	1,215,000
Employees	May 15, 2018	May 15, 2019 – May 14, 2028	23.130	—	370,000 ⁽²⁾	—	—	370,000
Grant R. Bowie	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	—	1,629,600 ⁽³⁾	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	—	6,529,200 ⁽³⁾	—	(170,400)	6,358,800
Consultants	June 4, 2018	June 4, 2019 – June 3, 2028	22.510	—	153,600 ⁽³⁾	—	—	153,600
Employees	August 15, 2018	August 15, 2019 – August 14, 2028	15.932	—	200,000 ⁽⁴⁾	—	—	200,000
Employees	November 15, 2018	November 15, 2019 – November 14, 2028	11.940	—	110,000 ⁽⁵⁾	—	—	110,000
				77,130,588	10,257,400	(2,682,200)	(2,007,600)	82,698,188

Notes:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$23.00 and the estimated weighted average fair value of share options granted on that date was HK\$7.88 per Share.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$23.15 and the estimated weighted average fair value of share options granted on that date was HK\$7.77 per Share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$22.10 and the estimated weighted average fair value of share options granted on that date was HK\$7.73 per Share.
- (4) The closing price of the Shares immediately before the date of this grant was HK\$14.96 and the estimated weighted average fair value of share options granted on that date was HK\$4.59 per Share.
- (5) The closing price of the Shares immediately before the date of this grant was HK\$11.82 and the estimated weighted average fair value of share options granted on that date was HK\$4.27 per Share.

CONNECTED TRANSACTIONS

During the year ended December 31, 2018, the Group engaged in transactions with MGM Resorts International, Pansy Ho and their respective affiliates described below which constitute continuing connected transactions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions exempt from circular and independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules and/or fully exempted under Rule 14A.76(1) of the Listing Rules

1. Second Renewed MGM Marketing Agreement

As disclosed in the IPO Prospectus, MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company entered into the MGM Marketing Agreement on May 17, 2011. As the annual caps under the MGM Marketing Agreement expired on December 31, 2013, the parties entered into the First Renewed MGM Marketing Agreement on December 24, 2013 to terminate the existing agreement and renew the same. The MGM Marketing Agreement was terminated and was without further force or effect as of January 1, 2014, and the First Renewed MGM Marketing Agreement superseded the MGM Marketing Agreement in its entirety.

As the annual caps under the First Renewed MGM Marketing Agreement expired on December 31, 2016, the parties entered into the Second Renewed MGM Marketing Agreement on December 12, 2016 to replace and renew the First Renewed MGM Marketing Agreement with effect from January 1, 2017. The First Renewed MGM Marketing Agreement expired on December 31, 2016 and was of no force or effect as of January 1, 2017.

The Second Renewed MGM Marketing Agreement was entered into for a term of three years and came into effect on January 1, 2017. Subject to the compliance with the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Second Renewed MGM Marketing Agreement, the Agreement may be renewed for a three-year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing.

REPORT OF THE DIRECTORS

Pursuant to the Second Renewed MGM Marketing Agreement, MGM Resorts International and its designated affiliates are entitled to receive marketing fees in consideration of referrals of gaming customers made to resort, hotel and casino properties owned or operated by the Macau Group.

The Company has agreed to cause each Macau Group member to pay marketing fees to MGM Resorts International and its designated affiliates in consideration of the referrals of gaming customers made to resort, hotel and casino properties owned or operated by the members of the Macau Group. The marketing fees payable are equal to 3% of the theoretical win (refer to note on page 137) associated with gaming play by customers referred (excluding any play with gaming promoters). The marketing fees payable under the Second Renewed MGM Marketing Agreement have been determined based upon, amongst others, the assessment of the incremental costs that the Group would have to incur to attract gaming customers and the historical fee arrangements under the First Renewed MGM Marketing Agreement.

The Second Renewed MGM Marketing Agreement entitles MGM Resorts International to continue to have a marketing presence at MGM MACAU and the Company's future gaming developments during the term of the Second Renewed MGM Marketing Agreement. The purpose of the Second Renewed MGM Marketing Agreement is to continue to utilize the established international marketing network of MGM Resorts International to direct additional gaming customers to the Company's present and future properties. The terms of the Second Renewed MGM Marketing Agreement were arrived at after arm's length negotiations between the relevant parties.

As members of the MGM Resorts International, MGM Resorts International Marketing, Ltd. and MGM Grand International Pte, Ltd. (the "MGM Group") are connected persons of the Company as defined under the Listing Rules, the Second Renewed MGM Marketing Agreement constitutes a continuing connected transaction of the Company pursuant to Rule 14A.31 of the Listing Rules.

The marketing fees payable under the Second Renewed MGM Marketing Agreement to the MGM Group by our Group for such referrals for each of the years ending December 31, 2017, 2018 and 2019 are subject to an annual cap of HK\$55,000,000, HK\$60,000,000 and HK\$65,000,000, respectively.

The annual caps under the Second Renewed MGM Marketing Agreement were determined by reference to, amongst others, (i) the amount to be paid to properly compensate for the services of the marketing executives; (ii) sufficient additional fee capacity to address the expected growth of the Group's business through referrals in the next three years and in general the trend of the gaming market's gaming revenue growth in Macau and, in particular, at the time of the relevant announcement, the expected commencement of operation of MGM COTAI in 2017; (iii) the development of the Cotai area in Macau and the conclusion of the infrastructure developments facilitating more convenient travel to Macau, leading to an anticipated increase in marketing expenses to attract more potential gaming customers; (iv) the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business; (v) the historical marketing fees paid by the Group to the MGM Group for the two years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016 (unaudited) under the First Renewed MGM Marketing Agreement; and (vi) the arrangements under the renewed Macau Marketing Agreement and the renewed BEH Marketing Agreement (fully-exempted continuing connected transactions of the Company, the details of which are disclosed in the Company's 2016 annual report).

For the year ended December 31, 2018, the aggregate total consideration paid to the MGM Group by our Group was HK\$15.6 million which fell within the annual cap of HK\$60,000,000 for the calendar year of 2018 as disclosed in the announcement on the Renewal of Continuing Connected Transactions published on the Hong Kong Stock Exchange, dated December 12, 2016.

Note:

For the purposes of the Second Renewed MGM Marketing Agreement, "theoretical win" means, in respect of any customer (i) in the case of cash chip play, the total amount wagered multiplied by the game house advantage, and (ii) in the case of rolling chip, the turnover amount multiplied by the theoretical rolling chip win percentage of 2.7%, in each case ignoring the actual win or loss experienced as a result of that customer's play and provided in each case that "theoretical win" shall not exceed, as to any customer, 12.5% of the available credit line for that customer on the related visit.

REPORT OF THE DIRECTORS

2. Second Renewed Development Agreement

As disclosed in the IPO Prospectus, MGM Branding, MGM Grand Paradise, MGM Resorts International, MRIH, NCE and the Company entered into the Development Agreement on May 17, 2011. As the annual caps under the Development Agreement expired on December 31, 2013, the parties entered into the First Renewed Development Agreement on December 24, 2013 to terminate the existing agreement and renew the same. The Development Agreement was terminated and was without further force or effect as of January 1, 2014, and the First Renewed Development Agreement superseded the Development Agreement in its entirety.

The First Renewed Development Agreement was entered into for a term of three years and came into effect on January 1, 2014. Subject to the compliance with the Listing Rules, or alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the First Renewed Development Agreement, the Agreement may be renewed for a three-year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing.

As the annual caps under the First Renewed Development Agreement expired on December 31, 2016, the parties entered into the Second Renewed Development Agreement on December 12, 2016 to replace and renew the First Renewed Development Agreement with effect from January 1, 2017. The First Renewed Development Agreement expired on December 31, 2016 and was of no force or effect as of January 1, 2017.

The Second Renewed Development Agreement was entered into for a term of three years and came into effect on January 1, 2017. Subject to the compliance with the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Second Renewed Development Agreement, the Agreement may be renewed for a three-year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing.

Pursuant to the Second Renewed Development Agreement, the Company has agreed to appoint MGM Branding to provide certain development services to the Group in connection with future expansion of the existing project and development of future resort gaming projects.

MGM Branding has agreed to provide certain development services to the Group in connection with future expansion of the existing project and development of future resort gaming projects. MGM Branding may provide the development services directly or through any of its affiliates. Each of MGM Resorts International and NCE has severally agreed that it shall use reasonable efforts to cooperate with, facilitate and support the provision of development services by MGM Branding to the Group in accordance with the Second Renewed Development Agreement.

The Group has agreed to pay development fees to MGM Branding in consideration for the development services provided. The development fee payable is equal to 2.625% of the project costs for each project commenced in China, Macau, Hong Kong and Taiwan during the term of the Second Renewed Development Agreement (whether or not completed during the term). The development fees payable under the Second Renewed Development Agreement were determined based upon factors including the possibility of an increase in the requirement for development services relating to MGM COTAI and other potential projects that the Company may undertake and the assumption that there will be no significant increase in the aggregate costs and expenses.

The Group is entitled to terminate the appointment of MGM Branding as provider of development services if it fails to comply with its obligations to provide the services. MGM Branding is entitled to terminate the provision of development services if the Group fails to comply with its obligations under the Second Renewed Development Agreement, including the payment of the development fee.

The major purpose of the Second Renewed Development Agreement is that, through the development services provided, the Company may have access to the expertise of MGM Resorts International and NCE (a company wholly-owned by Pansy Ho) in the design, construction, management and operation of high quality casino projects. The terms of the Second Renewed Development Agreement were arrived at after arm's length negotiations between the relevant parties.

REPORT OF THE DIRECTORS

MGM Resorts International is a connected person of the Company as it is our controlling Shareholder⁽¹⁾, as defined under the Listing Rules. MRIH is a wholly-owned subsidiary of MGM Resorts International. Pansy Ho is our substantial Shareholder⁽²⁾ and also, as at the date of this annual report, the Co-Chairperson and an executive Director of the Company. As such, Pansy Ho is a connected person of the Company, as defined under the Listing Rules. NCE is wholly-owned by Pansy Ho. MGM Branding is held 50% by MRIH and 50% by NCE. Therefore, according to the Listing Rules, MGM Resorts International, MRIH, Pansy Ho, NCE and MGM Branding are all connected persons of the Company. As such, the Second Renewed Development Agreement constitutes a continuing connected transaction of the Company pursuant to Rule 14A.31 of the Listing Rules.

The development fees payable under the Second Renewed Development Agreement by the Group, in respect of each project, shall be limited to an annual cap of US\$32,210,000 for each of the years ending December 31, 2017, 2018 and 2019 provided that the aggregate amount of the development fees related to the MGM COTAI project shall not exceed an aggregate cap, payable over the duration of that project, of US\$70,000,000 (including, for the avoidance of doubt, all development fees paid previously pursuant to the Development Agreement and the First Renewed Development Agreement).

The annual caps under the Second Renewed Development Agreement were determined based upon factors including, (i) the Group's expected future developments; and (ii) the historical development fees paid by the Group to MGM Branding for the two years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016 (unaudited) under the First Renewed Development Agreement.

Considering the aggregate amount of the development fees related to the MGM COTAI project as at December 31, 2017, the cap for the development fees payable under the Second Renewed Development Agreement related to that project would be approximately US\$1.758 million for the calendar year of 2018. The aggregate total consideration paid by the Group to MGM Branding related to MGM COTAI project for the year ended December 31, 2018 was HK\$13.9 million (equivalent to approximately US\$1.758 million) which fell within the cap of calendar year 2018. No consideration had been paid related to other projects during 2018.

3. Second Renewed Master Service Agreement and Related Arrangements

As disclosed in the IPO Prospectus and the announcement of the Company dated June 3, 2011, Shun Tak and MGM Grand Paradise entered into the Master Service Agreement on October 8, 2011. As the Master Service Agreement and the annual caps expired on December 31, 2013, the parties entered into the First Renewed Master Service Agreement on December 24, 2013 to renew the existing agreement.

As the annual caps under the First Renewed Master Service Agreement expired on December 31, 2016, the parties entered into the Second Renewed Master Service Agreement on December 12, 2016 to replace and renew the First Renewed Master Service Agreement with effect from January 1, 2017. The First Renewed Master Service Agreement expired on December 31, 2016 and was of no force or effect as of January 1, 2017.

The Second Renewed Master Service Agreement was entered into for a term of three years and came into effect on January 1, 2017. Subject to the compliance with the Listing Rules, or alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Second Renewed Master Service Agreement, the Agreement may be renewed for a three-year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing.

The Second Renewed Master Service Agreement shall continue to provide a framework for the provision of products and services between the Group and the Shun Tak Group. The Second Renewed Master Service Agreement and the existing transactions shall continue to enable the Group to foster its hospitality-related business in Macau and to enhance its overall revenue. The terms of the Second Renewed Master Service Agreement and the existing transactions were arrived at after arm's length negotiations between the relevant parties.

The services and products provided or to be provided by the Shun Tak Group include sale of ferry tickets at discounted bulk purchase rate, sale of travel products including accommodation and transportation, provision of laundry services, transportation services provided by Shun Tak & CITS Coach Macao Ltd, advertising services and property cleaning services to the Group. The services and products provided or to be provided by the Group include provision of rental of hotel rooms at wholesale room rates to the Shun Tak Group.

REPORT OF THE DIRECTORS

Terms of each specific service are or will be further detailed separately in an agreement or a service contract which may be constituted by the acceptance of a price quotation, sales order or other written documents and have been or will be negotiated on arm's length negotiations between the parties and by reference to prevailing market price. Existing agreements entered into under the Master Service Agreement and the First Renewed Master Service Agreement shall, unless stated otherwise, remain in full force and effect and subject to the terms of the Second Renewed Master Service Agreement. Further details of the terms of the existing transactions under the Second Renewed Master Service Agreement were set out in the announcement of the Company dated December 12, 2016. Agreements or service contracts entered into under the Second Renewed Master Service Agreement are in writing for a fixed term of not more than three years.

Pansy Ho, one of our substantial Shareholders⁽²⁾, Co-chairperson and an executive Director of the Company, is the managing director and a substantial shareholder of Shun Tak. By virtue of a number of direct and indirect interests in Shun Tak, the Hong Kong Stock Exchange has determined that Shun Tak is an associate of Pansy Ho and therefore Shun Tak is deemed to be a connected person of the Company under the Listing Rules. Accordingly, the Second Renewed Master Service Agreement constitutes a continuing connected transaction of the Company pursuant to Rule 14A.31 of the Listing Rules.

Our Company's continuing connected transactions with Shun Tak fall under Rule 14A.76(2) of the Listing Rules which are exempt from circular and independent Shareholders' approval requirements. Our Company has complied with the reporting and announcement requirements set out in Rules 14A.49, 14A.35 and 14A.68, the annual review requirements set out in Rules 14A.55 to 14A.59, 14A.71 and 14A.72 and the requirements set out in Rules 14A.34, 14A.50 to 14A.54 and 14A.68(4) of the Listing Rules.

The Group and the Shun Tak Group have entered into agreements or service contracts with details of the service scope and fees determined/to be determined at arm's length negotiations between the relevant member(s) of the Group and the relevant member(s) of the Shun Tak Group by reference to prevailing market prices and on normal commercial terms.

The annual caps on net amounts payable under the Second Renewed Master Service Agreement by our Group to the Shun Tak Group and the amounts payable by the Shun Tak Group to our Group in respect of the transactions contemplated under the Second Renewed Master Service Agreement for the financial years ending December 31, 2017, 2018 and 2019 are as follows:

Period (for the year ended)	Annual cap on payments to Shun Tak Group (HK\$)	Annual cap on payments from Shun Tak Group (HK\$)
December 31, 2017	350,000,000	3,500,000
December 31, 2018	400,000,000	4,000,000
December 31, 2019	450,000,000	4,500,000

The annual caps on amounts payable by the Group to the Shun Tak Group under the Second Renewed Master Service Agreement were determined by reference to (i) historical amounts paid for services contemplated by the First Renewed Master Service Agreement for the two years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016 (unaudited); (ii) the estimated quantity of ferry tickets sales and the volume of services in respect of the travel agency services, transportation services, laundry services, advertising services, property cleaning services, meet and greet services and provision of rental of hotel rooms at agreed rates which may be required by the Group during each of the three years ending December 31, 2017, 2018 and 2019; and (iii) the anticipated increase in demand for services from the Shun Tak Group due to the Group's expected increase in business volume and revenue over the next few years and in particular, at the time of the relevant announcement, the expected commencement of operation of MGM COTAI in the second half of 2017.

The annual caps on amounts payable by the Shun Tak Group to the Group under the Second Renewed Master Service Agreement were determined by reference to (i) historical amounts of revenues received for services contemplated by the First Renewed Master Service Agreement for the two years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016 (unaudited); (ii) the anticipated demand for the relevant products and services; (iii) the expected commencement of operation of MGM COTAI in 2017 at the time of the relevant announcement and increase of the Group's capacity to provide services to the Shun Tak Group; and (iv) the anticipated room rates for hotel rooms during each of the three years ending December 31, 2017, 2018 and 2019.

REPORT OF THE DIRECTORS

For the year ended December 31, 2018, the aggregate total consideration payable by the Group to the Shun Tak Group after the rebates for discounts on bulk purchases of ferry tickets was HK\$91.2 million which fell within the revised annual cap of HK\$400,000,000 for the calendar year 2018 as disclosed in the announcement of our Company dated December 12, 2016 and the aggregate total consideration received by the Group from the Shun Tak Group was HK\$634 thousand which fell within the annual cap of HK\$4,000,000 for the calendar year 2018, as disclosed in the announcement of our Company dated December 12, 2016.

Continuing Connected Transactions subject to the reporting, announcement, annual review and independent Shareholders' approval requirements

4. Branding Agreement

Pursuant to the Branding Agreement entered into on May 17, 2011 among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH, and NCE, and related upstream trademark license agreements, our Company has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a term co-extensive with that of the Sub-Concession, ending on March 31, 2020 (the date upon which the Sub-Concession in Macau is currently scheduled to expire).

Under the Branding Agreement, our Company and the Group have been granted a revocable, non-assignable and non-transferable sublicense to use the marks "MGM", "MGM Grand", "MGM Grand Macau" and the MGM lion and other MGM-related service marks, trademarks, registrations and domain names owned by MGM Resorts International and its subsidiaries (the "Subject Marks") in connection with the marketing and operation of our casino resort businesses within the Restricted Zone (as defined in the Branding Agreement), excluding certain reserved zones within the PRC in which MGM Resorts International will not license the parties to conduct casino gaming business within the Restricted Zone and will only create reserved zones if it permits the Company to either use MGM Resort International's alternative proprietary branding or permits the Company to develop and use our own intellectual property.

MGM Resorts International is a connected person of the Company as it is our controlling Shareholder⁽¹⁾, as defined under the Listing Rules. MRIH is a wholly-owned subsidiary of MGM Resorts International. Pansy Ho is our substantial Shareholder⁽²⁾ and also, as at the date of this annual report, the Co-Chairperson and an executive Director of the Company. NCE is wholly-owned by Pansy Ho. MGM Branding is held 50% by MRIH and 50% by NCE. Therefore, according to the Listing Rules, MGM Resorts International, MRIH, Pansy Ho, NCE and MGM Branding are all connected persons of the Company. As such, the Branding Agreement constitutes a continuing connected transaction of the Company pursuant to Rule 14A.31 of the Listing Rules.

The license fee for MGM MACAU is calculated on a basis equal to 1.75% of our consolidated gross monthly revenues (determined in accordance with IFRS) and was subject to an annual cap of US\$30 million for the calendar year 2012. This annual cap increases by 20% for each subsequent calendar year during the term of the Branding Agreement.

License fees of MGM MACAU	
Period (for the year ended)	Annual cap (US\$)
December 31, 2014	43,200,000
December 31, 2015	51,840,000
December 31, 2016	62,208,000
December 31, 2017	74,649,600
December 31, 2018	89,579,520
December 31, 2019	107,495,424
December 31, 2020	128,994,509

In the event that we open additional properties during the term of the Branding Agreement, the amount of the annual cap will also 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.

REPORT OF THE DIRECTORS

License fees of any additional property	
Period	Annual cap (US\$)
1	20,000,000
2	24,000,000
3	28,800,000

Note: The above assumes, for illustrative purposes, that the additional property opens in 2018 and has the right to use the Subject Marks for approximately three years under the initial term.

The Branding Agreement shall remain in effect for a term of approximately nine years commencing on June 3, 2011 and ending on March 31, 2020, which is co-extensive with the term of the Sub-Concession, unless terminated earlier as set out in the agreement. Further details of the Branding Agreement were included in our IPO Prospectus.

Pursuant to the Branding Agreement, the license fees for MGM MACAU and MGM COTAI paid by the Group for the year ended December 31, 2018 amounted to HK\$236.5 million (equivalent to approximately US\$30.2 million) and HK\$100.2 million (equivalent to approximately US\$12.8 million) which were within the annual cap of US\$89,579,520 and US\$20,000,000 respectively for the calendar year of 2018 as disclosed in our IPO Prospectus.

A waiver from the announcement and independent Shareholders' approval requirements, as required under the Listing Rules, for the initial term of the Branding Agreement which will expire on March 31, 2020, has been granted by the Hong Kong Stock Exchange.

Notes:

1. MGM Resorts International holds, as at the date of this annual report, through its wholly-owned subsidiaries, approximately 56% of the issued share capital of the Company (please see above for details).
2. Pansy Ho holds, as at the date of this annual report, directly and indirectly, approximately 22.49% of the issued share capital of the Company (please see above for details).

Under Chapter 14A of the Listing Rules, the transactions contemplated under the Branding Agreement constitute non-exempt continuing connected transactions of the Group and require disclosure in the annual report of the Company.

Except as disclosed above, related party transactions that did not constitute connected transactions or continuing connected transactions of the Group made during the year are disclosed in note 32 to the consolidated financial statements.

Pursuant to Rule 14A.56 of the Listing Rules, our Board engaged Deloitte Touche Tohmatsu, the Company's auditor, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued an unqualified letter containing their factual findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules, and reported to the Board and confirmed that for the year ended December 31, 2018:

- (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of each of the continuing connected transactions set out on pages 135 to 146 of this annual report, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set out by the Company.

A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange. In addition, all of the non-exempt continuing connected transactions of the Company disclosed herein constitute related party transactions set out in note 32 to the consolidated financial statements.

The independent non-executive Directors of the Company have reviewed these transactions, considered the internal control procedures that are in place to monitor these transactions and the report of the auditor and confirmed that the continuing connected transactions for the year ended December 31, 2018 have been entered into:

REPORT OF THE DIRECTORS

- (a) in the ordinary and usual course of business of the Company;
- (b) either on normal commercial terms or on terms no less favorable to the Company than the terms available to and from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange granted to the Company a waiver from strict compliance with Rule 8.08(1) of the Listing Rules (the “Public Float Waiver”). Pursuant to the Public Float Waiver, the Company’s prescribed minimum percentage of Shares which must be in public hands must not be less than 21.6% of the total issued share capital of the Company. Based upon the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company maintained the prescribed public float under the Listing Rules and as required by the Public Float Waiver.

AUDITOR

Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

James Joseph Murren

Chairperson and Executive Director

Pansy Catilina Chiu King Ho

Co-chairperson and Executive Director

Hong Kong, March 6, 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

To the Members of MGM China Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MGM China Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 157 to 259, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2018 and for the year then ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Opening of MGM COTAI	
<p>With the opening of MGM COTAI, we have identified the finalization and allocation of the construction in progress to property and equipment upon the completion of the integrated casino, hotel and entertainment complex on a plot of land in the Cotai area of Macau (the "MGM COTAI property"), as a key audit matter.</p> <p>As disclosed in note 15 to the consolidated financial statements, the Group has transferred construction in progress of HK\$25,805.8 million, most of which pertains to the construction costs of the MGM COTAI property, to the various asset categories of property and equipment during the year.</p> <p>As disclosed in note 21 to the consolidated financial statements, the Group has recognized construction payables and accruals of HK\$1,214.2 million, most of which pertains to the finalization of the construction costs of MGM COTAI property as at December 31, 2018. The Group also has construction retention payables of HK\$405.8 million.</p>	<p>Our procedures in relation to the finalization and allocation of construction in progress to property and equipment included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process and, testing the internal controls over the recognition of, and accrual for, costs incurred to be included in final construction costs pertaining to the MGM COTAI property; • Obtaining an understanding of the process and, testing the internal controls over the allocation of the construction in progress pertaining to the MGM COTAI property to the appropriate categories of property and equipment and, the determination of the estimated useful lives of these assets; • Assessing compliance with the requirements of International Accounting Standard ("IAS") 16 <i>Property, Plant and Equipment</i>; • Agreeing costs capitalized to supporting documentation;

Key audit matter	How our audit addressed the key audit matter
Opening of MGM COTAI <i>(Continued)</i>	
<p>The Group depreciates property and equipment over their estimated useful lives, using the straight-line method, commencing from the date the property and equipment are ready for the intended use. During the year, the Group recognized depreciation of property and equipment of HK\$1,877.5 million, as disclosed in note 15 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • Making inquiries of management about their assessment of the final cost of construction and the corresponding accrual based upon their assessment of claims from and correspondence with the contractors and vendors; • Examining, on a sample basis, payment applications and other correspondence issued by the contractors and vendors to the Group and, comparing amounts to costs recognized in construction in progress; • Examining, on a sample basis, evidence, judgements and assumptions made supporting the allocation of construction in progress to appropriate categories of property and equipment; and • Reperforming the underlying depreciation calculations and assessing whether the assumptions used are reasonable.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of liquidity</p> <p>We have identified the assessment of sufficiency of liquidity performed by the management of the Group as a key audit matter because as at December 31, 2018, the Group had net current liabilities of approximately HK\$3,400.1 million and capital commitments of HK\$144.4 million. As disclosed in the assessment of liquidity risk in note 26 to the consolidated financial statements, the Group has financial liabilities of HK\$8,368.6 million to be settled within one year from December 31, 2018. The Group has cash and cash equivalents of HK\$3,992.1 million and unutilized credit facilities of HK\$2.78 billion as at December 31, 2018.</p> <p>As disclosed in note 3 to the consolidated financial statements, the Group has prepared a cash flow forecast which involves judgements 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.</p> <p>The Group believes it has sufficient liquidity based upon the credit facilities disclosed in note 20 and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.</p>	<p>Our procedures in relation to the Group's assessment of the sufficiency of funds and compliance with debt covenants included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process and testing the internal controls over the liquidity assessment, compliance with the debt covenants and preparation of the cash flow forecast based upon reasonable and supportable assumptions and inputs to the model used to estimate the future cash flows; • Testing the reasonableness of the inputs and assumptions used in the cash flow forecast against historical performance, economic and industry indicators, publicly available information and the Group's strategic plans; • Reperforming the underlying calculations used in the Group's assessment of debt covenants compliance, the cash flow forecast and sensitivity testing of the inputs used; • Challenging the key assumptions including those pertaining to revenue growth and the timing of significant payments in the cash flow forecast for the following twelve months; and • Agreeing the details of the Group's credit facilities (including the amendment and extension of credit facilities) to the supporting documentation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

The engagement partner on the audit resulting in the independent auditor's report is Stephen David Smart.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 6, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
OPERATING REVENUE			
Casino revenue	6	17,176,050	13,557,440
Other revenue	6	2,024,671	923,092
		19,200,721	14,480,532
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government	7	(9,198,431)	(7,214,106)
Inventories consumed		(653,828)	(302,666)
Staff costs		(3,505,758)	(2,324,209)
Other expenses and losses	8	(2,257,406)	(1,216,305)
Depreciation and amortization		(2,150,305)	(799,045)
		(17,765,728)	(11,856,331)
Operating profit		1,434,993	2,624,201
Interest income		12,113	5,046
Finance costs	9	(667,876)	(7,273)
Net foreign currency (loss)/gain		(6,336)	16,505
Profit before tax		772,894	2,638,479
Income tax benefit/(expense)	10	295,605	(318,294)
Profit for the year attributable to owners of the Company	11	1,068,499	2,320,185
Other comprehensive (expense)/income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(3,474)	2,557
Total comprehensive income for the year attributable to owners of the Company		1,065,025	2,322,742
Earnings per Share – Basic	14	HK28.1 cents	HK61.1 cents
Earnings per Share – Diluted	14	HK28.0 cents	HK60.9 cents

Note: The Company adopted the new revenue recognition accounting standard (“IFRS 15”), effective January 1, 2018.

Certain prior year amounts have been retrospectively adjusted under IFRS 15.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current assets			
Property and equipment	15	27,221,918	3,027,253
Construction in progress	15	1,781,527	26,093,051
Sub-concession premium	16	158,153	285,053
Land use right premium	17	1,121,541	1,190,947
Other assets		128,656	167,297
Prepayments, deposits and other receivables		62,816	31,819
Total non-current assets		30,474,611	30,795,420
Current assets			
Inventories		159,696	135,776
Trade receivables	18	322,637	179,827
Prepayments, deposits and other receivables		112,058	142,249
Land use right premium	17	69,406	69,406
Amounts due from related companies	32(a)(i)	2,060	437
Bank balances and cash	19	3,992,107	5,283,387
Total current assets		4,657,964	5,811,082
TOTAL ASSETS		35,132,575	36,606,502

	NOTES	2018 HK\$'000	2017 HK\$'000
EQUITY			
Capital and reserves			
Share capital	22(a)	3,800,000	3,800,000
Share premium and reserves	22(b)	5,145,779	4,712,356
TOTAL EQUITY		8,945,779	8,512,356
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	18,093,205	11,794,219
Payables and accrued charges	21	17,492	19,608
Construction retention payable		18,065	267,259
Deferred tax liability	10	—	317,147
Total non-current liabilities		18,128,762	12,398,233
Current liabilities			
Bank borrowings	20	780,000	6,045,000
Payables and accrued charges	21	6,856,506	9,319,489
Construction retention payable		387,778	301,511
Amounts due to related companies	32(a)(ii)	22,531	28,920
Income tax payable		11,219	993
Total current liabilities		8,058,034	15,695,913
TOTAL LIABILITIES		26,186,796	28,094,146
TOTAL EQUITY AND LIABILITIES		35,132,575	36,606,502

The consolidated financial statements on pages 157 to 259 were approved and authorized for issue by the Board of Directors on March 6, 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	Notes	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Equity reserve HK\$'000	Other reserves HK\$'000	Currency translation reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000	Shareholders' funds total HK\$'000
						Note 22(b)(ii)	Note 22(b)(iii)				
At January 1, 2017		3,800,000	10,435,363	4,178	306,553	293,725	(13,133,305)	(1,853)	5,512,035	3,416,696	7,216,696
Profit for the year		–	–	–	–	–	–	–	2,320,185	2,320,185	2,320,185
Exchange differences on translation of foreign operations		–	–	–	–	–	–	2,557	–	2,557	2,557
Total comprehensive income		–	–	–	–	–	–	2,557	2,320,185	2,322,742	2,322,742
Exercise of share options	22(a)&23	7,016	115,013	–	(32,323)	–	–	–	–	82,690	89,706
Share repurchase and cancellation											
– repurchases of Shares	22(a)&22(b)(i)	(7,016)	(140,848)	–	–	–	–	–	–	(140,848)	(147,864)
– transfer	22(b)(i)	–	–	7,016	–	–	–	–	(7,016)	–	–
Forfeiture of share options	23	–	–	–	(8,247)	–	–	–	8,247	–	–
Recognition of share-based payments	23	–	–	–	79,900	–	–	–	–	79,900	79,900
Dividends paid	13	–	–	–	–	–	–	–	(1,048,824)	(1,048,824)	(1,048,824)
At December 31, 2017		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	2	–	–	–	–	–	–	–	(75,448)	(75,448)	(75,448)
Restated balance at January 1, 2018		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 year		–	–	–	–	–	–	–	1,068,499	1,068,499	1,068,499
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(3,474)	–	(3,474)	(3,474)
Total comprehensive income		–	–	–	–	–	–	(3,474)	1,068,499	1,065,025	1,065,025
Exercise of share options	22(a)&23	2,682	48,983	–	(14,801)	–	–	–	–	34,182	36,864
Share repurchase and cancellation											
– repurchases of Shares	22(a)&22(b)(i)	(2,682)	(55,134)	–	–	–	–	–	–	(55,134)	(57,816)
– transfer	22(b)(i)	–	–	2,682	–	–	–	–	(2,682)	–	–
Forfeiture of share options	23	–	–	–	(1,216)	–	–	–	1,216	–	–
Recognition of share-based payments	23	–	–	–	76,639	–	–	–	–	76,639	76,639
Dividends paid	13	–	–	–	–	–	–	–	(611,841)	(611,841)	(611,841)
At December 31, 2018		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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018 HK\$'000	2017 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	772,894	2,638,479
Adjustments for:		
Depreciation and amortization	2,150,305	799,045
Interest expense	654,342	—
Loss on extinguishment of debt	5,899	—
Loss on disposal or write-off of property and equipment, construction in progress and other assets	194,265	45,331
Interest income	(12,113)	(5,046)
Loss allowance/(reversal of loss allowance) on trade receivables, net	51,260	(42,076)
Share-based payments	76,639	79,900
Operating cash flows before movements in working capital	3,893,491	3,515,633
Increase in inventories	(23,920)	(43,616)
(Increase)/decrease in trade receivables	(194,070)	86,987
Decrease/(increase) in prepayments, deposits and other receivables	8,953	(49,686)
(Increase)/decrease in amounts due from related companies	(1,623)	222
(Decrease)/increase in payables and accrued charges	(1,518,316)	3,655,129
(Decrease)/increase in amounts due to related companies	(6,389)	2,602
Cash generated from operations	2,158,126	7,167,271
Income tax paid	(11,357)	(15,068)
Income tax refunded	—	1,352
Interest received	12,275	4,325
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,159,044	7,157,880
INVESTING ACTIVITIES		
Purchase of property and equipment and construction in progress	(2,786,128)	(6,559,689)
Proceeds from disposal of property and equipment and other assets	80	1,626
Payments of developers' fee capitalized to construction in progress	(110,529)	(99,461)
Payments for land use right premium	—	(113,899)
Purchase of other assets	(75,526)	(120,725)
Proceeds from insurance claims	57,031	118,738
NET CASH USED IN INVESTING ACTIVITIES	(2,915,072)	(6,773,410)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018 HK\$'000	2017 HK\$'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	4,900,000	4,400,000
Repayment of bank borrowings	(3,825,500)	(1,404,500)
Payment of debt finance costs	(259,482)	(33,980)
Interest paid	(717,844)	(511,592)
Dividends paid	(611,841)	(1,048,824)
Proceeds from exercise of share options	39,550	95,731
Payments on repurchase of Shares	(57,816)	(147,864)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(532,933)	1,348,971
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,288,961)	1,733,441
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,283,387	3,547,130
Effect of foreign exchange rate changes, net	(2,319)	2,816
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	3,992,107	5,283,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. GENERAL

MGM China Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on July 2, 2010. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau. The Group owns and operates MGM MACAU and MGM COTAI which opened on December 18, 2007 and February 13, 2018, respectively. The Company’s Shares were listed on the Hong Kong Stock Exchange on June 3, 2011. The Company’s immediate holding company is MGM Resorts International Holdings, Ltd., a company incorporated in the Isle of Man. The Company’s ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, which is listed on the New York Stock Exchange. The address of the registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business is Avenida Dr. Sun Yat Sen, Edifício MGM MACAU, NAPE, Macau.

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 — 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

Except for the application of IFRS 9 and IFRS 15 noted below, the application of the above new and amendments to IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

IFRS 9 FINANCIAL INSTRUMENTS

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

The key requirements of IFRS 9 relevant to the Group are in relation to the impairment of financial assets and the adjustment on the amortized cost of a financial liability when a modification does not result in derecognition. The Group has adopted the new standard from January 1, 2018 retrospectively and did not restate comparative information in accordance with the transition provisions in IFRS 9. Accordingly, certain previously reported information prepared under IAS 39 may not be comparable to the current year information.

Impairment of financial assets

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

IFRS 9 FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement — bank borrowings

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. See note 6 for these disclosures. The Group adopted IFRS 15 on January 1, 2018, on a full retrospective basis. See note 3 for the details of the accounting policy on revenue recognition.

The effect on the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2017 is as follows:

	For the year ended December 31, 2017		
	As previously reported HK\$'000	Effects of adoption of IFRS 15# HK\$'000	As restated HK\$'000
OPERATING REVENUE			
Casino revenue	15,053,622	(1,496,182)	13,557,440
Other revenue	302,384	620,708	923,092
	15,356,006	(875,474)	14,480,532
OPERATING COSTS AND EXPENSES			
Other expenses and losses	(2,091,779)	875,474	(1,216,305)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

On adoption of IFRS 15, there is a reported decrease in casino revenue as all commission paid to the gaming promoters, the majority of the promotional allowances (hotel rooms, food and beverage, retail and other services provided to certain guests and customers without charge) and award points earned by customers under the Group’s loyalty programs based upon relative standalone selling price are netted against casino revenue. There is a corresponding decrease in other expenses and losses and an increase in other revenue upon redemption of award points and rendering of corresponding services.

IFRSs IN ISSUE NOT YET ADOPTED

Up to the date of this report, certain new standards and amendments have been issued but are not yet effective and have not been early adopted by the Group in the preparation of these consolidated financial statements:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ⁵
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of Business ⁴
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ³
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after January 1, 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after January 1, 2020

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

⁵ Effective for annual periods beginning on or after January 1, 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

IFRSs IN ISSUE NOT YET ADOPTED *(Continued)*

The Group considers that the new standards and amendments effective for the annual period beginning on January 1, 2019 would not have significant impact to the Group’s results of operations and financial position except for IFRS 16 *Leases* as follows:

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

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 is replaced by a model where a right-of-use asset and a corresponding liability have 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. IFRS 16 also includes requirements relating to subleases and lease modifications.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) 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, amongst others.

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.

Furthermore, extensive disclosures are required by IFRS 16.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

IFRSs IN ISSUE NOT YET ADOPTED *(Continued)*

The Group plans to adopt the new standard from January 1, 2019 using the modified retrospective approach without restating comparative information. For the purpose of applying the modified retrospective approach to all leases, the Group plans to elect 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 application of the new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement Contains a Lease* and not apply IFRS 16 to contracts that were not previously identified as containing a lease. Therefore, the Group will not reassess whether the contracts are, or contain a lease which were already existing prior to the date of initial application. Furthermore, the Group intends to elect the practical expedient, on a lease-by-lease basis, to account for leases where the lease term ends within 12 months of the date of the initial application and use hindsight for determining the lease term that contain renewal option.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of HK\$263.9 million as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for treatment as low value or short-term leases. Furthermore, the land use right premium asset (see note 17) will be reclassified as part of the right-of-use assets with extension of the useful life. The Group's management estimates the right-of-use assets and lease liabilities, excluding the land use right premium asset, to be recognized will be approximately HK\$200 million to HK\$250 million as at January 1, 2019. There will be a decrease in operating lease expense as for the affected leases the Group will be required to recognize a depreciation charge on the right-of-use asset and interest expense on the lease liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

IFRSs IN ISSUE NOT YET ADOPTED *(Continued)*

For the classification of cash flows, the Group currently presents payment for the land use right premium as investing cash flows and other operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to a lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

The expected impact on the statement of financial position is described above. These changes are not expected to have a material impact on operating profit, profit before tax, the consolidated statement of cash flows, or the consolidated statement of changes in equity. The Group does not expect the adoption of IFRS 16 to significantly impact its ability to comply with the leverage ratio under the Fifth Supplemental Agreement described in note 20.

For the other new standards and amendments effective for annual periods after the year of 2019, the Group is currently assessing their potential impact and is not yet in a position to state whether they would have a significant impact on the results of operations and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs on the historical cost basis. Historical cost is generally based upon fair value of the consideration given in exchange for goods and services. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF PREPARATION *(Continued)*

The consolidated financial statements have been prepared on a going concern basis. As at December 31, 2018, the Group had net current liabilities of approximately HK\$3,400.1 million (2017: HK\$9,884.8 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 20) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION

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

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

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

The Group has established promotional clubs to encourage repeat business from frequent and active table games patrons and slot machine customers. Members earn points primarily based upon gaming activity and such points can be redeemed for free play and other free goods and services. For casino transactions that include award points earned by customers under this loyalty program, the Group allocates a portion of the net win based upon the relative standalone selling price of such award points (less estimated breakage). Such allocated amount is deferred and recognized in loyalty program liabilities until customers redeem the award points for free goods and services. Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue. Redemption of award points at third party outlets are deducted from the loyalty program liabilities and amounts owed are paid to the third party, with any discount received recorded as other revenue.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION *(Continued)*

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

In determining the transaction price, the promised amount of consideration for the effects of the time value of money is adjusted if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

INVENTORIES

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY AND EQUIPMENT

Property and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and is carried at cost, less recognized impairment losses, if any. Assets in construction in progress are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property and equipment are depreciated on a straight-line basis as follows:

Buildings and improvements	3 to 40 years
Leasehold improvements	Shorter of lease terms or 3 to 10 years
Furniture, fixtures and equipment	3 to 7 years
Gaming machines and equipment	3 to 5 years
Computer equipment and software	3 years
Vehicles	5 years

Art works and paintings are not depreciated as their current residual value is expected to be greater than their carrying amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss in the period in which the item is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (OTHER THAN FINANCIAL ASSETS)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount which would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

LAND USE RIGHT PREMIUM

Land use right premium under operating leases are payments made on entering into or acquiring land-use rights. The total lease payments are amortized on a straight-line basis over the lease terms in accordance with the expected pattern of consumption of the economic benefits embodied in the land-use right.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based upon taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based upon tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively.

OTHER ASSETS

Operating equipment

Operating equipment such as chips, silverware, chinaware, linen and uniforms which are carried at cost less accumulated amortization and impairment loss are amortized using the straight-line method over their estimated useful lives of two years.

Show production costs

Show production costs, includes costs of creation, design and initial production of the show, which are carried at cost less accumulated amortization and impairment loss are amortized over the shorter of the contractual run of the show (including any guaranteed renewals), or the estimated useful life of the show.

An item of other assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of other assets, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in profit or loss in the period in which the item is derecognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

CASH EQUIVALENTS

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets

The Group's financial assets are trade receivables, deposits, other receivables, amounts due from related companies and bank balances and cash.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for the Group's financial assets.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Initial recognition and subsequent measurement of financial assets (upon application of IFRS 9 with transition in accordance with note 2)

The classification of financial assets at initial recognition depends upon the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value except for trade receivables that do not contain a significant financing component which are initially measured in accordance with IFRS 15 since January 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Initial recognition and subsequent measurement of financial assets (upon application of IFRS 9 with transition in accordance with note 2) *(Continued)*

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. All other financial assets are subsequently measured at fair value.

Impairment of financial assets (upon application of IFRS 9 with transition in accordance with note 2)

The Group recognizes a loss allowance for expected credit loss on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits, other receivables, amounts due from related companies and bank balances and cash). The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit loss represents the expected credit loss that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events that are possible within 12 months after the reporting date.

The Group recognizes lifetime expected credit loss for trade receivables. An assessment is performed including analysis of individual's collectability by taking into account the age, the counterparty's financial condition, collection history and any other known information. The provision rates are adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Impairment of financial assets (upon application of IFRS 9 with transition in accordance with note 2) *(Continued)*

For other instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes the lifetime expected credit loss. The assessment of whether lifetime expected credit loss should be recognized is based upon significant increases in the likelihood or risk of default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is more than 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal on their contractually due dates;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or forecast significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its obligation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Impairment of financial assets (upon application of IFRS 9 with transition in accordance with note 2) *(Continued)*

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on financial instruments have not increased significantly since initial recognition if such instruments are determined to have low credit risk at the reporting date. An instrument is determined to have low credit risk if:

- it has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event;
- the Group, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the Group would not otherwise consider;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all Group's financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Impairment of financial assets (upon application of IFRS 9 with transition in accordance with note 2) *(Continued)*

Write-off policy

The Group writes off its financial assets when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The Group's financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Where recoveries are made, these are credited to other expenses and losses.

Measurement and recognition of expected credit loss

The measurement of expected credit loss is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based upon historical data adjusted by forward-looking information.

Generally, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Interest income is calculated based upon the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based upon amortized cost of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Initial recognition and subsequent measurement of financial assets (before application of IFRS 9 on January 1, 2018)

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets (before application of IFRS 9 on January 1, 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Loans and receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period of 30 days.

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Impairment of financial assets (before application of IFRS 9 on January 1, 2018) *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its remained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of initial recognition. Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, other payables, construction payables, customer advances and other, outstanding chips liabilities, other casino liabilities, construction retention payable, amounts due to related companies and bank borrowings) are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities *(Continued)*

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Non-substantial modifications of financial liabilities (upon application of IFRS 9 with transition in accordance with note 2)

When borrowings are subsequently renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of those borrowings, the Group recalculates the gross carrying amount of the borrowings as the present value of the renegotiated or modified contractual cash flows that are discounted at the borrowings' original effective interest rates and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified borrowings and are amortized over the remaining term of the modified borrowings.

Non-substantial modifications of financial liabilities (before application of IFRS 9 on January 1, 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortize the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group is recognized initially at its fair value. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

- the amount of the loss allowance/the obligation under the contract as determined in accordance with IFRS 9 (since January 1, 2018)/IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of IFRS 9 on January 1, 2018); and
- the amount initially recognized less, when appropriate, cumulative amortization recognized over the guarantee period.

SUB-CONCESSION PREMIUM

Premium payments made for the grant of the Sub-Concession Contract (see note 16) are capitalized, carried at cost less accumulated amortization and accumulated impairment losses, if any, and amortized using the straight-line method over its estimated useful life which is from the date of commencement of gaming operations to the expiry of the Sub-Concession Contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of currency translation reserves.

RETIREMENT BENEFIT COSTS

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Forfeitures of unvested contributions are used to reduce the Group's liability for its contributions payable under the plans.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASING

Leases are classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Group as a grantor for right of use

When assets are granted out under an agreement for the right of use, the asset is included in the consolidated statement of financial position based upon the nature of the asset. Income from right of use (net of any incentives given to retailers) is recognized on a straight-line basis over the terms of the relevant right of use. Contingent fees based upon the net sales of the retailers arising under right of use are recognized as revenue in the period in which they are earned.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to Directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimate of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimation, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share options granted to consultants of the Group

Share options issued to consultants in exchange for services are measured at the fair values of services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share option granted at the grant date. The fair values of the services received are recognized as expenses (unless the services qualify for recognition as assets).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

DEPRECIATION OF PROPERTY AND EQUIPMENT

The Group depreciates property and equipment over their estimated useful lives, using the straight-line method, commencing from the date the property and equipment are ready for the intended use. The useful lives that the Group estimated for property and equipment reflects the Group management's estimate of the period that the Group intends to derive future economic benefits from the use of the assets. Should there be any changes in such estimates, the depreciation of property and equipment may vary with changes affecting profit or loss in the period of the change.

LOSS ALLOWANCE

The Group issues markers and credit to approved gaming promoters, casino customers and hotel customers following background checks and investigations of their creditworthiness. An estimated loss allowance account is maintained to reduce the Group's receivables to their recoverable amount. The allowance is estimated based upon a specific review of customer accounts and an evaluation of the amounts expected to be recovered with reference to the age, the customers' financial condition, collection history, any other known information, general economic conditions, forecasts and forward-looking information. When the actual future cash flows are less than expected, an impairment loss may arise and affect profit or loss in the period of change. Should there be any change in such estimates, it could have a material effect to the carrying amount of trade receivables.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group follows the requirements of IAS 36 *Impairment of Assets* to consider whether there are impairment indicators and, if so, to determine whether the non-financial assets are impaired which requires significant judgment. In making this judgment, the Group evaluates whether the recoverable amounts of the assets are less than their carrying amounts. When required, the recoverable amount of the CGU has been determined based upon value-in-use calculations. These calculations require the use of estimates of future cash flows based upon projected income and expenses of the business, working capital needs, growth rates and discount rates.

Changes in the key assumptions upon which the recoverable amount of the assets are based could significantly affect the Group's assessment resulting in an impairment loss being recognized.

5. 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 environment in which they operate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

5. SEGMENT INFORMATION *(Continued)*

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

	2018 HK\$'000	2017 HK\$'000
Adjusted EBITDA (unaudited)	4,837,180	4,587,435
Share-based payments	(76,639)	(79,900)
Corporate expenses (unaudited)	(484,033)	(414,375)
Pre-opening costs ⁽¹⁾ (unaudited)	(496,945)	(624,583)
Loss on disposal/write-off of property and equipment, construction in progress and other assets	(194,265)	(45,331)
Depreciation and amortization	(2,150,305)	(799,045)
Operating profit	1,434,993	2,624,201
Interest income	12,113	5,046
Finance costs	(667,876)	(7,273)
Net foreign currency (loss)/gain	(6,336)	16,505
Profit before tax	772,894	2,638,479
Income tax benefit/(expense)	295,605	(318,294)
Profit for the year attributable to owners of the Company	1,068,499	2,320,185

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

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

6. 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:

	2018 HK\$'000	2017 HK\$'000
VIP gross table games win	9,682,345	8,566,563
Main floor gross table games win	10,905,514	8,138,837
Slot machine gross win	2,233,048	1,406,587
Gross casino revenue	22,820,907	18,111,987
Commissions, complimentarys and other incentives	(5,644,857)	(4,554,547)
	17,176,050	13,557,440

Other revenue comprises:

	2018 HK\$'000	2017 HK\$'000
Hotel rooms	956,446	441,782
Food and beverage	900,460	400,081
Retail and others ⁽¹⁾	167,765	81,229
	2,024,671	923,092

Note: The Company adopted IFRS 15 effective January 1, 2018. Certain prior year amounts have been retrospectively adjusted under IFRS 15.

⁽¹⁾ Included is HK\$96.8 million (December 31, 2017: HK\$34.6 million) pertaining to income from right of use to retail areas within MGM MACAU and MGM COTAI by retailers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

6. CASINO AND OTHER REVENUE *(Continued)*

CONTRACT AND CONTRACT RELATED LIABILITIES

There may be a difference between the timing of cash receipts from customers 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 program liabilities, which represents the deferred allocation of revenue relating to award points earned as discussed in note 3 and, (3) customer advances and other, which is primarily funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as deposits on hotel rooms. These liabilities are generally expected to be recognized as revenue or refunded within one year of being purchased, earned or deposited and are recorded within “payables and accrued charges” in the consolidated statement of financial position.

The Group has elected to apply the practical expedient available under IFRS 15 such that the transaction price allocated to unsatisfied contracts is not disclosed when the remaining performance obligation to be satisfied under contracts that had an original expected duration of one year or less.

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

	Outstanding Chips Liabilities		Loyalty Program Liabilities		Customer Advances and Other	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1	3,989,175	1,050,642	99,837	90,144	1,614,340	889,541
Balance at December 31	1,694,055	3,989,175	131,636	99,837	1,607,727	1,614,340
(Decrease)/increase	(2,295,120)	2,938,533	31,799	9,693	(6,613)	724,799

7. SPECIAL GAMING TAX AND SPECIAL LEVY TO THE MACAU GOVERNMENT

According to the Sub-Concession Contract as described in note 16, the Group is required to pay 35% gaming tax on gross gaming revenues (being the aggregate net difference between gaming wins and losses before deducting sales incentives). The Group is also required to pay an additional 4% of gross gaming revenues as public development and social related contributions. The Group also makes certain variable and fixed payments to the Macau Government based upon the number of slot machines and table games operated by MGM Grand Paradise.

8. OTHER EXPENSES AND LOSSES

	2018 HK\$'000	2017 HK\$'000
Advertising and promotion	625,108	348,982
License fees	336,676	268,730
Other support services	314,959	153,356
Utilities and fuel	242,843	96,724
Repairs and maintenance	195,341	110,511
Loss on disposal/write-off of property and equipment, construction in progress and other assets ⁽¹⁾	194,265	45,331
Loss allowance/(reversal of loss allowance) on trade receivables, net	51,260	(42,076)
Other	296,954	234,747
	2,257,406	1,216,305

⁽¹⁾ During the year ended December 31, 2018, the Group recorded a HK\$188.5 million write-off of show production costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

9. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on bank borrowings	695,500	519,790
Amortization of debt finance costs	137,621	169,069
Loss on extinguishment of debt	5,899	—
Bank fees and charges	7,635	7,273
Total borrowing costs	846,655	696,132
Less: capitalized interest allocated to construction in progress (see note 15)	(178,779)	(688,859)
	667,876	7,273

10. INCOME TAX BENEFIT/(EXPENSE)

	2018 HK\$'000	2017 HK\$'000
Current income tax expense:		
Macau Dividend Withholding Tax	(19,224)	—
Macau Complementary Tax	—	(993)
Mainland China Income Tax	(1,313)	(145)
Under provision in prior year	(1,005)	(9)
	(21,542)	(1,147)
Deferred tax:		
Current period	—	(317,147)
Reversal of deferred tax liability previously recognized	317,147	—
	295,605	(318,294)

10. INCOME TAX BENEFIT/(EXPENSE) *(Continued)*

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 relevant year.

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, MGM Grand Paradise paid dividend withholding tax for each of the years ended December 31, 2012 through 2016 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profits. In 2017, MGM Grand Paradise made an application to the Macau Government for another extension of the tax concession arrangement for an additional five years. As at December 31, 2017, this application was still being processed and subject to approval by the Macau Government. The Company had reviewed its position and considered that cash dividends would be distributed to the shareholders of MGM Grand Paradise in the foreseeable future. Consequently, a deferred tax charge and a corresponding liability of HK\$317.1 million pertaining to the distributable profit of MGM Grand Paradise for the year ended December 31, 2017 was recognized.

On February 27, 2018, the Macau Government informed MGM Grand Paradise of the terms of the extended tax concession arrangement. MGM Grand Paradise is required to pay a dividend withholding tax of MOP9,900,000 (equivalent to approximately HK\$9,612,000) for each of the years ended December 31, 2017 through to December 31, 2019, and MOP2,475,000 (equivalent to approximately HK\$2,403,000) for the period from January 1, 2020 to March 31, 2020 as payments in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years. MGM Grand Paradise accepted the terms and the Macau Government issued dispatch 003/DIR/2018 which confirmed the extended tax concession arrangement to March 31, 2020 on March 15, 2018. Consequently, the deferred tax liability of HK\$317.1 million previously recognized was reversed and the dividend withholding tax of approximately HK\$19.2 million was recognized during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

10. INCOME TAX BENEFIT/(EXPENSE) (Continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior years. 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%.

The income tax benefit/(expense) for the year can be reconciled to the profit before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 HK\$'000	2017 HK\$'000
Profit before tax	772,894	2,638,479
Tax calculated at domestic rates applicable to profits in the respective jurisdictions	(92,599)	(317,856)
Effect of tax exemption granted to MGM Grand Paradise	597,525	529,486
Effect of tax losses not recognized	(433,907)	(204,809)
Effect of expenses not deductible for tax purposes	(12,315)	(8,706)
Effect of income not taxable for tax purposes	6	1,816
Effect of utilization of tax losses previously not recognized	180	291
Effect of temporary differences not recognized	(60,203)	(1,360)
Deferred tax recognized on distributable reserves of a subsidiary	—	(317,147)
Reversal of deferred tax liability previously recognized	317,147	—
Lump sum dividend tax	(19,224)	—
Under provision in prior year	(1,005)	(9)
	295,605	(318,294)

10. INCOME TAX BENEFIT/(EXPENSE) *(Continued)*

At the end of the reporting period, the Group has unused tax losses as follows:

	2018 HK\$'000	2017 HK\$'000
Macau Complementary Tax losses which will expire in one to three years	6,794,618	4,883,428
Hong Kong Profits Tax losses which may be carried forward indefinitely	101,556	88,154
	6,896,174	4,971,582

As at December 31, 2018, the Group has a deductible temporary difference of approximately HK\$1,173.6 million (2017: approximately HK\$629.4 million). No deferred tax assets have been recognized as it is not probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

11. PROFIT FOR THE YEAR

	2018 HK\$'000	2017 HK\$'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	55,753	50,738
Retirement benefits scheme contributions for other staff	77,175	61,917
Share-based payments for other staff	58,386	61,019
Salaries and other benefits for other staff	3,314,444	2,150,535
	3,505,758	2,324,209
Amortization in respect of:		
— Sub-concession premium	126,900	126,900
— land use right premium	63,359	19,246
— other assets	82,546	3,519
Depreciation of property and equipment	1,877,500	649,380
	2,150,305	799,045
Loss on disposal/write-off of property and equipment, construction in progress and other assets ⁽¹⁾	194,265	45,331
Operating lease expenses	124,627	51,220
Auditor's remuneration	11,288	10,588

⁽¹⁾ During the year ended December 31, 2018, the Group recorded a HK\$188.5 million write-off of show production costs.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the Directors and the chief executive during the year were as follows:

	Fees HK\$'000	Salary and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Share-based payments HK\$'000	Discretionary and performance related incentive payments ⁽¹⁾ HK\$'000	Total HK\$'000
Year ended December 31, 2018						
<i>Executive Directors:</i>						
James Joseph Murren	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	—	15,841	1,368	14,270	21,216	52,695
<i>Non-executive Directors:</i>						
William M. Scott IV	—	—	—	—	—	—
Daniel J. D'Arrigo	—	—	—	—	—	—
Kenneth A. Rosevear ^(*)	—	—	—	—	—	—
Kenneth Xiaofeng Feng ^(**)	—	—	—	—	—	—
<i>Independent Non-executive Directors:</i>						
Zhe Sun	706	—	—	—	—	706
Sze Wan Patricia Lam	706	—	—	—	—	706
Peter Man Kong Wong	627	—	—	—	—	627
Russell Francis Banham	1,019	—	—	—	—	1,019
Total emoluments	3,058	15,841	1,368	14,270	21,216	55,753

The non-executive directors' and independent non-executive directors' emoluments were for services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

	Fees HK\$'000	Salary and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Share-based payments HK\$'000	Discretionary and performance related incentive payments ⁽¹⁾ HK\$'000	Total HK\$'000
Year ended December 31, 2017						
<i>Executive Directors:</i>						
James Joseph Murren	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	—	13,837	1,250	15,980	16,633	47,700
The executive director's emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.						
<i>Non-executive Directors:</i>						
William M. Scott IV	—	—	—	—	—	—
Daniel J. D'Arrigo	—	—	—	—	—	—
Kenneth A. Rosevear ^(*)	—	—	—	—	—	—
<i>Independent Non-executive Directors:</i>						
Zhe Sun	701	—	—	—	—	701
Sze Wan Patricia Lam	701	—	—	—	—	701
Peter Man Kong Wong	623	—	—	—	—	623
Russell Francis Banham	1,013	—	—	—	—	1,013
Total emoluments	3,038	13,837	1,250	15,980	16,633	50,738

The non-executive directors' and independent non-executive directors' emoluments were for services as directors of the Company.

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

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

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

None of the Directors and the chief executive have waived any emoluments during the years ended December 31, 2018 and 2017.

Of the five individuals with the highest emoluments in the Group, one (2017: one) was a Director and the chief executive of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining four (2017: four) individuals were as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other benefits	19,596	19,888
Contributions to retirement benefits scheme	663	468
Share-based payments	11,610	14,998
Discretionary and performance related incentive payments ⁽¹⁾	13,033	14,025
	44,902	49,379

Their emoluments were within the following bands:

	2018 No. of employees	2017 No. of employees
HK\$9,000,001 to HK\$9,500,000	1	—
HK\$10,500,001 to HK\$11,000,000	1	—
HK\$11,000,001 to HK\$11,500,000	—	2
HK\$12,000,001 to HK\$12,500,000	2	—
HK\$13,000,001 to HK\$13,500,000	—	1
HK\$13,500,001 to HK\$14,000,000	—	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

No emoluments were paid to any of the individuals with the highest emoluments (including Director and chief executive, and employees) and Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2018 and 2017.

Note:

- (1) The discretionary and performance related incentive payments for the years ended December 31, 2018 and 2017 are determined based upon the Group's performance and the individual's contribution to the Group for the years ended December 31, 2017 and 2016 respectively.

13. DIVIDENDS

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

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

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

On August 8, 2018, an interim dividend of HK\$0.064 per Share, amounting to approximately HK\$243.2 million in aggregate for the six months ended June 30, 2018 was declared by the Directors of the Company. 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 has been recommended by the Directors of the Company and is subject to approval by the Shareholders of the Company in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per Share for the years ended December 31, 2018 and 2017 is based upon the consolidated profit attributable to owners of the Company and the weighted average number of Shares in issue during the year.

The calculation of diluted earnings per Share for the years ended December 31, 2018 and 2017 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 year plus the potential Shares arising from exercise of share options (see note 23).

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

	2018	2017
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	1,068,499	2,320,185
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,199	3,800,188
Number of dilutive potential Shares arising from exercise of share options ('000)	11,004	8,823
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	3,811,203	3,809,011
Earnings per Share — Basic	HK28.1 cents	HK61.1 cents
Earnings per Share — Diluted	HK28.0 cents	HK60.9 cents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

15. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Buildings and improvements HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Gaming machines and equipment HK\$'000	Computer equipment and software HK\$'000	Art works and paintings HK\$'000	Vehicles HK\$'000	Property and equipment total HK\$'000	Construction in progress HK\$'000	Grand total HK\$'000
COST										
At January 1, 2017	4,987,903	2,077,748	562,782	330,974	289,758	47,570	11,410	8,308,145	17,915,292	26,223,437
Additions	14,936	38,686	26,748	58,658	6,943	—	—	145,971	8,467,382	8,613,353
Transfers	105,953	108,793	35,529	487	35,173	970	—	286,905	(286,905)	—
Reclassification	—	—	189	(97)	—	(92)	—	—	—	—
Adjustments to project costs	(432)	(12,910)	—	—	(172)	—	—	(13,514)	—	(13,514)
Disposal/write-off	(107,069)	(31,568)	(12,113)	(14,711)	(5,989)	(27)	—	(171,477)	(2,957)	(174,434)
Exchange difference	—	529	216	—	198	—	—	943	239	1,182
At December 31, 2017 and January 1, 2018	5,001,291	2,181,278	613,351	375,311	325,911	48,421	11,410	8,556,973	26,093,051	34,650,024
Additions	84,506	420	43,516	50,370	26,457	1,146	33,164	239,579	1,708,032	1,947,611
Transfers from construction in progress	22,965,306	—	1,841,951	400,878	464,975	132,727	—	25,805,837	(25,805,837)	—
Transfers from/(to) other assets	—	—	31,082	—	4,423	—	—	35,505	(213,719)	(178,214)
Disposal/write-off	(952)	(24,925)	(8,526)	(12,458)	(1,842)	—	—	(48,703)	—	(48,703)
Exchange difference	—	(1,691)	(636)	—	(183)	—	—	(2,510)	—	(2,510)
At December 31, 2018	28,050,151	2,155,082	2,520,738	814,101	819,741	182,294	44,574	34,586,681	1,781,527	36,368,208
DEPRECIATION										
At January 1, 2017	(2,392,725)	(1,625,977)	(495,980)	(243,282)	(248,187)	—	(7,322)	(5,013,473)	—	(5,013,473)
Eliminated on disposal/write-off	71,799	29,925	11,339	14,423	5,947	—	—	133,433	—	133,433
Charge for the year	(280,028)	(260,177)	(34,200)	(39,785)	(33,266)	—	(1,924)	(649,380)	—	(649,380)
Exchange difference	—	(192)	(47)	—	(61)	—	—	(300)	—	(300)
At December 31, 2017 and January 1, 2018	(2,600,954)	(1,856,421)	(518,888)	(268,644)	(275,567)	—	(9,246)	(5,529,720)	—	(5,529,720)
Eliminated on disposal/write-off	68	19,307	7,964	12,023	1,842	—	—	41,204	—	41,204
Charge for the year	(1,140,602)	(123,462)	(336,105)	(115,223)	(155,792)	—	(6,316)	(1,877,500)	—	(1,877,500)
Exchange difference	—	843	246	—	164	—	—	1,253	—	1,253
At December 31, 2018	(3,741,488)	(1,959,733)	(846,783)	(371,844)	(429,353)	—	(15,562)	(7,364,763)	—	(7,364,763)
CARRYING AMOUNT										
At December 31, 2018	24,308,663	195,349	1,673,955	442,257	390,388	182,294	29,012	27,221,918	1,781,527	29,003,445
At December 31, 2017	2,400,337	324,857	94,463	106,667	50,344	48,421	2,164	3,027,253	26,093,051	29,120,304

During the year ended December 31, 2018, borrowing costs and developers' fees (see note 32(b)) of HK\$178.8 million (2017: HK\$688.9 million) and HK\$13.9 million (2017: HK\$125.3 million) respectively were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.92% (2017: 4.11%) per annum to expenditure on qualifying assets during the year ended December 31, 2018.

15. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS *(Continued)*

During the year ended December 31, 2018, 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 December 31, 2018, the finalization of the obligations related to the close out of the construction contracts was in progress.

16. SUB-CONCESSION PREMIUM

	HK\$'000
COST	
At January 1, 2017, December 31, 2017, January 1, 2018 and December 31, 2018	1,560,000
AMORTIZATION	
At January 1, 2017	(1,148,047)
Charge for the year	(126,900)
At December 31, 2017 and January 1, 2018	(1,274,947)
Charge for the year	(126,900)
At December 31, 2018	(1,401,847)
CARRYING AMOUNT	
At December 31, 2018	158,153
At December 31, 2017	285,053

Pursuant to the agreement dated June 19, 2004 between MGM Grand Paradise and SJM, a company in which a close family member of a Director of the Company had controlling beneficial interests, a sub-concession premium of US\$200 million (equivalent to approximately HK\$1.56 billion) was paid by MGM Grand Paradise to SJM for the right to operate casino games of chance and other casino games in Macau for a period of 15 years commencing on April 20, 2005.

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17. LAND USE RIGHT PREMIUM

	HK\$'000
COST	
At January 1, 2017, December 31, 2017, January 1, 2018 and December 31, 2018	1,736,293
AMORTIZATION	
At January 1, 2017	(406,534)
Charge for the year	(19,246)
Capitalized in construction in progress	(50,160)
At December 31, 2017 and January 1, 2018	(475,940)
Charge for the year	(63,359)
Capitalized in construction in progress	(6,047)
At December 31, 2018	(545,346)
CARRYING AMOUNT	
At December 31, 2018	1,190,947
At December 31, 2017	1,260,353

Included in the consolidated statement of financial position as:

	2018 HK\$'000	2017 HK\$'000
Current land use right premium	69,406	69,406
Non-current land use right premium	1,121,541	1,190,947
	1,190,947	1,260,353

17. LAND USE RIGHT PREMIUM *(Continued)*

The Group entered into land concession contracts with the Macau Government to build on the sites on which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which have an initial term of 25 years with a right to renew in accordance with Macau law, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay land use right premiums as well as annual rent for the term of the land concessions, which may be revised every five years by the Macau Government.

The land use right premium represents amounts paid and payable on the leasehold interests in land for MGM MACAU and MGM COTAI. The amounts are stated at cost less accumulated amortization and impairment, and are amortized using the straight-line method over the lease terms of 25 years from the date when the land use rights were granted on April 6, 2006 (for MGM MACAU) and January 9, 2013 (for MGM COTAI).

18. TRADE RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	419,066	238,577
Less: Loss allowance	(96,429)	(58,750)
	322,637	179,827

Trade receivables mainly consist of casino receivables. The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based upon pre-approved credit limits. The Group also issues markers and credit to approved casino 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

18. TRADE RECEIVABLES *(Continued)*

As at January 1, 2017 and January 1, 2018, trade receivables from contracts with customers amounted to HK\$224.7 million and HK\$179.8 million respectively.

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

	2018 HK\$'000	2017 HK\$'000
Within 30 days	178,490	135,451
31 — 90 days	97,208	23,695
91 — 180 days	46,939	20,681
	322,637	179,827

As at December 31, 2018, included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$144.1 million, which are past due at the end of the reporting period. Out of the past due balances, HK\$46.2 million has been 90 days past due or more and has not been considered as default. The Group's management considers that there is no significant increase in credit risk nor default based upon the repayment history and creditworthiness of individual customers.

Details of impairment assessment of trade receivables for the years ended December 31, 2018 and 2017 are set out in note 26.

19. BANK BALANCES AND CASH

	2018 HK\$'000	2017 HK\$'000
Cash at bank and on hand	2,676,441	2,764,656
Short-term bank deposits	1,315,666	2,518,731
	3,992,107	5,283,387

The cash and cash equivalents are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
HK\$	3,698,689	4,797,342
Singapore dollar ("SG\$")	134,206	235,804
US\$	91,066	145,429
Macau Pataca ("MOP")	16,054	70,754
Other	52,092	34,058
	3,992,107	5,283,387

Cash deposited at bank earns interest at floating rates based upon daily bank deposit rates. Short-term deposits are made for varying periods of between one month or less, depending upon the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The carrying amount of cash equivalents are at their fair values as at December 31, 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

20. BANK BORROWINGS

	2018 HK\$'000	2017 HK\$'000
The secured credit facilities are repayable:		
Within one year	3,120,000	6,045,000
Over one year but not exceeding two years	3,120,000	11,940,500
Over two years but not exceeding five years	12,820,000	—
	19,060,000	17,985,500
Less: Debt finance costs	(186,795)	(146,281)
	18,873,205	17,839,219
Current	780,000	6,045,000
Non-current	18,093,205	11,794,219
	18,873,205	17,839,219

OVERVIEW

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

The second amended and restated credit agreement (the “Second Amended Credit Facilities”) which became effective on June 12, 2015 extended the maturity of the Amended Credit Facilities to April 29, 2019 and expanded the term loan facility set out in the Amended Credit Facilities to HK\$12.09 billion.

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

20. BANK BORROWINGS *(Continued)*

OVERVIEW *(Continued)*

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

As at 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 paid within the next twelve months as at 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.

PRINCIPAL AND INTEREST

The Fifth 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 December 31, 2018, HK\$15.6 billion of the term loan facility was fully drawn while HK\$2.78 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 December 31, 2018, the Group paid interest at HIBOR plus 2.50% per annum (2017: HIBOR plus 2.50% per annum). The weighted average interest rate on the Group’s borrowings for the year ended December 31, 2018 was 4.92% per annum (2017: 4.11% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

20. BANK BORROWINGS *(Continued)*

GENERAL COVENANTS

The Fifth Supplemental Agreement contains general covenants restricting the ability of the obligor group (the Company and certain of its subsidiaries, namely the “Restricted Group”) to, among other things, enter into, dispose of or amend to certain commitments and/or investments. With the approval of the lenders there are certain permitted exceptions to these restrictions.

FINANCIAL COVENANTS

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

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

COMPLIANCE WITH COVENANTS

The Group has complied with the general and financial covenants contained in the Fifth Supplemental Agreement, the Fourth Supplemental Agreement and the Third Supplemental Agreement for the years ended December 31, 2018 and 2017.

MANDATORY PREPAYMENTS

The Fifth Supplemental Agreement contains mandatory prepayment provisions which include, among other things, prepayment of all outstanding loans, together with accrued interest and all other amounts due thereunder, upon a change of control or sale of the MGM Grand Paradise business.

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

20. BANK BORROWINGS *(Continued)*

DIVIDEND RESTRICTIONS

Under the Fifth Supplemental Agreement, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million (equivalent to approximately HK\$1.2 billion), including any dividends paid during the preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million (equivalent to approximately HK\$2.3 billion), including any dividends paid during the preceding 12-month period. As at December 31, 2018, the Group's leverage ratio was approximately 4.28. The aggregate dividends paid and payable by the Group are within the cap of US\$150 million (equivalent to approximately HK\$1.2 billion) during the preceding 12-month period.

EVENTS OF DEFAULT

The Fifth Supplemental Agreement contains certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Fifth Supplemental Agreement, a divestment of holdings in the Company by MGM Resorts International below 50% control or any holdings in MGM Grand Paradise by the Company would constitute a change of control and trigger mandatory prepayment of the outstanding loan balances.

SECURITY AND GUARANTEES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. PAYABLES AND ACCRUED CHARGES

	Note	2018 HK\$'000	2017 HK\$'000
Outstanding chips liabilities	6	1,694,055	3,989,175
Customer advances and other	6	1,607,727	1,614,340
Construction payables and accruals		1,214,164	2,034,857
Special gaming tax and special levy payables		931,609	619,066
Accrued staff costs		574,746	404,876
Other casino liabilities		387,719	189,710
Other payables and accrued charges		300,942	371,628
Loyalty program liabilities	6	131,636	99,837
Trade payables		31,400	15,608
		6,873,998	9,339,097
Current		6,856,506	9,319,489
Non-current		17,492	19,608
		6,873,998	9,339,097

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

	2018 HK\$'000	2017 HK\$'000
Within 30 days	17,552	10,727
31 — 60 days	9,173	4,292
61 — 90 days	4,283	171
91 — 120 days	35	357
Over 120 days	357	61
	31,400	15,608

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

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

(a) SHARE CAPITAL

	Notes	Number of Shares	Share Capital HK\$
Ordinary Shares of HK\$1 each			
Authorized			
At January 1, 2017, December 31, 2017, January 1, 2018 and December 31, 2018		10,000,000,000	10,000,000,000
Issued and fully paid			
At January 1, 2017		3,800,000,001	3,800,000,001
Share options exercised	23	7,015,912	7,015,912
Share repurchase and cancellation	(i)	(7,015,912)	(7,015,912)
At December 31, 2017 and January 1, 2018		3,800,000,001	3,800,000,001
Share options exercised	23	2,682,200	2,682,200
Share repurchase and cancellation	(i)	(2,682,200)	(2,682,200)
At December 31, 2018		3,800,000,001	3,800,000,001

- (i) During the year ended December 31, 2018, 2,682,200 Shares (2017: 7,015,912) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$57.8 million (2017: HK\$147.9 million) (see note 22(b)(i) for details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(b) SHARE PREMIUM AND RESERVES

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

- (i) 2,682,200 Shares (2017: 7,015,912) were repurchased through the Hong Kong Stock Exchange and cancelled during the year ended December 31, 2018. The premium of HK\$55.1 million (2017: HK\$140.8 million) paid on the repurchase of the 2,682,200 Shares (2017: 7,015,912) was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$2.7 million (2017: HK\$7.0 million) was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

Details of the repurchases during the years ended December 31, 2018 and 2017 are summarized as follows:

December 31, 2018

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2018	1,503,900	22.60	22.45	34,001
June 2018	1,098,300	20.75	20.55	22,769
September 2018	39,000	12.28	12.12	474
December 2018	41,000	13.90	13.90	572
	2,682,200			57,816

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(b) SHARE PREMIUM AND RESERVES *(Continued)*

(i) *(Continued)*

December 31, 2017

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 2017	12,500	15.24	15.24	191
June 2017	744,000	17.20	16.94	12,793
September 2017	1,748,750	18.62	18.58	32,675
December 2017	1,044,800	20.90	20.85	21,894
December 2017	70,000	21.25	21.25	1,493
December 2017	1,020,212	21.70	21.60	22,192
December 2017	528,800	22.95	22.90	12,169
December 2017	1,319,050	23.95	23.90	31,697
December 2017	378,300	24.10	23.90	9,115
December 2017	149,500	24.45	24.10	3,645
	7,015,912			147,864

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For the year ended December 31, 2018

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(b) SHARE PREMIUM AND RESERVES *(Continued)*

(ii) Equity reserve

Pursuant to the terms of the Instrument of the Unsecured Notes and the Subscription and Shareholders Agreement of MGM Grand Paradise, loans from shareholders in the form of unsecured interest-free loan notes (the “Loan Notes”) with a principal amounting to US\$135 million (equivalent to approximately HK\$1 billion) were obtained in 2006.

In accordance with IAS 39, the interest-free shareholders’ Loan Notes classified as financial liabilities were initially measured at fair value and subsequently measured at amortized cost at the end of each reporting period until full repayment. Management of MGM Grand Paradise has, pursuant to the terms of the relevant agreements and based upon certain assumptions estimated the fair value of the Loan Notes using the effective interest method (that is, discounting the future cash flows at the market rate of interest over the estimated repayment dates). As a result, at the initial recognition of these Loan Notes, a fair value adjustment of approximately HK\$630 million was made to reduce the principal amount of the interest-free shareholders’ Loan Notes with a corresponding reserve of the same amount recognized in equity as a deemed contribution from shareholders. The equity reserve of approximately HK\$630 million recognized initially was reduced to approximately HK\$294 million due to the early repayment of the loans in 2010.

22. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(b) SHARE PREMIUM AND RESERVES *(Continued)*

(iii) Other reserves

Other reserves of HK\$13,133.3 million as at December 31, 2018 (2017: HK\$13,133.3 million) comprise of the following:

- (a) Pursuant to Article 432 of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of its capital. The Company's subsidiary met this statutory requirement and continues to maintain the required reserve amount of MOP50 million (equivalent to approximately HK\$48.5 million) in "other reserves". This reserve is not distributable to the Shareholders.
- (b) In preparation for the listing of the Company's shares in 2011, a Group Reorganization occurred resulting in the following transactions being recognized in "other reserves":
 - the share premium of MGM Grand Paradise amounting to HK\$778.5 million was transferred to the Company;
 - the net amount of the Purchase Note and the Acquisition Note together with debit reserve for issuance of share capital arising on the Group Reorganization of HK\$14,092 million; and
 - certain global offering expenses were covered by the contribution from shareholders including Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd amounting to HK\$132.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

23. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administration matters and further amended and adopted by the Shareholders of the Company on May 24, 2017.

The purpose of the Scheme is to provide incentives and/or rewards to Eligible Persons (as defined in the Scheme, which includes any Director or employee of the Group and any other person including a consultant or adviser) for their contribution and continuing efforts to promote the interests of the Group. Under the Scheme, the Board of Directors of the Company may grant options to subscribe for Shares in the Company for a period of ten years from the adoption date.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% (or such other percentage as may be allowed under the Listing Rules) of the total number of Shares of the Company in issue from time to time.

As at December 31, 2018, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 82,698,188 (2017: 77,130,588), representing approximately 2.2% (2017: 2.0%) of the Shares of the Company in issue at that date.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme must not in aggregate exceed 10% of the total number of Shares in issue as at the date of the approval of the Scheme, being 380,000,000 Shares. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the 10% limit. The maximum number of Shares issued and to be issued upon exercise of all options granted and to be granted to any Eligible Persons under the Scheme (including exercised, cancelled and outstanding options) within any twelve month period is limited to 1% of the total number of Shares in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

23. SHARE-BASED PAYMENTS *(Continued)*

Options granted must be taken up within ten days of the date of grant. The period during which an option may be exercised, to be determined and notified by the Board to a grantee, shall not in any event be more than ten years commencing on the date on which the offer in relation to such option is deemed to have been accepted by the grantee, subject to the payment of the option price, in the amount of HK\$1.00 payable for each acceptance of grant of an option, and expiring on the last day of such ten year period subject to the provisions for early termination contained in the Scheme. 25% of the options granted will vest on each of the first, second, third and fourth anniversary from the date of grant of the share options. The exercise price shall be a price determined by the Board and notified to an Eligible Person and shall be at least the higher of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

23. SHARE-BASED PAYMENTS (Continued)

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

December 31, 2018

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	4,633,400	—	(524,000)	—	4,109,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	750,000	—	—	—	750,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	(100,000)	—	775,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	(50,000)	—	50,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	25,000	—	—	—	25,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	11,625,000	—	—	—	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	—	—	(80,000)	180,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	—	—	(50,000)	800,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	270,000	—	(12,500)	—	257,500
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	—	(425,000)	—	595,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	5,781,488	—	(465,700)	(95,900)	5,219,888
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	310,000	—	(25,000)	—	285,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	962,500	—	(77,500)	(105,000)	780,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	172,500	—	(12,500)	(25,000)	135,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	187,500	—	—	—	187,500

23. SHARE-BASED PAYMENTS (Continued)

December 31, 2018 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2018	Number of share options			Outstanding at December 31, 2018
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	9,769,800	—	(765,700)	(330,100)	8,674,000
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Directors	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	7,365,800	—	(79,500)	(185,000)	7,101,300
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	—	—	(60,000)	400,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	1,380,000	—	(12,500)	(60,000)	1,307,500
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	470,000	—	—	(87,500)	382,500
Directors	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	2,220,000	—	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	8,285,200	—	(132,300)	(433,700)	7,719,200
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	214,800	—	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	580,000	—	—	(225,000)	355,000
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	—	(50,000)	1,215,000
Employees	May 15, 2018	May 15, 2019 - May 14, 2028	23.130	—	370,000	—	—	370,000
Directors	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	1,629,600	—	—	1,629,600
Employees	June 4, 2018	June 4, 2019 - June 3, 2028	22.510	—	6,529,200	—	(170,400)	6,358,800
Consultants	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
				77,130,588	10,257,400	(2,682,200)	(2,007,600)	82,698,188
Weighted average exercise price per Share				HK\$16.72	HK\$22.38	HK\$13.74	HK\$15.98	HK\$17.54
Exercisable at end of the reporting period								46,358,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

23. SHARE-BASED PAYMENTS (Continued)

December 31, 2017

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017	Number of share options			Outstanding at December 31, 2017
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	5,832,000	—	(1,173,600)	(25,000)	4,633,400
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	770,000	—	(20,000)	—	750,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.800	60,000	—	(60,000)	—	—
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	50,000	—	(25,000)	—	25,000
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.250	750,000	—	—	(750,000)	—
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	12,100,000	—	—	(475,000)	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	—	—	—	260,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	—	—	—	850,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	460,000	—	(40,000)	(150,000)	270,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	—	—	—	1,020,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	8,122,100	—	(1,836,412)	(504,200)	5,781,488
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800

23. SHARE-BASED PAYMENTS (Continued)

December 31, 2017 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017	Number of share options			Outstanding at December 31, 2017
					Granted during the year	Exercised during the year	Forfeited during the year	
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	360,000	—	—	(50,000)	310,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	1,135,000	—	(132,500)	(40,000)	962,500
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	230,000	—	(57,500)	—	172,500
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	260,000	—	(27,500)	(45,000)	187,500
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	12,885,200	—	(2,174,800)	(940,600)	9,769,800
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Directors	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	8,884,000	—	(1,468,600)	(49,600)	7,365,800
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	—	—	—	460,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	—	1,380,000	—	—	1,380,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	—	470,000	—	—	470,000
Directors	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	2,220,000	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	8,466,400	—	(181,200)	8,285,200
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	214,800	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	—	580,000	—	—	580,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	—	450,000	—	—	450,000
				73,575,900	13,781,200	(7,015,912)	(3,210,600)	77,130,588
Weighted average exercise price per Share				HK\$16.39	HK\$16.88	HK\$12.79	HK\$18.46	HK\$16.72
Exercisable at end of the reporting period								31,395,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

23. SHARE-BASED PAYMENTS *(Continued)*

During the year ended December 31, 2018, options were granted on February 23, 2018, May 15, 2018, June 4, 2018, August 15, 2018 and November 15, 2018 and their estimated weighted average fair values were HK\$7.88, HK\$7.77, HK\$7.73, HK\$4.59 and HK\$4.27 per Share, respectively. During the year ended December 31, 2017, options were granted on February 21, 2017, May 15, 2017, June 5, 2017, August 15, 2017 and November 15, 2017 and their estimated weighted average fair values were HK\$4.01, HK\$5.11, HK\$5.48, HK\$5.23 and HK\$6.25 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 management's best estimate, changes in which could materially affect the fair value estimate.

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

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

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

Options granted on or after June 4, 2018

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

Expected volatility used in the valuation of options granted during the year was determined by using the historical volatility of the Company's Share price. The expected life used in the model has been adjusted, based 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\$76.6 million (2017: HK\$79.9 million) for the year ended December 31, 2018 in relation to share options granted by the Company.

24. RETIREMENT BENEFIT PLAN

DEFINED CONTRIBUTION PLAN

The Group operates a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees.

Where there are employees who leave the plan prior to vesting fully of the contributions, the aggregate amount of contributions payable by the Group are reduced by the amount of forfeited contributions in the relevant year. The amount of forfeited contributions utilized in this manner during the year was HK\$6.3 million (2017: HK\$3.8 million).

The total expense recognized in the profit or loss of HK\$78.5 million (2017: HK\$63.2 million) represents contributions paid or payable to the plan by the Group at rates specified in the rules of the plan during the year ended December 31, 2018. As at December 31, 2018, contributions of approximately HK\$14.8 million (2017: HK\$11.9 million) due had not been paid over to the plan. The amounts were paid subsequent to the end of the reporting period.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through usage of an appropriate combination of debt and equity. The Group's overall strategy remained unchanged throughout the year. The capital structure of the Group consists of net debt (borrowings offset by bank balances and cash) and equity of the Group (comprising issued capital and reserves).

The Group's management reviews the capital structure of the Group on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each component of the capital structure.

The gearing ratio is a key indication of the Group's capital structure. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised bank borrowings, net of debt finance costs, as described in note 20, less bank balances and cash. Equity comprised all capital and reserves of the Group. As at December 31, 2018, the gearing ratio of the Group was 62.5% (2017: 59.6%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

26. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	2018	2017
	HK\$'000	HK\$'000
Financial assets		
Amortized cost/loans and receivables:		
Bank balances and cash	3,992,107	5,283,387
Trade receivables	322,637	179,827
Deposits	15,270	36,112
Other receivables	47,958	77,432
Amounts due from related companies	2,060	437
	4,380,032	5,577,195
Financial liabilities		
Amortized cost:		
Bank borrowings	18,873,205	17,839,219
Outstanding chips liabilities	1,694,055	3,989,175
Customer advances and other	1,467,134	1,485,085
Construction retention payable	405,843	568,770
Other casino liabilities	387,719	189,710
Construction payables	90,151	208,509
Other payables	33,802	68,135
Trade payables	31,400	15,608
Amounts due to related companies	22,531	28,920
	23,005,840	24,393,131

26. FINANCIAL INSTRUMENTS *(Continued)*

FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Group currently has a legally enforceable right to set off the trade receivables from gaming promoters and VIP gaming customers against the deposits, commissions and incentives liabilities that are to be settled simultaneously. In addition, the Group intends to settle these balances on a net basis.

The following table presents the recognized financial assets and financial liabilities that are offset in the consolidated statement of financial position, or subject to enforceable master netting arrangement or other similar agreements as at December 31, 2018 and 2017:

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
As at December 31, 2018						
Casino receivables (a)	348,917	(97,287)	251,630	—	—	251,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

26. FINANCIAL INSTRUMENTS *(Continued)*

FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS *(Continued)*

	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral pledged HK\$'000	Net amount HK\$'000
As at December 31, 2018						
Commission and incentives liabilities (b)	390,051	(2,332)	387,719	—	—	387,719
Deposits received from gaming patrons and gaming promoters (c)	1,542,721	(94,955)	1,447,766	—	—	1,447,766
	1,932,772	(97,287)	1,835,485	—	—	1,835,485

26. FINANCIAL INSTRUMENTS *(Continued)*

FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS *(Continued)*

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	Related amounts not set off in the consolidated statement of financial position	Cash collateral received HK\$'000	Net amount HK\$'000
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As at December 31, 2017

Casino receivables (a)	152,849	(25,749)	127,100	—	—	127,100
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	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	Related amounts not set off in the consolidated statement of financial position	Cash collateral pledged HK\$'000	Net amount HK\$'000
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As at December 31, 2017

Commission and incentives liabilities (b)	192,835	(3,126)	189,709	—	—	189,709
Deposits received from gaming patrons and gaming promoters (c)	1,496,913	(22,623)	1,474,290	—	—	1,474,290
	1,689,748	(25,749)	1,663,999	—	—	1,663,999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

26. FINANCIAL INSTRUMENTS *(Continued)*

FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS *(Continued)*

- (a) Amount is the gross casino receivables after netting with loss allowance and included in trade receivables of HK\$322.6 million (2017: HK\$179.8 million) in the consolidated statement of financial position as at December 31, 2018.
- (b) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$6,874.0 million (2017: HK\$9,339.1 million) in the consolidated statement of financial position as at December 31, 2018.
- (c) Amount is the gross deposits received from gaming patrons and gaming promoters and included as customer advances and other in payables and accrued charges of HK\$6,874.0 million (2017: HK\$9,339.1 million) in the consolidated statement of financial position as at December 31, 2018.

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

26. FINANCIAL INSTRUMENTS *(Continued)*

MARKET RISK

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

Foreign currency risk management

The Group holds bank balances, cash and deposits denominated in foreign currencies, consequently, exposure to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The majority of its foreign currency exposure comprises assets denominated in SG\$ and US\$. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The majority of the receipts of the Group are denominated in HK\$. The MOP is pegged to the HK\$ at a constant rate of approximately HK\$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. The carrying amounts of the majority of the Group's foreign currency (other than MOP) denominated monetary assets (including bank balances and cash) and monetary liabilities (including payables) at the end of the reporting period are as follows:

Assets

	2018 HK\$'000	2017 HK\$'000
SG\$	134,206	235,804
US\$	91,066	145,429

Liabilities

	2018 HK\$'000	2017 HK\$'000
US\$	22,996	10,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

26. FINANCIAL INSTRUMENTS *(Continued)*

MARKET RISK *(Continued)*

Foreign currency sensitivity analysis

The Group is mainly exposed to the effect of fluctuations in the currency rates relative to SG\$ and US\$. The following table details the Group's sensitivity to a 1% increase and decrease in the HK\$ against the SG\$ and US\$. 1% is the sensitivity rate used internally for assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in profit where the HK\$ weakens 1% against the SG\$ and US\$. For a 1% strengthening of the HK\$ against the SG\$ and US\$, there would be an equal and opposite impact on the result, and the balance would be negative.

	2018 HK\$'000	2017 HK\$'000
Sensitivity rate	1%	1%
Profit for the year		
Impact of US\$	681	1,349
Impact of SG\$	1,342	2,358

INTEREST RATE RISK

The Group's exposure to fair value interest rate risk related to fixed-rate borrowings is minimal because the Group's borrowings are predominantly done using variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 20 for details of the bank borrowings). The Group's cash flow interest rate risk on bank balances is considered insignificant due to current low interest rates for bank deposits. The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

26. FINANCIAL INSTRUMENTS *(Continued)*

INTEREST RATE RISK *(Continued)*

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based upon the exposure to interest rates for the floating rate bank borrowings only. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2017: 50 basis point) increase or decrease during the year is used internally for assessment of possible change in interest rates. If interest rates had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's bank borrowing costs for the year ended December 31, 2018, without adjusting for any amounts to be capitalized, would be increased/decreased by HK\$95.3 million (2017: HK\$90.0 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

CREDIT RISK

As at December 31, 2018 and 2017, the Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and guarantees provided by the Group arises from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to a guarantee issued by the Group as disclosed in note 28.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

26. FINANCIAL INSTRUMENTS *(Continued)*

CREDIT RISK *(Continued)*

In order to minimize the credit risk with gaming promoters and VIP gaming customers, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, since January 1, 2018, the Group performs impairment assessment under the expected credit loss model on trade receivables with analysis of individual's collectability by taking into account the age, the counterparty's financial condition, collection history and any other known information. The provision rates are adjusted for general economic conditions, forecasts and forward-looking information that is available without undue cost or effort. The Group also makes a loss allowance for trade receivables specifically identified as credit-impaired. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which is not provided for. The Group does not hold collateral as security and other credit enhancements.

The following table provides information about the Group's exposure to credit risk and expected credit losses for trade receivables as at December 31, 2018.

	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Within 30 days	3%	183,343	(4,853)
31 — 90 days	9%	107,325	(10,117)
91 — 180 days	30%	66,978	(20,039)
Over 180 days	100%	61,420	(61,420)
		419,066	(96,429)

26. FINANCIAL INSTRUMENTS *(Continued)***CREDIT RISK** *(Continued)*

Movement in the loss allowance during the year is as follows:

	2018 HK\$'000
At January 1	58,750
Impairment losses recognized	90,623
Impairment losses reversed upon recovery	(39,363)
Amount written off, net	(13,581)
At December 31	96,429

The impairment losses recognized for the year ended December 31, 2018 are mainly attributable to the origination of new trade receivables that resulted in the loss allowance of HK\$87.2 million. The impairment losses reversed for the year ended December 31, 2018 mainly arise from the recovery of previously impaired doubtful debts of HK\$30.5 million. Gross carrying amount of trade receivables which have been written off for the year ended December 31, 2018 and which are still subject to enforcement activity was HK\$22.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

26. FINANCIAL INSTRUMENTS *(Continued)*

CREDIT RISK *(Continued)*

Comparison information under IAS 39

Prior to January 1, 2018, an impairment loss was recognized when there was objective evidence of impairment (see note 3). Certain trade receivables were past due as at December 31, 2017 which the Group considered to be not impaired as they had either been subsequently settled or there had not been a significant change in credit quality and the amounts were still considered recoverable. The average age of these receivables was 69 days as at December 31, 2017. The aging of trade receivables which were past due but not impaired is as follows:

	2017 HK\$'000
31 — 60 days	13,208
61 — 90 days	10,487
91 — 120 days	20,681
	44,376

Movement in the loss allowance during the year ended December 31, 2017, which was substantially all related to casino customers, is as follows:

	2017 HK\$'000
At January 1	63,616
Impairment losses recognized	83,783
Impairment losses reversed upon recovery	(125,859)
Amount written back, net	37,210
At December 31	58,750

As at December 31, 2017, casino receivables of HK\$30.8 million have been fully provided for. The impairment losses recognized for the year ended December 31, 2017 were attributable to casino customers who defaulted on the repayment of their debts and/or their creditworthiness has deteriorated.

26. FINANCIAL INSTRUMENTS *(Continued)*

LIQUIDITY RISK

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

The Group relies on existing credit facilities, cash and cash equivalents and cash flows from operations as sources of liquidity. As at December 31, 2018, the Group has unutilized credit facilities of approximately HK\$2,780.0 million (2017: approximately HK\$4,810.0 million) (See note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

26. FINANCIAL INSTRUMENTS (Continued)

LIQUIDITY RISK (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities based upon the agreed repayment terms. The table has been drawn up based upon the undiscounted cash flows of financial liabilities based upon the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from an interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2018								
Trade payables	—	31,400	—	—	—	—	31,400	31,400
Construction payables	—	90,151	—	—	—	—	90,151	90,151
Other payables	—	16,720	—	1,183	15,899	—	33,802	33,802
Other casino liabilities	—	387,719	—	—	—	—	387,719	387,719
Outstanding chips liabilities	—	1,694,055	—	—	—	—	1,694,055	1,694,055
Customer advances and other	—	1,467,134	—	—	—	—	1,467,134	1,467,134
Bank borrowings	4.60	76,966	922,479	2,971,378	17,234,445	—	21,205,268	18,873,205
Construction retention payable	—	28,984	352,003	6,791	18,065	—	405,843	405,843
Amounts due to related companies	—	22,531	—	—	—	—	22,531	22,531
Guarantee contracts (note 28)	—	299,120	—	—	—	—	299,120	—
		4,114,780	1,274,482	2,979,352	17,268,409	—	25,637,023	23,005,840

26. FINANCIAL INSTRUMENTS (Continued)

LIQUIDITY RISK (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2017								
Trade payables	—	15,608	—	—	—	—	15,608	15,608
Construction payables	—	208,509	—	—	—	—	208,509	208,509
Other payables	—	48,661	—	2,005	14,485	2,984	68,135	68,135
Other casino liabilities	—	189,710	—	—	—	—	189,710	189,710
Outstanding chips liabilities	—	3,989,175	—	—	—	—	3,989,175	3,989,175
Bank borrowings	3.45	659,853	7,614	5,873,160	12,157,865	—	18,698,492	17,839,219
Customer advances and other	—	1,485,085	—	—	—	—	1,485,085	1,485,085
Construction retention payable	—	288,865	710	11,936	267,259	—	568,770	568,770
Amounts due to related companies	—	28,920	—	—	—	—	28,920	28,920
Guarantee contracts (note 28)	—	302,620	—	—	—	—	302,620	—
		7,217,006	8,324	5,887,101	12,439,609	2,984	25,555,024	24,393,131

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

FAIR VALUE

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based upon discounted cash flow analysis.

The Directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings (note 20) HK\$'000
At January 1, 2017	14,708,630
Financing cash flows	2,961,520
Amortization of debt finance costs	169,069
At December 31, 2017	17,839,219
Change in carrying amount due to adoption of IFRS 9 (note 2)	75,448
At January 1, 2018 (restated)	17,914,667
Financing cash flows	815,018
Drawing down from the Group's revolving credit facility to repay term loan	1,560,000
Repayment of term loan by drawing down from the Group's revolving credit facility	(1,560,000)
Amortization of debt finance costs	137,621
Loss on extinguishment of debt	5,899
At December 31, 2018	18,873,205

Except as disclosed above, there are no other non-cash changes for all liabilities arising from financing activities.

28. CONTINGENT LIABILITIES

A) GUARANTEES

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

B) LITIGATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

29. OPERATING LEASE COMMITMENTS

THE GROUP AS THE LESSEE

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of the land use right, office premises, warehouse, dormitory and equipment which fall due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	71,209	47,686
More than one year and not longer than five years	97,844	88,531
More than five years	94,870	103,007
	263,923	239,224

Note: The above disclosed commitments also include payments of HK\$32.4 million which are related to arrangements that contain lease and non-lease elements.

29. OPERATING LEASE COMMITMENTS *(Continued)*

THE GROUP AS THE GRANTOR OF THE RIGHT OF USE

The Group grants certain of its space at MGM MACAU and MGM COTAI to retailers under agreements for the right of use of that space. The terms of the right of use generally contain provisions for a minimum base fee plus additional fees based upon the net sales of the retailers. The Group recorded these additional fees of HK\$59.6 million as other revenue for the year ended December 31, 2018 (2017: HK\$5.5 million).

At the end of the reporting period, the Group had total future minimum fees receivable, being the minimum base fee commitments, under non-cancellable agreements which fall due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	51,111	46,118
More than one year and not longer than five years	77,248	124,985
More than five years	43	2,108
	128,402	173,211

30. CAPITAL COMMITMENTS

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

	2018 HK\$'000	2017 HK\$'000
Contracted but not accounted for	144,442	642,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

31. OTHER COMMITMENTS

SUB-CONCESSION

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

- i) To pay the Macau Government a fixed annual premium of MOP30.0 million (equivalent to approximately HK\$29.1 million).
- ii) To pay the Macau Government a variable premium depending 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 1.6% of the gross gaming revenue on a monthly basis, that will be made available to a public foundation for the promotion, development or study of culture, society, economy, education, science, charity events in Macau.
- iv) To pay the Macau Government a sum of 2.4% of the gross gaming revenue on a monthly basis to be used for urban development, tourist promotion and social security in Macau.
- v) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross gaming revenues on a monthly basis.

Based upon the number and types of gaming tables employed and gaming machines in operation as at December 31, 2018 and the 25 new gaming tables approved for operation starting from January 1, 2019, the Group is obligated under its Sub-Concession Contract to make minimum future payments of approximately MOP200.2 million (equivalent to approximately HK\$194.3 million).

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

32. RELATED PARTY TRANSACTIONS

Apart from the guarantees as described in note 28, details of transactions between the Group and other related parties are disclosed below.

- (a)(i) Amounts due from related companies represent balances with companies owned by immediate holding company and companies in which one of the Directors has non-controlling beneficial interests. The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(ii) Amounts due to related companies represent balances with companies in which one of the Directors of the Company has non-controlling beneficial interests amounting to HK\$0.2 million (2017: HK\$1.2 million), and the ultimate holding company of the Company amounting to HK\$22.3 million (2017: HK\$27.7 million). The amounts are unsecured, non-interest bearing and repayable on demand.

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

	2018 HK\$'000	2017 HK\$'000
Within 30 days	22,369	27,714
31 – 60 days	81	1,206
61 – 90 days	—	—
91 – 120 days	81	—
	22,531	28,920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

32. RELATED PARTY TRANSACTIONS *(Continued)*

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

Related parties	Type of transaction	2018	2017
		HK\$'000	HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Rental of premises *	3,896	3,855
	Travelling, accommodation and transportation, net of discounts *	88,710	61,377
Ultimate holding company	Marketing referral fees	15,558	15,678
	Marketing referral income	(461)	(221)
Company jointly-owned by Shareholders	Developers' fees capitalized	13,915	125,296
	License fee	336,676	268,730

* At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and equipment leased from related parties of HK\$33.5 million (2017: HK\$4.9 million) which fall due within the following three years (2017: two years).

32. RELATED PARTY TRANSACTIONS *(Continued)*

(b) *(Continued)*

Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement is effective from June 3, 2011 and will expire on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group is required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which is subject to an annual cap. In the event that the Group opens additional properties during the term of the Branding Agreement, the amount of the annual cap will increase by US\$20 million during the calendar year in which the relevant property is opened for business (the "Additional Property Cap Increase"). The Additional Property Cap Increase will also apply to subsequent calendar years, and shall also increase at the rate of 20% per year. For the year ended December 31, 2018, the annual caps of MGM MACAU and MGM COTAI are US\$89.58 million (equivalent to approximately HK\$702.0 million) and US\$20.0 million (equivalent to approximately HK\$156.7 million), respectively. For the year ended December 31, 2017, the annual cap of MGM MACAU was US\$74.65 million (equivalent to approximately HK\$581.7 million). During the year ended December 31, 2018, total license fee expense of HK\$336.7 million (2017: HK\$268.7 million) was recognized in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

32. RELATED PARTY TRANSACTIONS *(Continued)*

- (c) Compensation to key management personnel

The remuneration of key management is as follows:

	2018 HK\$'000	2017 HK\$'000
Short term benefits	140,150	125,252
Post-employment benefits	3,240	3,089
Share-based payments	45,422	52,495
	188,812	180,836

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

33. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2018	December 31, 2017	
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Brief (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	—	Investment holding
Golden Rice Bowl (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	—	Investment holding
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
Land Sub C (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	—	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

33. SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2018	December 31, 2017	
MGM Grand Paradise Limited (i)	Macau June 17, 2004	MOP200,000,000	100%	100%	Operation of casino games of chance and other casino games
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK\$2	100%	100%	Management and administrative services for a group company
MGM – Security Services, Ltd.	Macau January 19, 2015	MOP1,000,000	100%	100%	Security services for a group company
MGM Security Services (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	—	Investment holding
Mingyi Investments Limited	British Virgin Islands/ Macau June 1, 2011	US\$1	100%	100%	Administrative services for a group company
Prime Hotel Management (HK) Limited	Hong Kong July 26, 2018	HK\$1	100%	—	Investment holding
Prime Hotel Management Limited	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services

33. SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2018	December 31, 2017	
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Yin Gao Limited	British Virgin Islands/ Macau June 10, 2011	US\$1	100%	100%	Administrative services for a group company
珠海市橫琴新區倍福信息服務外包有限公司(ii)	People's Republic of China November 11, 2014	HK\$3,200,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservation and convention consultation
珠海貝芙信息服務外包有限公司(ii)	People's Republic of China November 5, 2014	HK\$100,000,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservation and convention consultation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

33. SUBSIDIARIES *(Continued)*

Notes:

- (i) MGM Grand Paradise is directly owned by the Company. As part of a Group Reorganization, the shares of MGM Grand Paradise were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 80% of the voting power of the share capital of MGM Grand Paradise. Pansy Ho and MGM Resorts International Holdings, Ltd. each owns one half of the Class B shares (or 10% of the voting power of the share capital of MGM Grand Paradise each) in order to satisfy the requirements of the Sub-Concession Contract and local Macau regulations that at least 10% of MGM Grand Paradise's issued share capital be held by a local managing director of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares.
- (ii) These entities are wholly foreign owned enterprises established in the People's Republic of China.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

AT DECEMBER 31, 2018

	2018 HK\$'000	2017 HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries (note)	21,868,163	14,746,523
Dividends receivable (note)	—	5,738,395
Total non-current assets	21,868,163	20,484,918
Current assets		
Prepayments	988	1,202
Bank balances and cash	46,020	64,303
Total current assets	47,008	65,505
TOTAL ASSETS	21,915,171	20,550,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

AT DECEMBER 31, 2018 *(Continued)*

	2018	2017
	HK\$'000	HK\$'000
EQUITY		
Capital and reserves		
Share capital (note 22(a))	3,800,000	3,800,000
Share premium and reserves (note)	17,725,528	16,078,714
TOTAL EQUITY	21,525,528	19,878,714
LIABILITIES		
Non-Current liability		
Deferred tax liability	—	317,147
Current liabilities		
Payables and accrued charges	2,790	3,525
Amounts due to subsidiaries	386,853	351,037
Total current liabilities	389,643	354,562
TOTAL LIABILITIES	389,643	671,709
TOTAL EQUITY AND LIABILITIES	21,915,171	20,550,423

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Movement in share premium and reserves of the Company is as follows:

	Notes	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000
At January 1, 2017		10,435,363	4,178	306,553	132,000	3,423,086	14,301,180
Profit for the year and total comprehensive income		—	—	—	—	2,804,616	2,804,616
Exercise of share options	22(a)&23	115,013	—	(32,323)	—	—	82,690
Share repurchase and cancellation							
— repurchases of Shares	22(a)&22(b)(i)	(140,848)	—	—	—	—	(140,848)
— transfer	22(b)(i)	—	7,016	—	—	(7,016)	—
Forfeiture of share options	23	—	—	(8,247)	—	8,247	—
Recognition of share-based payments	23	—	—	79,900	—	—	79,900
Dividends paid	13	—	—	—	—	(1,048,824)	(1,048,824)
At December 31, 2017 and January 1, 2018		10,409,528	11,194	345,883	132,000	5,180,109	16,078,714
Profit for the year and total comprehensive income		—	—	—	—	2,202,968	2,202,968
Exercise of share options	22(a)&23	48,983	—	(14,801)	—	—	34,182
Share repurchase and cancellation							
— repurchases of Shares	22(a)&22(b)(i)	(55,134)	—	—	—	—	(55,134)
— transfer	22(b)(i)	—	2,682	—	—	(2,682)	—
Forfeiture of share options	23	—	—	(1,216)	—	1,216	—
Recognition of share-based payments	23	—	—	76,639	—	—	76,639
Dividends paid	13	—	—	—	—	(611,841)	(611,841)
At December 31, 2018		10,403,377	13,876	406,505	132,000	6,769,770	17,725,528

During the year ended December 31, 2018, dividends receivable by the Company from MGM Grand Paradise of HK\$7,045.0 million (2017: nil) were waived and a corresponding amount was recognized as an increase in investment in subsidiaries.

FINANCIAL SUMMARY

	For the year ended December 31				
	2018	2017	2016	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Operating revenue	19,200,721	14,480,532	14,064,940	16,056,190	25,454,296
Profit before tax	772,894	2,638,479	3,051,609	3,129,127	5,722,742
Profit for the year attributable to owners of the Company	1,068,499	2,320,185	3,036,508	3,112,515	5,706,943

	As at December 31				
	2018	2017	2016	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities					
Total assets	35,132,575	36,606,502	27,080,210	21,954,776	16,827,845
Total liabilities	26,186,796	28,094,146	19,863,514	17,039,725	10,486,322
Net assets	8,945,779	8,512,356	7,216,696	4,915,051	6,341,523

The consolidated results, assets and liabilities of the Group for the last five financial years are those set out in the audited consolidated financial statements.

Note: The Company adopted the new revenue recognition accounting standard ("IFRS 15"), effective January 1, 2018. The amounts for the years ended December 31, 2017, 2016 and 2015 have been retrospectively adjusted under IFRS 15. No restatement of the amounts for the year ended December 31, 2014 was made for the adoption of the new revenue recognition as the management considered it would be impracticable to do so.

GLOSSARY

DEFINITIONS AND GLOSSARY USED IN THIS ANNUAL REPORT

“Acquisition Note”	the non-interest bearing note issued by the Company to Grand Paradise Macau Limited as part of the Group Reorganization
“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
“Articles of Association”	the amended and restated articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“BEH”	Bright Elite Holdings Limited, a company incorporated under the laws of the British Virgin Islands, and which is wholly-owned by Pansy Ho
“BEH Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among BEH, MGM Grand Paradise and our Company
“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, complimentaries and other incentives and in accordance with IFRS
“China”, “mainland China” or “PRC”	the People’s Republic of China excluding, for the purpose of this annual report for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan

GLOSSARY

“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire”	the holder of a concession for the operation of casino games in Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Cotai Land”	a plot of land with an area of 71,833 square meters located in Cotai leased from the Macau Government for an initial term of 25 years since January 9, 2013
“Deed of Non-compete Undertakings”	the non-competition deed, dated May 17, 2011, entered into among MGM Resorts International, Pansy Ho and our Company
“Development Agreement”	the development agreement dated May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Director(s)”	the director(s) of our Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“First Renewed Development Agreement”	the first renewed Development Agreement dated December 24, 2013 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“First Renewed Master Service Agreement”	the first renewed Master Service Agreement dated December 24, 2013 entered into between Shun Tak and MGM Grand Paradise
“First Renewed MGM Marketing Agreement”	the first renewed MGM Marketing Agreement dated December 24, 2013 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company

“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the Macau Government to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Pansy Ho
“gross gaming revenue” or “gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions, complimentaries 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, complimentaries 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
“Group Reorganization”	the Company and MGM Grand Paradise entered into a contribution and share issuance agreement with Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. on April 13, 2011 as part of a group reorganization to rationalize the structure of the Company, MGM Grand Paradise and its subsidiaries in preparation for the listing of the Company’s Shares
“HIBOR”	Hong Kong InterBank Offer Rate

GLOSSARY

“high value main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer loyalty programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Independent Third Party(ies)”	parties which are not connected persons of our Company within the meaning of the Listing Rules
“IPO Prospectus”	the IPO Prospectus of the Company published on May 23, 2011 in connection with the Listing
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau
“Macau Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Grand Paradise and our Company
“Master Service Agreement”	the master service agreement dated October 8, 2010 entered into between Shun Tak Group and MGM Grand Paradise
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“MGM Branding”	MGM Branding and Development Holdings, Ltd., a company incorporated in the BVI and jointly wholly-owned, directly or indirectly, by MGM Resorts International and Pansy Ho in equal portions
“MGM COTAI”	our another integrated casino, hotel and entertainment complex on the Cotai Land
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“sociedade anónima”) incorporated on June 17, 2004 under the laws of Macau, one of three Sub-Concessionaires and one of our subsidiaries
“MGM Growth Properties”	MGM Growth Properties LLC, a Delaware corporation listed on the New York Stock Exchange under the ticker symbol MGP, a real estate investment trust (REIT) and an associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance)
“MGM MACAU”	the resort and casino property in Macau owned by MGM Grand Paradise

GLOSSARY

“MGM Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company
“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
“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
“Pataca” or “MOP”	Macau Pataca, the lawful currency of Macau
“Purchase Note”	a note that represents an amount due from MRIH to the Company that will be paid in cash upon consummation of the Listing
“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
“Second Renewed Development Agreement”	the second renewed Development Agreement dated December 12, 2016 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Second Renewed Master Service Agreement”	the second renewed Master Service Agreement dated December 12, 2016 entered into between Shun Tak and MGM Grand Paradise

“Second Renewed MGM Marketing Agreement”	the second renewed MGM Marketing Agreement dated December 12, 2016 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company
“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
“Shun Tak”	Shun Tak Holdings Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange (stock code: 0242)
“Shun Tak Group”	Shun Tak and its subsidiaries/associated companies
“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” or “Sub-Concession Contract”	the tripartite Sub-Concession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
“Sub-Concessionaire(s)”	the holder(s) of a sub-concession for the operation of casino games in Macau

GLOSSARY

“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“VIP clients” or “VIP players”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitation”	with respect to visitation of our properties, the number of times our properties are entered during a fixed time period. Estimates of the number of visits to our properties are based 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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