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

**MGM CHINA HOLDINGS LIMITED**

**美高梅中國控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 2282)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

The Board of MGM China Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended June 30, 2018 as follows:

**FINANCIAL HIGHLIGHTS**

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

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

## **DIVIDENDS**

The Board is pleased to declare the payment of an interim dividend of HK\$0.064 per Share (the “Interim Dividend”), amounting to approximately HK\$243.2 million in aggregate, representing approximately 34.5% of the Group’s profit attributable to owners of the Company for the six months ended June 30, 2018. The register of members will be closed from August 23, 2018 to August 27, 2018, both days inclusive, for the purpose of ascertaining the members who are entitled to the Interim Dividend. This Interim Dividend is expected to be paid on or about September 10, 2018 to the Shareholders whose names would appear on the register of members on August 27, 2018. The Board has resolved to declare the Interim Dividend after reviewing the Group’s general financial position as at August 8, 2018, its capital requirements going forward and other factors that the Board considered relevant, and determined that the Group had sufficient resources after the payment of the Interim Dividend to finance its operations and expansion of its business. The Interim Dividend should not be taken as an indication of the level of profit or dividend for the full year.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

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

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>At June 30</b>	At December 31
	<b>2018</b>	2017
<i>NOTES</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
<b>ASSETS</b>		
Non-current assets		
Property and equipment	27,406,717	3,027,253
Construction in progress	1,985,612	26,093,051
Sub-concession premium	222,125	285,053
Land use right premium	1,156,529	1,190,947
Other assets	370,197	167,297
Prepayments, deposits and other receivables	66,722	31,819
	<b>31,207,902</b>	30,795,420
Total non-current assets		
Current assets		
Inventories	170,981	135,776
Trade receivables	9 180,495	179,827
Prepayments, deposits and other receivables	168,888	142,249
Land use right premium	69,406	69,406
Amounts due from related companies	354	437
Bank balances and cash	3,518,629	5,283,387
	<b>4,108,753</b>	5,811,082
Total current assets		
<b>TOTAL ASSETS</b>	<b>35,316,655</b>	36,606,502

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

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, and in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”).

The condensed consolidated financial statements have been prepared on a going concern basis. As at June 30, 2018, the Group had net current liabilities of approximately HK\$6,263.9 million. The Group has prepared a cash flow forecast which involves judgments and estimations based on management’s input of key variables and market conditions including the future economic conditions, increased competition in Macau, expected changes in the regulatory environment and the growth rates of the Macau gaming market. The cash flow forecast has been determined using estimations of future cash flows based on projected income and expenses of the business and working capital needs. The Group believes it has sufficient liquidity based on the available credit facilities (see note 10) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

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

#### **IFRS 9 *Financial Instruments***

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

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

### *Impairment of financial assets*

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

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

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

### *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:

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

## **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 3 for these disclosures. The Group adopted IFRS 15 on January 1, 2018, on a full retrospective basis.

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.

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

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

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

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

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

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

## 2. SEGMENT INFORMATION

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

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

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

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

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

<sup>(1)</sup> 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.

### 3. CASINO AND OTHER REVENUE

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

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

Other revenue comprises:

	<b>Six months ended June 30</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Hotel rooms	<b>414,525</b>	212,920
Food and beverage	<b>383,075</b>	177,664
Retail and other <sup>(1)</sup>	<b>78,583</b>	29,351
	<hr/>	<hr/>
	<b>876,183</b>	419,935
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*Note:* The Company adopted the new revenue recognition accounting standard (“IFRS 15”), effective January 1, 2018. Certain prior period amounts have been retrospectively adjusted under IFRS 15.

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

## Contract and Contract Related Liabilities

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

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

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

## 4. OTHER EXPENSES AND LOSSES

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

## 5. FINANCE COSTS

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

## 6. INCOME TAX BENEFIT/(EXPENSE)

	<b>Six months ended June 30</b>	
	<b>2018</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current income tax benefit/(expense):		
Macau Dividend Withholding Tax	<b>(14,418)</b>	—
Mainland China Income Tax	<b>(368)</b>	(156)
Hong Kong Profits Tax	<b>(57)</b>	—
Over provision in prior year	<b>59</b>	—
	<hr/>	<hr/>
	<b>(14,784)</b>	(156)
Deferred tax:		
Current period	—	(174,056)
Reversal of deferred tax liability previously recognized	<b>317,147</b>	—
	<hr/>	<hr/>
	<b>302,363</b>	(174,212)
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Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for income generated from gaming operations for the period from January 1, 2017 to March 31, 2020. MGM Grand Paradise's non-gaming profit and the Group's other subsidiaries that carry on business in Macau remain subject to the Macau Complementary Tax, which is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the current and prior periods.

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

Pursuant to an extended tax concession arrangement issued by the Macau Government, MGM Grand Paradise paid dividend withholding tax for each of the years ended December 31, 2012 through 2016 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profits. In 2017, MGM Grand Paradise made an application to the Macau Government for another extension of the tax concession arrangement for an additional five years. As at June 30, 2017 and December 31, 2017, this application was still being processed and subject to approval by the Macau Government. The Company had reviewed its position and considered that cash dividends would be distributed to the shareholders of MGM Grand Paradise in the foreseeable future. Consequently, a deferred tax charge and a corresponding liability of HK\$174.1 million and HK\$317.1 million pertaining to the distributable profit of MGM Grand Paradise for six months ended June 30, 2017 and year ended December 31, 2017, was recognized respectively.

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

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

## **7. 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 February 20, 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.

## **8. EARNINGS PER SHARE**

The calculation of the basic earnings per Share for the six months ended June 30, 2018 and 2017 is based on the consolidated profit attributable to owners of the Company and the weighted average number of Shares in issue during the period.

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

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

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

## 9. TRADE RECEIVABLES

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

Trade receivables mainly consist of casino receivables. The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based on pre-approved credit limits. The Group also issues markers and credit to approved gaming customers (“VIP gaming customers”) following background checks and investigations of creditworthiness. The Group allows a credit period up to 30 days on issuance of markers to gaming promoters and 14 days to VIP gaming customers. Trade receivables are unsecured and non-interest bearing. The carrying amount of the trade receivables approximates their fair value.

The following is an analysis of trade receivables, net of allowance for doubtful debts, by age presented based on marker issuance date or invoice date:

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

#### 10. BANK BORROWINGS

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

## **Overview**

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

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

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

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

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

## **Principal and Interest**

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

## **General Covenants**

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

## **Financial Covenants**

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

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

## **Compliance with Covenants**

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

## **Mandatory Prepayments**

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

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

## **Dividend Restrictions**

Under the Fifth Supplemental Agreement, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million (equivalent to approximately HK\$1.2 billion), including any dividends paid during the preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million (equivalent to approximately HK\$2.3 billion), including any dividends paid during the preceding 12-month period. As at June 30, 2018, our leverage ratio was approximately 3.59.

## **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.

## 11. PAYABLES AND ACCRUED CHARGES

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

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

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

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

### **MGM MACAU**

MGM MACAU opened in December 2007. The casino floor offers approximately 34,404 square meters, with 1,063 slot machines, 342 gaming tables, and multiple VIP and private gaming areas as at June 30, 2018. The hotel comprises a 35-storey tower with 582 deluxe rooms, suites and villas. In addition, the resort offers luxurious amenities, including 8 diverse restaurants, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. MGM MACAU is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

### **MGM COTAI**

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

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

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

### **Our Competitive Strengths and Operating Strategies**

We have a number of competitive strengths including:

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

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

- Make enhancements and refinements in our resorts such as the key gaming areas to enhance traffic flow and capture more high-end mass business;
- Review our business relationship with each of our gaming promoters and identify potential gaming promoters to grow our VIP business;
- Develop and diversify our offerings to cater to different market segments;

- Introduce innovative gaming products and technologies to enhance customer experience and maintain competitive advantage;
- Develop our Mlife customer loyalty program in order to increase brand awareness and customer loyalty;
- Work on technologies to enhance our analytical capability for operations and marketing to deliver personalized marketing programs;
- Manage our gaming mix by evaluating table yield and the number of table open hours in relation to business volume and maximize our table utilization and profitability;
- Bring world class arts and culture to entertain the local community and drive international visitation; and
- Invest in professional and service training to our employees with the goal of building a culture of excellence in executing customer experience.

### **Macau Gaming Market**

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

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

- The introduction of smoking restrictions on mass gaming floors implemented in October 2014;
- Extension of smoking restriction from mass gaming floors to VIP areas effective on January 1, 2018 which requires smoking lounges to be set up in all VIP areas and the existing smoking lounges in the mass gaming floors to be upgraded to comply with the enhanced technical standards within a one-year transition period after the effective date;
- Certain political initiatives introduced by the China and Macau Governments, including an anti-corruption campaign, currency transfer restrictions and a border currency declaration system. This particularly affected the number of high-end or premium players visiting the Group's VIP, main floor and slot machine gaming operations; and

- Tightened regulations on financial accounting, anti-money laundering reporting and accounting records required to be maintained for gaming promoters (started in the fourth quarter of 2015) and a ban on mobile telephone usage at VIP gaming tables from May 2016. These changes particularly impacted the Group's VIP gaming performance.

## **Tourism**

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

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

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

## **Competition**

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

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

### **Segment Information**

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

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

### **Adjusted EBITDA**

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

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

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

<sup>(1)</sup> 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 six months ended June 30, 2018 compared to financial results for the six months ended June 30, 2017

#### Operating Revenue

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

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

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

<sup>(1)</sup> MGM COTAI opened on February 13, 2018.

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

## Summary Statistics

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

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

	<b>As at June 30</b>	
	<b>2018</b>	2017
	<b>(unaudited)</b>	(unaudited)
Gaming Units:		
Tables <sup>(2)</sup>	<b>342</b>	427
Slot machines	<b>1,063</b>	990
<b>MGM COTAI<sup>(3)</sup></b>		<b>For the</b>
		<b>six months</b>
		<b>ended</b>
		<b>June 30 2018</b>
(in thousands, except for number of gaming units, percentage, and REVPAR)		<b>HK\$'000</b>
		<b>(unaudited)</b>
VIP table games turnover		<b>5,436,607</b>
VIP gross table games win <sup>(1)</sup>		<b>139,879</b>
VIP table games win percentage (calculated before commissions, complimentaries and other incentives)		<b>2.57%</b>
Average daily gross win per VIP gaming table		<b>89.7</b>
Main floor table games drop		<b>8,182,902</b>
Main floor gross table games win <sup>(1)</sup>		<b>1,559,321</b>
Main floor table games win percentage		<b>19.1%</b>
Average daily gross win per main floor gaming table		<b>67.9</b>
Slot machine handle		<b>8,348,660</b>
Slot machine gross win <sup>(1)</sup>		<b>320,913</b>
Slot hold percentage		<b>3.8%</b>
Average daily win per slot		<b>2.0</b>
Commissions, complimentaries and other incentives <sup>(1)</sup>		<b>(297,612)</b>
Room occupancy rate		<b>88.6%</b>
REVPAR		<b>1,218</b>

**As at June 30**  
**2018**  
**(unaudited)**

Gaming Units:

Tables <sup>(2)</sup>	<b>185</b>
Slot machines	<b>1,147</b>

<sup>(1)</sup> 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, complimentary and other incentives. The following table sets forth a reconciliation of the gaming wins to casino revenue.

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

<sup>(2)</sup> Table count as at June 30, 2018 and 2017.

<sup>(3)</sup> MGM COTAI opened on February 13, 2018.

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

## **Casino Revenue**

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

### ***VIP Gaming Operations***

#### *Gaming Promoters*

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

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

In exchange for their services, we compensate the gaming promoters by paying them a commission based on a percentage of the gross table games win or a percentage of the table games turnover they generate. The commission is settled on a monthly basis normally no later than the second business day of the succeeding month and prior to the re-issuance of credit.

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

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

#### *In-house VIP players*

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

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

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

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

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

### ***Main Floor Table Gaming Operations***

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

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

### ***Slot Machine Gaming Operations***

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

### **Other Revenue**

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

### ***Non-gaming Attractions and Branding Activities***

We recognize the importance of brand awareness in growing our business. We have enhanced our marketing activities to take advantage of our internationally recognized brand. Brand-building initiatives are driven through promotions, events, strategic alliances and public relation activities. In the first half of 2018, we have brought two new art exhibitions into MGM MACAU including the "Giraffe-ic Park" and "ART IS PLAY" to support our goals of diversification and driving incremental visitors into our resorts.

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

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

## Operating Costs and Expenses

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

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

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

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

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

### *Inventories consumed*

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

### *Staff costs*

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

### ***Other expenses and losses***

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

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

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

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

### ***Depreciation and amortization***

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

### ***Finance costs***

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

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

### ***Income tax (benefit)/expense***

Income tax benefit for the six months ended June 30, 2018 primarily relates to the reversal of HK\$302.7 million difference between the deferred tax liability of HK\$317.1 million provided on the distributable profit of MGM Grand Paradise, calculated at the applicable statutory rate at December 31, 2017, and the amount granted by the Macau Government under the extended tax concession arrangement in the first quarter of 2018. Details of income tax (benefit)/expense are set out in note 6 to the condensed consolidated financial statements.

### **Profit attributable to owners of the Company**

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

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Capital Resources**

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

### **Gearing Ratio**

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises bank borrowings, net of debt finance costs, less bank balances and cash. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group's gearing ratio as at June 30, 2018 and December 31, 2017.

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

### **Group Cash Flows**

The following table presents a summary of the Group's cash flows for the six months ended June 30, 2018 and 2017.

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

### ***Net cash generated from operating activities***

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

### ***Net cash used in investing activities***

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

### ***Net cash (used in)/generated from financing activities***

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

### **Capital Commitments**

As at June 30, 2018, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the condensed consolidated financial statements:

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

## **Contingent Liabilities**

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

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

## **Indebtedness**

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

## **Term Loan Facility and Revolving Credit Facility**

### ***Overview***

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

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

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

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

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

### ***Principal and Interest***

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

### ***General Covenants***

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

### ***Financial Covenants***

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

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

### ***Compliance with Covenants***

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

### ***Mandatory Prepayments***

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

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

### ***Dividend Restrictions***

Under the Fifth Supplemental Agreement, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million (equivalent to approximately HK\$1.2 billion), including any dividends paid during the preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million (equivalent to approximately HK\$2.3 billion), including any dividends paid during the preceding 12-month period. As at June 30, 2018, our leverage ratio was approximately 3.59.

### ***Events of Default***

The Fifth Supplemental Agreement contains certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Fifth Supplemental Agreement, a divestment of holdings in the Company by MGM Resorts International below 50% control or any holdings in MGM Grand Paradise by the Company would constitute a change of control and trigger mandatory prepayment of the outstanding loan balances.

### ***Security and Guarantees***

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

## **MARKET RISK**

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

### **Foreign Exchange Risk**

The Group's principal operations are primarily conducted and recorded in HK\$. The financial statements of foreign operations are translated into HK\$ which is the Company's functional and presentation currency. The cash received from gaming activities is primarily in HK\$. The Group reports gross gaming win to the Macau Government in MOP and gaming taxes are paid in HK\$. Our operating expenses and capital expenditures are primarily denominated in MOP and HK\$. MOP is pegged to the HK\$ at a constant rate and accordingly we do not expect fluctuations in

the values of these currencies to have a material impact on our operations. The Group holds bank balances and deposits denominated in foreign currencies, and consequently exposure to exchange rate fluctuations arise. The majority of our foreign currency exposure comprises assets denominated in Singapore Dollars, US\$, Taiwan Dollars, Renminbi and Canadian Dollars. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates.

### **Interest Rate Risk**

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

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

### **OFF BALANCE SHEET ARRANGEMENTS**

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

### **OTHER LIQUIDITY MATTERS**

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

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at June 30, 2018, MGM Grand Paradise employed 10,126 full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM MACAU, shared service operations and MGM COTAI team members.

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

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

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

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

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

On August 8, 2018, the Directors recommended and declared payment of an Interim Dividend of HK\$0.064 per Share, amounting to approximately HK\$243.2 million in aggregate, representing approximately 34.5% of the Group's profit attributable to owners of the Company for the six months ended June 30, 2018.

The register of members of the Company will be closed from August 23, 2018 (Thursday) to August 27, 2018 (Monday), both days inclusive, during which period no transfer of Shares of the Company will be effected, for the purpose of ascertaining the members who are entitled to the Interim Dividend. In order to qualify for the Interim Dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on August 22, 2018.

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

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

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

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

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

## **CORPORATE GOVERNANCE PRACTICES**

The Directors recognize the importance of good corporate governance in the management of the Group. During the six months from January 1, 2018 to June 30, 2018, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

## **COMPLIANCE WITH COMPANY’S CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND OFFICERS**

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

## **REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Group’s unaudited condensed consolidated financial statements for the reporting period have been reviewed by the Company’s Audit Committee members, being Russell Francis Banham (Chairperson), Daniel J. D’Arrigo, Zhe Sun, Peter Man Kong Wong and Kenneth Xiaofeng Feng\* and by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

\* Kenneth Xiaofeng Feng was appointed as a Non-executive Director and member of the Audit Committee on May 24, 2018.

## **PUBLICATION OF INTERIM REPORT**

The Company’s interim report for the six months ended June 30, 2018 containing all the relevant information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to Shareholders and published on the websites of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.mgmchinaholdings.com](http://www.mgmchinaholdings.com)) in due course.

## DEFINITIONS AND GLOSSARY USED IN THIS ANNOUNCEMENT

“Board”	the board of Directors of our Company
“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” or “mainland China”	the People’s Republic of China excluding, for the purpose of this announcement for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire”	the holder of a concession for the operation of casino games in Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Cotai Land”	a plot of land with an area of 71,833 square meters located in Cotai leased from the Macau Government for an initial term of 25 years since January 9, 2013
“Director(s)”	the director(s) of our Company

“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“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
“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
“HIBOR”	Hong Kong InterBank Offer Rate

“high value main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer loyalty programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau

“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“MGM COTAI”	our another integrated casino, hotel and entertainment complex on the Cotai Land
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Sub-concessionaires and one of our subsidiaries
“MGM MACAU”	the resort and casino property in Macau owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“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

“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“slot machine gross win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of complimentary and other incentives
“Sub-Concession” or “Sub-Concession Contract”	the tripartite Sub-Concession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
“Sub-Concessionaire(s)”	the holder(s) of a sub-concession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)

“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“VIP clients” or “VIP players”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitation”	with respect to visitation of our properties, the number of times our properties are entered during a fixed time period. Estimates of the number of visits to our properties are based on information collected from digital cameras placed above every entrance to our properties capable of counting visitors (including repeat visitors) to our properties on a given day
“%”	per cent

By Order of the Board

**James Joseph Murren**

*Chairperson and Executive Director*

**Pansy Catilina Chiu King Ho**

*Co-chairperson and Executive Director*

Hong Kong, August 8, 2018

*As at the date of this announcement, our directors are James Joseph MURREN, Pansy Catilina Chiu King HO, Chen Yau WONG, William Joseph HORNBuckle and Grant R. BOWIE as executive directors, William M. SCOTT IV, Daniel J. D'ARRIGO and Kenneth Xiaofeng FENG as non-executive directors and Zhe SUN, Sze Wan Patricia LAM, Peter Man Kong WONG and Russell Francis BANHAM as independent non-executive directors.*