

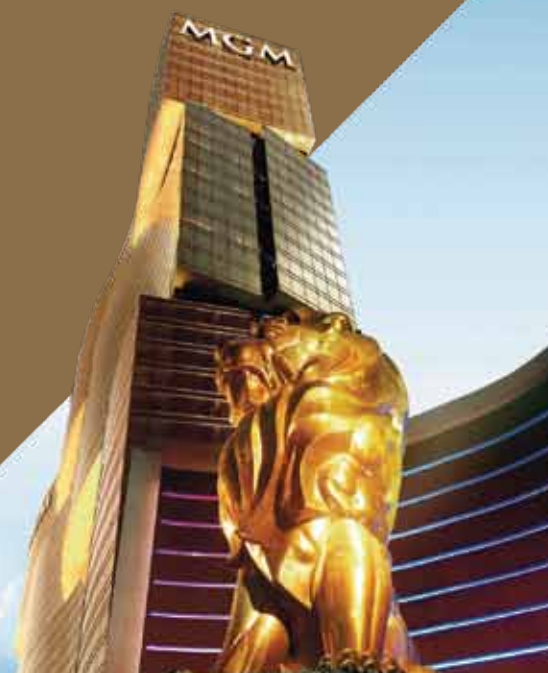
MGM CHINA HOLDINGS LIMITED
美高梅中國控股有限公司

MGM

ANNUAL REPORT OF 2017

MGM China Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2282



MGM COTAI



MGM MACAU

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

William M. Scott IV
 Daniel J. D'Arrigo
 Kenneth A. Rosevear (*resigned on 14 February 2018*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Antonio Jose Menano

AUTHORIZED REPRESENTATIVES

Antonio Jose Menano
 William M. Scott IV

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law:
 Herbert Smith Freehills
 23rd Floor, Gloucester Tower, 15 Queen's Road Central
 Hong Kong

As to Macau law:
 DSL Lawyers
 Avenida da Praia Grande no. 409
 China Law Building 16th Floor
 Macau

REGISTERED OFFICE IN CAYMAN ISLANDS

190 Elgin Avenue
 George Town
 Grand Cayman KY1-9005
 Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN MACAU

Avenida Dr. Sun Yat Sen, Edifício MGM MACAU
 NAPE, Macau

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

1402 China Merchants Tower
 200 Connaught Road
 Central, Hong Kong

HONG KONG LISTED SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai, Hong Kong

CAYMAN ISLANDS UNLISTED SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
 190 Elgin Avenue
 George Town, Grand Cayman KY1-9005
 Cayman Islands

COMPANY WEBSITE

www.mgmchinaholdings.com

STOCK CODE

2282

FINANCIAL HIGHLIGHTS

	For the year ended	
	December 31	
	2017	2016
	HK\$'000	HK\$'000
Casino revenue	15,053,622	14,606,066
Other revenue	302,384	301,402
Total revenue	15,356,006	14,907,468
Adjusted EBITDA (unaudited)	4,587,435	4,491,838
Operating profit	2,624,201	3,099,117
Profit for the year attributable to owners of the Company	2,320,185	3,036,508
Earnings per Share		
— Basic	HK61.1 cents	HK79.9 cents
— Diluted	HK60.9 cents	HK79.9 cents



CHAIRPERSON'S STATEMENT

Looking forward to 2018, this is a new chapter for our Company as we open MGM COTAI, our second integrated resort in Macau and more than double our footprint in the market. MGM COTAI will soon be recognized as one of the most innovative integrated resorts not only in Macau, but also in the world, delivering on our promise to Macau and China to support the development of Macau as a global tourism destination.

CHAIRPERSON'S STATEMENT



JAMES JOSEPH MURREN
Chairperson



Dear Shareholders,

2017 was a year of growth in Macau with gross gaming revenue in the Macau market increasing 19% year-over-year to HK\$258.0 billion. The market continued to ramp as the year went on despite increasingly more difficult comparisons in the second half of the year thanks to the recovery of high-end demand and an improving macro environment.

VIP gaming revenues in the Macau market grew approximately 25% in 2017 and mass gaming growth was also solid, improving by approximately 14% year-over-year. This improving market provided a favorable position for the operations of MGM MACAU and the launch of MGM COTAI in February 13, 2018.

At MGM China our operations at MGM MACAU were encouraging as mass gaming revenue growth accelerated in the fourth quarter by approximately 23% sequentially and approximately 22% year-over-year, despite tougher comps. We believe the market's increase in hotel supply, longer length of stay and the recovery of high-end demand collectively contributed to the mass segment improvement we experienced this year.

Our team is continuously focused on profitability, managing our cost base, gaming floor and room yields. Our operations at MGM MACAU experienced revenue growth of 3% and adjusted EBITDA growth of 2% year-over-year. Margin remained steady and healthy at 30%.

CHAIRPERSON'S STATEMENT



We have reinvested in MGM MACAU with six retail store additions in 2017, the redesign and launch of Square Eight to Square Eight North and South focusing on the specific cuisines of Northern and Southern China as well as bringing two new Art Exhibitions to the Art Space at MGM MACAU: “A Golden Way of Life – Très’Ors” and “Learn and Play! teamLab Future Park,” supporting our goal of investing diversification and in driving incremental visitors to our resort.

In 2017, we celebrated 10 years of operations in Macau and thanked the 1,900 employees who have been with us since the beginning, for a decade of commitment and loyalty. Without the dedication of our employees, we would not be able to achieve all of our successes. Our brand promise is to make great moments happen for all our stakeholders. With respect to our employees, we honor this promise through providing a great place to work, develop and reach one’s full potential.



The future of the Macau market continues to be bright. Major infrastructure upgrades are underway and other supportive policies are expected to support the expansion of the mass market. The Hong Kong-Zhuhai-Macau Bridge is particularly promising. The 55km bridge connects Hong Kong to Macau and Zhuhai in Mainland China and will significantly reduce travel times in the region and improve accessibility when it opens in the back half of 2018.

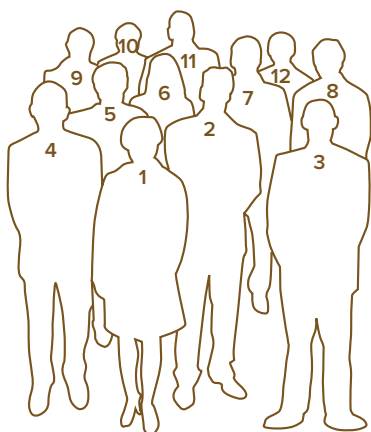
Looking forward to 2018, this is a new chapter for our Company as we open MGM COTAI, our second integrated resort in Macau and more than double our footprint in the market. MGM COTAI will soon be recognized as one of the most innovative integrated resorts not only in Macau, but also in the world, delivering on our promise to Macau and China to support the development of Macau as a global tourism destination.

We look forward to a spectacular 2018 with MGM China.

Jim Murren

Chairperson

DIRECTORS AND SENIOR MANAGEMENT



- | | |
|-------------------|--------------------|
| 1. Pansy Ho | 7. Bill Hornbuckle |
| 2. Jim Murren | 8. Zhe Sun |
| 3. Grant R. Bowie | 9. Ken Rosevear |
| 4. Russell Banham | 10. Peter Wong |
| 5. CY Wong | 11. William Scott |
| 6. Patti Lam | 12. Dan D'Arrigo |

MEMBERS OF OUR BOARD

Executive Directors

James Joseph Murren, aged 56, is the Chairperson and an Executive Director of the Company. Mr. Murren is the Chairman and Chief Executive Officer of MGM Resorts International. He has served as a director of MGM Grand Paradise since January 19, 2010. Since April 22, 2016, Mr. Murren also serves as Chairman of the Board of MGM Growth Properties LLC, a real estate investment fund listed in the New York Stock Exchange that is engaged in the acquisition, ownership and leasing of large-scale destination entertainment and leisure resorts, whose diverse amenities include casino gaming, hotel, convention, dining, entertainment and retail offerings. In 1998, Mr. Murren joined MGM Grand Inc. (a predecessor of MGM Resorts International) as Chief Financial Officer and a member of the board. He completed significant acquisitions over the next seven years, overseeing the transformation of MGM Resorts International into one of the world's leading gaming companies. In 1999, the board promoted Mr. Murren to President and then to Chief Operating Officer in 2007. As Chief Financial Officer, Mr. Murren directed the implementation of an extensive reorganization of MGM Grand Inc. and started the development of CityCenter. Before he joined MGM Grand Inc., Mr. Murren served as a Managing Director of U.S. Equity Research at Deutsche Bank AG. Mr. Murren graduated with a Bachelor's degree in art history and urban studies from Trinity College, Hartford in 1983. Prior to joining the board of MGM Grand Paradise, Mr. Murren was involved in the design, development, financing, management and operations of MGM Grand Paradise.

Pansy Catilina Chiu King Ho, JP, aged 55, is the Co-Chairperson, an Executive Director and a member of the Remuneration Committee of the Company. Ms. Ho is the Managing Director of Shun Tak Holdings Limited, a leading business conglomerate listed on the Hong Kong Stock Exchange, a position she has held since 1999. In June 2017, she was appointed as Group Executive Chairman of Shun Tak Holdings Limited. She has served as a director of MGM Grand Paradise since June 1, 2005. Ms. Ho is also a director of a number of privately held companies, including Grand Paradise Macau Limited, Grand Paradise Grupo S.A., New Corporate Enterprises Limited, Bright Elite Holdings Limited and Grand Paradise Group (HK) Limited. In addition, Ms. Ho is the Vice Chairman and an Executive Director of the board of directors of Macau International Airport Company Limited and an independent non-executive director of Sing Tao News Corporation Limited which is listed on the Hong Kong Stock Exchange. She is also a Chairperson of Hong Kong Federation of Women. In China, she is also a Standing Committee Member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a Standing Committee Member of the All-China Federation of Industry and Commerce, and a Vice President of its Women's Chamber and Chamber of Tourism. In Macau, Ms. Ho is a member of the Government of Macau SAR Tourism Development Committee, Committee Member of the Committee for Cultural Industries and Committee for Women and Children Affairs, the Chairperson of Global Tourism Economy Research Centre, the Vice Chairperson and Secretary-General of Global Tourism Economy Forum, a Vice President of the Macau Chamber of Commerce and a Vice Chairperson of Macau Convention & Exhibition Association. Internationally, she is also an Executive Committee Member of the World Travel & Tourism Council and a member of Sotheby's International Council. Ms. Ho was appointed as Honorary Professor of School of Political Communication, Central China Normal University in November 2013, she was appointed as Honorary Fellowship from the Hong Kong Academy for Performing Arts and University of Hong Kong in June 2014 and September 2015 respectively, and appointed as Justices of Peace in July 2015. Ms. Ho graduated with a Bachelor's degree in marketing and international business management from the University of Santa Clara in the United States.

DIRECTORS AND SENIOR MANAGEMENT

Chen Yau Wong, aged 64, is an Executive Director and a member of the Nomination and Corporate Governance Committee of the Company. Mr. Wong is a director of MGM Grand Paradise, a position he has held since September 2007. Mr. Wong was a director of Grand Paradise Group (HK) Limited from December 2014 and retired in June 2016 and Grand Paradise Grupo S.A. from January 2005 and retired in June 2016. Prior to that, Mr. Wong was appointed by Shun Tak Holdings Limited as a financial advisor and operations controller between 2000 and 2007. Mr. Wong qualified as a chartered accountant in England and Wales in 1980 and graduated with a Bachelor's degree in mechanical engineering science from the University of Salford in the United Kingdom.

William Joseph Hornbuckle, aged 60, is an Executive Director and a member of the Remuneration Committee of the Company. He also serves as a director of MGM Grand Paradise with operations and resorts in Macau since November 16, 2009. A 39-year veteran of the gaming industry, Mr. Hornbuckle currently serves as President of MGM Resorts International. Mr. Hornbuckle also serves as Director of MGM Growth Properties LLC. In this capacity, one of his main roles is to serve as the Company's Chief Construction Design and Development Officer. He is also in charge of the global expansion efforts of the Company through its gaming development and MGM Hospitality divisions. In addition, Mr. Hornbuckle oversees the Company's Entertainment team in creating a synergistic approach for the Company's entertainment programming. He also serves as a key operational liaison to the Chief Executive Officer and Chief Operating Officer on all matters of operational significance. Mr. Hornbuckle was previously Chief Marketing Officer of MGM Resorts International from 2009 until 2012. From April 2005 until August 2009, Mr. Hornbuckle served as President and Chief Operating Officer of Mandalay Bay Resort & Casino in Las Vegas. He also served as President and Chief Operating Officer of MGM Grand Las Vegas from 1998 to 2001. Prior to MGM Grand Las Vegas, Mr. Hornbuckle served as President and Chief Operating Officer for Caesars Palace, Las Vegas. Mr. Hornbuckle is a graduate of the University of Nevada, Las Vegas and has a Bachelor of Science degree in Hotel Administration. He serves on the Board of Advisors of the Andre Agassi Foundation, the Board of Trustees for Three Square Food Bank and is a Founder of the Bank of George. Previously, Mr. Hornbuckle served on the boards for the United Way of Southern Nevada and the University of Nevada, Las Vegas Foundation. From 1999 to 2003, he also served as a Board Member of the Las Vegas Convention and Visitors Authority.

Grant R. Bowie, aged 60, is the Chief Executive Officer and an Executive Director of the Company. Mr. Bowie is responsible for the overall management, strategic development and expansion of the Company including the direction and operations of MGM MACAU and MGM COTAI, the latest addition to the MGM portfolio in China. Mr. Bowie joined MGM Grand Paradise in August 1, 2008 as President. Prior to this, he was President and General Manager of Wynn Resorts (Macau) S.A. from 2003 to 2007. Before coming to Macau, Mr. Bowie spent 16 years with Park Place Entertainment Corporation in Australia, holding senior positions in gaming, general finance and hotel operations. His last position held was Area Senior Vice President for Park Place Entertainment Corporation overseeing their Australian operations. Mr. Bowie was educated in New Zealand and obtained a Bachelor's degree in Commerce from the University of Otago in 1980. He was recognized by leading financial publication "Institutional Investor" as "Best CEO" in the All-Asia Executive Team survey for three consecutive years from 2015 to 2017. He is currently a Governor of the American Chamber of Commerce in Macau, a Member to Advisory Board of the Institute for the Study of Commercial Gaming at University of Macau and an adjunct professor of Tourism and Leisure Management at University of Queensland. Previously, he was a member of Australian Federal Government's Tourism Forecasting Council, Chairman of Queensland's Responsible Gambling Advisory Committee and a member of the National Advisory Body on Gambling.

Non-executive Directors

William M. Scott IV, aged 57, is a Non-executive Director and a member of the Nomination and Corporate Governance Committee of the Company since March 16, 2011. Mr. Scott also served as President of MGM Asia Pacific and its corporate predecessors since June 2014 and is the executive director and General Manager of Diaoyutai MGM Hospitality, Ltd., the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the PRC government) for the development of hospitality resources in Greater China. Previously, Mr. Scott served as an Executive Vice President-Corporate Strategy and Special Counsel of MGM Resorts International and various executive positions with that company from August 2009 to June 2014. From 1986 to 2009, Mr. Scott practiced law with firm Sheppard, Mullin, Richter & Hampton, LLP, specializing in financing transactions, being a partner of the firm commencing January 1993. Mr. Scott holds a Bachelor's degree in history from the Dartmouth College in 1982 and a Juris Doctor degree from Union University in 1985. He also obtained a Master of Laws in Banking and Financial Services Law from Boston University in 1986.

DIRECTORS AND SENIOR MANAGEMENT

Daniel J. D'Arrigo, aged 49, is a Non-executive Director and a member of the Audit Committee of the Company since April 1, 2014. Mr. D'Arrigo is the Executive Vice President and Chief Financial Officer of MGM Resorts International. He has held the positions of Executive Vice President and Chief Financial Officer since August 2007 and the position of Treasurer of MGM Resorts International since 2009 to 2016. Mr. D'Arrigo previously served as Senior Vice President-Finance of MGM Resorts International from February 2005 to August 2007 and as Vice President-Finance of MGM Resorts International from December 2000 to February 2005. Mr. D'Arrigo holds a Bachelor's degree in Business Administration from West Virginia University in 1991.

Kenneth A. Rosevear, aged 68, was a Non-executive Director of the Company until February 14, 2018 and a member of the Audit Committee of the Company until April 1, 2014. Mr. Rosevear is the President of MGM Resorts Development, LLC (a subsidiary of MGM Resorts International), a position he has held since 1995. He has served as director of MGM Grand Paradise since December 4, 2008. Prior to joining MGM Resorts International, Mr. Rosevear was the President of Development of Caesars World for two years. Mr. Rosevear was Chief Executive of Sun International Group, which operated casino resorts in southern Africa, from 1985 to 1993 and its Deputy Managing Director from 1983 to 1985. He held the position of Financial Director of Southern Sun Group from 1982 to 1983. Mr. Rosevear began his career at Price Waterhouse in 1967 and rose to partnership in 1979, a position he held until 1982. During his career, Mr. Rosevear has overseen the design, construction and development of a number of gaming resorts internationally, including MGM MACAU. Mr. Rosevear obtained a Certificate in the Theory of Accountancy from the University of the Witwatersrand, Johannesburg and was qualified as a chartered accountant by the Chartered Accountants of South Africa in 1973. Mr. Rosevear resigned as a Non-executive Director of the Company with effect from February 14, 2018 due to his planned retirement. Mr. Rosevear has confirmed that he has no disagreement with the Board and there are no other matters in relation to his resignation as a Non-executive Director of the Company which need to be brought to the attention of the shareholders of the Company.

Independent Non-executive Directors

Zhe Sun, aged 52, is an Independent Non-executive Director, the Chairperson of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination and Corporate Governance Committee of the Company since September 27, 2010. Mr. Sun is an independent non-executive director of China Resources Land Limited, a company listed on the Hong Kong Stock Exchange, a position he has held since April 18, 2017. He is a professor at the Institute for International Studies and director of the Center for U.S.-China Relations at Tsinghua University. Prior to that, he was a professor and deputy director of the Center for American Studies at Fudan University between 2000 and 2007. Professor Sun has also taught at the East Asian Institute, Columbia University and Ramapo College, New Jersey. Professor Sun is the author and editor of eighteen books on comparative politics and U.S.-China relations. He has a Bachelor's and a Master's degree in law from Fudan University in 1987 and 1989, respectively, and obtained a Doctor's degree in political science from Columbia University in 2000. He also obtained a Master of Art degree from Indiana State University in 1992.

Sze Wan Patricia Lam, aged 51, is an Independent Non-executive Director, the Chairperson of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of the Company since March 16, 2011. She is the Chairman of Sotheby's Asia and a member of the Board of Governors of the Hang Seng Management College in Hong Kong. Now based in Hong Kong, Ms. Lam previously held the post of Head of Sotheby's Private Client Services Department in London before her appointment as Chairman of Sotheby's Asia in 2004. She was also appointed as Chairman of Sotheby's Diamonds, a retail joint venture established in December 2005 between Sotheby's and Diacore. She received her Bachelor's degree in Monetary Economics from the London School of Economics in 1990 and a post graduate diploma in Asian Arts — Chinese, Japanese and Korean Arts at the School of Oriental and African Studies, London University in 1991.

DIRECTORS AND SENIOR MANAGEMENT

Peter Man Kong Wong, aged 69, is an Independent Non-executive Director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination and Corporate Governance Committee of the Company since November 30, 2012. Mr. Wong has over forty years of industrial, commercial and public service experience. He is serving as a deputy to the 12th National People's Congress of the People's Republic of China and he will continue to serve as a deputy to the 13th National People's Congress from 2018. Mr. Wong is currently the Chairman of M.K. Corporation Limited, Culture Resources Development Co., Ltd. and North West Development Limited. Mr. Wong holds a Bachelor of Science Degree from the University of California, Berkeley. He was nominated a Justice of the Peace in 1987 and was awarded Bronze Bauhinia Star in 2003 for his valuable contributions to promote public services in Hong Kong. Mr. Wong has an extensive record in public services. From 1979 to 1992, he served as a director of Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He was also a member of the Hong Kong Special Administrative Region Preparatory Committee during 1996 and 1997 and a member of the Election Committee of the Second Chief Executive of the Hong Kong Special Administrative Region in 2002. Mr. Wong currently holds directorships in a number of public companies listed on the Hong Kong Stock Exchange. He is an independent non-executive director of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Sun Hung Kai & Co., Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited and New Times Energy Corporation Limited. He is a non-executive director of Hong Kong Ferry (Holdings) Company Limited. He was an independent non-executive director of Chinney Investments, Limited from March 27, 2004 to August 25, 2017.

Russell Francis Banham, aged 64, is an Independent Non-executive Director, the Chairperson of the Audit Committee, a member of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of the Company since November 20, 2014. Mr. Banham is also a non-executive Director of Wiggins Island Coal Export Terminal Pty. Ltd (the owner and operator of a coal handling facility in Queensland Australia) and a member of the Audit and Risk Management Committee of the Queensland Audit Office (which provides audit services to the public sector of Queensland Australia) since November 2017. Mr. Banham retired from Deloitte CIS, Moscow Office in 2014, where he had been a partner since 2011. Before that, he worked from 2007 to 2011 at Deloitte CIS in Almaty, Kazakhstan, and from 2002 to 2007 he worked for Ernst and Young in Brisbane, Australia. Mr. Banham started his professional career as an auditor in 1974 working for Andersen and stayed at the Sydney Office, Australia, until 1984, from 1984 to 1985 he worked at the Andersen Los Angeles office, United States of America, and from 1985 to 2002 he worked at the Andersen Brisbane office, Australia. In his professional career in Australia, he was the lead audit partner for several clients in the gaming and hospitality industries and acquired relevant experience in these sectors. In 2016, Mr. Banham completed the Company Directors' Course of the Australian Institute of Company Directors and is a Graduate of the Australian Institute of Company Directors. He has a Bachelor of Commerce in Accounting degree, from the University of New South Wales, Sydney and is a Fellow of the Institute of Chartered Accountants in Australia.

SENIOR MANAGEMENT

John L. Shigley, aged 61, is our Chief Operating Officer of Gaming. Mr. Shigley has been with the Company since January 2014. Mr. Shigley oversees our casino operations, casino marketing, VIP marketing and VIP operations for both MGM MACAU and MGM COTAI. Mr. Shigley also oversees hotel, food and beverage operations for MGM MACAU. Having been with MGM Resorts International since 2002, Mr. Shigley brings with him a wealth of experience and accomplishments. Just prior to joining us here in Macau, he served as President and Chief Operating Officer of MGM Grand Ho Tram Beach in Vietnam. His previous experience with MGM Resorts International includes serving as Executive Vice President — Operations and Executive Vice President/Chief Financial Officer for MGM Grand Las Vegas, and Executive Vice President of New York-New York Hotel and Casino. Before joining MGM Resorts International, Mr. Shigley served as President of both Caesars Palace in Las Vegas and Primm Valley Resorts. He also held executive positions at Caesars World and Caesars Tahoe. Mr. Shigley graduated with a Bachelor of Science in Accountancy from Northern Illinois University and is also a licensed certified public accountant in the state of Nevada, USA.

Zhi Qi (Hubert) Wang, aged 50, is our Senior Vice President — Finance & Chief Financial Officer. Mr. Wang has been with the Company since July 2011. As the most senior finance executive at MGM China, Mr. Wang plays a key role in both daily operations and corporate strategies and affairs. Mr. Wang is a seasoned executive with a wealth of knowledge in the operation of integrated resorts and corporate finance. He had worked for a number of large integrated resort companies in the United States and Canada, including Caesars Entertainment Inc. and Las Vegas Sands Corporation before he joined MGM China. He held senior positions in either property operations or corporate finance in these companies. Mr. Wang has been instrumental in leading yield management and continuous improvement business initiatives. He has also successfully led the execution of key technology and business process innovations for our business. Mr. Wang holds a graduate degree in Master of Business Administration.

Antonio Jose Menano, aged 55, is our Company Secretary and Senior Vice President, Legal & General Counsel. Mr. Menano originally joined MGM Grand Paradise as Company Secretary and Director, Legal & Administrative Affairs on September 1, 2005. Before joining us, he was the director of Air Law, Air Transport & International Relations for the Civil Aviation Authority of Macau for more than ten years. In this capacity, he was responsible for negotiation of air service agreements, drafting of Macau Special Administrative Region civil aviation laws and regulations and providing legal support to the Civil Aviation Authority. Simultaneously, Mr. Menano worked as a Government Delegate in Air Macau Company Limited and previously worked in Instituto de Acção Social de Macau. He graduated with a law degree from the University of Coimbra.

DIRECTORS AND SENIOR MANAGEMENT

Yuen Ying (Wendy) Yu, aged 50, is our Senior Vice President, Human Resources with responsibilities for all HR functions at both MGM MACAU and MGM COTAI. Ms. Yu has been with the Company since July 2009 after having spent two decades being actively involved in the transformation of Macau's hospitality and human resources industries. Ms. Yu started her hospitality career with the Hyatt Regency Macau and then was hired as Human Resources Manager of Holiday Inn Macau from its pre-opening stage. Subsequently she moved and worked for an assignment in Shanghai with the New World Group. Upon returned to Macau, she left the corporate world for a one-year stint as a lecturer for the Institute of Tourism Education in Macau. She then joined the Westin Resort Macau where she held the position of Director of Human Resources and was in charge of the organizational realignment when the Westin brand was integrated into the Starwood Family. From 2003 to 2008, Ms. Yu was the Vice President of Human Resources for Wynn Resorts (Macau) S.A. as part of the opening team. Prior to joining our Company, Ms. Yu returned to Starwood Hotels and Resorts to set up their opening teams for their Sheraton and St. Regis projects in Cotai. Ms. Yu graduated with a Bachelor's degree in business administration in Personnel Management from the University of East Asia Macau (now University of Macau).

Mel Hansen, aged 51, is our Senior Vice President of Design, Development and Construction. Mr. Hansen has been with the Company since September 2011. Mr. Hansen oversees the planning and development of our expansion projects with focus on our Cotai project. Mr. Hansen is a seasoned professional with over a decade of senior management experience in casino and resort development. Since joining MGM Grand Las Vegas in 1996, Mr. Hansen was responsible for various opening and expansion projects in Las Vegas, New York and South Africa. From 2004 to 2006, he was posted to Macau as Vice President for MGM Mirage to oversee the development of MGM MACAU.

Rahul Kaushik, aged 45, is our Senior Vice President of Mlife Experience & Customer Relationship Marketing. Mr. Kaushik has been with our Company since December 2014. He oversees Mlife, our new Customer Relations & Loyalty Program, and is working to further define and deliver the Company's strategies to attract more customers and enhance the quality of relationship with our existing customers. Prior to joining our Company, Mr. Kaushik served as the Vice President of CRM & Loyalty at Sands China where he led the loyalty and customer engagement programs for their four properties in Macau. Prior to that he was the Executive Director at Wynn Las Vegas where he was responsible for revitalizing Hotel Sales & Marketing, as well as Planning & Development for the Encore Resort. Mr. Kaushik graduated with a Bachelor's degree in Engineering from Delhi College of Engineering, India, and an MBA from Southern Methodist University, Dallas, USA.

Sarah A. Rogers, aged 38, is our Senior Vice President of Strategy & Corporate Responsibility. Ms. Rogers has been with the Company since August 2015. She is responsible for leading the strategy and communication of our Company and our corporate responsibility initiatives. Prior to joining the Company, Ms. Rogers served as Vice President of Investor Relations for MGM Resorts International since 2009. In her previous role, Ms. Rogers successfully communicated MGM Resorts International's financial messaging through important projects such as US\$25 billion in capital raises, the opening of City Center and the initial public offering of MGM China. Before her career with MGM Resort International, Ms. Rogers was with the Deutsche Bank Securities, Inc, in New York from 2002 to 2009, where she held various positions in institutional equities and fixed income. Ms. Rogers is a graduate of the American University of Paris, with a Bachelor of Arts in International Business Administration.

Scott L. Wessel, age 46, is our Senior Vice President, Digital and Technology Solutions. Mr. Wessel has been in this position since 2013. He currently oversees all aspects of the Technology/Digital environment and provides executive oversight/direction for all technological, infrastructure, application, and digital solutions as well as the information security program at both MGM MACAU and MGM COTAI. Previously, Mr. Wessel spent over 20 years at MGM Resorts International, which included a 4-year assignment in Macau. During his time with MGM in Las Vegas, Nevada, USA, he held various management positions in Information Technology such as Director, Application Support, Director, Program Management & Executive Director, Information Technology Strategy. During this time, he was responsible for overseeing the governance of a US\$20 million project portfolio as well as the direct management and oversight of a US\$125 million capital budget for a multi-faceted hotel/casino/retail/residential project in Las Vegas. From 2006-2008, during the planning and opening stages of MGM MACAU, Mr. Wessel was in the role of Director, Information Technology directing all facets of the technology implementation. He rejoined MGM MACAU as our Vice President of Information Technology in 2011 and in 2013, he became the Senior Vice President, Digital & Technology Solutions for MGM China. Mr. Wessel has a Bachelor Degree in Hotel Administration from the University of Nevada, Las Vegas and a Masters in Information Technology from American Intercontinental University.

Michael G. Holubowskyj, aged 53, is our Senior Vice President of Security & Safety. Mr. Holubowskyj has been with the Company since November 2008. He is responsible for overseeing all security and safety operations and risk management processes in MGM MACAU and MGM COTAI. Mr. Holubowskyj has 31 years of experience in the security and policing field. Before joining our Company, Mr. Holubowskyj was the Head of Security Services for the Hong Kong Jockey Club from 2007 to 2008. Prior to that he was the Director of Security for Wynn Resorts (Macau) S.A. from 2006 and 2007, where he helped establish the security department in preparation for the opening of the resort. From 2004 to 2006, Mr. Holubowskyj worked as the Director of Security, Safety, Fire and Health Services for Hong Kong Disneyland. Before joining the private sector security industry, Mr. Holubowskyj spent 17 years in law enforcement with the Hong Kong Police Force, where he attained the rank of Superintendent of Police. He graduated from the University of London with a Bachelor of Science (Honors) in Mathematics and Statistics. He also obtained a Master's degree in business administration from Heriot Watt University in the United Kingdom.



MANAGEMENT DISCUSSION AND ANALYSIS

We continue to execute our strategies on improving customer experience, employee engagement and operational efficiency. We are refurbishing key gaming areas in MGM MACAU to improve traffic flow and to capture more high-end mass business. We continue to improve operating efficiencies to further enhance

our first-class property which embodies luxury, intimacy and inspiration while introducing new innovative gaming products to enhance our customer experience. We are working on technologies to enhance our analytical capability for operations and marketing to enable us to deliver focused personalized marketing programs.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

BUSINESS OVERVIEW

MGM MACAU opened in December 2007 and has a casino floor area of approximately 32,134 square meters, with 1,019 slot machines, 427 gaming tables and multiple VIP and private gaming areas. The hotel comprises a 35-storey tower with 582 deluxe rooms, 468 standard guest rooms, 99 luxury suites and 15 private luxury villas. In addition, the resort offers luxurious amenities, including 8 diverse restaurants and bars, retail outlets, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. Our property is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

The Group has continuously been focusing on profitability, lowering the operating cost base, and actively managing the gaming floor and room yields. We are selectively allocating capital expenditure to enhance and refine MGM MACAU and progress the development of our new MGM COTAI property. Our revenue and adjusted EBITDA increased by 3.0% and 2.1% to HK\$15,356.0 million and HK\$4,587.4 million respectively for the year ended December 31, 2017 over the prior year. For the year ended December 31, 2017, our operating profit decreased by 15.3% to HK\$2,624.2 million primarily due to acceleration of pre-opening costs amounting to HK\$459.1 million for the preparation of MGM COTAI that opened on February 13, 2018. Profit attributable to owners of the Company decreased by 23.6% to HK\$2,320.2 million also due to the recognition of a deferred tax liability of HK\$317.1 million pertaining to the distributable profit of MGM Grand Paradise during the year.



The Macau and China governments implemented numerous policy changes starting in the middle of 2014 which led to a decline in the gross gaming revenues in the Macau market. We are encouraged that total gross gaming revenue has grown since August 2016 through December 2017. We believe that the recovery has been driven by new gaming and non-gaming offerings in the Macau market. At the same time, there is an ongoing market share migration from the Macau Peninsula to Cotai as more resorts were opened in the Cotai area in recent years. In view of that, we expect that our expansion into Cotai in 2018 will benefit our overall gaming market share, especially with our exciting and diversified entertainment offerings.

MGM COTAI opened on February 13, 2018 with an expected total development cost of approximately HK\$27 billion, excluding land costs and capitalized interest. Conveniently located with various access points from other hotels and public areas, MGM COTAI offers gaming area and approximately 1,400 hotel rooms and suites, meeting space, retail, food

and beverage and other non-gaming offerings, as well as the Mansion for the ultimate luxury experience. MGM COTAI will also offer Asia's first dynamic theater and a spectacle that will introduce more advanced and innovative forms of entertainment to Macau.

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, however, the development period of this land concession has been 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.

MANAGEMENT DISCUSSION AND ANALYSIS



MACAU'S GAMING AND TOURISM MARKETS

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 that 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 Government, including an anti-corruption campaign, currency transfer restrictions and a new 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.



Total gross gaming revenue in the Macau market decreased by 9.1% to HK\$140.2 billion for the eight months ended August 31, 2016 over the comparable period in 2015. Since that time, total gross gaming revenue has stabilized with growth occurring in consecutive months from August 2016 through December 2017 which mainly is attributable to opening of several new large-scale integrated resorts in Cotai during that period. Total gross gaming revenue increased by 19.1% to HK\$258.0 billion for the year end December 31, 2017 over the prior year.

The Statistics and Census Service of the Macau Government reported that visitor arrivals reached 32.6 million in 2017 which increased by 5.4% over the prior year. Customers travelling to Macau are typically

from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. Approximately 68.1% of visitors to Macau in 2017 were from mainland China which increased by 8.5% over the prior year and reached 22.2 million during the year.

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;

MANAGEMENT DISCUSSION AND ANALYSIS

- Infrastructure improvements, such as the opening of Taipa Ferry Terminal in June 2017; the expansion of the Macau Airport; the expected opening of 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 December 31, 2017, there were 40 casinos in Macau. Four development projects in the Cotai area were completed in 2015 and 2016 with further development projects to be completed within the next three years including our MGM COTAI which opened on February 13, 2018. There is an ongoing market share migration

from the Macau Peninsula to Cotai. As a result, our overall gaming market share declined from 8.2% as at December 31, 2016 to 7.0% as at December 31, 2017 due primarily to the migration of casino patronage to Cotai following the new property openings in Cotai. Competitive pressures in the Macau market will continue to increase in the future especially as more capacity is brought on line. We believe our expansion into Cotai in 2018 will benefit our overall gaming market share.

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.

OUR COMPETITIVE STRENGTHS AND OPERATING STRATEGIES

Our competitive strengths lie in offerings of high-quality gaming, hospitality and entertainment experiences in our integrated destination resorts; segment and targeted marketing to various customer groups through our Mlife customer relationship program; strong analytical capability and effective execution of our strategies by our operations team.

We continue to execute our strategies on improving customer experience, employee engagement and operational efficiency. We are refurbishing key gaming areas in MGM MACAU to improve traffic flow and to capture more high-end mass business. We continue to improve operating efficiencies to further enhance our first-class property which embodies luxury, intimacy and inspiration while introducing new innovative gaming products to enhance our customer experience. We are working on technologies to enhance our analytical capability for operations and marketing to enable us to deliver focused personalized marketing programs. We continue to review our business relationship with each of our gaming promoters and identify potential gaming promoters to grow our VIP business. We manage our gaming mix by continuously evaluating table yield, focusing on measuring the number of table open hours in relation to business volume. We are always evaluating the table limits and constantly reviewing the possible reallocation of tables to maximize our table utilization and profitability.

Beyond gaming, we continue to improve our customer experiences by adding and enhancing our non-gaming offerings. We are adding retail offerings and refurbishing our restaurants to maintain our competitiveness in the Macau market. We continue to organize and sponsor exhibits and events in our Grande Praça and Art Space. With almost twice the square footage of MGM MACAU, the scale of our new

MGM COTAI property will allow us to capitalize on our international expertise in providing exciting and diversified entertainment offerings. Our MGM COTAI theater is a transformable space, the first of its kind in Asia and the only one in the world of this scale, offering a wide range of entertainment options to draw visitors from around the world. Our Spectacle, situated at the heart of MGM COTAI, is enriched with incredible experiential technology elements to entertain our guests. We will continue to deliver exciting and memorable events to our properties in support of the Macau Government's vision for diversification.

We continue to provide professional and service training to our employees with the goal of building a culture of executional excellence.

SEGMENT INFORMATION

The Group currently operates in one operating segment which is the ownership and management of its casino, hotel, food and beverage, and retail operations in Macau. A single management team reports to the Group's Chief Executive Officer (being the chief operating decision-maker) who allocates resources and assesses performance based on the consolidated revenue, net results, assets and liabilities prepared under IFRSs for the entire business. Accordingly, the Group does not present separate segment information.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION OF RESULTS OF OPERATIONS

Financial results for the year ended December 31, 2017 compared to financial results for the year ended December 31, 2016

OPERATING REVENUE

The following table sets forth the operating revenue for the years ended December 31, 2017 and 2016.

	For the year ended December 31	
	2017	2016
	HK\$'000	HK\$'000
Casino revenue	15,053,622	14,606,066
VIP gaming operations	5,443,148	5,593,080
Main floor table gaming operations	8,213,333	7,758,617
Slot machine gaming operations	1,397,141	1,254,369
Other revenue	302,384	301,402
Hotel rooms	75,222	79,031
Food and beverage	155,272	167,103
Retail and others	71,890	55,268
Operating revenue	15,356,006	14,907,468

Total operating revenue of HK\$15,356.0 million for the year ended December 31, 2017 was 3.0% higher than the prior year. The increase in operating revenue was directly attributable to the recovery of the Macau gaming market since August 2016 through December 2017, although our overall gaming market share declined in the current year due to an ongoing migration of patronage from the Macau Peninsula to Cotai.

SUMMARY STATISTICS

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

(in thousands, except for number of gaming tables and slot machines, percentage, and REVPAR)	For the year ended December 31	
	2017	2016
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Number of VIP gaming tables	145	162
VIP table games turnover	269,102,995	268,684,749
VIP gross table games win ⁽¹⁾	8,566,563	8,631,084
VIP table games win percentage (calculated before commissions and incentives)	3.18%	3.21%
Average daily gross win per VIP gaming table	162.1	145.6
Number of main floor gaming tables	270	254
Main floor table games drop	40,200,290	40,799,559
Main floor gross table games win ⁽¹⁾	8,138,837	7,688,849
Main floor table games win percentage	20.2%	18.8%
Average daily gross win per main floor gaming table	82.5	82.8
Number of slot machines	1,019	1,060
Slot machine handle	31,025,807	28,814,923
Slot machine gross win ⁽¹⁾	1,406,587	1,257,300
Slot hold percentage	4.5%	4.4%
Average daily win per slot	3.8	3.2
Room occupancy rate	96.0%	95.4%
REVPAR ⁽²⁾	2,052	2,161

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

	For the year ended	
	December 31	
	2017	2016
	HK\$'000	HK\$'000
VIP gross table games win	8,566,563	8,631,084
Main floor gross table games win	8,138,837	7,688,849
Slot machine gross win	1,406,587	1,257,300
Gross casino revenue	18,111,987	17,577,233
Commissions and incentives	(3,058,365)	(2,971,167)
Casino revenue	15,053,622	14,606,066

- (2) Revenue per available room, expressed in HK\$, is arrived after inclusion of services provided for hotel rooms to certain customers and guests without charge.

CASINO REVENUE

Casino revenue increased by 3.1% to HK\$15,053.6 million for the year ended December 31, 2017. 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. In addition, gaming promoters may extend credit to their players.

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 Subconcession 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. The Group has been successful in collecting some receivables previously considered to be irrecoverable. The Group regularly reviews the recoverable amount of each individual debt to ensure that adequate impairment losses are made for irrecoverable amounts.

While revenue for the VIP gaming operations increased in the Macau market in 2017, we lost market share following the migration of patronage to the new Cotai properties. Our revenue from VIP gaming operations decreased year-over-year by 2.7% to HK\$5,443.1 million for the year ended December 31, 2017 due to a slight decline in VIP table games win percentage from 3.21% in 2016 to 3.18% in 2017 while the turnover remained constant despite the market share migration from the Macau Peninsula to Cotai. The total amount of commissions and incentives netted against casino revenue was HK\$3,123.4 million and HK\$3,038.0 million in 2017 and 2016 respectively. We expect to improve our competitiveness in the Macau market following the completion and opening of our new MGM COTAI property. We will continue to pursue additional VIP business opportunities for MGM MACAU.

MANAGEMENT DISCUSSION AND ANALYSIS



Main Floor Table Gaming Operations

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

For the year ended December 31, 2017, revenue from main floor table gaming operations increased year-over-year by 5.9% to HK\$8,213.3 million, compared

to a 1.5% year-over-year increase in the prior year, due primarily to an increase in main floor table games win percentage from 18.8% in 2016 to 20.2% in 2017. Despite the changing business conditions in the Macau gaming market and market share migration from the Macau Peninsula to Cotai, the effect on our revenues 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.



We also benefited from the recovery of the Macau gaming market especially in mass gaming operations since August 2016 through December 2017. In 2017, MGM MACAU had 270 main floor gaming tables in operation compared with 254 main floor gaming tables in 2016.

Going forward, we will continue to evaluate our main floor gaming areas to maximize table utilization, to refurbish our gaming areas, to innovate our gaming products and to invest in technologies and analytical capability to enhance table productivity and customer retention.

Slot Machine Gaming Operations

Revenue from slot machine gaming operations increased year-over-year by 11.4% to HK\$1,397.1 million for the year ended December 31, 2017. The increase in revenue was due to an increase in slot handle by 7.7% to HK\$31,025.8 million during the current year, primarily due to the continuous recovery of the Macau gaming market since August 2016 and a slight increase in slot hold percentage from 4.4% in 2016 to 4.5% in 2017.

We continuously monitor the mix of our casino games in order to maximize our profitability. We continue to develop Mlife in order to increase brand awareness and customer loyalty. In conjunction with the Mlife rollout, we are developing technologies to enhance our analytical capability to enable us to deliver personalized marketing programs.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER REVENUE

Other revenue includes hotel rooms, food, beverage, retail and entertainment. Hotel rooms, food and beverage revenue decreased year-over-year by 6.4% to HK\$230.5 million for year ended December 31, 2017 primarily due to more non-gaming offerings brought on line with the new property openings in Cotai. The non-gaming facilities and services are important for MGM MACAU 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 MGM MACAU.

Non-gaming Attractions and Branding Activities

We recognize the importance of brand awareness in growing our business. We have enhanced our marketing activities to take advantage of our internationally recognized brand. Brand-building initiatives are driven through promotions, events, strategic alliances and public relation activities.

The following are some of the exhibits and events we conducted in 2017:

- “Beauty in the Air” featuring 40 vibrant glass butterflies flit through the air, chasing each other around the 17 enormous flowers blooming throughout our Grande Praça as well as our spacious nests, which have emerged as the perfect places for our guests to relax and enjoy the garden;
 - “A Golden Way of Life — Très’Ors” presenting a unique selection of gold creations and artifacts, with over 250 works dating from the 17th century to the present; and
 - “Learn & Play! teamLab Future Park” featuring the first-ever festive-themed Sketch Christmas as well as Graffiti Nature — Mountains and Valleys within the Greater China region, which allows our guests to stroll through this Future Park with their creativity and innovation, and discover colorful interactive installations in the always-evolving environment.
- These exhibits and events attracted visitors to our property and have created a sense of anticipation among our customers, local communities and tourists about the activities at MGM MACAU. In addition, we continue to improve our customer experience by enhancing our hotel, food, beverage and retail offerings by expanding and refurbishing the non-gaming areas in MGM MACAU.
- Art Exhibition in L2 Showcase featuring themed artworks by artists from Macau;
 - MGM Water Aurora featuring an eight-meter-tall water-sky aquarium with fish darting among multi-hued corals located in our Grande Praça;

OPERATING COSTS AND EXPENSES

The major operating costs and expenses for the years ended December 31, 2017 and 2016 were:

	For the year ended December 31	
	2017	2016
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	7,214,106	6,998,604
Inventories consumed	302,666	273,074
Staff costs	2,324,209	1,949,165
Other expenses and losses	2,091,779	1,815,796
Depreciation and amortization	799,045	771,712
Finance costs	7,273	53,255
Income tax expense	318,294	15,101

Special gaming tax and special levy to the Macau Government

Special gaming tax and special levy to the Macau Government increased year-over-year by 3.1% to HK\$7,214.1 million in 2017. This increase is attributable to the higher gross casino revenue during the current year.

Inventories consumed

Inventories consumed increased year-over-year by 10.8% to HK\$302.7 million in 2017. 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 preparation works of MGM COTAI.

Staff costs

Staff costs increased year-over-year by 19.2% to HK\$2,324.2 million in 2017 which was primarily due to hiring of additional staff in preparation for the opening of MGM COTAI and the salary increment for staff promotions in 2017.

Other expenses and losses

Other expenses and losses increased year-over-year by 15.2% to HK\$2,091.8 million in 2017, which mainly result from:

Advertising and promotion expense. Advertising and promotion expense increased by 34.1% from HK\$416.6 million in 2016 to HK\$558.5 million in 2017. The increase resulted from more marketing activities being organized during the current year in response

MANAGEMENT DISCUSSION AND ANALYSIS

to the recovery of the Macau gaming market and increased competition due to new properties opening in Cotai as well as marketing activities for MGM COTAI.

License fee and marketing fees. License fee and marketing fees due to related companies increased by 3.5% from HK\$274.9 million in 2016 to HK\$284.4 million in 2017. The increase resulted from the higher revenue during the current year.

Reversal of allowance for doubtful debts, net. Allowance for doubtful debts, net, was a gain of HK\$42.1 million and HK\$47.4 million in 2017 and 2016 respectively. There was no change in the policy on the allowance for doubtful debts. The gain primarily resulted from recovery of doubtful debts provided for in previous years.

Depreciation and amortization

Depreciation and amortization increased year-over-year by 3.5% to HK\$799.0 million in 2017. This increase was primarily due to renovation works completed and placed into service at MGM MACAU during the current year as well as new furniture and equipment placed into service. This was partly offset by the impact of full depreciation of certain assets in 2017 and a change in the estimated useful lives of buildings and improvements for MGM MACAU, which was effective from November 1, 2017, to better reflect the estimated periods during which these assets are expected to remain in service. Details of change in the estimated useful lives are set out in note 4 to the consolidated financial statements.

Finance costs

Total borrowing costs increased by HK\$151.2 million to HK\$696.1 million in 2017 mainly due to a HK\$152.2 million increase in interest incurred for additional bank borrowings related to funding requirements for MGM COTAI development as well as an increase in interest margin.

Finance costs decreased by 86.3% from HK\$53.3 million in 2016 to HK\$7.3 million in 2017 mainly due to HK\$688.9 million of total borrowing costs being capitalized to construction in progress in 2017 (2016: HK\$491.7 million).

Income tax expense

Income tax expense in 2017 primarily related to a deferred tax liability of HK\$317.1 million the Company provided on the distributable profit of MGM Grand Paradise, calculated at the applicable statutory rate at the reporting date. Prior year expense was related to the Macau dividend withholding tax under the extended tax concession arrangement entered with the Macau Government in 2012. Details of income tax expense are set out in note 11 to the consolidated financial statements.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company decreased by 23.6% from HK\$3,036.5 million in 2016 to HK\$2,320.2 million in 2017.

ADJUSTED EBITDA

The following table sets forth a reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement, profit attributable to owners of the Company, for the years ended December 31, 2017 and 2016.

	For the year ended December 31	
	2017	2016
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	2,320,185	3,036,508
Add/(less):		
Depreciation and amortization	799,045	771,712
Interest income	(5,046)	(6,454)
Finance costs	7,273	53,255
Net foreign currency difference	(16,505)	707
Income tax expense	318,294	15,101
Share-based payments	79,900	72,980
Corporate expenses (unaudited)	414,375	384,167
Pre-opening costs ⁽¹⁾ (unaudited)	624,583	165,530
Loss/(gain) on disposal/write-off of property and equipment, construction in progress and other assets	45,331	(1,668)
Adjusted EBITDA ⁽²⁾ (unaudited)	4,587,435	4,491,838

Notes:

- (1) Pre-opening costs mainly represented staff costs, marketing and advertising expenses incurred prior to the opening of our MGM COTAI property. Pre-opening costs increased by 277.3% from HK\$165.5 million in 2016 to HK\$624.6 million in 2017. The increase was mainly attributable to preparation for the opening of MGM COTAI and it is typical that pre-opening costs accelerate as a project approaches its opening date.
- (2) Adjusted EBITDA is profit before finance costs, income tax 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, and property charges and other non-recurring expenses. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL RESOURCES

We funded our working capital, operating expenses and capital expenditures from cash generated from our operations and bank borrowings. As at December 31, 2017, our bank and cash balances and

available credit facilities were HK\$5,283.4 million and HK\$4.81 billion respectively. This balance is available for operations, new development activities and enhancement to our properties and corporate purposes.

GEARING RATIO

The Group's gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprises bank borrowings, net of debt finance costs, less bank balances and cash. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group's gearing ratio as at December 31, 2017 and 2016.

	As at	
	December 31 2017 HK\$'000	December 31 2016 HK\$'000
Bank borrowings, net of debt finance costs	17,839,219	14,708,630
Less: bank balances and cash	(5,283,387)	(3,547,130)
Net debt	12,555,832	11,161,500
Total equity	8,512,356	7,216,696
Total capital	21,068,188	18,378,196
Gearing ratio	59.6%	60.7%

GROUP CASH FLOWS

The following table presents a summary of the Group's cash flows for the years ended December 31, 2017 and 2016.

	For the year ended	
	December 31	
	2017	2016
	HK\$'000	HK\$'000
Net cash generated from operating activities	7,157,880	2,762,361
Net cash used in investing activities	(6,773,410)	(6,273,339)
Net cash generated from financing activities	1,348,971	1,638,903
Net increase/(decrease) in cash and cash equivalents	1,733,441	(1,872,075)
Cash and cash equivalents at the beginning of the year	3,547,130	5,421,058
Effect of foreign exchange rate changes, net	2,816	(1,853)
Cash and cash equivalents at the end of the year	5,283,387	3,547,130

Net cash generated from operating activities

Our net cash generated from operating activities was primarily affected by operating income generated by MGM MACAU and changes in working capital. Net cash from operating activities was HK\$7,157.9 million in 2017 compared to HK\$2,762.4 million in 2016. The increase mainly resulted from the changes in our working capital accounts offset by the decrease in profit before tax during the current year.

Net cash used in investing activities

Net cash used in investing activities was HK\$6,773.4 million in 2017 compared to HK\$6,273.3 million in 2016. 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\$6,559.7 million and HK\$5,929.9 million in 2017 and 2016 respectively. Other amounts paid are related to land use right premium and developers' fees due to a related company in both years.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash generated from financing activities

Net cash generated from financing activities was HK\$1,349.0 million in 2017 compared to HK\$1,638.9 million in 2016. The decrease mainly resulted from repayment of HK\$604.5 million of term loan facility that commenced in October 2017 and dividend

payments of HK\$1,048.8 million and HK\$805.6 million in 2017 and 2016 respectively, partially offset by HK\$3,600.0 million of revolving credit facility net drawdown during the current year compared to HK\$2,900.0 million of revolving credit facility drawn in the prior year.

CAPITAL COMMITMENTS

As at December 31, 2017, the Group had the following capital commitments under construction contracts and other capital related agreements that are not recorded in the consolidated financial statements:

	As at	
	December 31	December 31
	2017	2016
	HK\$'000	HK\$'000
Contracted but not accounted for	642,581	4,224,259

INDEBTEDNESS

As at December 31, 2017 and 2016, the Group had drawn down bank borrowings of HK\$17.99 billion and HK\$14.99 billion under our Fourth Supplemental Agreement and Third Supplemental Agreement, respectively. The Group had HK\$4.81 billion and HK\$8.41 billion available to draw as at December 31, 2017 and 2016 respectively under those agreements.

CONTINGENT LIABILITIES

As at December 31, 2017 and 2016, the Group had given bank guarantees totaling HK\$302.6 million and HK\$302.9 million respectively in relation to the Subconcession, land concession and other operating purposes.

TERM LOAN FACILITY AND REVOLVING CREDIT FACILITY

Overview

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

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

On February 2, 2016, an amendment to the Second Amended Credit Facilities was executed (the “Third Supplemental Agreement”) to provide the Group with the necessary covenant flexibility while MGM COTAI was in the construction phase as discussed below.

An amendment to the Third Supplemental Agreement was executed (the “Fourth Supplemental Agreement”) on February 15, 2017 to continue to provide the Group with further covenant flexibility while MGM COTAI was in the construction phase, but with a view to deleveraging following MGM COTAI opening as discussed below. The Group incurred and paid miscellaneous charges and bank fees of approximately HK\$34.0 million in relation to the Fourth Supplemental Agreement during the current year.

On December 29, 2017, the Group obtained the consent of the relevant lender group for the execution of an amendment and extension of the existing credit facilities (the “Fifth Supplemental Agreement”). The amendment includes changes to the financial covenants and the repayment terms. The execution of the Fifth Supplemental Agreement and of the Amended and Restated Credit Agreement is subject to finalization of required regulatory approval and documentation.

Principal and Interest

As at December 31, 2017, HK\$12.09 billion of the term loan facility was fully drawn while HK\$4.81 billion of revolving credit facility was undrawn and available for utilization up to March 2019. The term loan facility is repayable on a quarterly basis commencing in October 2017 and is to be fully repaid in April 2019. Each drawdown under the revolving credit facility is to be repaid in full on the last date of the respective term but no later than April 2019.

The Second Amended Credit Facilities bear interest at HIBOR plus a fixed margin of 1.75% per annum for the first six months and thereafter a variable margin ranging from 1.375% to 2.5% per annum based on the Group’s leverage ratio. As at December 31, 2017, the Group paid interest at HIBOR plus 2.50% per annum (2016: HIBOR plus 2.00% per annum).

MANAGEMENT DISCUSSION AND ANALYSIS

General Covenants

The Second Amended Credit Facilities contain 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

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

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

The leverage ratio under the Fourth Supplemental Agreement is required to be maintained within 4.5 to 1.0 for quarters ended March 31, 2016 and June 30, 2016. This ratio is increased to no greater than 6.0 to 1.0 for each quarter ended September 30, 2016 through December 31, 2017 and reduced to no greater than 5.5 to 1.0 and 5.0 to 1.0 for quarters ended March 31, 2018 and June 30, 2018, respectively. The leverage ratio will be reduced to no greater than 4.5 to 1.0 for each quarter thereafter through maturity.

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

Compliance with Covenants

The Group has complied with the general and financial covenants contained in the Fourth Supplemental Agreement, Third Supplemental Agreement and Second Amended Credit Facilities as set forth above for the years ended December 31, 2017 and 2016.

Mandatory Prepayments

The Second Amended Credit Facilities contain mandatory prepayment provisions which include, among other things, prepayment of all outstanding loans, together with accrued interest and all other amounts due thereunder, upon a change of control or sale of the MGM Grand Paradise business or COTAI project.

Dividend Restrictions

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

Under the Third Supplemental Agreement, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million, including any dividends paid during preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million, including if any dividends paid during preceding 12-month period. As at December 31, 2017, our leverage ratio was approximately 4.31.

Events of Default

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

Security and Guarantees

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

arise. The majority of our foreign currency exposure comprises assets denominated in US\$, Canadian Dollars, Taiwan Dollars and Singapore Dollars. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates.

INTEREST RATE RISK

The Group is primarily exposed to cash flow interest rate risk associated with our credit facilities which bear variable-rate. Interest rate risk is managed by maintaining a level of cash and cash equivalents which management considers adequate to finance our operations and mitigate the effects of fluctuations in cash flows. We do not hedge our interest rate risk.

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 MGM MACAU to increase revenue. In addition, we will continue to incur capital expenditure as we are focusing on completion of 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 December 31, 2017, MGM Grand Paradise employed 9,266 full-time and part-time employees in Macau, Hong Kong and Zhuhai which includes MGM MACAU, shared service operation and MGM COTAI pre-opening 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 months of salary to line staff during the Chinese New Year period as a gratuity for their hard work during the year. Such additional bonus is subject to the Board's discretion.



SUSTAINABILITY



An Experience of a Life-time
with MGM

SUSTAINABILITY

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

Reporting Framework & Scope

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

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

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

OUR APPROACH TO SUSTAINABILITY

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

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

MGM SUSTAINABILITY POLICY

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

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

SUSTAINABILITY

FOCUSING ON WHAT MATTERS

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

	Material areas
Commitment to Responsible Business	<ul style="list-style-type: none"> — Sustainability governance — Stakeholder engagement — Product responsibility — Business conduct
Commitment to Social Responsibility	<p>Employees:</p> <ul style="list-style-type: none"> — Recruitment and development — Diversity and equal opportunity — Health, safety and wellbeing <p>Community:</p> <ul style="list-style-type: none"> — Community engagement — Charitable contributions — Contributing to Local Arts and Culture — Responsible gaming — Anti-human trafficking — Supporting local SMEs
Commitment to Environmental Responsibility	<ul style="list-style-type: none"> — Emissions — Natural resource use — Waste management — Green building — Biodiversity — Green procurement — Employee engagement — Community outreach

SUPPORTING GLOBAL GOALS

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

COMMITMENT TO RESPONSIBLE BUSINESS

SUSTAINABILITY GOVERNANCE

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

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

Coordinated by our Human Resources Department (“HR”), our Golden Lion Volunteer Team consists of over 950 employees who donate their time, effort and skills to help us make a positive difference to our community.





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

SUSTAINABILITY

STAKEHOLDER ENGAGEMENT

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

Table 1: Stakeholder Engagement Process

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

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

PRODUCT RESPONSIBILITY

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

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

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

BUSINESS CONDUCT

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

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

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

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

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

In 2017, the Group was in compliance with all applicable laws and regulations. Further, there have been no legal cases regarding corrupt practices brought against us or our employees during 2017.

SUSTAINABILITY

COMMITMENT TO SOCIAL RESPONSIBILITY

EMPLOYEES

Recruitment and development

Our team of 9,266 employees are the cornerstone of our business. We provide our team members with the tools and experiences to reach their full potential including: high quality career experiences, learning and development opportunities as well as industry and community activities to showcase their professionalism. In 2017, we provided our team with more than 569,000 training hours, with over 60 hours per employee. On March 29, 2017, we organized a milestone event to celebrate the success of 300 graduates from our core learning and development programs including the Management Associate Program, the PRIDE Program and the Continuing Education Program.

To encourage our staff to become specialists in their fields of work, we sponsor and facilitate opportunities for skills development to help pave the way for future career advancement such as through our Back to School Program, which provides support and onsite tuition for those seeking to achieve their high school diploma.

Developing local capability and leadership is a core company priority, with approximately 75% of our team members and over 80% of our management team being Macau locals.



CASE STUDY: Developing Local Leadership Capabilities

The **PRIDE Program** focuses on identifying high-performing local team members of various levels to partake in an intensive 9-15 month program, depending on their development tracks. During the PRIDE Program each participant receives a minimum of two days development training per month, including classroom training on supervisory or leadership development, cross-departmental exposure, project work, visits to other industry and study trips overseas. Throughout the PRIDE Program, thoughtful guidance is provided by their direct manager and assigned mentor. In 2017, 23 local team members partook in this program.



Macau Occupational Skills Recognition Program: We support our employees' aspirations to showcase their talents at the Macao Occupational Skills Recognition System ("MORS") certification programs organized by the Institute for Tourism Studies. Not only do we sponsor fees for enrolment, we also actively support employees to participate in the annual MORS Gold Pin Competition. In 2017, three team members were awarded the Gold Pin Award, with a total of 16 MGM finalists in the competition.

Employee Recognition: We aim to cultivate a motivational work environment where team members are recognized and rewarded for their accomplishments. The Golden Lion Award and the Leo Award are recognition programs that celebrate employees who exemplify our Core Values and demonstrate outstanding behavior. In 2017, 160 employees from different departments were awarded the Golden Lion Award and 1,958 employees were awarded the Leo Award.

SUSTAINABILITY

DIVERSITY AND EQUAL OPPORTUNITY

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

Diversity and Equal Opportunity: We support equal opportunities and diversity in our workforce, in knowing that a diverse team is a stronger team. Currently we have employees of more than 33 different nationalities representing our team, with a gender ratio of 52% male and 48% female.

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



CASE STUDY: Inclusion in the Workplace

At MGM China, we share the Special Olympics Unified Sports' philosophy that "training together and playing together is a quick path to friendship and understanding". This is a belief that permeates our hiring policy of actively seeking to hire persons with disabilities as equal team members, working side-by-side with others, and in doing so creating a better culture of understanding and appreciation. We also arrange training for other team members on how to better communicate and create an inclusive work environment, such as Sign Language training.



In addition to creating full-time employment opportunities across our departments, we also offer internship placements for students from the Concordia School for Special Education to help young people with disabilities prepare for their future careers.

HEALTH, SAFETY AND WELLBEING

Occupational Health and Safety: The health and safety of our employees, guests and anyone else who comes onsite at MGM MACAU and MGM COTAI, is an utmost priority. Our Occupational Health and Safety approach is guided by our Occupational Health and Safety Policy and Manual, which is aligned to the OHSAS 18001 Occupational Health and Safety Standard, and our performance is managed and monitored on a semi-annual basis by our Risk and Safety Team and the Board-level Risk and Safety Committee. Mandatory health and safety training is provided to all employees and contractors on induction. Depending on the work function of the employee, additional mandatory health and safety training sessions are also provided.



In 2017, our Company signed the Occupational Safety and Health Charter, pledging our commitment to leading practice and witnessed by Labour Affairs Bureau of Macao SAR Government. MGM had no work-related fatalities in 2017. Lost days due to work injury totaled 1931 days in 2017, a 23% decrease year-over-year.

SUSTAINABILITY

Employee Wellbeing: We invest in creating a workplace where wellbeing is promoted, by offering healthy food options, holding specialist-run health talks, providing comfortable work spaces and relaxing places to take breaks, as well as organizing team sports through our Golden Lion Sports Teams.

Through our Employee Assistance Program, professional counseling services are made available 24/7 to help our employees and their families to resolve issues such as life stress or family matters.



To help ease the transition and support our working mothers, MGM has created a special lactation area called the Mother's Zone, to reduce the barriers to breastfeeding at work and provide a comfortable and relaxing environment.

CASE STUDY: Promoting Healthy Bodies & Healthy Minds

Through our Employee Assistance Program (“EAP”), we run a series of employee roadshows to bring attention to our EAP facilities and to the importance of physical and mental health.

Various roadshows held in 2017 included:

- An employee roadshow focused on overcoming negative emotions to lead happier, more fulfilled lives. We also invited Yinkui Hospital to introduce different ways that Chinese acupressure massage and food therapy can help you deal with daily life stress and boost immunity.
- An employee safety awareness raising fair centered on the importance of workplace safety practices.
- An employee fair promoting the importance of family time and connecting with our loved ones during which we also premiered a unique short film created in-house by our team and starring our own team members and their children called “Home is Where the Love is”.



SUSTAINABILITY

CASE STUDY: Ten Beautiful Years of the Lion

On December 18, 2017, we turned 10 years old. We are incredibly proud to say that nearly one third of the original team that helped us to open MGM MACAU (1,900 team members) have been with us since opening.

In honor of this important milestone, we held a gala celebration on December 5, 2017, including a live performance from our Entertainment team, to say thank you for a decade of hard work and commitment. Meanwhile, the senior management team distributed anniversary certificates and limited edition silver coins featuring a unique MGM 10th anniversary design to team members reaching 10 years of service.



COMMUNITY

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

COMMUNITY ENGAGEMENT

Volunteerism: In 2017, we held 95 different community activities donating over 9,000 hours to bettering our community, a record for the Company. Through our Golden Lion Volunteer Team, we organized a range of events throughout the year focusing on our core categories of caring for senior citizens, the youth and persons with disabilities in Macau. Participation in volunteering is led from the top, with senior management, including our CEO, being active participants in our initiatives.

CASE STUDY: Caring for Macau's Senior Citizens

Our aim is to not only provide support, but also bring friendship, companionship and attention to those that need it the most. Some of the activities in 2017 include:

- A senior citizens health day was delivered by 20 professional doctors from the Chinese Medicine Association to provide complimentary health consultations to over 200 senior citizens.
- In spirit of the Chinese tradition to spring clean the home before Chinese New Year (“CNY”) as a symbol of good luck and fortune, 160 MGM Volunteer Team members teamed up with Centro de Dia “Brilho da Vida” to roll up their sleeves to help 220 households at the Fai Chi Kei housing unit for senior citizens to get their homes ready for CNY.
- For another CNY tradition, to be at our best for the coming of a New, our 30 Volunteer Hairdresser Team members also provided complimentary haircuts to 145 senior citizens at Asilo de Santa Maria and Centro de Dia “Brilho da Vida”.
- A visit was paid to 30 senior citizens by our MGM Volunteer Team and led by MGM Property Operations’ technicians, to repair appliances and fix household plugs.



SUSTAINABILITY

CASE STUDY: Community Participation

MGM Macau Eco TrailHiker: 2017 marks the first year we became the official title sponsor of the Macau Eco TrailHiker, Macau's most popular group hiking event which serves to bring the community together, foster teamwork and comradery, promote active living, and importantly remind us of the natural beauty Macau has to offer. The proceeds of the event were donated to the Good Shepherd Sisters and the Macau Rotary Club.

Walk for a Million: we have supported Walk for a Million, the annual fundraising event organized by the Macao Daily News Readers' Foundation since 2007. Led by the senior management team, close to 1,000 team members participated in the community charity walk on December 10, 2017.



CASE STUDY: Preserving the Age-old Tradition of Lion Dance

In 2017, we partnered with Hong Wai Sports and Recreations Association of Macau to hold the 7-week Junior Lion Dance Training Program for 75 young children between 5-10 years old with the aim to cultivate interest in Chinese traditional dance and culture amongst the youth in Macau. To continue to develop the knowledge and skills of our program graduates, we also organized an educational trip in August to Foshan, the birthplace of lion dance, for 24 past graduates to further develop and continue their interest in this age-old tradition.



CASE STUDY: Learning From the Best!**A Football Training Session Like no Other**

On July 22, 2017, MGM welcomed Liverpool Football Club (“LFC”), the Premier League football club from the U.K., to hold a unique soccer clinic for 64 young local soccer enthusiasts, aged between 6-14 years. Two well-known LFC legends, Mr. Robbie Fowler and Mr. Sami Hyypia, ended the training session by sharing their inspirational stories and tips for success with the young soccer players.

**Lessons From a Master Chef**

On July 4, 2017, we co-organized a unique culinary workshop with the Institute for Tourism Studies (“IFT”), including the internationally renowned Chef Graham Elliot, a consulting chef to MGM COTAI’s restaurant, Coast. Over 30 participants including local food and beverage professionals and IFT’s Culinary Arts Management Bachelor Degree Programme students attended this workshop where Chef Elliot performed a cooking demonstration and shared with the group his experience and philosophy on cooking.



SUSTAINABILITY

CHARITABLE CONTRIBUTIONS

We supplement our community programs through cash and in-kind donations. In 2017, we contributed over HK\$17 million to the community through cash and in kind donations, plus additional contributions of HK\$29 million made through the Typhoon Hato Disaster Relief Fund discussed in the next case study.

Some of the key contributions in 2017 included:

- HK\$2.4 million donated to establish the Salvation Army Learning Center (Macau)
- HK\$2.1 million donated to the TrailHiker event
- HK\$580,000 donated to Macao Daily News Readers' Foundation as part of the Walk for a Million Campaign
- HK\$490,000 donated to Tong Sin Tong's charitable fundraising activity
- HK\$290,000 donated to the Welfare Shop of Macau Holy House of Mercy

CASE STUDY: Disaster Relief Fund Following Typhoon Hato

On August 23, 2017, Typhoon Hato struck Macau, claiming 10 lives and leaving much of the city without power and water, bringing business and transport to a standstill.

In the immediate aftermath, MGM China, MGM Resorts and Ms. Pansy Ho immediately teamed up to contribute a dedicated fund of HK\$29 million to rebuild the Macau community, with our team member's needs also being prioritized.

To assist local small and medium-sized businesses ("SMEs") affected by the typhoon to get back on track and operating as normal again, we developed a targeted SME Relief Program. To best structure the Program, we conducted a survey of 220 SME vendors considered most vulnerable to the effects of the typhoon. We also convened a SME Committee to advise on ways to deliver the most effective impact. The resulting program consisted of comprehensive measures such as expedited payment processing and upfront payment to alleviate cash flow needs, logistics support and assistance with minor to major damages.

In the days following the typhoon, our Volunteer Team took to the streets distributing food, water and daily necessities to those in need, as well as helping to clear some of the city's walking trails.



SUSTAINABILITY

CONTRIBUTING TO LOCAL ARTS AND CULTURE

Art and entertainment are at the heart of our business. With the continuous addition of non-gaming elements to both MGM MACAU and MGM COTAI, we are committed to supporting the Macao SAR's vision to become the "World Center of Tourism and Leisure".

Over the last decade, MGM MACAU has hosted 23 world-class international and local exhibitions and welcomed more than 280,000 visitors to foster and encourage art and its appreciation.

Driven by our aim to make art accessible to all, in 2017 we organized over 110 complimentary guided community art tours to share key information and answer questions about our exhibitions. An important part of this program is the training program we have created to hone the skills of our art guides. To date, over 450 local students have been trained as art docents at MGM MACAU to further share our appreciation of art through the training of local individuals, as well as through the knowledge they share with visitors to our property.

CASE STUDY: Interactive Art with the teamLab Future Park

On December 1, 2017 MGM launched the "Learn & Play! teamLab Future Park" at the MGM Art Space. The teamLab Future Park project explores the theme of co-creative learning through digital technology and brings five inspiring digital installations to Macau including: Graffiti Nature — Mountains and Valleys, Sketch Christmas/Sketch Town, Sketch Town Papercraft, Light Ball Orchestra, and A Table where Little People Live.



CASE STUDY: A Unique Art Experience at Art Basel

We partnered with Art Basel Hong Kong in March to deliver Kingsley Ng's "Twenty-Five Minutes Older", thanks to the sponsorship of our parent company MGM Resorts International. Hong Kong artist Kingsley Ng, who is renowned for conceptual and community-engaging artwork, transformed two of the city's iconic trams to create an altered reality allowing tram passengers to experience Hong Kong in a new and eye-opening way.



We also organized three unique art tours for 45 local art enthusiasts from the Cultural Industries Fund, the Committee of Cultural Industries from Macau, as well as a group of students and professors from the Visual Arts and Design bachelor's degree programs of the Macao Polytechnic Institute. The groups also had the chance to meet Kingsley Ng in person, as well as take a tour of the wider Art Basel experience.

RESPONSIBLE GAMING

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

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

SUSTAINABILITY

ANTI-HUMAN TRAFFICKING

At MGM China, we recognize that forced labor and human trafficking are crimes of global proportions. In 2017, the International Labour Organization estimated that 40.3 million people are living in modern slavery, also reporting that it is something that touches every sector and country, either directly or indirectly through supply chains.

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

We address risks associated with human trafficking through three key areas including recruitment, supply chain and community outreach and partnerships, with the following key activities in 2017:

- Training provided to all employees in new hire orientation as well as to our Security department
- Expert training provided to senior management by the Mekong Club, an NGO dedicated to combating modern slavery
- Participated in forums and speaker panels including at the Thompson Reuters Anti-Slavery Summit and at the International Tourism Partnership/Mekong Club Hospitality Roundtable on Modern Slavery
- Sponsored the Trust Conference, the global modern slavery forum
- Became signatory to the Business Pledge Against Modern Slavery initiated by the Mekong Club
- Set standards and expectations for suppliers through our Vendor Code of Conduct



Case study: Student Competition

We have held many forums over the years to raise awareness of the topic of modern slavery, however the question is often asked — “what can we do as individuals?”

To help answer that question, we hosted and sponsored a student competition on December 2, 2017, asking participants to propose innovative and creative ideas to address modern slavery in our day-to-day lives and create feasible action plans for their implementation.

Each student group presented to a judging panel including representatives from the Mekong Club, the Legal Affairs Bureau and MGM.

**SUPPORTING LOCAL SMEs**

Since 2007, we have worked consistently with local businesses to build long-term partnerships, while providing support and advice where needed to help smaller businesses thrive and grow. Testament to our approach, over 90% of our procurement is with local Macau businesses. Recognizing the vital role that SMEs play in our local economy, significant attention is given to SME engagement.

SUSTAINABILITY

MGM's SME Engagement Program: In an effort to formalize and expand our commitments to the Macau SME community, we have rolled out a dedicated SME Engagement Program focusing specifically on the following local SME categories: micro-sized enterprise, "Made in Macau" and young entrepreneurs. Our approach is guided by our MGM SME Advisory Committee, comprising key decision makers and prominent local business representatives from across the business, non-profit and academic worlds. In 2017, we created 97 new SME supplier partnerships, spending over HK\$650 million with SMEs, an increase of 50% on last year. Since beginning our SME engagement program in 2015, our expenditure with local SMEs has more than doubled.



CASE STUDY: Supporting Local Entrepreneurs

On April 12, 2017, together with the Macau Youth Entrepreneur Association (“MYEA”), we co-organized the Young Entrepreneur Seminar held onsite at MGM MACAU. The Seminar welcomed over 150 participants and provided essential information to young entrepreneurs about setting up a Macau business, with key information on areas such as regulations and subsidies relating to SMEs.

In a follow-on event, on June 30, 2017, we and MYEA joined together again to co-organize the Young Entrepreneur Forum 2017 welcoming over 200 participants, including local young entrepreneurs and SMEs, government officials, and procurement executives from MGM MACAU as well as its parent company, MGM Resorts International. The Forum aimed to offer business insights to local young entrepreneurs through the inspiring road-to-success stories of three entrepreneurs: Mr. Zhu Heng, Co-Founder of Feelingtouch Inc. from Hangzhou; Mr. Eric Yeung, Executive Director of Skyzer VC Group from Hong Kong; and Mr. Roy Long, President of Royalex Group from Macau.



SUSTAINABILITY

COMMITMENT TO ENVIRONMENTAL RESPONSIBILITY

OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

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

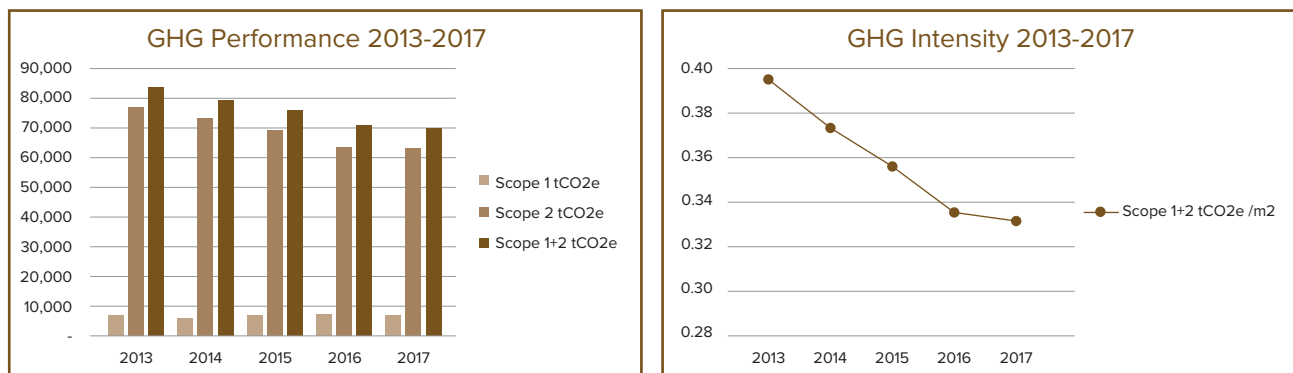
Our environmental management approach is defined by an ethos of continual improvement and we strive to find innovative ways to minimize our impacts on the environment. The Company's Environmental Management System is aligned to well-recognized best practice frameworks, including ISO 14001 in Environmental Management, ISO 50001 in Energy Management, as well as local frameworks such as China (Macau) Green Building Label.

EMISSIONS

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

With energy accounting for approximately 98% of our emissions, our carbon reduction strategy focuses on the rigorous reduction of our emissions from energy sources (see the below "Energy Performance" section for more detail on our efforts to reduce energy consumption, which will also reduce our emissions from energy sources). In 2017, total greenhouse gas emissions (Scope 1¹ and Scope 2²) were 70,280³ tons of CO₂e, a 1% decrease year-over-year, and 16% decrease from 2013. This year-over-year decrease is principally attributable to energy reduction projects such as LED lamp replacement, retrofitting our ventilation equipment to be more energy efficient and boiler plant optimization programs.

All guest limousines and leased shuttle buses are Euro IV and V compliant, meaning lower levels of pollution. Emissions through our leased shuttle bus service is also an area of focus with ongoing initiatives to reduce the quantity of shuttle buses on Macau roads with the joint aim to reduce traffic and emissions; in 2017 we reduced shuttle fuel consumption by 6% through operational and fuel efficiency programs. To support the Macau Government's transport integration arrangement, we collaborated with a neighboring resort to launch a daily joint shuttle bus service connecting passengers between the Border Gate and our respective properties, the first collaboration of its kind in Macau.



NATURAL RESOURCE USE

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

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

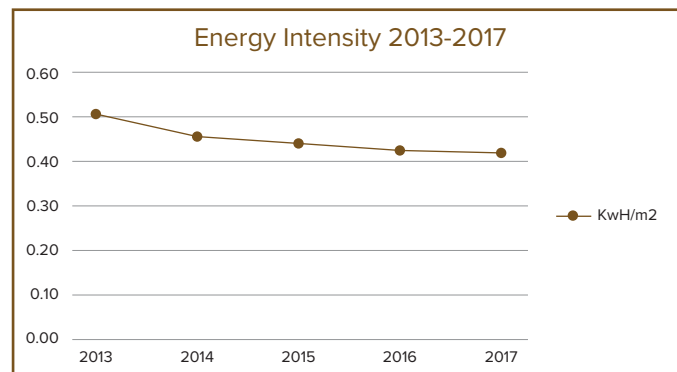
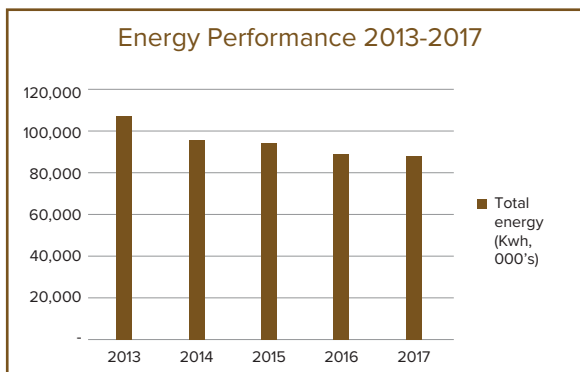
SUSTAINABILITY

Energy Performance

Our energy consumption in 2017 was 89,150,005 kilo watt hours (“kWh”), which included purchased electricity, liquefied petroleum gas (“LPG”), diesel and gasoline.

Energy type	Amount consumed in 2017 (kWh in 000s)	Energy unit consumed per m2 (intensity)	Emissions (tons of CO2e)
Purchased electricity	69,841	0.33	63,206
LPG	15,228	0.07	5,053
Gasoline	717	0.003	200
Diesel	3,364	0.02	822

Year-over-year, we have reduced our energy consumption by 1%, and 17% since our 2013 baseline⁴. While we realize 1% is a modest reduction, significant reduction gains made by us in the last decade amounting to over 30% of energy savings have made continued substantial gains challenging. However, we remain dedicated to continuous improvement and finding new and innovative ways to continue our downward trend, despite a growing business and a progressively warming climate. Targeted retrofitting of our building with more energy efficient equipment and focusing on employee behavior change in favor of energy conservation will continue to be areas of focus.

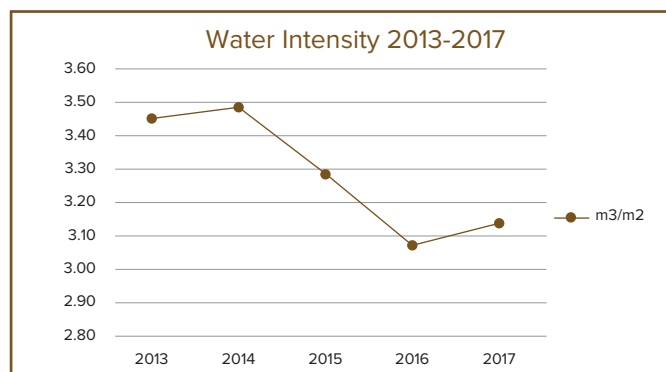
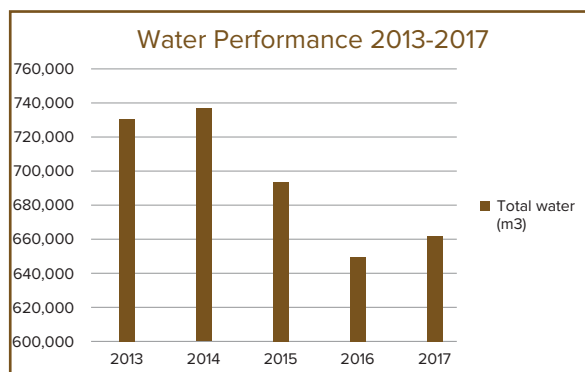


Water Performance

Water scarcity is a pressing and urgent issue for many countries around the world and it is therefore everyone's responsibility to ensure this vital resource is conserved. The majority of Macau's water is sourced from the Xijiang River, the mainstream of the Pearl River, with low risk of lack of potable water supply, however there are concerns of raised salinity levels during certain periods of the year⁵.

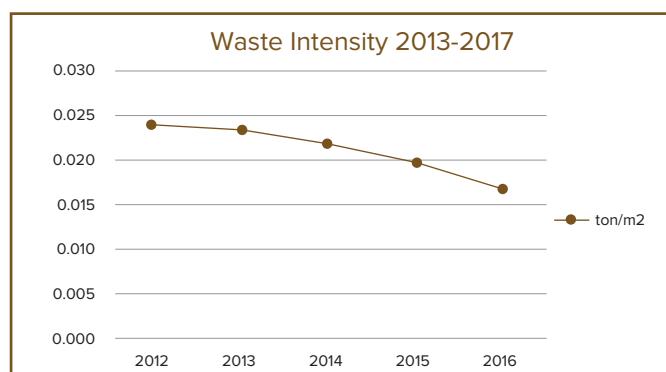
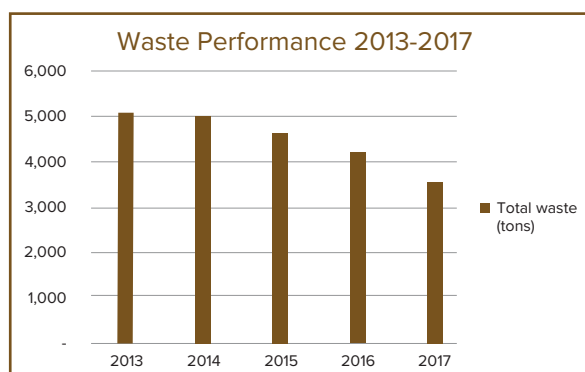
In 2017, we continued to conserve our water usage through our ongoing program of upgrading our fixtures and fittings (for example, shower heads and faucets) with low-flow alternatives, as well as adjusting our flow rates where possible. Throughout the year, we also continued to increase the scope of our water recycling program which serves to recycle the condensate from our air handling units, as well as the cooling tower bleed-off, to be reused for flushing.

In 2017, we consumed 662,923 m³ of water, an increase of 2% year-over-year, but an overall decrease of 9% from our 2013 baseline. This increase in 2017 was due to additional employee headcount being added temporarily to MGM MACAU in anticipation of MGM COTAI's opening and specifically attributed to our Employee Dining Room which used significantly more water in the process of meal production and dishwashing. Given these extra staff will be transferred to MGM COTAI from January 2018, we expect to recommence our annual downward trend at MGM MACAU.



WASTE MANAGEMENT

We recognize the importance of responsible waste management, and endeavor to reduce waste (hazardous and non-hazardous) sent to the landfill and incineration by managing our resources wisely. In 2017, the Group generated 3,575 tons of waste, a decrease of 15% year-over-year, and 30% reduction from our 2013 baseline.

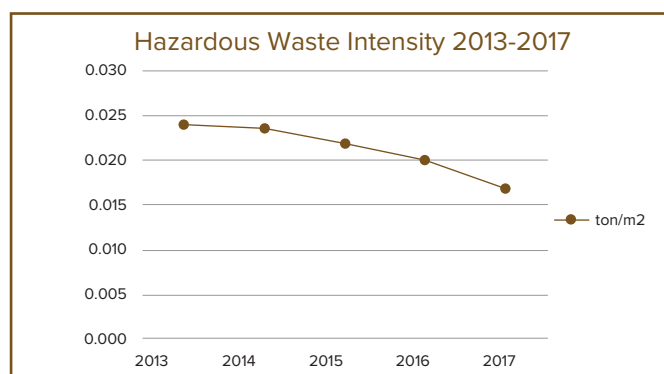
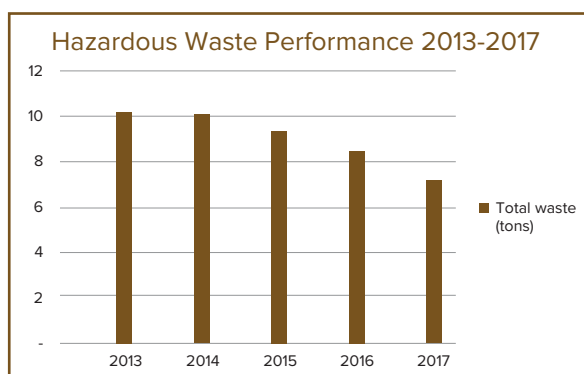


SUSTAINABILITY

Our waste management approach in 2017 focused on three important areas:

- **Reducing:** For example, setting all of our printer default settings to double-sided printing and removing the availability of disposable water bottles in back-of-house meeting rooms;
- **Reusing:** For example, using items such as reusable containers and cups instead of disposable ones, giving our guests the option of not having their towels and linen refreshed if they do not see the need, and donating furniture to local charities; and
- **Recycling:** Deploying recycling facilities for the collection of plastic, paper, cardboard, cooking oil, soap, metals and glass in both front of house and back of house. In 2017, the Company implemented an intensive recycling program through which we have increased our recycling total 7-fold.

Typical non-hazardous waste includes organic waste, plastics, metals, paper & cardboard, fabrics and textiles. Common hazardous wastes include diesel, compressed gases, oil-based paint, cooking oil, solvent adhesives, dry clean oil, acidic/alkaline and chlorine solutions (for pool water treatment), and batteries. Our hazardous waste management procedure ensures that such wastes are used up or returned to suppliers for safe disposal. Items such as cooking oil, toner cartridges and rechargeable batteries are recycled. In 2017, 0.002% of waste, or 7 tons, was hazardous waste, a decrease of 15% year-over-year.



GREEN BUILDING

We incorporate green building techniques into our design, development and construction processes using industry-leading green building frameworks. MGM COTAI opened on February 13, 2018; this property is a best in class integrated resort and has been built with leading practice green building processes and technology. Some of the key highlights of our green building program at MGM COTAI include: high-tech energy efficient air-conditioning, 100% LED lighting, low-flow water fixtures and fittings, use of recyclable and local construction materials, and systems for advanced indoor air quality. MGM COTAI has been certified with the China (Macau) Green Building Label, the only private sector organization in Macau to be awarded with this label.

BIODIVERSITY

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

We are also bringing the wonders of nature to our visitors through the permanent Nature's Art installation in the Spectacle at MGM COTAI. The vertical and horizontal greenery will comprise over 100,000 plants and over 2,000 plant species from Macau, Hong Kong and mainland China as well as from other world destinations. This display of exquisite biodiversity will also bring back to life several extinct and extremely rare plant species through the use of seed banks in Hong Kong and Europe.

GREEN PROCUREMENT

Wherever possible, we seek to favor procuring goods and services that cause minimal adverse environmental impacts, and make this clear to our suppliers. For example, we favor those that are more energy and water efficient, or products that include less toxins to reduce adverse health effects, or those that use less packaging. Suppliers are monitored to ensure our standards are being met, with adhoc audits being carried out. In 2017, we spent over HK\$73 million procuring products that are environmentally-preferable, such as office paper certified by the Forest Stewardship Council, sustainable seafood and biodegradable laundry products, for example.

EMPLOYEE ENGAGEMENT

We proactively engage our employees in our efforts to manage our environmental impacts. In 2017, our environmental employee engagement program focused on periodical themed events, and ongoing education and communication.

SUSTAINABILITY

CASE STUDY: Go Green Campaign

This year's Go Green Campaign from March 20 — April 3, 2017, in support of the Civic and Municipal Affairs Bureau's ("IACM") Green Week, as well as the annual Macao International Environmental Co-operation Forum & Exhibition included a whirlwind of activities for our employees to raise awareness on topics such as:

- **Ocean conservation:** A presentation was given by MGM's onsite team of aquarists on the issues related to water pollution and the need to protect our marine environment. This was then followed by a beach cleaning activity later that week.
- **Biodiversity maintenance:** Under the guidance of IACM, MGM participated in a tree maintenance program organized at Hác-Sá Reservoir Country Park to help preserve Macau's green spaces under the guidance of IACM's tree specialists. Our Volunteer Team also participated in IACM's mangrove planting program and awareness raising exercise to mark the importance of Macau's mangroves which are vital to Macau's ecosystem biodiversity and coastal protection.
- **Launch of Green Monday:** To support low carbon living and raise awareness that our day-to-day actions can have an impact on the environment and contribute to climate change, MGM MACAU officially launched Green Monday in our Employee Dining Room.



During new hire orientation, all employees are made aware of our sustainability commitments and program. This is supplemented by department-specific Green Training for detailed advice on actions that can be taken to reduce impacts.

In addition to a monthly Sustainability Newsletter that is distributed to all employees celebrating monthly successes, we post stories and videos from our environmental program through our internal communication channels to update employees on our progress. We also welcome 2-way feedback, encouraging ideas from employees on how we can do things better.

COMMUNITY OUTREACH

We are passionate about sharing what we have learnt from many years of dedication to sustainability with the community. We aim to engage our community through holding sustainability talks, back-of-house sustainability tours of our property to see sustainability in action and other awareness raising initiatives on various themes such as:

- **Resource efficiency:** As Macau residents and visitors from afar gathered to watch Macau's CNY Parade on January 30 and February 4, 2017, our parade float not only wowed and entertained, but also had a unique twist — an environmental message at its heart. To create the float, we thoughtfully used materials that can be readily recycled such 1,500 plastic bottles, 400 wine glass bottles and 500 room key cards; and for lighting we utilized 100% LED lighting. The acrobats and dancers that led the front of the float also donned costumes made from over 4,000 bottle caps, among other recyclable materials. To the crowd, we distributed recycled soap created through our partnership with the Clean The World Program — a program that collects, sanitizes and recycles leftover soap.



- **Climate change:** On March 25, 2017, 8:30-9:30pm, MGM MACAU once again joined Earth Hour, the global effort to raise awareness of climate change and environmental protection, by switching off all non-essential lighting during that hour. On a monthly basis, we also join "Earth Hour Every Hour" a local initiative instituted by the Macau Hotel Association encouraging Macau resorts and hotels to join in a monthly Earth Hour for continued awareness throughout the year.

SUSTAINABILITY

AWARDS IN 2017

In 2017, we are proud to have been recognized with the following:

- Selected by the Hang Seng Indexes Company to be featured on the **Hang Seng Corporate Sustainability Benchmark Index**, which identifies the top sustainability leaders in Hong Kong and Mainland China that are listed on the Hong Kong Stock Exchange. This is the second year MGM China has been selected.
- Awarded with the **Outstanding Corporate Social Responsibility Award** at the 6th Cross-Strait-Four-Region Outstanding Corporate Social Responsibility Award Ceremony organized by The Mirror Post Hong Kong.
- Awarded for **Outstanding Contribution in the Field of CSR** at the Asia Gaming Awards Ceremony.
- Recognized with the **Outstanding Social Caring Organization Award** at the 5th Social Caring Pledge Scheme organized by Social Enterprise Research Institute (SERI) of Hong Kong.
- Received the **Mother Friendly Award**, the **Father Friendly Award** as well as the **Outstanding Family-Friendly Employer Award** and on top of that the Gold status in the latter award category, in a ceremony organized by the Woman's General Association of Macau.
- Recognized by the **Hiring Disabled Staff Recognition Scheme**, an award scheme organized biennially by the Labour Affairs Bureau and the Social Welfare Bureau.
- Received 15 awards at the second **F&B Occupational Safety and Health Award Program** organized by the Labour Affairs Bureau.
- Recognized by the leading financial publication, Institutional Investor, as **Most Honored Company** in the 2017 All-Asia Executive Team survey. MGM swept up a total of 6 awards demonstrating the company's ongoing commitment to, and support of, its Investor Relations.
- Awarded with a gold award in **Excellence in Retention Strategy**, as well as two bronze awards in **Excellence in Employee Development and Leadership Development** at the HR Innovation Awards.
- Received the **Asia Responsible Entrepreneurship Award** from Enterprise Asia for the "Investment in People" category.
- MGM MACAU named as a **Forbes Travel Guide Five-Star Hotel**, recognizing the resort's high standard of service, amenities and diversified offerings.
- MGM MACAU named **Best Business Hotel in Macau** in the 10th Annual TTG China Travel Awards 2017.
- MGM COTAI awarded as the **Most Anticipated Hotel** by the Guangzhou Daily and again by the Voyage Best Hotels Awards.

Notes:

- ¹ Scope 1 emissions include: emissions from stationary combustion sources, such as boilers, emergency generators and fuel stoves; mobile combustion sources, such as company-owned and leased fleet vehicles, including cars, limousines, shuttle buses, etc; and fugitive emissions which are the hydrofluorocarbons (“HFC”) used in refrigeration and AC equipment. This year we have included all leased vehicles in our emissions total which was previously classed under Scope 3 emissions.
- ² Scope 2 emissions comprise emissions from the generation of purchased electricity.
- ³ The GHG emissions calculation for 2016 has been updated to reflect the correct emissions factor for the year, which was previously unavailable at the time of the 2016 report writing.
- ⁴ Our baseline was updated for energy, water and waste to 2013 for greater consistency and relevance.
- ⁵ “Report on the State of the Environment of Macao”, 2015, DSPA

CORPORATE GOVERNANCE REPORT

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

During the year ended December 31, 2017, the Company has complied with all provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

To ensure compliance with the Corporate Governance Code, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take reasonable measures to schedule the general meetings such that all Directors can attend.

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

ROLE OF THE BOARD

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

BOARD COMPOSITION

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

The Board is currently comprised of eleven Directors, of whom five are executive Directors, two are non-executive Directors and four are independent non-executive Directors. Details of the membership of the Board (including the independent non-executive Directors) have been posted on the Company's website and such information will be updated following any changes. There is no relationship (including financial, business, family or other material relationship) among members of the Board. Biographical details of the Directors are set out on pages 10 to 16 of this annual report and on the Company's website.

The number of independent non-executive Directors complies with the requirements of the Listing Rules which states that every board of directors of a listed issuer must include at least three independent non-executive directors (Rule 3.10(1) of the Listing Rules) and an issuer must appoint independent non-executive directors representing at least one-third of the board (Rule 3.10A of the Listing Rules).

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

BOARD DIVERSITY

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

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

The Company's Corporate Governance Policy relating to Board diversity sets out the Company's approach to achieve diversity on the Board. The composition of the Board and the Board Committees is regularly reviewed by the full Board to ensure that the balance is maintained and that the Board can retain its effectiveness at all times. Directors' appointments are evaluated against the existing balance of Board skills to ensure balance and mix of diversity.

CORPORATE GOVERNANCE REPORT

CHAIRPERSONS AND CHIEF EXECUTIVE OFFICER

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

The Chairperson met with the non-executive Directors (including the independent non-executive Directors) during the year ended December 31, 2017 without the presence of the executive Directors.

NON-EXECUTIVE DIRECTORS

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

DIRECTORS' TRAINING AND DEVELOPMENT

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

The training provided to the Directors for the year ended December 31, 2017 is summarized below:

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

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

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board held five meetings during the year ended December 31, 2017. Board decisions are made by voting at the Board meetings and supplemented by circulation of written resolutions between Board meetings.

The attendance of each Director at the Board, Board Committees and general meetings during the year ended December 31, 2017 is summarized in the following table:

Name of Directors	Number of meetings attended/held [#]					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	General Meeting	Continuous Professional Development*

EXECUTIVE DIRECTORS

Mr. James Joseph Murren	5/5	N/A	N/A	N/A	1/1	✓
Ms. Pansy Catilina Chiu King Ho	5/5	N/A	3/3	N/A	1/1	✓
Mr. Chen Yau Wong	5/5	N/A	N/A	1/1	1/1	✓
Mr. William Joseph Hornbuckle	5/5	N/A	3/3	N/A	1/1	✓
Mr. Grant R. Bowie	5/5	N/A	N/A	N/A	1/1	✓

NON-EXECUTIVE DIRECTORS

Mr. William M. Scott IV	4/5	N/A	N/A	1/1	1/1	✓
Mr. Daniel J. D'Arrigo	5/5	5/5	N/A	N/A	1/1	✓
Mr. Kenneth A. Rosevear (**)	5/5	N/A	N/A	N/A	1/1	✓

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Zhe Sun	4/5	5/5	3/3	1/1	0/1	✓
Ms. Sze Wan Patricia Lam	5/5	N/A	3/3	0/1	1/1	✓
Mr. Peter Man Kong Wong	3/5	4/5	1/3	0/1	0/1	✓
Mr. Russell Francis Banham	5/5	5/5	3/3	1/1	1/1	✓

[#] the number of meetings held during the year ended December 31, 2017 where each Director was a member of the Board and/or the relevant Board Committees

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

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

DELEGATION BY THE BOARD

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee is comprised of four members: Mr. Russell Francis Banham (Chairperson), Professor Zhe Sun and Mr. Peter Man Kong Wong, all of whom are independent non-executive Directors, and Mr. Daniel J. D'Arrigo, a non-executive Director. The Audit Committee held five meetings during the year ended December 31, 2017.

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

CORPORATE GOVERNANCE REPORT

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2017 by the Audit Committee included the following:

- the announcements relating to the Group's final results for the year ended December 31, 2016 and interim results for the six months ended June 30, 2017;
- 2016 annual and 2017 interim reports;
- significant accounting and key audit matters arising in respect of the audit of the financial statements for the year ended December 31, 2016, the review of the financial statements for the six months ended June 30, 2017, the management letter prepared by the independent auditor and management's responses;
- declaration of the 2016 final dividend;
- declaration of the 2017 interim dividend;
- adequacy of resources, staff qualifications and experience, training programs and budget for the Group's accounting and financial reporting functions;
- review of financial forecasts, refinancing initiatives and financial covenant compliance under the Group's borrowing arrangements;
- approval of internal audit plan for 2017 and the Internal Audit Department Charter;
- periodic reports from the Internal Audit Department and progress in resolving any matters identified therein and the progress of the 2017 internal Audit plan;
- compliance with the Deed of Non-Compete Undertakings by MGM Resorts International and Pansy Ho;
- re-appointment of independent auditor;
- external audit plan and audit timetable for the financial year ended December 31, 2017 presented by the independent auditor;
- approval of audit and non-audit fees;
- compliance with obligations in relation to the continuing connected transactions under the Listing Rules on a quarterly basis;
- review of the close-out policy and procedures for the Cotai Construction Project;
- review of the cost segregation work for the Cotai Construction Project;
- matters arising from the Compliance Committee of MGM Grand Paradise on a quarterly basis;
- matters reported on the Company's integrity hotline and whistle-blowing initiatives;
- matters reported on the anti-corruption program;
- assessment of internal controls over financial reporting of the Company relevant to compliance by MGM Resorts International with SOX;
- review of the Company's insurance coverage;
- review of internal controls and risk management systems; and
- matters separately raised by the independent auditor and head of internal audit in sessions without the presence of management.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of six members: Professor Zhe Sun (Chairperson), Ms. Sze Wan Patricia Lam, Mr. Peter Man Kong Wong and Mr. Russell Francis Banham, all of whom are independent non-executive Directors, Ms. Pansy Catilina Chiu King Ho and Mr. William Joseph Hornbuckle, both of whom are executive Directors. The Remuneration Committee held three meetings during the year ended December 31, 2017 supplemented by circulation of written resolutions of all committee members where appropriate.

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

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2017 by the Remuneration Committee included the following:

- granting of share options to certain existing and new senior executives;
- revision of share options scheme;
- revised senior-management incentive structure;
- bonus payout for senior management and general staff;
- 2017 cost of living adjustment and management salary increment;
- update of Non-Executive Directors fees;
- new senior management appointments; and
- medical insurance renewal

Details of the remuneration of the Directors for the year ended December 31, 2017 are set out in note 13 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

The remuneration of the members of senior management by band for the year ended December 31, 2017 is set out below:

	Number of members of senior management
HK\$6,000,001 to HK\$6,500,000	1
HK\$7,000,001 to HK\$7,500,000	2
HK\$7,500,001 to HK\$8,000,000	1
HK\$8,000,001 to HK\$8,500,000	1
HK\$8,500,001 to HK\$9,000,000	1
HK\$9,500,001 to HK\$10,000,000	1
HK\$11,000,001 to HK\$11,500,000	1
HK\$13,000,001 to HK\$13,500,000	1
	9

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination and Corporate Governance Committee is comprised of six members: Ms. Sze Wan Patricia Lam (Chairperson), Professor Zhe Sun, Mr. Peter Man Kong Wong and Mr. Russell Francis Banham, all of whom are independent non-executive Directors, Mr. William M. Scott IV, a non-executive Director and Mr. Chen Yau Wong, an executive Director. The Nomination and Corporate Governance Committee held one meeting during the year ended December 31, 2017.

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

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

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

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

- competencies and qualifications;
- status under applicable independence requirements;
- personal and professional ethics and integrity;
- business and professional experience in fields relevant to the Company's business (including whether that experience complements the expertise and experience of the other Directors);
- other directorships held in other listed companies (Hong Kong or overseas) (previously and currently);
- ability to devote sufficient time to perform their duties as a Director;
- contribution to the overall balance of the composition of the Board;
- commitment to represent the interests of all shareholders of the Company

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

CORPORATE GOVERNANCE REPORT

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2017 by the Nomination and Corporate Governance Committee included the following:

- review of the Corporate Governance Report in the draft 2017 annual report;
- review of the Environmental, Social and Governance (“ESG”) Report;
- review of the structure, size and composition of the Board, in particular relating to Board diversity, and monitoring the implementation of the board diversity policy;
- independence of independent non-executive Directors;
- review of compliance with deed of non-compete undertakings by substantial Shareholders;
- review Foreign Private Issuer (“FPI”) status; and
- retirement of Directors by rotation at the 2017 annual general meeting and re-election of retiring Directors.

DISCLOSURE COMMITTEE

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

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

DIRECTORS’ AND OFFICERS’ INSURANCE

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted its own code of conduct regarding securities transactions by Directors and senior management of the Group (the “Code”), the terms of which are no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers’ contained in Appendix 10 to the Listing Rules.

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

FINANCIAL REPORTING**DIRECTORS’ RESPONSIBILITY**

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

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

AUDITOR’S RESPONSIBILITY AND AUDITOR’S REMUNERATION

A statement by the external auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities for the financial statements is included in the Independent Auditor’s Report on pages 137 to 143 of this annual report.

CORPORATE GOVERNANCE REPORT

During the year ended December 31, 2017, the remuneration paid and payable to the Company's external auditor, is set out below:

Type of Services	HK\$'000
Audit services	10,588
Non-audit services	
Taxation and advisory services	392

COMMUNICATION WITH SHAREHOLDERS

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

INVESTOR RELATIONS

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

RISK MANAGEMENT

Key principles

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

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

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

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

Management Risk Committee

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

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

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

CORPORATE GOVERNANCE REPORT

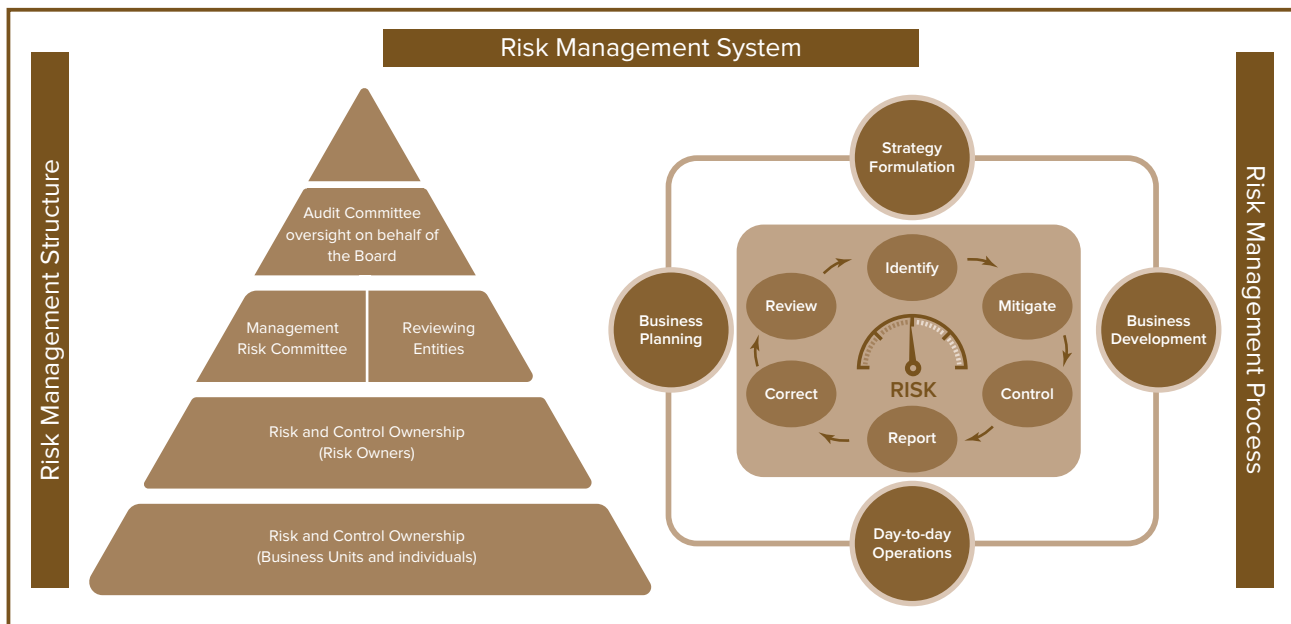
By doing this, the Management Risk Committee gives management a clear view of the significant risks facing the Company, which is used to support the decision making process including strategy formulation, business development and planning, internal control and day-to-day operations.

Risk Management System

Our risk management system analyzes risk based on an Impact/Likelihood matrix which assigns to the risk one of the following ratings: Low, Medium Low, Medium, Medium High and High.

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

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



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

Initiatives in 2017

The major Risk Management initiatives in 2017 were the following:

- Implementation of the Risk Management System Company-wide;
- Information sessions held with all Risk Owners;
- Creation of a Department that will act as gatekeeper of Risk Management in the Company's Policies and Standard Operating Procedures.

INTERNAL CONTROLS

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

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

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

CORPORATE GOVERNANCE REPORT

The Internal Audit Department (“IA”) is responsible for conducting independent reviews of the adequacy and effectiveness of the internal controls and reporting the review results to the Board through the Audit Committee on a quarterly basis. IA plans its internal audit projects annually based on applicable regulatory requirements and risk assessments. In accordance with the annual audit plan approved by the Audit Committee, IA conducts statutory required gaming compliance audits, as well as risk-based audits on the business operations. IA communicates with the management the audit findings and recommendations for remedial actions, and performs follow up to confirm that the implementation of remedial actions by the management team occurred. Status of follow up and the management team’s remedial actions are reported to the Audit Committee. To preserve IA’s independence, the director of IA reports directly to the Audit Committee on audit matters and to the Chief Executive Officer on administrative matters. During 2017, no material internal control weakness that might have an adverse impact on the financial position or operations of the Group was identified.

In respect of the year ended December 31, 2017, the Board reviewed the scope and quality of management’s ongoing monitoring of risks and of the internal control systems, the work of the internal audit function and risk management, and through the review and findings of the Audit Committee, considered that (i) the Group’s risk management and internal control systems were effective and adequate and that the Group had complied satisfactorily with the provisions on risk management and internal controls as set forth in the Corporate Governance Code; and (ii) the resources, staff qualifications and experience, training programs and budget of the Group’s accounting and financial reporting functions were adequate.

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

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

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

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

CORPORATE GOVERNANCE REPORT

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

CODE OF BUSINESS CONDUCT AND ETHICS AND CONFLICT OF INTEREST POLICY

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

WHISTLE-BLOWING POLICY

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

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the development and operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau. The Group owns and operates MGM MACAU and MGM COTAI which opened on December 18, 2007 and February 13, 2018 respectively. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and other particulars, is set out in note 33 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis and Chairperson's Statement set out on pages 20 to 45 and pages 4 to 9 of this annual report respectively. An account of the Company's relations with its key stakeholders are included in the Management Discussion and Analysis and Sustainability sections set out on pages 20 to 45 and pages 46 to 81 respectively, and as described on pages 106 to 108 of this annual report. Discussions on the Group's environmental policies and performance are included in the Sustainability section set out on pages 46 to 81. This discussion forms part of this directors' report.

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

FINANCIAL RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 144 of this annual report. The financial highlights of the Group for the most recent five years are set out on page 233 of this annual report.

DIVIDENDS

On May 24, 2017, the Shareholders approved 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, which was paid to Shareholders on June 16, 2017.

On August 3, 2017, the Board declared 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, which was paid to Shareholders on September 8, 2017.

In accordance with the dividend policy announced by the Company on February 28, 2013, the semi-annual dividends, may not, in aggregate, exceed more than 35% of the anticipated consolidated annual profits in any one year. The Company may also declare special distributions from time to time in addition to the semi-annual dividends. The Board recommends a final dividend of HK\$0.097 per Share (the “Final Dividend”), amounting to approximately HK\$368.6 million in aggregate for the year ended December 31, 2017, representing approximately 15.9% of the Group’s profit attributable to owners of the Company for the year ended December 31, 2017. The Final Dividend, subject to approval by the Shareholders in the forthcoming annual general meeting, together with the interim dividend of HK\$0.116 per Share, amounting to approximately HK\$440.8 million, approved on August 3, 2017 and paid to Shareholders on September 8, 2017, represents approximately 34.9% of the Group’s profit attributable to owners of the Company for the year ended December 31, 2017.

The Board has recommended the payment of the Final Dividend after reviewing the Group’s financial position as at February 20, 2018, its capital and liquidity requirements going forward and other factors that the Board considered relevant, and determined that the Group has sufficient resources after the payment of the Final Dividend (which is subject to Shareholders’ approval) to finance its operations and expansion of its business. The Final Dividend should not be taken as an indication of the level of profit or dividend going forward.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Except as disclosed in note 24 to the consolidated financial statements and the subsection headed “Share Option Scheme” in this report of the Directors, there have been no convertible securities, warrants or similar rights issued or granted by the Company, or any of its subsidiaries during the year ended December 31, 2017.

PRE-EMPTIVE RIGHTS

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

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

During the year ended December 31, 2017, the Company repurchased a total of 7,015,912 Shares at an aggregate purchase price of HK\$147.9 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2017	12,500	15.24	15.24	191
June 2017	744,000	17.20	16.94	12,793
September 2017	1,748,750	18.62	18.58	32,675
December 2017	1,044,800	20.90	20.85	21,894
December 2017	70,000	21.25	21.25	1,493
December 2017	1,020,212	21.70	21.60	22,192
December 2017	528,800	22.95	22.90	12,169
December 2017	1,319,050	23.95	23.90	31,697
December 2017	378,300	24.10	23.90	9,115
December 2017	149,500	24.45	24.10	3,645
	7,015,912			147,864

New Shares were issued pursuant to the exercise of share options by qualifying grantees under the share option scheme adopted by the Company. The Company repurchased the aggregate number of Shares equivalent to the aggregate number of all such new Shares being issued during the year ended December 31, 2017 in accordance with Rule 10.06 of the Listing Rules, and all the repurchased Shares were subsequently cancelled. The total issued share capital of the Company remains the same. The Board considered that such repurchases were made for the benefit of the Company and its Shareholders as a whole with a view of maintaining the same total issued share capital.

Except as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2017, the Company's reserves available for distribution to Shareholders were as follows:

	2017 HK\$'000	2016 HK\$'000
Share premium	10,409,528	10,435,363
Retained earnings	5,180,109	3,423,086
	15,589,637	13,858,449

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

CHARITABLE CONTRIBUTIONS

During the year ended December 31, 2017, the Group made charitable contributions totaling HK\$33.8 million.

REPORT OF THE DIRECTORS

EMPLOYEES

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

CUSTOMERS

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

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

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

For the year ended December 31, 2017, the aggregate amount of operating revenues attributable to the Group's five largest customers represented less than 30% of the Group's total operating revenues.

None of our Directors, their associates or any Shareholders, who to the knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in any of our top five customers in 2017.

SUPPLIERS

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

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

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

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

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

REPORT OF THE DIRECTORS

For the year ended December 31, 2017, the aggregate amount of purchases (not including the purchases of items that are of a capital nature) attributable to the Group's five largest suppliers represented 33.1% of the Group's total purchases. Our five largest suppliers were MGM Branding, AIA International Limited, Companhia de Electricidade de Macau — CEM, Angel Playing Cards Macau Ltd and Jardine Lloyd Thompson Limited, which accounted for approximately 14.6%, 6.9%, 4.3%, 3.9% and 3.4% of our total purchases, respectively.

With the exception of MGM Resorts International and Pansy Ho, which have an interest in MGM Branding, none of our Directors, their associates or any of our Shareholders, who to the knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in any of our top five suppliers in 2017.

DIRECTORS

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

EXECUTIVE DIRECTORS:

James Joseph Murren (*Chairperson*)

Pansy Catilina Chiu King Ho (*Co-Chairperson*)

Chen Yau Wong

William Joseph Hornbuckle

Grant R. Bowie (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTORS:

William M. Scott IV

Daniel J. D'Arrigo

Kenneth A. Rosevear*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Zhe Sun

Sze Wan Patricia Lam

Peter Man Kong Wong

Russell Francis Banham

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

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 19 of this annual report.

UPDATE ON DIRECTORS' INFORMATION

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

1. Mr. Peter Man Kong Wong ceased to be an Independent Non-executive Director of Chinney Investments, Limited since August 2017.
2. Mr. Russell Francis Banham was appointed as a Non-executive Director of Wiggins Island Coal Export Terminal Pty. Ltd (the owner and operator of a coal handling facility in Queensland Australia) and a member of the Audit and Risk Management Committee of the Queensland Audit Office (which provides audit services to the public sector of Queensland Australia) in November 2017.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments. The Directors' emoluments are determined by the Board with reference to their duties and responsibilities. In addition, the emoluments of the Chief Executive Officer are also based on performance and on the results of the Group.

DIRECTORS' INTEREST IN CONTRACTS

Except as disclosed in note 32 to the consolidated financial statements on pages 223 to 226 of this annual report, there is no contract of significance in relation to the Group's business at the end of the year or at any time during the year ended December 31, 2017 in which the Group was a party and in which a Director was materially interested.

PERMITTED INDEMNITY

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

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

The Company entered into a Deed of Non-compete Undertakings with Pansy Ho and MGM Resorts International on May 17, 2011 so as to maintain a clear delineation of the respective businesses of each party as set out in pages 134 to 137 of the Company's IPO Prospectus. The Company has received annual written declarations of their compliance with the undertakings under the Deed of Non-compete Undertakings during the year ended December 31, 2017 from Pansy Ho and MGM Resorts International. Based on the confirmations received from Pansy Ho and MGM Resorts International and after review, our independent non-executive Directors considered that Pansy Ho and MGM Resorts International have complied with the terms set out in the Deed of Non-compete Undertakings during the year ended December 31, 2017.

Except as disclosed above, none of our Directors had any interest in any business which competes with our Group's business during the year ended December 31, 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code or as the Company was aware, were as follows:

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

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares and Underlying Shares held	Percentage of issued share capital
Pansy Ho	380,000,000 ⁽¹⁾	—	474,561,200 ⁽²⁾	854,561,200	22.49%
Grant R. Bowie	17,315,200 ⁽³⁾	—	—	17,315,200	0.46%

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

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

REPORT OF THE DIRECTORS

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

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren	230,543 ⁽⁶⁾	—	—	—	230,543	0.0407%
	2,502 ⁽⁷⁾	—	—	—	2,502	0.0004%
	1,492,064 ⁽⁸⁾	—	—	—	1,492,064	0.2635%
	19,485 ⁽⁹⁾	—	—	—	19,485	0.0034%
	312,924 ⁽¹⁰⁾	—	—	—	312,924	0.0553%
	—	—	—	481,960 ⁽¹¹⁾	481,960	0.0851%
	—	175,329 ⁽¹²⁾	—	—	175,329	0.0310%
Pansy Ho	—	—	16,149,210 ⁽¹³⁾	—	16,149,210	2.8518%
	—	—	11,060,492 ⁽¹⁴⁾	—	11,060,492	1.9532%
William Joseph Hornbuckle	61,021 ⁽¹⁵⁾	—	—	—	61,021	0.0108%
	538 ⁽¹⁶⁾	—	—	—	538	0.0001%
	542,441 ⁽¹⁷⁾	—	—	—	542,441	0.0958%
	6,982 ⁽¹⁸⁾	—	—	—	6,982	0.0012%
	156,559 ⁽¹⁹⁾	—	—	—	156,559	0.0276%
William M. Scott IV	54,402 ⁽²⁰⁾	—	—	—	54,402	0.0096%
	9,384 ⁽²¹⁾	—	—	—	9,384	0.0017%
	14,749 ⁽²²⁾	—	—	—	14,749	0.0026%
	138 ⁽²³⁾	—	—	—	138	0.00002%
	77,480 ⁽²⁴⁾	—	—	—	77,480	0.0137%
	940 ⁽²⁵⁾	—	—	—	940	0.0002%
	54,458 ⁽²⁶⁾	—	—	—	54,458	0.0096%
Daniel J. D'Arrigo	225,000 ⁽²⁷⁾	—	—	—	225,000	0.0397%
	34,547 ⁽²⁸⁾	—	—	—	34,547	0.0061%
	320 ⁽²⁹⁾	—	—	—	320	0.0001%
	350,972 ⁽³⁰⁾	—	—	—	350,972	0.0620%
	4,619 ⁽³¹⁾	—	—	—	4,619	0.0008%
	167,799 ⁽³²⁾	—	—	—	167,799	0.0296%
Kenneth A. Rosevear (*)	8,884 ⁽³³⁾	—	—	—	8,884	0.0016%
	13,963 ⁽³⁴⁾	—	—	—	13,963	0.0025%
	130 ⁽³⁵⁾	—	—	—	130	0.00002%
	73,348 ⁽³⁶⁾	—	—	—	73,348	0.0130%
	890 ⁽³⁷⁾	—	—	—	890	0.0002%

(D) LONG POSITIONS IN THE COMMON STOCKS AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS — MGM GROWTH PROPERTIES⁽³⁸⁾

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren	37,705 ⁽³⁹⁾	—	—	—	37,705	0.0532%
	—	250,000 ⁽⁴⁰⁾	—	—	250,000	0.3526%
Pansy Ho	—	—	1,000,000 ⁽⁴¹⁾	—	1,000,000	1.4105%
William Joseph Hornbuckle	31,671 ⁽⁴²⁾	—	—	—	31,671	0.0447%
	—	—	—	7,541 ⁽⁴³⁾	7,541	0.0106%
Daniel J. D'Arrigo	27,623 ⁽⁴⁴⁾	—	—	—	27,623	0.0390%
Kenneth A. Rosevear (*)	100,000 ⁽⁴⁵⁾	—	—	—	100,000	0.1411%

Notes:

- (1) These represent the Shares beneficially held by Pansy Ho in her personal capacity.
- (2) Pansy Ho was deemed to be interested in 474,561,200 Shares held by Grand Paradise Macau Limited, a company which she controls.
- (3) This represents 17,315,200 share options of the Company granted to Grant R. Bowie pursuant to the share option scheme of the Company, details of which are set out in note 24 to the consolidated financial statements.
- (4) These represent 50% of total issued class B shares of MGM Grand Paradise which carry 10% of the total voting power at any meetings of shareholders of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise, each holder of class B shares will be entitled to receive dividends of up to MOP1 only.
- (5) MGM Resorts International adopted an omnibus incentive plan in 2005 which, as amended, allows it to grant stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other stock-based awards to eligible directors, officers and employees of MGM Resorts International and its subsidiaries. Stock options and SARs granted under all plans generally have terms of either seven or ten years, and in most cases vest in either four or five equal annual installments. RSUs and PSUs granted vest ratably over four and three years respectively. MGM Resorts International's practice is to issue new shares upon exercise or vesting of awards.

REPORT OF THE DIRECTORS

- (6) This represents 230,543 unvested RSUs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (7) This represents 2,502 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by James Joseph Murren.
- (8) This represents 932,540 unvested PSUs in the common stock of MGM Resorts International granted to James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (9) This represents 12,178 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (10) These represent the common stock of MGM Resorts International held by James Joseph Murren.
- (11) These represent the common stock of MGM Resorts International indirectly held through Grantor Retained Annuity Trust.
- (12) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (13) These represent the common stock of MGM Resorts International held by Emerging Corporate Limited, a company which Pansy Ho has control.
- (14) These represent the common stock of MGM Resorts International held by Expert Angels Limited, a company which Pansy Ho has control.
- (15) This represents 61,021 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (16) This represents 538 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle.
- (17) This represents 339,026 unvested PSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.

- (18) This represents 4,364 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (19) These represent the common stock of MGM Resorts International indirectly held by William Joseph Hornbuckle.
- (20) This represents 54,402 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (21) This represents 9,384 unvested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (22) This represents 14,749 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.
- (23) This represents 138 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by William M. Scott IV.
- (24) This represents 48,425 unvested PSUs in the common stock of MGM Resorts International granted to William M. Scott IV. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (25) This represents 588 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by William M. Scott IV. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (26) These represent the common stock of MGM Resorts International held by William M. Scott IV.
- (27) This represents 225,000 vested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (28) This represents 34,547 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (29) This represents 320 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Daniel J. D'Arrigo.

REPORT OF THE DIRECTORS

- (30) This represents 219,358 unvested PSUs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (31) This represents 2,887 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by Daniel J. D'Arrigo. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (32) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (33) This represents 8,884 unvested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear (*).
- (34) This represents 13,963 unvested RSUs in the common stock of MGM Resorts International held by Kenneth A. Rosevear (*).
- (35) This represents 130 dividend equivalent rights for the outstanding RSUs equity awards of MGM Resorts International held by Kenneth A. Rosevear (*).
- (36) This represents 45,843 unvested PSUs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear (*). Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (37) This represents 556 dividend equivalent rights for the outstanding PSUs equity awards of MGM Resorts International held by Kenneth A. Rosevear (*). Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.
- (38) MGM Growth Properties adopted an omnibus incentive plan in 2016 which allows it to grant share options, share appreciation rights, restricted shares, RSUs, performance shares, PSUs and other share-based awards to eligible directors, officers and employees of MGM Growth Properties and its affiliates. RSUs granted to non-employee directors and employees of affiliates (including MGM Resorts International) vest over one year, and RSUs and PSUs granted to officers and employees of MGM Growth Properties vest ratably over four and three years respectively. MGM Growth Properties's practice is to issue new shares upon vesting of awards.
- (39) These represent the common stock of MGM Growth Properties held by James Joseph Murren.
- (40) These represent the common stock of MGM Growth Properties held by Spousal Limited Access Trusts.
- (41) These represent the common stock of MGM Growth Properties held by August City Limited, a company which Pansy Ho has control.

(42) These represent the common stock of MGM Growth Properties held by William Joseph Hornbuckle.

(43) These represent the common stock of MGM Growth Properties indirectly held through trust.

(44) These represent the common stock of MGM Growth Properties held by Daniel J. D'Arrigo.

(45) These represent the common stock of MGM Growth Properties held by Kenneth A. Rosevear (*).

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

Except as disclosed above, as at December 31, 2017, none of the Directors or the chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at December 31, 2017, so far as is known to any Director or the chief executive of the Company, the persons who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company were as follows:

REPORT OF THE DIRECTORS

(A) LONG POSITION IN THE SHARES OF THE COMPANY

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

Notes:

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

Except as disclosed above, the Company had not been notified of any other corporation or person, who, as at December 31, 2017, had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme which was adopted by the Company on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administrative matters ("Share Option Scheme"). The Share Option Scheme was further amended by the Shareholders at the Annual General Meeting held in May 24, 2017 to approve changes to paragraphs 1.1, 6, 7 and 11 of the Share Option Scheme, details of which were set out in the circular of the Company dated April 20, 2017. The purpose of the Share Option Scheme is to provide incentives and/or rewards to eligible persons for their contributions to, and continuing efforts to promote the interests of the Group. Under the Share Option Scheme, options to subscribe for ordinary shares in the Company are granted to any director or employee of the Group and any other person (including a consultant or adviser) who in the sole discretion of the Board has contributed or will contribute to the Group (Eligible Persons).

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

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

As at December 31, 2017, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 77,130,588, representing approximately 2.0% of the Shares of the Company in issue at that date.

The total number of Shares available for issue under the Share Option Scheme of the Company as at the date of this annual report is 303,445,612, which is approximately 8.0% of the issued share capital as at the date of this annual report.

REPORT OF THE DIRECTORS

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

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

The vesting periods for all of the options granted were 25% per year on each of the subsequent four anniversary dates of the date of grant.

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

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

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

A summary of the movements of the outstanding options under the scheme during the year ended December 31, 2017 is as follows:

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017	Number of share options			Outstanding at December 31, 2017
					Granted during the year	Exercised during the year	Forfeited during the year	
Grant R. Bowie	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	5,832,000	—	(1,173,600)	(25,000)	4,633,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	770,000	—	(20,000)	—	750,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.800	60,000	—	(60,000)	—	—
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	50,000	—	(25,000)	—	25,000
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.250	750,000	—	—	(750,000)	—
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Grant R. Bowie	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	12,100,000	—	—	(475,000)	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	—	—	—	260,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	—	—	—	850,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	460,000	—	(40,000)	(150,000)	270,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	—	—	—	1,020,000
Grant R. Bowie	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	8,122,100	—	(1,836,412)	(504,200)	5,781,488
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	360,000	—	—	(50,000)	310,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	1,135,000	—	(132,500)	(40,000)	962,500
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	230,000	—	(57,500)	—	172,500
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	260,000	—	(27,500)	(45,000)	187,500
Grant R. Bowie	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	12,885,200	—	(2,174,800)	(940,600)	9,769,800
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000

REPORT OF THE DIRECTORS

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017	Number of share options			Outstanding at December 31, 2017
					Granted during the year	Exercised during the year	Forfeited during the year	
Grant R. Bowie	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	8,884,000	—	(1,468,600)	(49,600)	7,365,800
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	—	—	—	460,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	—	1,380,000 ⁽¹⁾	—	—	1,380,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	—	470,000 ⁽²⁾	—	—	470,000
Grant R. Bowie	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	2,220,000 ⁽³⁾	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	8,466,400 ⁽³⁾	—	(181,200)	8,285,200
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	214,800 ⁽³⁾	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	—	580,000 ⁽⁴⁾	—	—	580,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	—	450,000 ⁽⁵⁾	—	—	450,000
				73,575,900	13,781,200	(7,015,912)	(3,210,600)	77,130,588

Notes:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$13.98 and the estimated weighted average fair value of share options granted on that date was HK\$4.01 per Share.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$16.84 and the estimated weighted average fair value of share options granted on that date was HK\$5.11 per Share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$17.00 and the estimated weighted average fair value of share options granted on that date was HK\$5.48 per Share.
- (4) The closing price of the Shares immediately before the date of this grant was HK\$15.72 and the estimated weighted average fair value of share options granted on that date was HK\$5.23 per Share.
- (5) The closing price of the Shares immediately before the date of this grant was HK\$19.08 and the estimated weighted average fair value of share options granted on that date was HK\$6.25 per Share.

CONNECTED TRANSACTIONS

During the year ended December 31, 2017, the Group engaged in existing transactions with MGM Resorts International, Pansy Ho and their respective affiliates described below which constitute continuing connected transactions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

1. Second Renewed MGM Marketing Agreement

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

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

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

REPORT OF THE DIRECTORS

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

The Company has agreed to cause each Macau Group member to pay marketing fees to MGM Resorts International and its designated affiliates in consideration of the referrals of gaming customers made to resort, hotel and casino properties owned or operated by the members of the Macau Group. The marketing fees payable are equal to 3% of the theoretical win (refer to note on page 125) associated with gaming play by customers referred (excluding any play with gaming promoters). The marketing fees payable under the Second Renewed MGM Marketing Agreement have been determined based on, amongst others, the assessment of the incremental costs that the Group would have to incur to attract gaming customers and the historical fee arrangements under the First Renewed MGM Marketing Agreement.

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

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

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

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

For the year ended December 31, 2017, the aggregate total consideration paid to the MGM Group by our Group was HK\$15.7 million which fell within the annual cap of HK\$55,000,000 for the calendar year of 2017 as disclosed in the announcement on the Renewal of Continuing Connected Transactions published on the Hong Kong Stock Exchange, dated December 12, 2016.

Note:

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

REPORT OF THE DIRECTORS

2. Second Renewed Development Agreement

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

For the year ended December 31, 2017, the aggregate total consideration paid for services under the Second Renewed Development Agreement by the Group to MGM Branding was HK\$125.3 million (equivalent to approximately US\$16.2 million) which fell within the annual cap of US\$32,210,000 for the calendar year of 2017 as disclosed in the announcement on the Renewal of Continuing Connected Transactions published on the Hong Kong Stock Exchange, dated December 12, 2016.

3. Second Renewed Master Service Agreement and Related Arrangements

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

For the year ended December 31, 2017, the aggregate total consideration payable by the Group to the Shun Tak Group after the rebates for discounts on bulk purchases of ferry tickets was HK\$64.6 million which fell within the revised annual cap of HK\$350,000,000 for the calendar year 2017 as disclosed in the announcement of our Company dated December 12, 2016 and the aggregate total consideration received by the Group from the Shun Tak Group was HK\$113 thousand which fell within the annual cap of HK\$3,500,000 for the calendar year 2017, as disclosed in the announcement of our Company dated December 12, 2016.

REPORT OF THE DIRECTORS

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

4. Branding Agreement

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

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

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

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

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

In the event that we open additional properties during the term of the Branding Agreement, the amount of the annual cap will also increase by US\$20 million during the calendar year in which the relevant property is opened for business (the “Additional Property Cap Increase”). The Additional Property Cap Increase will also apply to subsequent calendar years, and shall also increase at the rate of 20% per year.

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

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

REPORT OF THE DIRECTORS

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

Pursuant to the Branding Agreement, the license fees for MGM MACAU paid by the Group for the year ended December 31, 2017 amounted to HK\$268.7 million (equivalent to approximately US\$34.5 million) which was within the annual cap of US\$74,649,600 for the calendar year of 2017 as disclosed in our IPO Prospectus.

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

Notes:

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

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

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

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

The auditor has issued an unqualified letter containing their factual findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules, and reported to the Board and confirmed that for the year ended December 31, 2017:

- (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of each of the continuing connected transactions set out on pages 123 to 134 of this annual report, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set out by the Company.

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

The independent non-executive Directors of the Company have reviewed these transactions, considered the internal control procedures that are in place to monitor these transactions and the report of the auditor and confirmed that the continuing connected transactions for the year ended December 31, 2017 have been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) either on normal commercial terms or on terms no less favorable to the Company than the terms available to and from (as appropriate) independent third parties; and

REPORT OF THE DIRECTORS

- (c) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

James Joseph Murren

Chairperson and Executive Director

Pansy Catilina Chiu King Ho

Co-chairperson and Executive Director

Hong Kong, February 20, 2018

INDEPENDENT AUDITOR'S REPORT

**To the Members of MGM China Holdings Limited**

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MGM China Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 144 to 232, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2017 and for the year then ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Capitalization of costs into construction in progress	
<p>We have identified the capitalization of costs into construction in progress, particularly those pertaining to the integrated casino, hotel and entertainment complex currently under construction on a plot of land in the Cotai area of Macau (the “MGM COTAI property”) as the amounts are substantial, as a key audit matter.</p> <p>As disclosed in note 16 to the consolidated financial statements, the Group has capitalized costs to construction in progress of HK\$8,467.4 million, including capitalized borrowing costs, during the year, most of which pertains to the construction costs of the MGM COTAI property.</p> <p>The Group has a credit facility and, as disclosed in note 10 to the consolidated financial statements, finance costs of HK\$688.9 million have been capitalized as expenditure on the qualifying asset, the MGM COTAI property.</p> <p>As disclosed in note 22 to the consolidated financial statements, the Group has recognized construction payables and accruals of HK\$2,034.9 million as at December 31, 2017. The Group also has construction retention payables of HK\$568.8 million.</p>	<p>Our procedures in relation to the capitalization of costs into construction in progress included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process and testing the internal controls over the recognition of, and accrual for, costs incurred included in construction in progress pertaining to the MGM COTAI property; • Assessing compliance with the requirements of International Accounting Standard (“IAS”) 16 <i>Property, Plant and Equipment</i> and IAS 23 <i>Borrowing Costs</i>; • Reperforming the underlying calculations used in the Group’s computation of borrowing costs to be capitalized and testing of the inputs used; • Assessing the nature and amount of the costs incurred on the MGM COTAI construction project with the assistance of our construction specialist; • Agreeing costs capitalized to supporting documentation;

Key audit matter	How our audit addressed the key audit matter
Capitalization of costs into construction in progress <i>(Continued)</i>	
	<ul style="list-style-type: none"> • Inquiry of management about their assessment of claims from contractors and vendors and the impact on the construction budget and accrual for costs incurred; • Comparing the construction budget and expected cost to complete as at the end of the reporting period; and • Examining, on a sample basis, payment applications issued by contractors to the Group and, comparing to costs incurred included in construction in progress.
Assessment of the going concern basis	
<p>We have identified the assessment of the going concern basis of accounting performed by the management of the Group as a key audit matter because as at December 31, 2017, the Group had net current liabilities of approximately HK\$9,884.8 million and capital commitments of HK\$642.6 million. As disclosed in the assessment of liquidity risk in note 27 to the consolidated financial statements, the Group has financial liabilities of HK\$13,112.4 million to be settled within one year from December 31, 2017. The Group has cash and cash equivalents of HK\$5,283.4 million and unutilized credit facilities of HK\$4.81 billion.</p>	<p>Our procedures in relation to the Group's assessment of the sufficiency of funds and compliance with debt covenants included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process and testing the internal controls over the liquidity assessment, compliance with the debt covenants and preparation of the cash flow forecast based on reasonable and supportable assumptions and inputs to the model used to estimate the future cash flows;

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Assessment of the going concern basis <i>(Continued)</i>	
<p>As disclosed in note 3 to the consolidated financial statements, the Group has prepared a cash flow forecast which involves judgements and estimations based 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.</p> <p>The Group believes it has sufficient liquidity based on the credit facilities disclosed in note 21 and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.</p>	<ul style="list-style-type: none"> • Testing the reasonableness of the inputs and assumptions used in the cash flow forecast against historical performance, economic and industry indicators, publicly available information and the Group's strategic plans; • Reperforming the underlying calculations used in the Group's assessment of debt covenants compliance, the cash flow forecast and sensitivity testing of the inputs used. • Challenging the key assumptions including those pertaining to revenue growth and the timing of significant payments in the cash flow forecast for the following twelve months; and • Agreeing the details of the Group's credit facilities (including the amendment and extension of credit facilities) to the supporting documentation.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

February 20, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
OPERATING REVENUE			
Casino revenue	5	15,053,622	14,606,066
Other revenue	6	302,384	301,402
		15,356,006	14,907,468
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government	8	(7,214,106)	(6,998,604)
Inventories consumed		(302,666)	(273,074)
Staff costs		(2,324,209)	(1,949,165)
Other expenses and losses	9	(2,091,779)	(1,815,796)
Depreciation and amortization		(799,045)	(771,712)
		(12,731,805)	(11,808,351)
Operating profit		2,624,201	3,099,117
Interest income		5,046	6,454
Finance costs	10	(7,273)	(53,255)
Net foreign currency gain/(loss)		16,505	(707)
Profit before tax		2,638,479	3,051,609
Income tax expense	11	(318,294)	(15,101)
Profit for the year attributable to owners of the Company	12	2,320,185	3,036,508
Other comprehensive income/(expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		2,557	(1,853)
Total comprehensive income for the year attributable to owners of the Company		2,322,742	3,034,655
Earnings per Share — Basic	15	HK61.1 cents	HK79.9 cents
Earnings per Share — Diluted	15	HK60.9 cents	HK79.9 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current assets			
Property and equipment	16	3,027,253	3,294,672
Construction in progress	16	26,093,051	17,915,292
Sub-concession premium	17	285,053	411,953
Land use right premium	18	1,190,947	1,260,353
Other assets		167,297	46,173
Prepayments, deposits and other receivables		31,819	109,753
Total non-current assets		30,795,420	23,038,196
Current assets			
Inventories		135,776	92,160
Trade receivables	19	179,827	224,738
Prepayments, deposits and other receivables		142,249	107,921
Land use right premium	18	69,406	69,406
Amounts due from related companies	32(a)(i)	437	659
Bank balances and cash	20	5,283,387	3,547,130
Total current assets		5,811,082	4,042,014
TOTAL ASSETS		36,606,502	27,080,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
EQUITY			
Capital and reserves			
Share capital	23(a)	3,800,000	3,800,000
Share premium and reserves	23(b)	4,712,356	3,416,696
TOTAL EQUITY		8,512,356	7,216,696
LIABILITIES			
Non-current liabilities			
Bank borrowings	21	11,794,219	14,104,130
Payables and accrued charges	22	19,608	8,028
Construction retention payable		267,259	259,163
Deferred tax liability	11	317,147	—
Total non-current liabilities		12,398,233	14,371,321
Current liabilities			
Bank borrowings	21	6,045,000	604,500
Payables and accrued charges	22	9,319,489	4,469,245
Land use right payable	18	—	111,121
Construction retention payable		301,511	266,058
Amounts due to related companies	32(a)(ii)	28,920	26,318
Income tax payable		993	14,951
Total current liabilities		15,695,913	5,492,193
TOTAL LIABILITIES		28,094,146	19,863,514
TOTAL EQUITY AND LIABILITIES		36,606,502	27,080,210

The consolidated financial statements on pages 144 to 232 were approved and authorized for issue by the Board of Directors on February 20, 2018 and are signed on its behalf by:

James Joseph Murren
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

	Notes	Share capital HK\$'000	Share premium HK\$'000	Capital		Equity reserve HK\$'000	Other reserves HK\$'000	Currency	Retained earnings HK\$'000	Share	Shareholders' funds HK\$'000
				redemption reserve HK\$'000	Share option reserve HK\$'000			translation reserves HK\$'000		premium and reserves total HK\$'000	
Note 23(b)(ii)						Note 23(b)(iii)					
At January 1, 2016	3,800,000	10,433,107	3,712	253,858	293,725	(13,133,305)	—	3,263,954	1,115,051	4,915,051	
Profit for the year	—	—	—	—	—	—	—	3,036,508	3,036,508	3,036,508	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(1,853)	—	(1,853)	(1,853)	
Total comprehensive income	—	—	—	—	—	—	(1,853)	3,036,508	3,034,655	3,034,655	
Exercise of share options	23(a)&24	466	8,801	—	(2,646)	—	—	—	6,155	6,621	
Share repurchase and cancellation											
— repurchases of Shares	23(a)&23(b)(i)	(466)	(6,545)	—	—	—	—	—	(6,545)	(7,011)	
— transfer	23(b)(i)	—	—	466	—	—	—	(466)	—	—	
Forfeiture of share options	24	—	—	—	(17,639)	—	—	17,639	—	—	
Recognition of share-based payments	24	—	—	—	72,980	—	—	—	72,980	72,980	
Dividends paid	14	—	—	—	—	—	—	(805,600)	(805,600)	(805,600)	
At December 31, 2016 and January 1, 2017	3,800,000	10,435,363	4,178	306,553	293,725	(13,133,305)	(1,853)	5,512,035	3,416,696	7,216,696	
Profit for the year	—	—	—	—	—	—	—	2,320,185	2,320,185	2,320,185	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	2,557	—	2,557	2,557	
Total comprehensive income	—	—	—	—	—	—	2,557	2,320,185	2,322,742	2,322,742	
Exercise of share options	23(a)&24	7,016	115,013	—	(32,323)	—	—	—	82,690	89,706	
Share repurchase and cancellation											
— repurchases of Shares	23(a)&23(b)(i)	(7,016)	(140,848)	—	—	—	—	—	(140,848)	(147,864)	
— transfer	23(b)(i)	—	—	7,016	—	—	—	(7,016)	—	—	
Forfeiture of share options	24	—	—	—	(8,247)	—	—	8,247	—	—	
Recognition of share-based payments	24	—	—	—	79,900	—	—	—	79,900	79,900	
Dividends paid	14	—	—	—	—	—	—	(1,048,824)	(1,048,824)	(1,048,824)	
At December 31, 2017	3,800,000	10,409,528	11,194	345,883	293,725	(13,133,305)	704	6,784,627	4,712,356	8,512,356	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017 HK\$'000	2016 HK\$'000
OPERATING ACTIVITIES		
Profit before tax	2,638,479	3,051,609
Adjustments for:		
Depreciation and amortization	799,045	771,712
Interest expense	—	46,482
Loss/(gain) on disposal or write-off of property and equipment, construction in progress and other assets	45,331	(1,668)
Interest income	(5,046)	(6,454)
Reversal of allowance for doubtful debts, net	(42,076)	(47,408)
Share-based payments	79,900	72,980
Operating cash flows before movements in working capital	3,515,633	3,887,253
(Increase)/decrease in inventories	(43,616)	15,847
Decrease in trade receivables	86,987	65,209
(Increase)/decrease in prepayments, deposits and other receivables	(49,686)	44,501
Decrease in amounts due from related companies	222	56,967
Increase/(decrease) in payables and accrued charges	3,655,129	(1,300,533)
Increase in amounts due to related companies	2,602	1,252
Cash generated from operations	7,167,271	2,770,496
Income tax paid	(15,068)	(15,101)
Income tax refunded	1,352	—
Interest received	4,325	6,966
NET CASH GENERATED FROM OPERATING ACTIVITIES	7,157,880	2,762,361
INVESTING ACTIVITIES		
Payments for construction in progress	(6,429,164)	(5,837,436)
Purchase of property and equipment	(130,525)	(92,455)
Proceeds from disposal of property and equipment and other assets	1,626	4,236
Payments of developers' fee capitalized to construction in progress	(99,461)	(90,682)
Payments for land use right premium	(113,899)	(227,798)
Purchase of other assets	(120,725)	(29,204)
Proceeds from insurance claims	118,738	—
NET CASH USED IN INVESTING ACTIVITIES	(6,773,410)	(6,273,339)

	2017 HK\$'000	2016 HK\$'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	4,400,000	2,900,000
Repayment of bank borrowings	(1,404,500)	—
Payment of debt finance costs	(33,980)	(85,703)
Interest paid	(511,592)	(369,514)
Dividends paid	(1,048,824)	(805,600)
Proceeds from exercise of share options	95,731	6,731
Payments on repurchase of Shares	(147,864)	(7,011)
NET CASH GENERATED FROM FINANCING ACTIVITIES	1,348,971	1,638,903
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,733,441	(1,872,075)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,547,130	5,421,058
Effect of foreign exchange rate changes, net	2,816	(1,853)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	5,283,387	3,547,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. GENERAL

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

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

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

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvement to IFRSs 2014 — 2016 Cycle

The application of the above amendments to IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

IFRSs IN ISSUE NOT YET ADOPTED

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

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Venture ²
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvement to IFRS Standards 2015-2017 Cycle ²

¹ Effective for annual periods beginning on or after January 1, 2018

² Effective for annual periods beginning on or after January 1, 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after January 1, 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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

FURTHER INFORMATION ABOUT THOSE IFRSs THAT ARE EXPECTED TO BE APPLICABLE TO THE GROUP IS AS FOLLOWS:

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

The key requirements of IFRS 9 relevant to the Group are in relation to the 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 *Financial Instruments: Recognition and Measurement*. 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.

Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. The Group plans to adopt the new standard from January 1, 2018 and will not restate comparative information.

The Group has assessed the likely impact of IFRS 9 on its consolidated financial statements. The Group expects to apply the simplified approach to recognize lifetime expected credit losses for its trade receivables. The expected credit loss model may result in earlier recognition of credit losses and increase the amount of allowance recognized. This change is not expected to have a material impact on operating profit, profit before tax, the statements of cash flows, or the statement of changes in equity.

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. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

FURTHER INFORMATION ABOUT THOSE IFRSs THAT ARE EXPECTED TO BE APPLICABLE TO THE GROUP IS AS FOLLOWS: *(Continued)*

IFRS 15 Revenue from Contracts with Customers *(Continued)*

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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group currently recognizes casino revenue net of certain sales incentives such as commissions to casino customers and consideration allocated to award points earned in customer relationship programs.

Under IFRIC 13 *Customer Loyalty Programmes*, the players’ club customer relationship programs offered by the Group’s gaming operation and non-gaming operation result in the allocation of a portion of the transaction price to the loyalty programs using the fair value of award points issued and recognition of the consideration allocated to award points as revenue when award points are redeemed and it fulfils its obligations to supply awards (less estimated breakage).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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

FURTHER INFORMATION ABOUT THOSE IFRSs THAT ARE EXPECTED TO BE APPLICABLE TO THE GROUP IS AS FOLLOWS: *(Continued)*

IFRS 15 Revenue from Contracts with Customers *(Continued)*

The Group concluded that under IFRS 15 the loyalty programs give rise to a separate performance obligation because they generally provide a material right to the customer. The Group will need to allocate a portion of the transaction price to the loyalty programs based on relative stand-alone selling price instead of the allocation using the fair value of award points issued, i.e. residual approach, as it did under IFRIC 13.

IFRS 15 permits either a full retrospective or modified retrospective approach for the adoption. The Group plans to adopt the new standard from January 1, 2018 using the full retrospective method.

The Group has assessed the likely effect of applying IFRS 15 on its consolidated financial statements. The Group expects to report a decrease in casino revenue as all commission paid to the gaming promoters (refer note 9), the majority of the promotional allowances (refer note 6) and award points issued based on stand-alone selling price as aforementioned will be netted against casino revenue. There will be a corresponding decrease in other expenses and losses and increase in other revenue upon redemption of award points. These changes, and other less significant adjustments that will be required upon adoption, are not expected to have a material impact on operating profit, profit before tax, the statements of cash flows, or the statement of changes in equity.

IFRS 16 Leases

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

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

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

FURTHER INFORMATION ABOUT THOSE IFRSs THAT ARE EXPECTED TO BE APPLICABLE TO THE GROUP IS AS FOLLOWS: *(Continued)*

IFRS 16 Leases *(Continued)*

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

Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 and presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion, which will be presented as financing cash flows.

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

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2017, the Group has non-cancellable operating lease commitments of HK\$239.2 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group may be required to recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Group completes the review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs on the historical cost basis except for certain financial assets and financial liabilities that are measured at fair value. Historical cost is generally based on fair value of the consideration given in exchange for goods and services. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on a going concern basis. As at December 31, 2017, the Group had net current liabilities of approximately HK\$9,884.8 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 credit facilities (refer note 21) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

BASIS OF CONSOLIDATION

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION *(Continued)*

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

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

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

REVENUE RECOGNITION

Casino revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession.

Casino revenue is recognized net of certain sales incentives such as commissions to casino customers and consideration allocated to award points earned in customer relationship programs.

Other revenue comprises hotel, food and beverage, retail and other operating revenue and is recognized when services are rendered and goods are sold and it is probable that the economic benefits associated with the transaction will flow to the Group. Advanced deposits on rooms are recorded as accrued liabilities before services are provided to customers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PLAYERS' CLUB CUSTOMER RELATIONSHIP PROGRAMS

The Group has established promotional clubs to encourage repeat business from frequent and active table games patrons and slot machine customers. Members earn points primarily based on gaming activity and such points can be redeemed for free play and other free goods and services. The award points are recognized as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the consideration allocated to the award points is measured by reference to the fair value of the awards for which they could be redeemed. The Group recognizes the consideration allocated to award points as revenue when award points are redeemed and it fulfils its obligations to supply the awards. The amount of revenue recognized is based on the number of award points that have been redeemed in exchange for awards, relative to the total number expected to be redeemed.

INVENTORIES

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

PROPERTY AND EQUIPMENT

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY AND EQUIPMENT *(Continued)*

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(Continued)

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

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

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

LEASEHOLD LAND AND BUILDING

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “land use right premium” in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

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

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

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

OTHER ASSETS

Operating equipment

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

Show production costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

OTHER ASSETS *(Continued)*

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

CASH EQUIVALENTS

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

FINANCIAL INSTRUMENTS

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

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

Financial assets

The Group's financial assets are loans and receivables.

Effective interest method

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amounts due from related companies and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Impairment of financial assets *(Continued)*

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

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

Financial liabilities and equity

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

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Effective interest method

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

Financial liabilities

Financial liabilities (including trade payables, bank borrowings, deposits and advances, land use right payable, construction retention payable, construction payables, other payables, outstanding chips liabilities, other casino liabilities and amounts due to related companies) are subsequently measured at amortized cost using the effective interest method.

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

Offsetting of financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group not designated at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the revenue recognition policy.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to receive cash flows from the asset expire.

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

The Group derecognizes financial liabilities when, and only when, the Group's obligations specified in the relevant contract are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

SUB-CONCESSION PREMIUM

Premium payments made for the grant of the Sub-concession Contract (see note 17) are capitalized, carried at cost less accumulated amortization and accumulated impairment losses, if any, and amortized using the straight-line method over its estimated useful life which is from the date of commencement of gaming operations to the expiry of the Sub-concession Contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BORROWING COSTS

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

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

FOREIGN CURRENCIES

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

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

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

RETIREMENT BENEFIT COSTS

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASING

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

Group as a lessee

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

Group as a grantor for right of use

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

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to Directors and employees of the Group

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Share options granted to consultants of the Group

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

DEPRECIATION OF PROPERTY AND EQUIPMENT

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

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

DEPRECIATION OF PROPERTY AND EQUIPMENT *(Continued)*

The remaining estimated useful lives of our property and equipment are periodically reviewed. For the review of estimated useful lives of buildings and improvements, the Group considers factors such as the physical condition of the assets, the operating and competitive environment of the gaming industry in Macau, laws and regulations in Macau, and the Group's anticipated usage of the buildings. Following a review performed during 2017, the Group determined that the maximum useful lives of buildings and improvements should be extended to better reflect the estimated useful lives that these assets are expected to remain in service. As a result, effective from November 1, 2017, the estimated maximum useful lives of buildings and improvements was increased to 40 years from the date they were placed in service. Previously, such assets were separated into gaming and non-gaming portions. The gaming portion was depreciated over 12.5 years or over the remaining term of the Sub-concession Contract, while the non-gaming portion was depreciated over 25 years or over the lease term of the land on which the buildings were located, whichever was shorter. The change in estimated useful lives of these assets has resulted in a reduction in depreciation expense and increase in profit of HK\$32.9 million for the year ended December 31, 2017.

ALLOWANCE FOR DOUBTFUL DEBTS

The Group issues markers and credit to approved gaming promoters, casino customers and hotel customers following background checks and investigations of their creditworthiness. An estimated allowance for doubtful accounts is maintained to reduce the Group's receivables to their recoverable amount. The allowance is estimated based on a specific review of customer accounts and an evaluation of the amounts expected to be recovered with reference to past collection experience, current economic and business conditions and other relevant information. When the actual future cash flows are less than expected, an impairment loss may arise and affect profit or loss in the period of change.

The Group has a concentration of credit risk with a small number of gaming promoters, all of which are domiciled in Macau. Any adverse changes in the business environment and financial performance of those gaming promoters may impact the recoverability of the trade receivables. Should there be any change in circumstances pertaining to these gaming promoters, it would have a material effect to the carrying amount of trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

5. CASINO REVENUE

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

	2017 HK\$'000	2016 HK\$'000
VIP gross table games win	8,566,563	8,631,084
Main floor gross table games win	8,138,837	7,688,849
Slot machine gross win	1,406,587	1,257,300
Gross casino revenue	18,111,987	17,577,233
Commissions and incentives	(3,058,365)	(2,971,167)
	15,053,622	14,606,066

6. OTHER REVENUE

Other revenue comprises:

	2017 HK\$'000	2016 HK\$'000
Hotel rooms	75,222	79,031
Food and beverage	155,272	167,103
Retail and others	71,890	55,268
	302,384	301,402

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

	2017 HK\$'000	2016 HK\$'000
Hotel rooms	373,980	386,838
Food and beverage	262,885	242,498
Retail and others	8,497	7,396
	645,362	636,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

7. SEGMENT INFORMATION

The Group currently operates in one operating segment which is the ownership and management of its casino, hotel, food and beverage and retail operations in Macau. A single management team reports to the Group's Chief Executive Officer (being the chief operating decision-maker) who allocates resources and assesses performance based on the consolidated revenue, net results, assets and liabilities for the entire business. Accordingly, the Group does not present separate segment information.

During the current and prior years, all revenue is derived from customers patronizing the Group's Macau property. None of the customers of the Group individually contributed more than 10% of the total revenue during the current and prior years.

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

According to the Sub-concession Contract as described in note 17, MGM Grand Paradise, a wholly-owned subsidiary, is required to pay to the Macau Government a special gaming tax, gaming premium and special levy annually. The special gaming tax is assessed at the rate of 35% of the gross gaming revenue (being the aggregate net difference between gaming wins and losses before deducting sales incentives) of MGM Grand Paradise. Gaming premium is composed of (i) a fixed portion of MOP30 million (equivalent to approximately HK\$29 million) and (ii) a variable portion that is calculated based on the number of gaming tables and gaming machines, including slot machines, operated by MGM Grand Paradise during the year. The special levy includes (i) an amount corresponding to 1.6% of the gross gaming revenue that will be paid to a public foundation whose purposes are the promotion, study and development of cultural, social, economic, educative, scientific, academic and philanthropic activities in Macau and (ii) an amount corresponding to 2.4% of the gross gaming revenue for the purposes of urban development, tourism promotion and social security of Macau.

9. OTHER EXPENSES AND LOSSES

	2017 HK\$'000	2016 HK\$'000
Gaming promoters' commission	665,973	664,899
Advertising and promotion	558,483	416,624
License fees	268,730	260,822
Other support services	120,080	95,338
Repairs and maintenance	110,511	99,942
Utilities and fuel	96,724	98,188
Loss/(gain) on disposal or write-off of property and equipment, construction in progress and other assets	45,331	(1,668)
Reversal of allowance for doubtful debts, net	(42,076)	(47,408)
Other	268,023	229,059
	2,091,779	1,815,796

10. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on:		
Bank borrowings	519,790	367,558
Land use right payable	—	8,266
Amortization of debt finance costs	169,069	162,383
Bank fees and charges	7,273	6,773
Total borrowing costs	696,132	544,980
Less: capitalized interest allocated to construction in progress (see note 16)	(688,859)	(491,725)
	7,273	53,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

11. INCOME TAX EXPENSE

	2017 HK\$'000	2016 HK\$'000
Current income tax expense:		
Macau Complementary Tax	993	—
Mainland China Income Tax	145	—
Hong Kong Profits Tax	—	170
Macau Dividend Withholding Tax	—	14,951
Under/(over) provision in prior year	9	(20)
	1,147	15,101
Deferred tax:		
Current period	317,147	—
	318,294	15,101

Macau Complementary Tax is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the current and prior years.

Pursuant to the approval notice 186/2008 issued by the Macau Government dated June 19, 2008, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for income generated from gaming operations for 5 years from 2007 to 2011. This exemption was renewed for another 5 years from 2012 to 2016 pursuant to the approval notice 267/2011 issued by the Macau Government dated September 22, 2011. Pursuant to the approval notice 322/2016 issued by the Macau Government dated September 7, 2016, this exemption was renewed for the period from January 1, 2017 to March 31, 2020. MGM Grand Paradise's non gaming profit remains subject to the Macau Complementary Tax.

11. INCOME TAX EXPENSE *(Continued)*

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.

On December 18, 2012, the Macau Government informed MGM Grand Paradise of the terms of an extended tax concession arrangement pursuant to which MGM Grand Paradise was required to pay a dividend withholding tax of MOP15,400,000 (equivalent to approximately HK\$14,951,000) for each of the years ended December 31, 2012 through 2016 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit. During the year ended December 31, 2017, MGM Grand Paradise made an application to the Macau Government for an extension of this arrangement for an additional five years through 2021. As at December 31, 2017 and at the date of approval of these consolidated financial statements, this application was still being processed and subject to approval by the Macau Government. Also, the various terms and conditions of the tax concession arrangement, including the duration of the tax concession and the amount of the annual lump sum payment required to be paid are still to be determined by the Macau Government.

As at December 31, 2017, the Company has reviewed its position and considered that cash dividends will be distributed to the shareholders of MGM Grand Paradise in the foreseeable future. Consequently, a deferred tax charge and a corresponding liability of HK\$317.1 million pertaining to the distributable profit of MGM Grand Paradise for the year ended December 31, 2017 was recognized during the year. Should the Company obtain the necessary approval of the tax concession arrangement in the future, the recognized deferred tax liability, or income tax liability where appropriate, will be adjusted accordingly in the period when the tax concession arrangement is granted.

The Group's other subsidiaries that carry on business in Macau are subject to the Macau Complementary Tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

11. INCOME TAX EXPENSE *(Continued)*

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

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

	2017 HK\$'000	2016 HK\$'000
Profit before tax	2,638,479	3,051,609
Tax calculated at domestic rates applicable to profits in the respective jurisdictions	(317,856)	(365,652)
Effect of tax exemption granted to MGM Grand Paradise	529,486	542,968
Effect of tax losses not recognized	(204,809)	(197,912)
Effect of expenses not deductible for tax purposes	(8,706)	(8,320)
Effect of income not taxable for tax purposes	1,816	—
Effect of utilization of tax losses previously not recognized	291	—
Effect of temporary differences not recognized	(1,360)	28,746
Deferred tax recognized on distributable reserves of a subsidiary	(317,147)	—
Lump sum dividend tax	—	(14,951)
(Under)/over provision in prior year	(9)	20
	(318,294)	(15,101)

11. INCOME TAX EXPENSE *(Continued)*

As at December 31, 2017, the Group has total unused tax losses (subject to agreement by the relevant tax authorities of Macau and Hong Kong) amounting to approximately HK\$4,971.6 million, of which approximately HK\$1,687.3 million, HK\$1,638.8 million and HK\$1,557.3 million arose from tax losses in Macau in the years of assessment ended December 31, 2017, 2016 and 2015 respectively (2016: total unused tax losses amounting to approximately HK\$4,668.8 million, of which approximately HK\$1,633.6 million, HK\$1,557.3 million and HK\$1,403.9 million arose from tax losses in Macau in the years of assessment ended December 31, 2016, 2015 and 2014 respectively). The Macau tax losses of approximately HK\$4,883.4 million in aggregate will expire in the years ended December 31, 2020, 2019 and 2018 (2016: approximately HK\$4,594.8 million Macau tax losses in aggregate will expire or had expired in the years ended December 31, 2019, 2018 and 2017). As at December 31, 2017, the Group has other unused tax losses of approximately HK\$88.2 million in Hong Kong (2016: approximately HK\$74.0 million), which may be carried forward indefinitely.

As at December 31, 2017, the Group has a deductible temporary difference of approximately HK\$629.4 million (2016: approximately HK\$618.5 million). No deferred tax assets have been recognized as it may not be probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

12. PROFIT FOR THE YEAR

	2017 HK\$'000	2016 HK\$'000
Profit for the year has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments	50,738	37,425
Retirement benefits scheme contributions for other staff	61,917	56,103
Share-based payments for other staff	61,019	56,303
Salaries and other benefits for other staff	2,150,535	1,799,334
	2,324,209	1,949,165
Amortization in respect of:		
— sub-concession premium	126,900	127,248
— land use right premium	19,246	19,299
— other assets	3,519	15,524
Depreciation of property and equipment	649,380	609,641
	799,045	771,712
Loss/(gain) on disposal or write-off of property and equipment, construction in progress and other assets	45,331	(1,668)
Operating lease rentals in respect of:		
— equipment	17,872	15,436
— warehouse	10,804	8,019
— leasehold land	4,936	4,936
— office premises	17,608	12,987
Auditor's remuneration	10,588	9,994

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

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

	Fees	Salary and other benefits	Contributions to retirement benefits scheme	Share-based payments	Discretionary and performance related incentive payments ⁽¹⁾	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended December 31, 2017						
<i>Executive Directors:</i>						
James Joseph Murren	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	—	13,837	1,250	15,980	16,633	47,700

The executive director's emoluments and retirement benefits shown above were for his/her services in connection with the management of the affairs of the Group.

<i>Non-executive Directors:</i>						
William M. Scott IV	—	—	—	—	—	—
Daniel J. D'Arrigo	—	—	—	—	—	—
Kenneth A. Rosevear	—	—	—	—	—	—
<i>Independent Non-executive Directors:</i>						
Zhe Sun	701	—	—	—	—	701
Sze Wan Patricia Lam	701	—	—	—	—	701
Peter Man Kong Wong	623	—	—	—	—	623
Russell Francis Banham	1,013	—	—	—	—	1,013
Total emoluments	3,038	13,837	1,250	15,980	16,633	50,738

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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

	Fees	Salary and other benefits	Contributions to retirement benefits scheme	Share-based payments	Discretionary and performance related incentive payments ⁽¹⁾	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended December 31, 2016						
<i>Executive Directors:</i>						
James Joseph Murren	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	—	13,852	1,212	14,032	5,859	34,955
<i>Non-executive Directors:</i>						
William M. Scott IV	—	—	—	—	—	—
Daniel J. D'Arrigo	—	—	—	—	—	—
Kenneth A. Rosevear	—	—	—	—	—	—
<i>Independent Non-executive Directors:</i>						
Zhe Sun	606	—	—	—	—	606
Sze Wan Patricia Lam	606	—	—	—	—	606
Peter Man Kong Wong	559	—	—	—	—	559
Russell Francis Banham	699	—	—	—	—	699
Total emoluments	2,470	13,852	1,212	14,032	5,859	37,425

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

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

None of the Directors and the chief executive have waived any emoluments during the years ended December 31, 2017 and 2016.

Of the five individuals with the highest emoluments in the Group, one (2016: one) was a Director and the chief executive of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining four (2016: four) individuals were as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other benefits	19,888	20,967
Contributions to retirement benefits scheme	468	493
Share-based payments	14,998	13,931
Discretionary and performance related incentive payments ⁽¹⁾	14,025	6,672
	49,379	42,063

Their emoluments were within the following bands:

	2017 No. of employees	2016 No. of employees
HK\$9,500,001 to HK\$10,000,000	—	2
HK\$10,000,001 to HK\$10,500,000	—	—
HK\$11,000,001 to HK\$11,500,000	2	1
HK\$11,500,001 to HK\$12,000,000	—	1
HK\$12,000,001 to HK\$12,500,000	—	—
HK\$13,000,001 to HK\$13,500,000	1	—
HK\$13,500,001 to HK\$14,000,000	1	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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

No emoluments were paid to any of the individuals with the highest emoluments (including Director and chief executive, and employees) and Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2017 and 2016.

Note:

- (1) The discretionary and performance related incentive payments for the years ended December 31, 2017 and 2016 are determined based on the Group's performance and the individual's contribution to the Group for the years ended December 31, 2016 and 2015 respectively.

14. DIVIDENDS

On May 25, 2016, a final dividend of HK\$0.093 per Share, amounting to approximately HK\$353.4 million in aggregate for the year ended December 31, 2015 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 17, 2016.

On August 4, 2016, an interim dividend of HK\$0.119 per Share, amounting to approximately HK\$452.2 million in aggregate for the six months ended June 30, 2016 was declared by the Directors of the Company. The dividend was paid to Shareholders on August 30, 2016.

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 has been recommended by the Directors of the Company and is subject to approval by the Shareholders of the Company in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic earnings per Share for the years ended December 31, 2017 and 2016 is based on the consolidated profit attributable to owners of the Company and the weighted average number of Shares in issue during the year.

The calculation of diluted earnings per Share for the years ended December 31, 2017 and 2016 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 year plus the potential Shares arising from exercise of share options (see note 24).

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

	2017	2016
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	2,320,185	3,036,508
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,188	3,800,038
Number of dilutive potential Shares arising from exercise of share options ('000)	8,823	27
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	3,809,011	3,800,065
Earnings per Share — Basic	HK61.1 cents	HK79.9 cents
Earnings per Share — Diluted	HK60.9 cents	HK79.9 cents

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For the year ended December 31, 2017

16. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Buildings and improvements HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Gaming machines and equipment HK\$'000	Computer equipment and software HK\$'000	Art works and paintings HK\$'000	Vehicles HK\$'000	Property and equipment total HK\$'000	Construction in progress HK\$'000	Grand total HK\$'000
COST										
At January 1, 2016	4,993,278	1,923,302	558,514	381,985	268,861	47,570	11,410	8,184,920	10,126,453	18,311,373
Additions	—	45,234	8,384	24,925	6,854	—	—	85,397	7,963,499	8,048,896
Transfers	—	154,413	2,343	—	7,566	—	—	164,322	(164,322)	—
Reclassification	—	(8,758)	844	—	7,914	—	—	—	—	—
Adjustments to project costs	(5,361)	(36,247)	(909)	(328)	(122)	—	—	(42,967)	—	(42,967)
Disposal/write-off	(14)	(196)	(6,394)	(75,608)	(1,315)	—	—	(83,527)	(10,338)	(93,865)
At December 31, 2016 and January 1, 2017	4,987,903	2,077,748	562,782	330,974	289,758	47,570	11,410	8,308,145	17,915,292	26,223,437
Additions	14,936	38,686	26,748	58,658	6,943	—	—	145,971	8,467,382	8,613,353
Transfers	105,953	108,793	35,529	487	35,173	970	—	286,905	(286,905)	—
Reclassification	—	—	189	(97)	—	(92)	—	—	—	—
Adjustments to project costs	(432)	(12,910)	—	—	(172)	—	—	(13,514)	—	(13,514)
Disposal/write-off	(107,069)	(31,568)	(12,113)	(14,711)	(5,989)	(27)	—	(171,477)	(2,957)	(174,434)
Exchange difference	—	529	216	—	198	—	—	943	239	1,182
At December 31, 2017	5,001,291	2,181,278	613,351	375,311	325,911	48,421	11,410	8,556,973	26,093,051	34,650,024
DEPRECIATION										
At January 1, 2016	(2,114,811)	(1,419,335)	(463,154)	(274,559)	(206,757)	—	(5,226)	(4,483,842)	—	(4,483,842)
Eliminated on disposal/write-off	5	196	5,817	72,741	1,251	—	—	80,010	—	80,010
Charge for the year	(277,919)	(206,838)	(38,643)	(41,464)	(42,681)	—	(2,096)	(609,641)	—	(609,641)
At December 31, 2016 and January 1, 2017	(2,392,725)	(1,625,977)	(495,980)	(243,282)	(248,187)	—	(7,322)	(5,013,473)	—	(5,013,473)
Eliminated on disposal/write-off	71,799	29,925	11,339	14,423	5,947	—	—	133,433	—	133,433
Charge for the year	(280,028)	(260,177)	(34,200)	(39,785)	(33,266)	—	(1,924)	(649,380)	—	(649,380)
Exchange difference	—	(192)	(47)	—	(61)	—	—	(300)	—	(300)
At December 31, 2017	(2,600,954)	(1,856,421)	(518,888)	(268,644)	(275,567)	—	(9,246)	(5,529,720)	—	(5,529,720)
CARRYING AMOUNT										
At December 31, 2017	2,400,337	324,857	94,463	106,667	50,344	48,421	2,164	3,027,253	26,093,051	29,120,304
At December 31, 2016	2,595,178	451,771	66,802	87,692	41,571	47,570	4,088	3,294,672	17,915,292	21,209,964

During the year ended December 31, 2017, borrowing costs (including interest on the land use right payable (see note 10)) and developers' fees (see note 32(b)) of HK\$688.9 million (2016: HK\$491.7 million) and HK\$125.3 million (2016: HK\$104.3 million) respectively were capitalized to construction in progress. Borrowing costs were capitalized by applying a capitalization rate of 4.11% (2016: 4.07%) per annum to expenditure on qualifying assets during the year ended December 31, 2017.

17. SUB-CONCESSION PREMIUM

	HK\$'000
COST	
At January 1, 2016, December 31, 2016, January 1, 2017 and December 31, 2017	1,560,000
AMORTIZATION	
At January 1, 2016	(1,020,799)
Charge for the year	(127,248)
At December 31, 2016 and January 1, 2017	(1,148,047)
Charge for the year	(126,900)
At December 31, 2017	(1,274,947)
CARRYING AMOUNT	
At December 31, 2017	285,053
At December 31, 2016	411,953

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. LAND USE RIGHT PREMIUM AND LAND USE RIGHT PAYABLE

	HK\$'000
COST	
At January 1, 2016, December 31, 2016, January 1, 2017 and December 31, 2017	1,736,293
AMORTIZATION	
At January 1, 2016	(336,938)
Charge for the year	(19,299)
Capitalized in construction in progress	(50,297)
At December 31, 2016 and January 1, 2017	(406,534)
Charge for the year	(19,246)
Capitalized in construction in progress	(50,160)
At December 31, 2017	(475,940)
CARRYING AMOUNT	
At December 31, 2017	1,260,353
At December 31, 2016	1,329,759

Included in the consolidated statement of financial position as:

	2017 HK\$'000	2016 HK\$'000
Current land use right premium	69,406	69,406
Non-current land use right premium	1,190,947	1,260,353
	1,260,353	1,329,759

18. LAND USE RIGHT PREMIUM AND LAND USE RIGHT PAYABLE *(Continued)*

The Group entered into land concession contracts with the Macau Government to build on the sites on which MGM MACAU and MGM COTAI are located. The Group does not own these land sites, however the land concessions which have an initial term of 25 years with a right to renew in accordance with Macau law, grant the Group exclusive use of the land. As specified in the land concessions, the Group is required to pay land use right premiums as well as annual rent for the term of the land concessions, which may be revised every five years by the Macau Government.

The land use right premium represents amounts paid and payable on the leasehold interests in land for MGM MACAU and MGM COTAI. The amounts are stated at cost less accumulated amortization and impairment, and are amortized using the straight-line method over the lease terms of 25 years from the date when the land use rights were granted on April 6, 2006 (for MGM MACAU) and January 9, 2013 (for MGM COTAI).

The land premium of the Cotai Land was MOP1,291.2 million (approximately HK\$1,253.6 million) which comprised an initial payment of MOP450.0 million (approximately HK\$436.9 million) made in October 2012 and a payable of MOP841.2 million (approximately HK\$816.7 million) to the Macau Government. The land premium was interest bearing at 5% per annum and payable in eight equal instalments of MOP117.3 million (approximately HK\$113.9 million) due every six months.

The land premium payable for MGM MACAU and MGM COTAI have been fully settled as at December 31, 2017 (2016: HK\$111.1 million payable for MGM COTAI).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

19. TRADE RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	238,577	288,354
Less: Allowance for doubtful debts	(58,750)	(63,616)
	179,827	224,738

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 casino customers ("VIP gaming customers") following background checks and investigations of creditworthiness. The Group allows a credit period up to 30 days on issuance of markers to gaming promoters and 14 days to VIP gaming customers. Trade receivables are unsecured and non-interest bearing. The carrying amount of the trade receivables approximates their fair value.

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:

	2017 HK\$'000	2016 HK\$'000
Within 30 days	135,451	149,314
31 — 60 days	13,208	62,168
61 — 90 days	10,487	11,711
91 — 120 days	20,681	1,545
	179,827	224,738

19. TRADE RECEIVABLES *(Continued)*

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

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

Certain trade receivables are past due at the end of the reporting period which the Group considers to be not impaired as they have either been subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 69 days as at December 31, 2017 (2016: 55 days). The aging of trade receivables which are past due but not impaired is as follows:

	2017 HK\$'000	2016 HK\$'000
31 — 60 days	13,208	62,168
61 — 90 days	10,487	11,711
91 — 120 days	20,681	1,545
	44,376	75,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

19. TRADE RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts during the year, which is substantially all related to casino customers, is as follows:

	2017 HK\$'000	2016 HK\$'000
At January 1	63,616	69,266
Impairment losses recognized on trade receivables	83,783	69,678
Impairment losses reversed upon recovery	(125,859)	(117,086)
Amount written back, net	37,210	41,758
At December 31	58,750	63,616

As at December 31, 2017, casino receivables of HK\$30.8 million (2016: HK\$38.7 million), have been fully provided for. The impairment losses recognized for the years ended December 31, 2017 and 2016 are attributable to casino customers who defaulted on the repayment of their debts and/or their creditworthiness has deteriorated.

20. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates which ranged from 0.0042% to 1.9% (2016: 0.0001% to 1.4%) per annum.

21. BANK BORROWINGS

	2017 HK\$'000	2016 HK\$'000
The secured credit facilities are repayable:		
Within one year	6,045,000	604,500
Between one to two years	11,940,500	6,045,000
Between two to five years	—	8,340,500
	17,985,500	14,990,000
Less: Debt finance costs	(146,281)	(281,370)
	17,839,219	14,708,630
Current	6,045,000	604,500
Non-current	11,794,219	14,104,130
	17,839,219	14,708,630

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

In June 2015, the Company and MGM Grand Paradise as co-borrowers entered into a second amended and restated credit agreement (the “Second Amended Credit Facilities”) which extended the maturity of the Amended Credit Facilities with most of the lenders to April 29, 2019 and expanded the term loan facility set out in the Amended Credit Facilities to HK\$12.09 billion. The aggregate amount of the Second Amended Credit Facilities is HK\$23.40 billion, consisting of a HK\$12.09 billion term loan facility and a HK\$11.31 billion revolving credit facility.

As at December 31, 2017, the term loan facility has been fully drawn while HK\$4.81 billion of the revolving credit facility is undrawn and available for utilization up to March 2019. The term loan facility is repayable on a quarterly basis commencing in October 2017 and is to be fully repaid in April 2019. Each drawdown under the revolving credit facility is to be repaid in full on the last date of the respective term but no later than April 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

21. BANK BORROWINGS *(Continued)*

The Second Amended Credit Facilities bear interest at HIBOR plus a fixed margin of 1.75% per annum for the first six months and thereafter a variable margin ranging from 1.375% to 2.5% per annum based on the Group's leverage ratio. As at December 31, 2017, the Group paid interest at HIBOR plus 2.5% per annum (2016: HIBOR plus 2.00% per annum). The weighted average interest rate on the Group's borrowings for the year ended December 31, 2017 was 4.11% per annum (2016: 4.07% per annum).

The Second Amended Credit Facilities contain 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 certain commitments and/or investments. With the approval of the lenders there are certain permitted exceptions to these restrictions.

Under the Second Amended Credit Facilities, the Restricted Group is required to comply with certain financial covenants whilst the loans are outstanding being:

- a leverage ratio no greater than 4.5 to 1.0 for each quarter which is reduced to no greater than 4.0 to 1.0 for each quarter after the first anniversary of opening of MGM COTAI.
- maintain an interest coverage ratio of no less than 2.5 to 1.0 at each quarter end.
- the Group cannot declare, make or pay any dividends while any default is outstanding or which would result from such dividend payment or if the pro forma leverage ratio exceeds 4.0 multiples as a result of such dividend payment. To the extent its leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may pay dividends up to US\$300 million (equivalent to approximately HK\$2,325.0 million), including any dividends paid during the preceding 12-month period.

In February 2016, an amendment to the Second Amended Credit Facilities was executed (the "Third Supplemental Agreement") to provide the Group with financial covenant flexibility while MGM COTAI was in the construction phase. The leverage ratio under the Third Supplemental Agreement was required to be maintained within 4.5 to 1.0 for the quarters ended March 31, 2016 and June 30, 2016. This ratio increased to no greater than 6.0 to 1.0 for each quarter ended September 30, 2016 through June 30, 2017 and reduced to no greater than 5.5 to 1.0 and 5.0 to 1.0 for the quarters ended September 30, 2017 and December 31, 2017, respectively. The leverage ratio reduced to no greater than 4.5 to 1.0 for each quarter thereafter through maturity of the credit facilities. In addition, if the leverage ratio exceeds 4.0 multiples, the Group may only pay dividends up to US\$150 million (equivalent to approximately HK\$1,162.5 million), including any dividends paid during the preceding 12-month period. To the extent the leverage ratio falls below 4.0 multiples but still exceeds 3.5, the Group may only pay dividends up to US\$300 million (equivalent to approximately HK\$2,325.0 million), including any dividends paid during the preceding 12-month period.

21. BANK BORROWINGS *(Continued)*

An amendment to the Third Supplemental Agreement was executed (the “Fourth Supplemental Agreement”) in February 2017 to continue to provide the Group with further covenant flexibility while MGM COTAI was in the construction phase, but with a view to deleveraging following MGM COTAI’s opening.

The leverage ratio under the Fourth Supplemental Agreement is required to be maintained within 4.5 to 1.0 for quarters ended March 31, 2016 and June 30, 2016. This ratio will be increased to no greater than 6.0 to 1.0 for each quarter ended September 30, 2016 through December 31, 2017 and reduced to no greater than 5.5 to 1.0 and 5.0 to 1.0 for quarters ended March 31, 2018 and June 30, 2018, respectively. The leverage ratio will be reduced to no greater than 4.5 to 1.0 for each quarter thereafter through maturity.

For the years ended December 31, 2017 and 2016, the Group has complied with the financial covenants contained in the Fourth Supplemental Agreement, Third Supplemental Agreement and Second Amended Credit Facilities.

The Second Amended Credit Facilities contain mandatory prepayment provisions which include, among other things, prepayment of all outstanding loans, together with accrued interest and all other amounts due thereunder, upon a change of control or sale of the MGM Grand Paradise business or COTAI project.

In addition, the Second Amended Credit Facilities contain certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Second Amended Credit Facilities, a divestment of holdings in the Company by MGM Resorts International below 50% control or any holdings in MGM Grand Paradise by the Company would constitute a change of control and trigger mandatory prepayment of the outstanding loan balances.

The credit facilities are secured by a charge over the shares of MGM Grand Paradise and some of its subsidiaries as well as most of the assets, including but not limited to property and equipment, land use right premium and bank balances and cash of the Group.

On December 29, 2017, the Group obtained the consent of the relevant lender group for the execution of an amendment and extension of the existing credit facilities (the “Fifth Supplemental Agreement”). The amendment includes changes to the financial covenants and the repayment terms. The execution of the Fifth Supplemental Agreement and of the Amended and Restated Credit Agreement is subject to finalization of required regulatory approval and documentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

22. PAYABLES AND ACCRUED CHARGES

	2017 HK\$'000	2016 HK\$'000
Outstanding chips liabilities	3,989,175	1,050,642
Construction payables and accruals	2,034,857	885,880
Deposits and advances	1,505,007	805,363
Special gaming tax and special levy payables	619,066	600,629
Other casino liabilities	394,111	411,308
Accrued staff costs	404,876	395,247
Other payables and accrued charges	376,397	296,152
Trade payables	15,608	32,052
	9,339,097	4,477,273
Current	9,319,489	4,469,245
Non-current	19,608	8,028
	9,339,097	4,477,273

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

	2017 HK\$'000	2016 HK\$'000
Within 30 days	10,727	25,892
31 — 60 days	4,292	5,861
61 — 90 days	171	8
91 — 120 days	357	141
Over 120 days	61	150
	15,608	32,052

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

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

(A) SHARE CAPITAL

	Notes	Number of Shares	Share Capital HK\$
Ordinary Shares of HK\$1 each			
Authorized			
At January 1, 2016, December 31, 2016, January 1, 2017 and December 31, 2017		10,000,000,000	10,000,000,000
Issued and fully paid			
At January 1, 2016		3,800,000,001	3,800,000,001
Share options exercised	24	465,600	465,600
Share repurchase and cancellation	(i)	(465,600)	(465,600)
At December 31, 2016 and January 1, 2017		3,800,000,001	3,800,000,001
Share options exercised	24	7,015,912	7,015,912
Share repurchase and cancellation	(i)	(7,015,912)	(7,015,912)
At December 31, 2017		3,800,000,001	3,800,000,001

- (i) During the year ended December 31, 2017, 7,015,912 Shares (2016: 465,600) of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$147.9 million (2016: HK\$7.0 million) (see note 23(b)(i) for details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(B) SHARE PREMIUM AND RESERVES

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

- (i) 7,015,912 Shares (2016: 465,600) were repurchased through the Stock Exchange and cancelled during the year ended December 31, 2017. The premium of HK\$140.8 million (2016: HK\$6.5 million) paid on the repurchase of the 7,015,912 Shares (2016: 465,600) was charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$7,015.9 thousand (2016: HK\$465.6 thousand) was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

Details of the repurchases during the years ended December 31, 2017 and 2016 are summarized as follows:

December 31, 2017

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
March 2017	12,500	15.24	15.24	191
June 2017	744,000	17.20	16.94	12,793
September 2017	1,748,750	18.62	18.58	32,675
December 2017	1,044,800	20.90	20.85	21,894
December 2017	70,000	21.25	21.25	1,493
December 2017	1,020,212	21.70	21.60	22,192
December 2017	528,800	22.95	22.90	12,169
December 2017	1,319,050	23.95	23.90	31,697
December 2017	378,300	24.10	23.90	9,115
December 2017	149,500	24.45	24.10	3,645
	7,015,912			147,864

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(B) SHARE PREMIUM AND RESERVES *(Continued)*

(i) *(Continued)*

December 31, 2016

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid HK\$'000
December 2016	465,600	15.04	14.92	7,011

(ii) Equity reserve

Pursuant to the terms of the Instrument of the Unsecured Notes and the Subscription and Shareholders Agreement of MGM Grand Paradise, loans from shareholders in the form of unsecured interest-free loan notes (the "Loan Notes") with a principal amounting to US\$135 million (equivalent to approximately HK\$1 billion) were obtained in 2006.

In accordance with IAS 39, the interest-free shareholders' Loan Notes classified as financial liabilities were initially measured at fair value and subsequently measured at amortized cost at the end of each reporting period until full repayment. Management of MGM Grand Paradise has, pursuant to the terms of the relevant agreements and based on certain assumptions estimated the fair value of the Loan Notes using the effective interest method (that is, discounting the future cash flows at the market rate of interest over the estimated repayment dates). As a result, at the initial recognition of these Loan Notes, a fair value adjustment of approximately HK\$630 million was made to reduce the principal amount of the interest-free shareholders' Loan Notes with a corresponding reserve of the same amount recognized in equity as a deemed contribution from shareholders. The equity reserve of approximately HK\$630 million recognized initially was reduced to approximately HK\$294 million due to the early repayment of the loans in 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

23. SHARE CAPITAL, SHARE PREMIUM AND RESERVES *(Continued)*

(B) SHARE PREMIUM AND RESERVES *(Continued)*

(iii) Other reserves

Other reserves of HK\$13,133.3 million as at December 31, 2017 (2016: HK\$13,133.3 million) comprise of the following:

- (a) Pursuant to Article 432 of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of its capital. The Company's subsidiary met this statutory requirement and continues to maintain the required reserve amount of MOP50 million (equivalent to approximately HK\$48.5 million) in "other reserves". This reserve is not distributable to the Shareholders.
- (b) In preparation for the listing of the Company's shares in 2011, a Group Reorganization occurred resulting in the following transactions being recognized in "other reserves":
 - the share premium of MGM Grand Paradise amounting to HK\$778.5 million was transferred to the Company;
 - the net amount of the Purchase Note and the Acquisition Note together with debit reserve for issuance of share capital arising on the Group Reorganization of HK\$14,092 million; and
 - certain global offering expenses were covered by the contribution from shareholders including Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd amounting to HK\$132.0 million.

24. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on May 11, 2011, amended by the Board on July 28, 2016 to approve certain administration matters and further amended and adopted by the Shareholders of the Company on May 24, 2017.

The purpose of the Scheme is to provide incentives and/or rewards to Eligible Persons (as defined in the Scheme, which includes any Director or employee of the Group and any other person including a consultant or adviser) for their contribution to, and continuing efforts to promote the interests of the Group. Under the Scheme, the Board of Directors of the Company may grant options to subscribe for Shares in the Company for a period of ten years from the adoption date.

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

As at December 31, 2017, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 77,130,588 (2016: 73,575,900), representing approximately 2.0% (2016: 1.9%) of the Shares of the Company in issue at that date.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme must not in aggregate exceed 10% of the total number of Shares in issue as at the date of the approval of the Scheme. Options which have lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the 10% limit. The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to any Eligible Persons under the Scheme (including exercised, cancelled and outstanding options) in any twelve month period is limited to 1% of the total number of Shares in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

24. SHARE-BASED PAYMENTS *(Continued)*

Options granted must be taken up within ten days of the date of grant. The period during which an option may be exercised, to be determined and notified by the Board to a grantee, shall not in any event be more than ten years commencing on the date on which the offer in relation to such option is deemed to have been accepted by the grantee, subject to the payment of the option price, in the amount of HK\$1.00 payable for each acceptance of grant of an option, and expiring on the last day of such ten year period subject to the provisions for early termination contained in the Scheme. 25% of the options granted will vest on each of the first, second, third and fourth anniversary from the date of grant of the share option. The exercise price shall be a price determined by the Board and notified to an Eligible Person and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the offer date, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

24. SHARE-BASED PAYMENTS *(Continued)*

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

December 31, 2017

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017	Number of share options			Outstanding at December 31, 2017
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	5,832,000	—	(1,173,600)	(25,000)	4,633,400
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	625,000	—	—	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	770,000	—	(20,000)	—	750,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.800	60,000	—	(60,000)	—	—
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	50,000	—	(25,000)	—	25,000
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.250	750,000	—	—	(750,000)	—
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	12,100,000	—	—	(475,000)	11,625,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	260,000	—	—	—	260,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	850,000	—	—	—	850,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	460,000	—	(40,000)	(150,000)	270,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,020,000	—	—	—	1,020,000
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	8,122,100	—	(1,836,412)	(504,200)	5,781,488
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800

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For the year ended December 31, 2017

24. SHARE-BASED PAYMENTS (Continued)

December 31, 2017 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2017	Number of share options			Outstanding at December 31, 2017
					Granted during the year	Exercised during the year	Forfeited during the year	
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	360,000	—	—	(50,000)	310,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	1,135,000	—	(132,500)	(40,000)	962,500
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	230,000	—	(57,500)	—	172,500
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	260,000	—	(27,500)	(45,000)	187,500
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	3,535,200	—	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	12,885,200	—	(2,174,800)	(940,600)	9,769,800
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	550,000	—	—	—	550,000
Directors	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	2,106,400	—	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	8,884,000	—	(1,468,600)	(49,600)	7,365,800
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	263,600	—	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	460,000	—	—	—	460,000
Employees	February 21, 2017	February 21, 2018 - February 20, 2027	14.500	—	1,380,000	—	—	1,380,000
Employees	May 15, 2017	May 15, 2018 - May 14, 2027	16.990	—	470,000	—	—	470,000
Directors	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	2,220,000	—	—	2,220,000
Employees	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	8,466,400	—	(181,200)	8,285,200
Consultants	June 5, 2017	June 5, 2018 - June 4, 2027	17.132	—	214,800	—	—	214,800
Employees	August 15, 2017	August 15, 2018 - August 14, 2027	15.910	—	580,000	—	—	580,000
Employees	November 15, 2017	November 15, 2018 - November 14, 2027	19.240	—	450,000	—	—	450,000
				73,575,900	13,781,200	(7,015,912)	(3,210,600)	77,130,588
Weighted average exercise price per Share				HK\$16.39	HK\$16.88	HK\$12.79	HK\$18.46	HK\$16.72
Exercisable at end of the reporting period				31,395,738				

24. SHARE-BASED PAYMENTS *(Continued)*

December 31, 2016

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2016	Number of share options			Outstanding at December 31, 2016
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.620	7,070,000	—	(97,600)	(1,140,400)	5,832,000
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.120	705,000	—	(80,000)	—	625,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.780	770,000	—	—	—	770,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.800	60,000	—	—	—	60,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.820	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.740	100,000	—	—	—	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.350	50,000	—	—	—	50,000
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.250	750,000	—	—	—	750,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.250	700,000	—	—	—	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	3,200,000	—	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	13,195,000	—	—	(1,095,000)	12,100,000
Consultants	June 3, 2014	June 2, 2015 - June 2, 2024	26.850	400,000	—	—	—	400,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.350	560,000	—	—	(300,000)	260,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.120	1,150,000	—	—	(300,000)	850,000
Employees	February 25, 2015	February 25, 2016 - February 24, 2025	19.240	610,000	—	—	(150,000)	460,000
Employees	May 15, 2015	May 15, 2016 - May 14, 2025	15.100	1,320,000	—	—	(300,000)	1,020,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

24. SHARE-BASED PAYMENTS (Continued)

December 31, 2016 (Continued)

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2016	Number of share options			Outstanding at December 31, 2016
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	2,753,600	—	—	—	2,753,600
Employees	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	9,353,600	—	(223,000)	(1,008,500)	8,122,100
Consultants	June 3, 2015	June 3, 2016 - June 2, 2025	14.090	478,800	—	—	—	478,800
Employees	August 17, 2015	August 17, 2016 - August 16, 2025	16.470	360,000	—	—	—	360,000
Employees	November 16, 2015	November 16, 2016 - November 15, 2025	11.450	1,250,000	—	(65,000)	(50,000)	1,135,000
Employees	February 23, 2016	February 23, 2017 - February 22, 2026	9.130	—	230,000	—	—	230,000
Employees	May 16, 2016	May 16, 2017 - May 15, 2026	10.480	—	260,000	—	—	260,000
Directors	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	—	3,535,200	—	—	3,535,200
Employees	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	—	13,663,600	—	(778,400)	12,885,200
Consultants	June 3, 2016	June 3, 2017 - June 2, 2026	10.900	—	550,000	—	—	550,000
Directors	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	—	2,106,400	—	—	2,106,400
Employees	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	—	9,087,200	—	(203,200)	8,884,000
Consultants	August 23, 2016	August 23, 2017 - August 22, 2026	11.740	—	263,600	—	—	263,600
Employees	November 15, 2016	November 15, 2017 - November 14, 2026	14.650	—	460,000	—	—	460,000
				49,211,000	30,156,000	(465,600)	(5,325,500)	73,575,900
Weighted average exercise price per Share				HK\$19.68	HK\$11.26	HK\$14.22	HK\$17.92	HK\$16.39
Exercisable at end of the reporting period								24,500,900

24. SHARE-BASED PAYMENTS *(Continued)*

During the year ended December 31, 2017, options were granted on February 21, 2017, May 15, 2017, June 5, 2017, August 15, 2017 and November 15, 2017 and their estimated weighted average fair values were HK\$4.01, HK\$5.11, HK\$5.48, HK\$5.23 and HK\$6.25 per Share, respectively. During the year ended December 31, 2016, options were granted on February 23, 2016, May 16, 2016, June 3, 2016, August 23, 2016 and November 15, 2016 and their estimated weighted average fair values were HK\$2.85, HK\$3.18, HK\$3.31, HK\$3.60 and HK\$4.46 per Share, respectively. The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate, changes in which could materially affect the fair value estimate.

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

Options granted on February 21, 2017 and May 15, 2017

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

Options granted on or after June 5, 2017

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

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

The Group recognized a total expense of HK\$79.9 million (2016: HK\$73.0 million) for the year ended December 31, 2017 in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

25. RETIREMENT BENEFIT PLAN

DEFINED CONTRIBUTION PLAN

The Group operates a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees.

Where there are employees who leave the plan prior to vesting fully of the contributions, the aggregate amount of contributions payable by the Group are reduced by the amount of forfeited contributions in the relevant year. The amount of forfeited contributions utilized in this manner during the year was HK\$3.8 million (2016: HK\$4.7 million).

The total expenses recognized in the profit or loss of HK\$63.2 million (2016: HK\$57.3 million) represents contributions paid or payable to the plan by the Group at rates specified in the rules of the plan during year ended December 31, 2017. As at December 31, 2017, contributions of approximately HK\$11.9 million (2016: HK\$10.3 million) due had not been paid over to the plan. The amounts were paid subsequent to the end of the reporting period.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remained unchanged throughout the year. The capital structure of the Group consists of net debt (borrowings offset by bank balances and cash) and equity of the Group (comprising issued capital and reserves).

The Group's management reviews the capital structure of the Group on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each component of the capital structure.

The gearing ratio is a key indication of the Group's capital structure. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised long-term bank borrowings as described in note 21 (offset by cash and bank balances), and equity comprised all capital and reserves of the Group. As at December 31, 2017, the gearing ratio of the Group is 59.6% (2016: 60.7%).

27. FINANCIAL INSTRUMENTS

SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Loans and receivables:		
Bank balances and cash	5,283,387	3,547,130
Trade receivables	179,827	224,738
Deposits	36,112	40,863
Other receivables	77,432	28,117
Amounts due from related companies	437	659
	5,577,195	3,841,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

27. FINANCIAL INSTRUMENTS *(Continued)*

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Categories of financial instruments *(Continued)*

	2017 HK\$'000	2016 HK\$'000
Financial liabilities		
Amortized cost:		
Bank borrowings	17,839,219	14,708,630
Outstanding chips liabilities	3,989,175	1,050,642
Other casino liabilities	189,710	246,859
Land use right payable	—	111,121
Deposits and advances	1,505,007	805,363
Construction payables	208,509	13,698
Trade payables	15,608	32,052
Other payables	48,213	45,916
Construction retention payable	568,770	525,221
Amounts due to related companies	28,920	26,318
	24,393,131	17,565,820

Financial Assets and Financial Liabilities Subject to Offsetting Enforceable Master Netting Arrangements and Similar Agreements

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

The Group currently has a legally enforceable right to set off the trade receivables from gaming promoters and VIP gaming customers against the deposits, commissions and incentives liabilities that are to be settled simultaneously. In addition, the Group intends to settle these balances on a net basis.

27. FINANCIAL INSTRUMENTS *(Continued)*

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Assets and Financial Liabilities Subject to Offsetting Enforceable Master Netting Arrangements and Similar Agreements *(Continued)*

The following table presents the recognized financial assets and financial liabilities that are offset in the consolidated statement of financial position, or subject to enforceable master netting arrangement or other similar agreements as at December 31, 2017 and 2016:

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
As at December 31, 2017						
Casino receivables (a)	152,849	(25,749)	127,100	—	—	127,100

	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000
As at December 31, 2017						
Commission and incentives liabilities (b)	192,835	(3,126)	189,709	—	—	189,709
Deposits received from gaming patrons and gaming promoters (c)	1,496,913	(22,623)	1,474,290	—	—	1,474,290
	1,689,748	(25,749)	1,663,999	—	—	1,663,999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

27. FINANCIAL INSTRUMENTS (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Assets and Financial Liabilities Subject to Offsetting Enforceable Master Netting Arrangements and Similar Agreements (Continued)

	Gross amounts of recognized financial assets HK\$'000	Gross amounts of recognized financial liabilities set off HK\$'000	Net amounts of financial assets presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000

As at December 31, 2016

Casino receivables (a)	214,723	(32,676)	182,047	—	—	182,047
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	Gross amounts of recognized financial liabilities HK\$'000	Gross amounts of recognized financial assets set off HK\$'000	Net amounts of financial liabilities presented HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral received HK\$'000	Net amount HK\$'000

As at December 31, 2016

Commission and incentives liabilities (b)	250,463	(3,605)	246,858	—	—	246,858
Deposits received from gaming patrons and gaming promoters (c)	820,572	(29,071)	791,501	—	—	791,501
	1,071,035	(32,676)	1,038,359	—	—	1,038,359

27. FINANCIAL INSTRUMENTS *(Continued)*

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Assets and Financial Liabilities Subject to Offsetting Enforceable Master Netting Arrangements and Similar Agreements *(Continued)*

- (a) Amount is the gross casino receivables after netting with allowance for doubtful debts and included in trade receivables of HK\$179.8 million (2016: HK\$224.7 million) in the consolidated statement of financial position as at December 31, 2017.
- (b) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$9,339.1 million (2016: HK\$4,477.3 million) in the consolidated statement of financial position as at December 31, 2017.
- (c) Amount is the gross deposits received from gaming patrons and gaming promoters and included as deposits and advances in payables and accrued charges of HK\$9,339.1 million (2016: HK\$4,477.3 million) in the consolidated statement of financial position as at December 31, 2017.

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

There has been no change to the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks during the years ended December 31, 2017 and 2016.

MARKET RISK

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

27. FINANCIAL INSTRUMENTS *(Continued)*

MARKET RISK *(Continued)*

Foreign currency risk management

The Group holds bank balances and deposits denominated in foreign currencies, consequently, exposure to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The majority of its foreign currency exposure comprises assets denominated in US\$, Canadian Dollars ("CAD\$"), Taiwan Dollars ("TW\$") and Singapore Dollars ("SG\$"). The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable. The majority of the receipts of the Group are denominated in HK\$. The Macau Pataca ("MOP") is pegged to the HK\$ at a constant rate of approximately HK\$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. The carrying amounts of the majority of the Group's foreign currency denominated monetary assets (including bank balances and cash) and monetary liabilities (including payables) at the end of the reporting period are as follows:

Assets

	2017 HK\$'000	2016 HK\$'000
US\$	145,429	94,778
CAD\$	10,410	59,644
TW\$	10,278	10,387
SG\$	235,804	194,503

Liabilities

	2017 HK\$'000	2016 HK\$'000
MOP	799,553	684,166

27. FINANCIAL INSTRUMENTS *(Continued)*

MARKET RISK *(Continued)*

Foreign currency sensitivity analysis

The Group is mainly exposed to the effect of fluctuations in the currency rates relative to US\$, CAD\$, TW\$ and SG\$. The following table details the Group's sensitivity to a 1% increase and decrease in the HK\$ against the US\$, CAD\$, TW\$ and SG\$. 1% is the sensitivity rate used internally for assessment possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in profit where the HK\$ weakens 1% against the US\$, CAD\$, TW\$ and SG\$. For a 1% strengthening of the HK\$ against the US\$, CAD\$, TW\$ and SG\$, there would be an equal and opposite impact on the result, and the balance would be negative.

	2017 HK\$'000	2016 HK\$'000
Sensitivity rate	1%	1%
Profit for the year		
Impact of US\$	1,454	948
Impact of CAD\$	104	596
Impact of TW\$	103	104
Impact of SG\$	2,358	1,945

INTEREST RATE RISK

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

27. FINANCIAL INSTRUMENTS *(Continued)*

INTEREST RATE RISK *(Continued)*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 21 for details of the bank borrowings). The Group's cash flow interest rate risk on bank balances is considered insignificant due to current low interest rates for bank deposits. The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the floating rate bank borrowings only. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2016: 50 basis point) increase or decrease during the year is used internally for assessment of possible change in interest rates. If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's bank borrowing costs for the year ended December 31, 2017, without adjusting for any amounts to be capitalized, would be decreased/increased by HK\$90.0 million (2016: HK\$75.0 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

CREDIT RISK

As at December 31, 2017 and 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and guarantees provided by the Group is arising from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to a guarantee issued by the Group as disclosed in note 28.

27. FINANCIAL INSTRUMENTS *(Continued)*

CREDIT RISK *(Continued)*

As described in note 4, the Group has a concentration of credit risk with a small number of gaming promoters. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which is not provided for.

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

LIQUIDITY RISK

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

The Group relies on existing credit facilities, cash and cash equivalents and cash flows from operations as sources of liquidity. As at December 31, 2017, the Group has unutilized credit facilities of approximately HK\$4,810.0 million (2016: approximately HK\$8,410.0 million) (See note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

27. FINANCIAL INSTRUMENTS (Continued)

LIQUIDITY RISK (Continued)

The following table details the Group's remaining contractual maturity for their financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from an interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2017								
Trade payables	—	15,608	—	—	—	—	15,608	15,608
Construction payables	—	208,509	—	—	—	—	208,509	208,509
Other payables	—	48,213	—	—	—	—	48,213	48,213
Other casino liabilities	—	189,710	—	—	—	—	189,710	189,710
Outstanding chips liabilities	—	3,989,175	—	—	—	—	3,989,175	3,989,175
Bank borrowings	3.45	659,853	7,614	5,873,160	12,157,865	—	18,698,492	17,839,219
Deposits and advances	—	1,485,533	—	2,005	14,485	2,984	1,505,007	1,505,007
Construction retention payable	—	288,865	710	11,936	267,259	—	568,770	568,770
Amounts due to related companies	—	28,920	—	—	—	—	28,920	28,920
Guarantee contracts (note 28)		302,620	—	—	—	—	302,620	—
		7,217,006	8,324	5,887,101	12,439,609	2,984	25,555,024	24,393,131

27. FINANCIAL INSTRUMENTS (Continued)

LIQUIDITY RISK (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at December 31, 2016								
Trade payables	—	32,052	—	—	—	—	32,052	32,052
Construction payables	—	13,698	—	—	—	—	13,698	13,698
Other payables	—	45,916	—	—	—	—	45,916	45,916
Other casino liabilities	—	246,859	—	—	—	—	246,859	246,859
Outstanding chips liabilities	—	1,050,642	—	—	—	—	1,050,642	1,050,642
Bank borrowings	3.92	—	53,451	1,072,207	14,996,052	—	16,121,710	14,708,630
Deposits and advances	—	794,694	—	2,231	7,430	1,008	805,363	805,363
Land use right payable	5	113,899	—	—	—	—	113,899	111,121
Construction retention payable	—	491	13,094	252,473	259,163	—	525,221	525,221
Amounts due to related companies	—	26,318	—	—	—	—	26,318	26,318
Guarantee contracts (note 28)		302,912	—	—	—	—	302,912	—
		2,627,481	66,545	1,326,911	15,262,645	1,008	19,284,590	17,565,820

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

27. FINANCIAL INSTRUMENTS *(Continued)*

FAIR VALUE

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

28. CONTINGENT LIABILITIES

As at December 31, 2017, the Group has given bank guarantees totalling HK\$302.6 million (2016: HK\$302.9 million) to certain parties, of which HK\$295.3 million (2016: HK\$295.6 million) was issued in favor of the Macau Government as required in the Sub-concession Contract and land-concession contract in respect of MGM COTAI, HK\$3.8 million (2016: HK\$3.8 million) was issued in favor of certain vendors and HK\$3.5 million (2016: HK\$3.5 million) was issued in favor of a service provider, which is a related company as one of the Directors of the Company has non-controlling beneficial interests.

29. OPERATING LEASE COMMITMENTS

THE GROUP AS THE LESSEE

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of the leasehold lands where MGM MACAU and MGM COTAI are located (in addition to the land use right premium), rented office premises, warehouse, equipment, light boxes and advertising booths which fall due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	47,686	42,852
More than one year and not longer than five years	88,531	78,044
More than five years	103,007	111,881
	239,224	232,777

29. OPERATING LEASE COMMITMENTS *(Continued)*

THE GROUP AS THE GRANTOR OF THE RIGHT OF USE

The Group grants certain of its space at MGM MACAU to retailers under agreements for the right of use of that space. The terms of the right of use generally contain provisions for a minimum base fee plus additional fees based upon the net sales of the retailers. The Group recorded these additional fees of HK\$5.5 million as other revenue for the year ended December 31, 2017 (2016: HK\$3.1 million).

At the end of the reporting period, the Group had total future minimum fees receivable, being the minimum base fee commitments, under non-cancellable agreements which fall due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	46,118	25,893
More than one year and not longer than five years	124,985	74,667
More than five years	2,108	4,777
	173,211	105,337

30. CAPITAL COMMITMENTS

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

	2017 HK\$'000	2016 HK\$'000
Contracted but not accounted for	642,581	4,224,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

31. OTHER COMMITMENTS

SUB-CONCESSION

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

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

Based on the number and types of gaming tables employed and gaming machines in operation as at December 31, 2017, the Group is obligated under its Subconcession Contract to make minimum future payments of approximately MOP291.6 million (equivalent to approximately HK\$283.1 million). These amounts are expected to increase due to opening of MGM COTAI.

31. OTHER COMMITMENTS *(Continued)*

SUB-CONCESSION *(Continued)*

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

32. RELATED PARTY TRANSACTIONS

Apart from the guarantees as described in note 28, details of transactions between the Group and other related parties are disclosed below.

(a)(i) Amounts due from related companies represent balances with companies owned by immediate holding company and companies in which one of the Directors has non-controlling beneficial interests. The amounts are unsecured, non-interest bearing and repayable on demand.

(a)(ii) Amounts due to related companies represent balances with companies in which one of the Directors of the Company has non-controlling beneficial interests amounting to HK\$1.2 million (2016: HK\$0.7 million), and the ultimate holding company of the Company amounting to HK\$27.7 million (2016: HK\$25.6 million). The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies in respect of trade balance:

	2017 HK\$'000	2016 HK\$'000
Within 30 days	27,714	25,562
31 — 60 days	1,206	756
	28,920	26,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

32. RELATED PARTY TRANSACTIONS *(Continued)*

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

Related parties	Type of transaction	2017 HK\$'000	2016 HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Rental of premises *	3,855	3,706
	Travelling and accommodation, net of discounts	61,377	57,489
Ultimate holding company	Marketing referral fees	15,678	14,062
	Marketing referral income	(221)	(1,185)
Company jointly-owned by Shareholders	Developers' fees capitalized	125,296	104,288
	License fee	268,730	260,822

* At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises rented from related parties of HK\$4.9 million (2016: HK\$5.3 million) which fall due within the following two years. (2016: two years).

32. RELATED PARTY TRANSACTIONS *(Continued)*(b) *(Continued)*

The Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries at no charge. Pursuant to the Branding Agreement entered into between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement is effective from June 3, 2011 and will expire on March 31, 2020. Pursuant to the terms of the Branding Agreement, the Group is required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which is subject to an annual cap. For the year ended December 31, 2017, the annual cap was US\$74.650 million (equivalent to approximately HK\$581.7 million) and for the year ended December 31, 2016, the annual cap was US\$62.208 million (equivalent to approximately HK\$483.3 million). The annual cap will increase by 20% per annum for each financial year during the term of the Branding Agreement. During the year ended December 31, 2017, a total license fee of HK\$268.7 million (2016: HK\$260.8 million) was recognized in profit or loss.

In addition, from time to time, the Group and certain entities in which one of the Directors of the Company has non-controlling beneficial interests, ultimate holding company of the Company, and certain fellow subsidiaries of the Company collect and/or make payment on behalf of each other at no service charge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

32. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	2017 HK\$'000	2016 HK\$'000
Short term benefits	125,252	101,945
Post-employment benefits	3,089	3,338
Share-based payments	52,495	49,573
	180,836	154,856

The remuneration of Directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

33. SUBSIDIARIES

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2017	December 31, 2016	
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US\$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
MGM Grand Paradise Limited (i)	Macau June 17, 2004	MOP200,000,000	100%	100%	Operation of casino games of chance and other casino games
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK\$2	100%	100%	Management and administrative services for a group company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

33. SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2017	December 31, 2016	
MGM — Security Services, Ltd.	Macau January 19, 2015	MOP1,000,000	100%	100%	Security services for a group company
Mingyi Investments Limited	British Virgin Islands/ Macau June 1, 2011	US\$1	100%	100%	Administrative services for a group company
Prime Hotel Management Limited	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Yin Gao Limited	British Virgin Islands/ Macau June 10, 2011	US\$1	100%	100%	Administrative services for a group company
珠海市橫琴新區倍福信息服務外包有限公司(ii)	People's Republic of China November 11, 2014	HK\$3,200,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservation and convention consultation

33. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued share/ quota capital/ registered capital	Attributable equity interest of the Group		Principal activities
			December 31, 2017	December 31, 2016	
珠海貝芙信息服務外包有限公司 (ii)	People's Republic of China November 5, 2014	HK\$100,000,000	100%	100%	Outsourcing services including information technology, accounting, human resources, hotel reservation and convention consultation

Notes:

- (i) MGM Grand Paradise is directly owned by the Company. As part of the Group Reorganization, the shares of MGM Grand Paradise were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 80% of the voting power of the share capital of MGM Grand Paradise. Pansy Ho and MGM Resorts International Holdings, Ltd. each owns one half of the Class B shares (or 10% of the voting power of the share capital of MGM Grand Paradise each) in order to satisfy the requirements of the Sub-concession Contract and local Macau regulations that at least 10% of MGM Grand Paradise's issued share capital be held by a local managing director of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares.
- (ii) These entities are wholly foreign owned enterprises established in the People's Republic of China.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

AT DECEMBER 31, 2017

	2017 HK\$'000	2016 HK\$'000
ASSETS		
Non-current assets		
Investment in subsidiaries	14,746,523	14,666,623
Dividends receivable	5,738,395	3,651,296
Total non-current assets	20,484,918	18,317,919
Current assets		
Prepayments	1,202	273
Bank balances and cash	64,303	26,454
Total current assets	65,505	26,727
TOTAL ASSETS	20,550,423	18,344,646
EQUITY		
Capital and reserves		
Share capital (note 23(a))	3,800,000	3,800,000
Share premium and reserves (note)	16,078,714	14,301,180
TOTAL EQUITY	19,878,714	18,101,180

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)***AT DECEMBER 31, 2017** *(Continued)*

	2017	2016
	HK\$'000	HK\$'000
LIABILITIES		
Non-Current liability		
Deferred tax liability	317,147	—
Current liabilities		
Payables and accrued charges	3,525	4,498
Amounts due to subsidiaries	351,037	238,968
Total current liabilities	354,562	243,466
TOTAL LIABILITIES	671,709	243,466
TOTAL EQUITY AND LIABILITIES	20,550,423	18,344,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Movement in share premium and reserves of the Company is as follows:

	Note	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Share premium and reserves total HK\$'000
At January 1, 2016		10,433,107	3,712	253,858	132,000	1,294,709	12,117,386
Profit for the year and total comprehensive income		—	—	—	—	2,916,804	2,916,804
Exercise of share options	23(a)&24	8,801	—	(2,646)	—	—	6,155
Share repurchase and cancellation							
— repurchases of Shares	23(a)&23(b)(i)	(6,545)	—	—	—	—	(6,545)
— transfer	23(b)(i)	—	466	—	—	(466)	—
Forfeiture of share options	24	—	—	(17,639)	—	17,639	—
Recognition of share-based payments	24	—	—	72,980	—	—	72,980
Dividends paid	14	—	—	—	—	(805,600)	(805,600)
At December 31, 2016 and January 1, 2017		10,435,363	4,178	306,553	132,000	3,423,086	14,301,180
Profit for the year and total comprehensive income		—	—	—	—	2,804,616	2,804,616
Exercise of share options	23(a)&24	115,013	—	(32,323)	—	—	82,690
Share repurchase and cancellation							
— repurchases of Shares	23(a)&23(b)(i)	(140,848)	—	—	—	—	(140,848)
— transfer	23(b)(i)	—	7,016	—	—	(7,016)	—
Forfeiture of share options	24	—	—	(8,247)	—	8,247	—
Recognition of share-based payments	24	—	—	79,900	—	—	79,900
Dividends paid	14	—	—	—	—	(1,048,824)	(1,048,824)
At December 31, 2017		10,409,528	11,194	345,883	132,000	5,180,109	16,078,714

FINANCIAL SUMMARY

For the year ended December 31					
	2017	2016	2015	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Operating revenue	15,356,006	14,907,468	17,170,453	25,454,296	25,727,513
Profit before tax	2,638,479	3,051,609	3,129,127	5,722,742	5,348,479
Profit for the year attributable to owners of the Company	2,320,185	3,036,508	3,112,515	5,706,943	5,333,528

As at December 31					
	2017	2016	2015	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities					
Total assets	36,606,502	27,080,210	21,954,776	16,827,845	18,087,488
Total liabilities	28,094,146	19,863,514	17,039,725	10,486,322	11,584,030
Net assets	8,512,356	7,216,696	4,915,051	6,341,523	6,503,458

The consolidated results, assets and liabilities of the Group for the last five financial years are those set out in the audited consolidated financial statements.

GLOSSARY

DEFINITIONS AND GLOSSARY USED IN THIS ANNUAL REPORT

“Acquisition Note”	the non-interest bearing note issued by the Company to Grand Paradise Macau Limited as part of the Group Reorganization
“affiliate”	in relation to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles of Association”	the amended and restated articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“BEH”	Bright Elite Holdings Limited, a company incorporated under the laws of the British Virgin Islands, and which is wholly-owned by Pansy Ho
“BEH Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among BEH, MGM Grand Paradise and our Company
“Board of Directors” or “Board”	the board of Directors of our Company
“Branding Agreement”	the Branding Agreement dated May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and slot machines gross win), calculated net of commissions and incentives and in accordance with IFRS
“China”, “mainland China” or “PRC”	the People’s Republic of China excluding, for the purpose of this annual report for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability

“Concessionaire”	the holder of a concession for the operation of casino games in Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Cotai Land”	a plot of land with an area of 71,833 square meters located in Cotai leased from the Macau Government for an initial term of 25 years since January 9, 2013
“Deed of Non-compete Undertakings”	the non-competition deed, dated May 17, 2011, entered into among MGM Resorts International, Pansy Ho and our Company
“Development Agreement”	the development agreement dated May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Director(s)”	the director(s) of our Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“First Renewed Development Agreement”	the first renewed Development Agreement dated December 24, 2013 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“First Renewed Master Service Agreement”	the first renewed Master Service Agreement dated December 24, 2013 entered into between Shun Tak and MGM Grand Paradise
“First Renewed MGM Marketing Agreement”	the first renewed MGM Marketing Agreement dated December 24, 2013 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the Macau Government to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation

GLOSSARY

“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Pansy Ho
“gross gaming revenue” or “gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions and 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 a portion of commissions and incentives
“Group”, “we”, “us” or “our”	our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group
“Group Reorganization”	the Company and MGM Grand Paradise entered into a contribution and share issuance agreement with Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. on April 13, 2011 as part of a group reorganization to rationalize the structure of the Company, MGM Grand Paradise and its subsidiaries in preparation for the listing of the Company’s Shares
“HIBOR”	Hong Kong InterBank Offer Rate
“high value main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer relationship programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“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
“Independent Third Party(ies)”	parties which are not connected persons of our Company within the meaning of the Listing Rules
“IPO Prospectus”	the IPO Prospectus of the Company published on May 23, 2011 in connection with the Listing
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau
“Macau Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Grand Paradise and our Company
“Master Service Agreement”	the master service agreement dated October 8, 2010 entered into between Shun Tak Group and MGM Grand Paradise
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator

GLOSSARY

“MGM Branding”	MGM Branding and Development Holdings, Ltd., a company incorporated in the BVI and jointly wholly-owned, directly or indirectly, by MGM Resorts International and Pansy Ho in equal portions
“MGM COTAI”	our another integrated casino, hotel and entertainment complex on the Cotai Land
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Subconcessionaires and one of our subsidiaries
“MGM Growth Properties”	MGM Growth Properties LLC, a Delaware corporation listed on the New York Stock Exchange under the ticker symbol MGP, a real estate investment trust (REIT) and an associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance)
“MGM MACAU” or “our property”	the resort and casino property in Macau owned by MGM Grand Paradise
“MGM Marketing Agreement”	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“MRIH”	MGM Resorts International Holdings, Ltd, a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of MGM Resorts International
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NCE”	New Corporate Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly-owned by Ms. Pansy Ho
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Pansy Catilina Chiu King Ho, a substantial Shareholder, the Co-chairperson and an executive Director of our Company

“Pataca” or “MOP”	Macau Pataca, the lawful currency of Macau
“Purchase Note”	a note that represents an amount due from MRIH to the Company that will be paid in cash upon consummation of the Listing
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“Second Renewed Development Agreement”	the second renewed Development Agreement dated December 12, 2016 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
“Second Renewed Master Service Agreement”	the second renewed Master Service Agreement dated December 12, 2016 entered into between Shun Tak and MGM Grand Paradise
“Second Renewed MGM Marketing Agreement”	the second renewed MGM Marketing Agreement dated December 12, 2016 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“Shun Tak”	Shun Tak Holdings Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange (stock code: 0242)
“Shun Tak Coach”	Shun Tak & CITS Coach Macao Ltd
“Shun Tak Group”	Shun Tak and its subsidiaries/associated companies
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines

GLOSSARY

“slot machine gross win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of a portion of commissions and incentives
“Subconcession” or “Subconcession Contract”	the tripartite Subconcession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
“Subconcessionaire(s)”	the holder(s) of a subconcession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“VIP clients” or “VIP players”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitation”	with respect to visitation of our property, the number of times our property is entered during a fixed time period. Estimates of the number of visits to our property are based on information collected from digital cameras placed above every entrance to our property capable of counting visitors (including repeat visitors) to our property on a given day
“%”	per cent



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