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

MGM CHINA HOLDINGS LIMITED
美高梅中國控股有限公司
(incorporated in the Cayman Islands with limited liability)
 (Stock Code: 2282)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2017

The Board of MGM China Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended December 31, 2017 as follows:—

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

DIVIDENDS

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31	
	<i>NOTES</i>	2017 HK\$'000	2016 HK\$'000
OPERATING REVENUE			
Casino revenue	3	15,053,622	14,606,066
Other revenue	4	302,384	301,402
		<u>15,356,006</u>	<u>14,907,468</u>
OPERATING COSTS AND EXPENSES			
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	6	(2,091,779)	(1,815,796)
Depreciation and amortization		(799,045)	(771,712)
		<u>(12,731,805)</u>	<u>(11,808,351)</u>
Operating profit		2,624,201	3,099,117
Interest income		5,046	6,454
Finance costs	7	(7,273)	(53,255)
Net foreign currency gain/(loss)		16,505	(707)
		<u>2,638,479</u>	<u>3,051,609</u>
Profit before tax		2,638,479	3,051,609
Income tax expense	8	(318,294)	(15,101)
		<u>2,320,185</u>	<u>3,036,508</u>
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)
		<u>2,557</u>	<u>(1,853)</u>
Total comprehensive income for the year attributable to owners of the Company		<u><u>2,322,742</u></u>	<u><u>3,034,655</u></u>
Earnings per Share — Basic	10	<u>HK61.1 cents</u>	<u>HK79.9 cents</u>
Earnings per Share — Diluted	10	<u>HK60.9 cents</u>	<u>HK79.9 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At December 31	
		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property and equipment		3,027,253	3,294,672
Construction in progress		26,093,051	17,915,292
Sub-concession premium		285,053	411,953
Land use right premium		1,190,947	1,260,353
Other assets		167,297	46,173
Prepayments, deposits and other receivables		31,819	109,753
		<hr/>	<hr/>
Total non-current assets		30,795,420	23,038,196
		<hr/>	<hr/>
Current assets			
Inventories		135,776	92,160
Trade receivables	<i>11</i>	179,827	224,738
Prepayments, deposits and other receivables		142,249	107,921
Land use right premium		69,406	69,406
Amounts due from related companies		437	659
Bank balances and cash		5,283,387	3,547,130
		<hr/>	<hr/>
Total current assets		5,811,082	4,042,014
		<hr/>	<hr/>
TOTAL ASSETS		36,606,502	27,080,210
		<hr/> <hr/>	<hr/> <hr/>

		At December 31	
		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Capital and reserves			
Share capital		3,800,000	3,800,000
Share premium and reserves		4,712,356	3,416,696
		<hr/>	<hr/>
TOTAL EQUITY		8,512,356	7,216,696
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Bank borrowings	<i>12</i>	11,794,219	14,104,130
Payables and accrued charges	<i>13</i>	19,608	8,028
Construction retention payable		267,259	259,163
Deferred tax liability	<i>8</i>	317,147	—
		<hr/>	<hr/>
Total non-current liabilities		12,398,233	14,371,321
		<hr/>	<hr/>
Current liabilities			
Bank borrowings	<i>12</i>	6,045,000	604,500
Payables and accrued charges	<i>13</i>	9,319,489	4,469,245
Land use right payable		—	111,121
Construction retention payable		301,511	266,058
Amounts due to related companies		28,920	26,318
Income tax payable		993	14,951
		<hr/>	<hr/>
Total current liabilities		15,695,913	5,492,193
		<hr/>	<hr/>
TOTAL LIABILITIES		28,094,146	19,863,514
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		36,606,502	27,080,210
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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 12) and the expected cash to be generated from operations to meet its financial obligations as they fall due for the following twelve months.

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.

IFRSs in issue not yet adopted

Up to the date of this announcement, 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.

3. CASINO REVENUE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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
	<hr/>	<hr/>
Gross casino revenue	18,111,987	17,577,233
Commissions and incentives	(3,058,365)	(2,971,167)
	<hr/>	<hr/>
	15,053,622	14,606,066
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4. OTHER REVENUE

Other revenue comprises:

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

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

5. 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.

6. OTHER EXPENSES AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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
	<u>2,091,779</u>	<u>1,815,796</u>

7. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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
	<u>696,132</u>	<u>544,980</u>
Total borrowing costs	696,132	544,980
Less: capitalized interest allocated to construction in progress	(688,859)	(491,725)
	<u>7,273</u>	<u>53,255</u>

8. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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)
	<u>1,147</u>	<u>15,101</u>
Deferred tax:		
Current period	<u>317,147</u>	—
	<u>318,294</u>	<u>15,101</u>

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.

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 this announcement, 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.

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%.

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.

9. 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.

10. 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.

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)	<u><u>2,320,185</u></u>	<u><u>3,036,508</u></u>
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)	<u>8,823</u>	<u>27</u>
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	<u><u>3,809,011</u></u>	<u><u>3,800,065</u></u>
Earnings per Share — Basic	<u><u>HK61.1 cents</u></u>	<u><u>HK79.9 cents</u></u>
Earnings per Share — Diluted	<u><u>HK60.9 cents</u></u>	<u><u>HK79.9 cents</u></u>

11. TRADE RECEIVABLES

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

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 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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
	<u>179,827</u>	<u>224,738</u>

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.

12. BANK BORROWINGS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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
	<u>17,985,500</u>	<u>14,990,000</u>
Less: Debt finance costs	(146,281)	(281,370)
	<u>17,839,219</u>	<u>14,708,630</u>
Current	6,045,000	604,500
Non-current	11,794,219	14,104,130
	<u>17,839,219</u>	<u>14,708,630</u>

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.

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.

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.

13. PAYABLES AND ACCRUED CHARGES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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
	<u>9,339,097</u>	<u>4,477,273</u>
Current	9,319,489	4,469,245
Non-current	19,608	8,028
	<u>9,339,097</u>	<u>4,477,273</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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
	<u>15,608</u>	<u>32,052</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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;
- 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.

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	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(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.

	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
	<hr/>	<hr/>
Gross casino revenue	18,111,987	17,577,233
Commissions and incentives	(3,058,365)	(2,971,167)
	<hr/>	<hr/>
Casino revenue	15,053,622	14,606,066
	<hr/> <hr/>	<hr/> <hr/>

- (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.

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.

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:

- 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;
- “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.

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 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.

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 8 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)
	<hr/>	<hr/>
Adjusted EBITDA ⁽²⁾ (unaudited)	4,587,435	4,491,838
	<hr/> <hr/>	<hr/> <hr/>

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 announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

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	2016
	HK\$'000	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)
	<hr/>	<hr/>
Net debt	12,555,832	11,161,500
Total equity	8,512,356	7,216,696
	<hr/>	<hr/>
Total capital	21,068,188	18,378,196
Gearing ratio	59.6%	60.7%
	<hr/> <hr/>	<hr/> <hr/>

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
	<hr/>	<hr/>
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)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<u>5,283,387</u>	<u>3,547,130</u>

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.

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	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
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).

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 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.

DISCLOSURE OF FINANCIAL RESULTS IN MACAU

MGM Grand Paradise, our subsidiary and the holder of our gaming Subconcession, will file its statutory consolidated financial statements in accordance with Financial Reporting Standards of Macau Special Administrative Region, the People's Republic of China ("MFRS") for the year ended December 31, 2017 ("MFRS Consolidated Financial Statements") to the Gaming Inspection and Coordination Bureau of Macau on or about February 28, 2018. This is a statutory filing requirement mandated by Macau law. In addition, MGM MACAU expects to publish its MFRS Condensed Financial Statements in the Macau Official Gazette and local newspapers in Macau by the end of April 2018. The MFRS Consolidated Financial Statements and the MFRS Condensed Financial Statements may not be directly comparable with our Company's financial results disclosed herein, which are prepared under IFRS.

ANNUAL GENERAL MEETING

Notice of annual general meeting of the Company, including details on closure of register of members for the purpose of ascertaining the members who are entitled to the Final Dividend, will be published and dispatched to the Company's shareholders in the manner required by the Listing Rules in due course.

PURCHASE, SALE OR REDEMPTION OF 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 <i>HK\$</i>	Lowest price paid per Share <i>HK\$</i>	Aggregate consideration paid <i>HK\$ '000</i>
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
	<u>7,015,912</u>			<u>147,864</u>

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 and enhancing stability of the Company's share capital and hence the net value of the Company and its assets and/or earnings per Share.

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

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

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

The Company has adopted its own code of conduct regarding securities transactions by Directors and senior management of the Group (the "Code") in terms which are more 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 confirmations from all the Directors that they have complied with the required standard as set out in the Code for the year ended December 31, 2017.

Audit Committee

The Audit Committee is currently comprised of three independent non-executive Directors and one non-executive Director. 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 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, 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 risks considered by the Committee to be significant to the Group, including strategic, financial, business, operational, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks on ongoing basis. The Audit Committee has reviewed the Group's annual results for the year ended December 31, 2017.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the Company's and the Hong Kong Stock Exchange's websites. The Company's annual report for the year ended December 31, 2017 in accordance with the relevant requirements of the Listing Rules will be dispatched to the Shareholders and published on the Company's and the Hong Kong Stock Exchange's websites in due course.

DEFINITIONS AND GLOSSARY USED IN THIS ANNOUNCEMENT

“Board”	the board of Directors of our Company
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and slot machines gross win), calculated net of commissions and incentives and in accordance with IFRS
“China” or “mainland China”	the People's Republic of China excluding, for the purpose of this announcement for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables

“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire”	the holder of a concession for the operation of casino games in Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Cotai Land”	a plot of land with an area of 71,833 square meters located in Cotai leased from the Macau Government for an initial term of 25 years since January 9, 2013
“Director(s)”	the director(s) of our Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the Macau Government to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“gross gaming revenue” or “gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions 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
“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

“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
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“MGM COTAI”	our another integrated casino, hotel and entertainment complex on the Cotai Land
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Subconcessionaires and one of our subsidiaries
“MGM MACAU” or “our property”	the resort and casino property in Macau owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“slot machine gross win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of a portion 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

By Order 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

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