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

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, 2016**

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, 2016 as follows:—

FINANCIAL HIGHLIGHTS

	For the year ended December 31	
	2016	2015
	HK\$'000	HK\$'000
Casino revenue	14,606,066	16,841,551
Other revenue	301,402	328,902
Total revenue	14,907,468	17,170,453
Adjusted EBITDA (unaudited)	4,491,838	4,668,960
Profit for the year attributable to owners of the Company	3,036,508	3,112,515
Earnings per Share — Basic and Diluted	HK\$0.80	HK\$0.82

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\$0.160 per Share (the “Final Dividend”), amounting to approximately HK\$608.0 million in aggregate for the year ended December 31, 2016, representing approximately 20.0% of the Group’s profit attributable to owners of the Company for the year ended December 31, 2016. The Final Dividend, subject to approval by the Shareholders in the forthcoming annual general meeting, together with the interim dividend of HK\$0.119 per Share, amounting to approximately HK\$452.2 million, approved on August 4, 2016 and paid to Shareholders on August 30, 2016, represents approximately 34.9% of the Group’s profit attributable to owners of the Company for the year ended December 31, 2016.

The Board has recommended the payment of the Final Dividend after reviewing the Group’s financial position as at February 16, 2017, its capital 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, including the development of an additional casino and hotel complex in Cotai. 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	
		2016	2015
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING REVENUE			
Casino revenue	3	14,606,066	16,841,551
Other revenue	4	301,402	328,902
		14,907,468	17,170,453
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government		(6,998,604)	(8,305,782)
Inventories consumed		(273,074)	(324,017)
Staff costs		(1,949,165)	(1,965,597)
Other expenses and losses	6	(1,815,796)	(2,488,879)
Depreciation and amortization		(771,712)	(805,653)
		(11,808,351)	(13,889,928)
Operating profit		3,099,117	3,280,525
Interest income		6,454	12,076
Finance costs	7	(53,255)	(145,519)
Net foreign currency loss		(707)	(17,955)
Profit before tax		3,051,609	3,129,127
Income tax expense	8	(15,101)	(16,612)
Profit for the year attributable to owners of the Company		3,036,508	3,112,515
Other comprehensive expense:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(1,853)	—
Total comprehensive income for the year attributable to owners of the Company		3,034,655	3,112,515
Earnings per Share — Basic and Diluted	10	HK\$0.80	HK\$0.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At December 31	
		2016	2015
	NOTES	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property and equipment		3,294,672	3,701,078
Construction in progress		17,915,292	10,126,453
Sub-concession premium		411,953	539,201
Land use right premium		1,260,353	1,329,759
Other assets		46,173	32,070
Prepayments and deposits		109,753	285,047
Total non-current assets		23,038,196	16,013,608
Current assets			
Inventories		92,160	108,007
Trade receivables	11	224,738	242,539
Prepayments, deposits and other receivables		107,921	42,342
Land use right premium		69,406	69,596
Amounts due from related companies		659	57,626
Bank balances and cash		3,547,130	5,421,058
Total current assets		4,042,014	5,941,168
TOTAL ASSETS		27,080,210	21,954,776

		At December 31	
		2016	2015
	NOTES	HK\$'000	HK\$'000
EQUITY			
Capital and reserves			
Share capital		3,800,000	3,800,000
Share premium and reserves		3,416,696	1,115,051
TOTAL EQUITY		7,216,696	4,915,051
LIABILITIES			
Non-current liabilities			
Bank borrowings	12	14,104,130	11,731,951
Payables and accrued charges	13	8,028	2,513
Land use right payable		—	111,121
Construction retention payable		259,163	343,704
Total non-current liabilities		14,371,321	12,189,289
Current liabilities			
Bank borrowings	12	604,500	—
Payables and accrued charges	13	4,469,245	4,586,279
Land use right payable		111,121	214,178
Construction retention payable		266,058	9,962
Amounts due to related companies		26,318	25,066
Income tax payable		14,951	14,951
Total current liabilities		5,492,193	4,850,436
TOTAL LIABILITIES		19,863,514	17,039,725
TOTAL EQUITY AND LIABILITIES		27,080,210	21,954,776

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 which opened in December 2007 and is developing MGM COTAI which is expected to open in the second half of 2017. 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

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 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 Group continually reviews the content and presentation of the consolidated and Company’s financial statements to ensure compliance with relevant accounting standards and regulations, and also considers their relevance and usefulness to users. During the current year, the Group changed the presentation of its consolidated and Company’s statement of financial position as at December 31, 2016 in order to improve the presentation of the financial position of the Group and the Company and to bring the presentation more in line with that adopted by the Company’s ultimate holding company. Accordingly, comparative information has been restructured in conformity with the current year’s presentation.

Application of 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 IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IAS 1	Disclosure Initiative
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
VIP gross table games win	8,631,084	11,737,127
Main floor gross table games win	7,688,849	7,557,392
Slot machine gross win	1,257,300	1,611,711
Gross casino revenue	17,577,233	20,906,230
Commissions and incentives	(2,971,167)	(4,064,679)
	14,606,066	16,841,551

4. OTHER REVENUE

Other revenue comprises:

	2016 HK\$'000	2015 HK\$'000
Hotel rooms	79,031	71,242
Food and beverage	167,103	207,437
Retail and others	55,268	50,223
	301,402	328,902

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:

	2016 HK\$'000	2015 HK\$'000
Hotel rooms	386,838	430,378
Food and beverage	242,498	296,309
Retail and others	7,396	9,583
	636,732	736,270

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

	2016 HK\$'000	2015 HK\$'000
Junket commission	664,899	939,161
Advertising and promotion	416,624	521,296
License fees	260,822	300,483
Repairs and maintenance	99,942	82,432
Utilities and fuel	98,188	107,807
Other support services	95,338	107,020
(Reversal of allowance)/allowance for doubtful debts, net	(47,408)	186,267
(Gain)/loss on disposal or write-off of property and equipment, construction in progress and other assets	(1,668)	32,067
Other	229,059	212,346
	<u>1,815,796</u>	<u>2,488,879</u>

7. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on:		
Bank borrowings	367,558	253,176
Land use right payable	8,266	18,845
Amortization of debt finance costs	162,383	162,675
Loss on modification or early retirement of debt	—	14,918
Bank fees and charges	6,773	6,830
	<u>544,980</u>	<u>456,444</u>
Total borrowing costs	544,980	456,444
Less: capitalized interest allocated to construction in progress	(491,725)	(310,925)
	<u>53,255</u>	<u>145,519</u>

8. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current income tax expense:		
Macau dividend withholding tax	14,951	14,951
Hong Kong Profits Tax	170	1,673
	<u>15,121</u>	<u>16,624</u>
Over provision in prior year:		
Hong Kong Profits Tax	(20)	(12)
	<u>15,101</u>	<u>16,612</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. Accordingly, no liability for Macau Complementary Tax has been recognized by the Group for the years ended December 31, 2016 and 2015.

MGM Grand Paradise's exemption from Macau Complementary Tax does not apply to dividends to be distributed by MGM Grand Paradise. 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 is 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.

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

As at December 31, 2016, the Group has total unused tax losses (subject to agreement by the relevant tax authorities of Macau and Hong Kong) amounting to approximately HK\$4,668.8 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 (2015: total unused tax losses amounting to approximately HK\$4,486.9 million, of which approximately HK\$1,609.5 million, HK\$1,403.9 million and HK\$1,411.4 million arose from tax losses in Macau in the years of assessment ended December 31, 2015, 2014 and 2013 respectively). The Macau tax losses of approximately HK\$4,594.8 million in aggregate will expire in the years ended December 31, 2019, 2018 and 2017 (2015: approximately HK\$4,424.8 million Macau tax losses in aggregate will expire or had expired in the years ended December 31, 2018, 2017 and 2016). As at December 31, 2016, the Group has other unused tax losses of approximately HK\$74.0 million in Hong Kong (2015: approximately HK\$62.1 million), which may be carried forward indefinitely.

As at December 31, 2016, the Group has a deductible temporary difference of approximately HK\$618.5 million (2015: approximately HK\$857.9 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 February 17, 2015, a special dividend of HK\$0.816 per Share, amounting to approximately HK\$3,100.8 million in aggregate was declared by the Directors of the Company. This dividend was paid to Shareholders on March 19, 2015.

On May 14, 2015, a final dividend of HK\$0.245 per Share, amounting to approximately HK\$931.0 million in aggregate for the year ended December 31, 2014 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 8, 2015.

On August 4, 2015, an interim dividend of HK\$0.156 per Share, amounting to approximately HK\$592.8 million in aggregate for the six months ended June 30, 2015 was declared by the Directors of the Company. The dividend was paid to Shareholders on August 31, 2015.

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 February 16, 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 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, 2016 and 2015 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, 2016 and 2015 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:

	2016	2015
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per Share (HK\$'000)	<u>3,036,508</u>	<u>3,112,515</u>
Weighted average number of Shares		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,038	3,800,003
Number of dilutive potential Shares arising from exercise of share options ('000)	<u>27</u>	<u>12</u>
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	<u>3,800,065</u>	<u>3,800,015</u>
Earnings per Share — Basic and Diluted	<u>HK\$0.80</u>	<u>HK\$0.82</u>

11. TRADE RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	288,354	311,805
Less: Allowance for doubtful debts	<u>(63,616)</u>	<u>(69,266)</u>
	<u>224,738</u>	<u>242,539</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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	149,314	182,626
31 – 60 days	62,168	22,614
61 – 90 days	11,711	32,098
91 – 120 days	1,545	5,201
	<u>224,738</u>	<u>242,539</u>

As at December 31, 2016, casino receivables of HK\$38.7 million (2015: HK\$47.0 million), have been fully provided for. The impairment losses recognized for the years ended December 31, 2016 and 2015 are attributable to casino debtors who defaulted on the repayment of their debts and/or their creditworthiness has deteriorated.

12. BANK BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The secured credit facilities are repayable:		
Within one year	604,500	—
Between one to two years	6,045,000	604,500
Between two to five years	8,340,500	11,485,500
	<u>14,990,000</u>	<u>12,090,000</u>
Less: Debt finance costs	<u>(281,370)</u>	<u>(358,049)</u>
	<u>14,708,630</u>	<u>11,731,951</u>
Current	604,500	—
Non-current	<u>14,104,130</u>	<u>11,731,951</u>
	<u>14,708,630</u>	<u>11,731,951</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. The Group recognized a HK\$14.92 million loss on modification or early retirement of debt during the year ended December 31, 2015.

As at December 31, 2016, the term loan facility has been fully drawn while HK\$8.41 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 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, 2016, the Group paid interest at HIBOR plus 2.00% per annum (2015: HIBOR plus 1.75% per annum). The weighted average interest rate on the Group’s borrowings for the year ended December 31, 2016 was 4.07% per annum (2015: 4.53% 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 to 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 Company and certain of its subsidiaries are 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 exceeded 4.0 multiples as 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 is in the construction phase. The leverage ratio under the Third Supplemental Agreement is 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 is in the construction phase, but with a view to deleveraging following MGM COTAI 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, 2016 and 2015, the Group has complied with the financial covenants contained in the 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.

13. PAYABLES AND ACCRUED CHARGES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Outstanding chips liabilities	1,050,642	1,629,372
Construction payables and accruals	885,880	1,063,375
Deposits and advances	805,363	302,489
Special gaming tax and special levy payables	600,629	557,559
Other casino liabilities	411,308	390,464
Accrued staff costs	395,247	338,140
Other payables and accrued charges	296,152	247,035
Trade payables	32,052	60,358
	<u>4,477,273</u>	<u>4,588,792</u>
Current	4,469,245	4,586,279
Non-current	<u>8,028</u>	<u>2,513</u>
	<u>4,477,273</u>	<u>4,588,792</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	25,892	39,800
31 – 60 days	5,861	15,943
61 – 90 days	8	2,673
91 – 120 days	141	1,456
Over 120 days	150	486
	<u>32,052</u>	<u>60,358</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 30,069 square meters, with 1,060 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.

Propelled by the solid economic development in China, the Macau gaming market enjoyed strong growth from 2010 until mid-2014. Starting in the second half of 2014, significant changes, as discussed below, occurred in the Macau gaming market especially related to policy initiatives introduced by the governments of Macau and China. The combined effect of these policies has led to a significant decline in gross gaming revenue in the Macau market. These changes, together with increased competition, have created a challenging business environment. Total gross gaming revenue in the Macau market has recently stabilized with growth occurring in each month since August 2016.

The Group continues to respond to the current market conditions by focusing on profitability, actively managing the gaming floor and room yields and lowering the operating cost base. We are selectively allocating capital expenditure to enhance and refine MGM MACAU and progress the development of our new MGM COTAI property. Our revenue, adjusted EBITDA and profit attributable to owners of the Company decreased by 13.2%, 3.8% and 2.4% to HK\$14,907.5 million, HK\$4,491.8 million and HK\$3,036.5 million, respectively for the year ended December 31, 2016 over the prior year.

Cotai Development

Project progress through the second half of 2016 continued at a good pace on MGM COTAI. The majority of all building enclosure works for the tower and the podium have completed including exterior signage on the towers and the erection of the MGM Lion at the north end of the property. Principal efforts across both the podium and the hotel towers continue to be the testing and commissioning of the building systems in parallel with fit-out activities related to finish material and architectural interiors installations.

As we announced in January 2017 that we are strategically pushing back the opening of MGM COTAI to the second half of this year, we are currently working with both our contractor and the Macau Government to finalize the appropriate timeline and the necessary process to open later this year. We are taking the time necessary to construct a building that is intricate and complex in its design to leave good first impressions to our customers.

The expected total development cost is approximately HK\$26 billion, excluding land costs and capitalized interest.

Macau's Gaming and Tourism Markets

2016 continued to be challenging for the Macau gaming market as a result of China and Macau Government policies that began to take effect from mid-2014 including:

- The introduction of smoking restrictions implemented in October 2014;
- Certain political initiatives introduced by the China Government, including an anti-corruption campaign and currency transfer restrictions. This particularly affected the number of high-end or premium players visiting the Group's VIP, main floor and slot machine gaming operations;
- Tightened regulations on financial accounting, anti-money laundering reporting and accounting records keeping 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; and
- The slowing of economic growth in China further impacted the Group's gaming operations.

Total gross gaming revenue in the Macau market decreased by 34.3% to HK\$224.1 billion in 2015 over the prior year and further declined in 2016 by 3.3% to HK\$216.7 billion compared to the prior year. Encouragingly, total gross gaming revenue has recently stabilized with growth occurring in each month since August 2016 due in part to the new properties opened in Macau in the second half of 2016.

The Statistics and Census Service of the Macau Government reported that visitor arrivals reached 31.0 million in 2016 which remained constant compared to 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 66.1% of visitors to Macau in 2016 were from mainland China which remained stable in 2016 compared to the prior year and reached 20.5 million in 2016.

Despite the present market conditions in Macau, we are optimistic about the long-term growth of the Macau gaming market due to:

- The financial investments made by gaming concessionaires, including MGM China, in the opening of new properties providing superior and diverse gaming and non-gaming products to further position Macau as a world class tourism center;
- Infrastructure improvements, such as the completion of a new Taipa ferry terminal; the expansion of the Macau Airport; the ongoing construction of the Hong Kong — Zhuhai — Macau bridge; the Zhuhai and Macau border gate 24-hour single check point; the expansion of the Hengqin border gate capacity; the Macau Light Rapid Transit System, that are all expected to facilitate more convenient travel to and from Macau;
- Increased high speed train service to the Zhuhai boarder gate from key cities in China; and
- The continuous growth of Chinese outbound tourism, in particular the growing middle class people.

Competition

Currently, there are six gaming concessionaires operating in Macau, each of which has completed or has expansion plans underway. As at December 31, 2016, there were 38 casinos in Macau. Four development projects in the Cotai area were completed in 2015 and 2016 with five more to be completed within the next three years including our MGM COTAI property which is scheduled to open in the second half of 2017. There is an ongoing market share migration from the Macau

Peninsula to Cotai. Our overall gaming market share declined to 8.2% as at December 31, 2016 (December 31, 2015: 9.4%) due primarily to the new property openings that occurred in 2016. Competitive pressures in the Macau market will continue to increase in the future especially as more capacity is brought on line.

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, South Korea, Singapore, the Philippines, Australia and Las Vegas.

Our Competitive Strengths and Operating Strategies

Our competitive strengths lie in our high quality product and service offerings; our ability to segment and conduct targeted marketing to various customer groups through our Mlife customer relationship program; our 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. Given present market conditions in Macau, we have focused on the main floor gaming operations which currently presents the best opportunity for revenue and profitability growth. 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 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, diversified entertainment offerings. Our MGM COTAI theater will be a transformable space, the first of its kind in Asia and the only one in the world at 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, will be 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.

Operational Efficiency

Given present market conditions in Macau, we have adopted various strategies to protect our earnings by focusing on customer experience, employee engagement and operating efficiency.

We continue to use key performance indicators (“KPIs”) in all of our operating units. Decisions on hiring, scheduling and staffing are made in accordance with the KPIs which are linked to our business volume and target productivity goals.

In December 2015, we opened our shared service operation in Zhuhai, China. The shared service center currently consists of Finance, Human Resources, Digital & Technology Solutions and Hospitality Marketing departments. This operation allows us to mitigate the risk of a labor shortage in Macau by tapping into the mainland China talent pool.

We monitor and manage costs and run our operations in a disciplined manner. We continue to manage our savings on various operating expenses on top of an already efficient operating baseline. Our Adjusted EBITDA margin increased from 27.2% in 2015 to 30.1% in 2016.

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, 2016 compared to financial results for the year ended December 31, 2015

Operating Revenue

The following table sets forth the operating revenue for the years ended December 31, 2016 and 2015.

	For the year ended December 31	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Casino revenue	14,606,066	16,841,551
VIP gaming operations	5,593,080	7,575,873
Main floor gaming operations	7,758,617	7,644,619
Slot machine gaming operations	1,254,369	1,621,059
Other revenue	301,402	328,902
Hotel rooms	79,031	71,242
Food and beverage	167,103	207,437
Retail and others	55,268	50,223
Operating revenue	14,907,468	17,170,453

Total operating revenue of HK\$14,907.5 million for the year ended December 31, 2016 was 13.2% lower than the prior year. The decrease in operating revenue was directly attributable to the changing business conditions in the Macau gaming market that were previously described which impacted the Group from the second half of 2014.

Summary Statistics

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

	For the year ended December 31	
(in thousands, except for number of gaming tables and slot machines, percentage, and REVPAR)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Number of VIP gaming tables	162	176
VIP table games turnover	268,684,749	354,321,172
VIP gross table games win ⁽¹⁾	8,631,084	11,737,127
VIP table games win percentage	3.2%	3.3%
Average daily gross win per VIP gaming table	145.6	182.2
Number of main floor gaming tables	254	245
Main floor gross table games win ⁽¹⁾	7,688,849	7,557,392
Average daily gross win per main floor gaming table	82.8	84.5
Number of slot machines	1,060	1,174
Slot machine handle	28,814,923	35,259,469
Slot machine gross win ⁽¹⁾	1,257,300	1,611,711
Slot hold percentage	4.4%	4.6%
Average daily win per slot	3.2	3.8
Room occupancy rate	95.4%	97.7%
REVPAR ⁽²⁾	2,161	2,330

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	
	2016	2015
	HK\$'000	HK\$'000
VIP gross table games win	8,631,084	11,737,127
Main floor gross table games win	7,688,849	7,557,392
Slot machine gross win	1,257,300	1,611,711
Gross casino revenue	17,577,233	20,906,230
Commissions and incentives	(2,971,167)	(4,064,679)
Casino revenue	14,606,066	16,841,551

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

Casino Revenue

Casino revenue decreased by 13.3% to HK\$14,606.1 million for the year ended December 31, 2016. 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.

Given present market conditions in Macau as previously discussed, gaming promoters have encountered difficulties in attracting patrons to visit Macau. This has resulted in decreased liquidity, limiting their ability to extend credit to their patrons which has resulted in decreased gaming volume at our property. Credit already granted by gaming promoters to their patrons has become more difficult for them to collect.

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 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 management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover all receivables. The Group has been successful in collecting some receivables previously considered to be irrecoverable. In addition, the Group reviews the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are made for irrecoverable amounts.

Revenue from VIP gaming operations decreased year-over-year by 26.2% to HK\$5,593.1 million in 2016. The decrease in revenue was due to a decrease in VIP table games turnover by 24.2% to HK\$268,684.7 million in 2016 and a slight decrease in VIP table games win percentage from 3.3% to 3.2% in 2016 over the prior year. Given present market conditions in Macau as previously discussed, VIP gaming turnover was adversely impacted particularly by political and macroeconomic factors in China, which is a major source of our VIP gaming customers. In response to the decrease in business volume, we continued in 2016 to work with our gaming promoters to optimize casino space and enhance table yield. As a result, MGM MACAU reduced the number of VIP gaming tables to 162 in 2016 compared with 176 in 2015. These tables were reallocated to the main floor gaming areas.

Approximately 80% of the commissions paid to gaming promoters are netted against reported casino revenue, which corresponds to the approximate amount of the commission returned to the VIP players by the gaming promoters, and approximately 20% of the commissions are included in operating expenses, which corresponds to the approximate amount ultimately retained by gaming promoters for their compensation. The total amount of commissions netted against casino revenue was HK\$3,041.8 million and HK\$4,165.8 million in 2016 and 2015 respectively.

Main Floor Gaming Operations

Main floor 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, 2016, revenue from main floor gaming operations increased year-over-year by 1.5% to HK\$7,758.6 million. Despite the changing business conditions in the Macau gaming market, the effect on our revenues was mitigated by our continuous efforts to invest capital to improve the gaming experience of our high value main floor players by renovating the dedicated exclusive gaming space for their use. We also reallocated 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 that began to occur in August 2016. In 2016, MGM MACAU had 254 main floor gaming tables in operation compared with 245 main floor gaming tables in 2015.

Going forward, we will continue to evaluate our main floor gaming areas to maximize table utilization, to expand or 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 decreased year-over-year by 22.6% to HK\$1,254.4 million in 2016. The decrease in revenue was due to a decrease in slot handle by 18.3% to HK\$28,814.9 million in 2016 primarily due to the changing business conditions in the Macau gaming market and a decrease in the number of slot machines in operation from 1,174 in 2015 to 1,060 in 2016. It was also adversely impacted by our decline in slot hold percentage from 4.6% in 2015 to 4.4% in 2016.

We continuously monitor the mix of our casino games in order to maximize our casino 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 including hotel rooms, food and beverage and retail decreased year-over-year by 8.4% to HK\$301.4 million in 2016 primarily due to more non-gaming offerings which have been brought on line with the new property openings in the Macau market. The non-gaming facilities and services are critical 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 2016:

- 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;
- Butterfly Garden featuring 160 glass butterflies hover above an indoor garden and surround the breathtaking cylindrical MGM Aquarium in our Grande Praça; and
- “Edgar Degas: Figures in Motion” presenting the impressionist’s collection of 74 Sculptures never been shown before in Asia.

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 experiences 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, 2016 and 2015 were:

	For the year ended	
	December 31	
	2016	2015
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	6,998,604	8,305,782
Inventories consumed	273,074	324,017
Staff costs	1,949,165	1,965,597
Other expenses and losses	1,815,796	2,488,879
Depreciation and amortization	771,712	805,653
Finance costs	53,255	145,519
Income tax expense	15,101	16,612

Special gaming tax and special levy to the Macau Government

Special gaming tax and special levy to the Macau Government decreased year-over-year by 15.7% to HK\$6,998.6 million in 2016. This decrease resulted directly from the decrease in gross casino revenue during the current year.

Inventories consumed

Inventories consumed decreased year-over-year by 15.7% to HK\$273.1 million in 2016. This decrease was primarily due to decrease in consumptions of supplies, including gaming supplies such as cards and other supplies in response to the decrease in our business activities during the current year.

Staff costs

Staff costs remained relatively flat at HK\$1,949.2 million and HK\$1,965.6 million in 2016 and 2015 respectively, which was primarily due to the salary increment for staff promotions in 2016 and our continuous improvement on efficient operation during the current year.

Other expenses and losses

Other expenses and losses decreased year-over-year by 27.0% to HK\$1,815.8 million in 2016, which mainly result from:

Junket commissions. Commissions to gaming promoters decreased by 29.2% from HK\$939.2 million in 2015 to HK\$664.9 million in 2016. The decrease resulted directly from the lower VIP gross table games win during the current year.

Advertising and promotion expense. Advertising and promotion expense decreased by 20.1% from HK\$521.3 million in 2015 to HK\$416.6 million in 2016. The decrease resulted from less marketing activities being organized during the current year in response to the decrease in our business activities.

License fee and marketing fees. License fee and marketing fees due to related companies decreased by 13.3% from HK\$317.1 million in 2015 to HK\$274.9 million in 2016. The decrease resulted directly from the decrease in revenue during the current year.

(Reversal of allowance)/allowance for doubtful debts, net. Allowance for doubtful debts, net, was a gain of HK\$47.4 million in 2016 compared to an expense of HK\$186.3 million in 2015. There were no changes in the allowance for doubtful debts policy. The current year gain primarily resulted from recovery of doubtful debts provided for in previous years, while the prior year expense was primarily due to the changing business conditions in the Macau gaming market that were previously described which started to impact the Group from the second half of 2014 that caused more casino debtors to default in repayment of their debts and/or their creditworthiness deteriorated.

Depreciation and amortization

Depreciation and amortization decreased year-over-year by 4.2% to HK\$771.7 million in 2016. This decrease was primarily due to the impact of full depreciation of certain assets and offset by new furniture and equipment placed into service during the current year.

Finance costs

Finance costs decreased by 63.4% from HK\$145.5 million in 2015 to HK\$53.3 million in 2016 as HK\$491.7 million of total borrowing costs was capitalized to construction in progress in 2016 (2015: HK\$310.9 million). Total borrowing costs increased by HK\$88.5 million during the current year mainly due to HK\$114.4 million increase in interest incurred for additional bank borrowings because of funding requirements for MGM COTAI development as well as increase in interest margin. The prior year balance also included a HK\$14.9 million loss incurred in modification or early retirement of our debt from the Second Amended Credit Facilities in June 2015.

Income tax expense

Income tax expense in 2016 and 2015 primarily related to dividend withholding tax for the respective periods. 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 slightly by 2.4% from HK\$3,112.5 million in 2015 to HK\$3,036.5 million in 2016.

Adjusted EBITDA

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement, profit attributable to owners of the Company, for the years ended December 31, 2016 and 2015.

	For the year ended December 31	
	2016	2015
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	3,036,508	3,112,515
Add/(less):		
Depreciation and amortization	771,712	805,653
Interest income	(6,454)	(12,076)
Finance costs	53,255	145,519
Net foreign currency difference	707	17,955
Income tax expense	15,101	16,612
Share-based payments	72,980	85,541
Corporate expenses	384,167	411,628
Pre-opening costs	165,530	53,546
(Gain)/loss on disposal/write-off of property and equipment, construction in progress and other assets	(1,668)	32,067
Adjusted EBITDA ⁽¹⁾ (unaudited)	<u>4,491,838</u>	<u>4,668,960</u>

Note:

- ⁽¹⁾ Adjusted EBITDA is profit before finance costs, income tax expense, depreciation and amortization, interest income, net foreign currency difference, share-based payments, pre-opening costs, corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company, and property charges and other non-recurring expenses. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

We funded our working capital, operating expenses and capital expenditures from equity, bank borrowings and cash generated from our operations. As at December 31, 2016, our bank and cash balances were HK\$3,547.1 million. This balance is available for operations, new development activities including MGM COTAI and enhancement to MGM MACAU. As at December 31, 2016, the HK\$12.09 billion term loan facility was fully drawn, while HK\$8.41 billion of the revolving credit facility remained undrawn and available for utilization up to March 2019 for corporate purposes of the Group and future development activities including MGM COTAI.

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, 2016 and 2015.

	As at December 31	
	2016	2015
	HK\$'000	HK\$'000
Bank borrowings, net of debt finance costs	14,708,630	11,731,951
Less: bank balances and cash	(3,547,130)	(5,421,058)
Net debt	11,161,500	6,310,893
Total equity	7,216,696	4,915,051
Total capital	18,378,196	11,225,944
Gearing ratio	60.7%	56.2%

Group Cash Flows

The following table presents a summary of the Group's cash flows for the years ended December 31, 2016 and 2015.

	For the year ended	
	December 31	
	2016	2015
	HK\$'000	HK\$'000
Net cash generated from operating activities	2,762,361	3,209,865
Net cash used in investing activities	(6,273,339)	(4,581,216)
Net cash generated from financing activities	1,638,903	2,560,222
Net (decrease)/increase in cash and cash equivalents	(1,872,075)	1,188,871
Cash and cash equivalents at the beginning of the year	5,421,058	4,232,187
Effect of foreign exchange rate changes, net	(1,853)	—
Cash and cash equivalents at the end of the year	3,547,130	5,421,058

Net cash generated from operating activities

Our net cash generated from operating activities was primarily affected by operating income generated by MGM Grand Paradise and changes in working capital. Net cash from operating activities was HK\$2,762.4 million in 2016 compared to HK\$3,209.9 million in 2015. The decrease mainly resulted from the decrease in profit attributable to owners of the Company as a result of lower gaming revenue during the current year.

Net cash used in investing activities

Net cash used in investing activities was HK\$6,273.3 million in 2016 compared to HK\$4,581.2 million in 2015. The major components of the cash flow used in investing activities related to payments for the design and 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\$5,929.9 million and HK\$4,259.7 million in 2016 and 2015 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\$1,638.9 million in 2016 compared to HK\$2,560.2 million in 2015. The decrease mainly resulted from HK\$2,900.0 million of revolving credit facility drawn during the current period while HK\$7,800.0 million of term loan facility was drawn in the prior year, partially offset by dividend payments of HK\$805.6 million and HK\$4,624.6 million in the respective years.

Capital Commitments

As at December 31, 2016, 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	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not accounted for	4,224,259	6,164,810

Indebtedness

As at December 31, 2016 and 2015, the Group had drawn down its Third Supplemental Agreement and Second Amended Credit Facilities in amounts of HK\$14.99 billion and HK\$12.09 billion respectively. The Group had HK\$8.41 billion and HK\$11.31 billion available to draw as at December 31, 2016 and 2015 respectively.

Contingent Liabilities

As at December 31, 2016 and 2015, the Group had given bank guarantees totaling HK\$302.9 million and HK\$300.1 million in relation to our Subconcession, land concession and other operating purposes respectively.

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.

As at December 31, 2015, the Group incurred and paid miscellaneous charges and bank fees of approximately HK\$363.8 million in relation to the Second Amended Credit Facilities.

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 is in the construction phase as discussed below. The Group incurred and paid miscellaneous charges and bank fees of approximately HK\$85.7 million in relation to the Third Supplemental Agreement during the current year.

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 is in the construction phase, but with a view to deleveraging following MGM COTAI opening as discussed below.

Principal and Interest

As at December 31, 2016, HK\$12.09 billion of the term loan facility was fully drawn while HK\$8.41 billion of 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 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, 2016, the Group paid interest at HIBOR plus 2.00% per annum (2015: HIBOR plus 1.75% 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 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 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 will 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 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.

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 Third Supplemental Agreement and the Second Amended Credit Facilities as set forth above for the years ended December 31, 2016 and 2015.

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 4.00 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, 2016, our leverage ratio was approximately 3.65.

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 and in order to increase revenue, we have made and will continue to make enhancements and refinements to MGM MACAU. We have incurred and will continue to incur capital expenditures related to these enhancements and refinements. In addition, we are focusing on the development of MGM COTAI and will continue to incur capital expenditure for constructing this property.

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, 2016, MGM Grand Paradise employed 5,960 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 its 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, 2016 ("MFRS Consolidated Financial Statements") to the Gaming Inspection and Coordination Bureau of Macau on or about February 28, 2017. 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 2017. 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, 2016, the Company repurchased a total of 465,600 Shares at an aggregate purchase price of HK\$7,010.5 thousands on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

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

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, 2016 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, 2016, the Company has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for deviation from Code Provision A.6.7, which is explained below.

Despite his utmost intention to be present at the annual general meeting of the Company held on May 25, 2016, Mr. Peter Man Kong Wong, an Independent Non-Executive Director, was engaged in other important commitments and was not able to attend the meeting. Nonetheless, the Chairpersons and all other members of the Audit Committee, the Remuneration Committee and Nomination and Corporate Governance Committee were present thereat and were available to answer questions to ensure effective communication with the shareholders. Mr. Peter Man Kong Wong undertakes that he will try his best to attend the future annual general meetings of the Company whenever possible.

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, 2016.

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 judgment 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, 2016.

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, 2016 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
“EBITDA”	earnings before interest, tax, depreciation and amortization
“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 of commissions and incentives
“Subconcession” or “Subconcession Contract”	the tripartite Subconcession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
“Subconcessionaire(s)”	the holder(s) of a subconcession for the operation of casino games in Macau
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette

“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its Jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“VIP clients” or “VIP players”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitation”	with respect to visitation of our property, the number of times our property is entered during a fixed time period. Estimates of the number of visits to our property are based on information collected from digital cameras placed above every entrance to our property capable of counting visitors (including repeat visitors) to our property on a given day
“%”	per cent

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 16, 2017

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