

## OVERVIEW

Our subsidiary, MGM Grand Paradise, is one of the leading casino gaming resort developers, owners and operators in the greater China region and holds one of the six gaming concessions/subconcessions in Macau. According to the DICJ, for the month of December 2010, in terms of revenue, we held an approximate 11.4% market share out of the 33 casinos in Macau. We currently own and operate MGM Macau, a premium integrated casino resort on the Macau Peninsula. In addition, we are also exploring growth opportunities in Cotai, the other key area of casino gaming development in Macau. We have identified a site of approximately 17.8 acres in Cotai and have submitted an application to the Macau Government to obtain the right to lease this parcel of land. We are awaiting approval of this application.

We benefit from the complementary expertise of MGM Resorts International and Pansy Ho. Immediately following the completion of the Global Offering, our controlling shareholder will be MGM Resorts International (with an interest in 51% of our issued share capital) and Pansy Ho and her controlled companies will be our substantial shareholder (with an interest in 29% of our issued share capital, assuming the Over-allotment Option is not exercised). As a result of the relationship between MGM Resorts International and Pansy Ho in respect of our Company following the completion of the Global Offering and the arrangements in place under the Voting Agreement, MGM Resorts International and Pansy Ho will be considered to be parties acting in concert (as that term is defined in the Takeovers Code) in relation to our Company. For further details on our Group structure, see the section headed “History and Corporate Structure” in this prospectus.

MGM Resorts International is one of the world’s biggest gaming and hospitality companies. It operates a premium portfolio of integrated resorts, including Aria at CityCenter, Bellagio, MGM Grand, Mandalay Bay and The Mirage, in Las Vegas, Nevada, along with several other casino and resort properties in the United States. Through its hospitality management subsidiary, MGM Resorts International holds a growing number of development and management agreements for non-gaming resorts projects around the world. MGM Resorts International has licensed its international trademark rights to us for use in the greater China region, and will provide access to its international marketing department. Pansy Ho is a well-known business leader with in-depth experience in and familiarity with the entertainment, leisure and government sectors in Macau and throughout the greater China region. She provides us with unique Asian access and perspective, as well as her extensive network and experience in branding, leisure and retail concept development. MGM Resorts International and Pansy Ho will, through MGM Branding and Development Holdings, provide development services for new properties we may develop. We believe that the combined strengths of MGM Resorts International and Pansy Ho, together with our access to the premier international “MGM” brand and extensive global marketing network, place us in a distinctive position in comparison to other operators of integrated resorts in Asia.

MGM Macau is an award-winning, five-star integrated casino and luxury hotel resort located on the Macau Peninsula, the center of gaming activity in the greater China region. The casino has a floor area of approximately 28,976 square meters, with 1,006 slot machines, 427 gaming tables and multiple VIP and private gaming areas. The hotel comprises a 35-story tower with 587 deluxe rooms, including 468 standard guest rooms, 99 luxury suites, 20 private luxury villas, dedicated leisure areas and 10 restaurants and bars. Our property is directly connected to the One Central complex, which features many of the world’s leading luxury retailers and includes a Mandarin Oriental Hotel and serviced apartments.

Since opening in December 2007, we have improved our casino revenues and adjusted EBITDA by offering premium quality services and amenities with a focus on growing our VIP business and main floor player loyalty programs. For the years ended December 31, 2008 and 2009, we recorded a net loss of HK\$296.7 million and HK\$167.1 million, respectively, and for the year ended December 31, 2010, we recorded a net profit of HK\$1,566.0 million. Casino revenues for the year ended December 31, 2009 were HK\$7,455.9 million, with adjusted EBITDA of HK\$1,179.3 million, a

12.9% and 25.3% increase, respectively, over 2008. For the year ended December 31, 2010, our casino revenues were HK\$12,126.8 million, with adjusted EBITDA of HK\$2,830.8 million, a 62.6% and 140.0% increase, respectively, over the same period in 2009.

## **OUR COMPETITIVE STRENGTHS**

We believe our competitive strengths lie principally in our high-end product and service offerings that enable us to capture a significant share of Macau's burgeoning gaming market; our ability to leverage Pansy Ho's local knowledge and exposure to a diverse regional network as well as the operating expertise and marketing reach of MGM Resorts International to drive consistent growth in all segments of our business; and our ability through our "Golden Lion" Club loyalty program and in-house marketing team to segment and conduct targeted marketing to various customer groups with increased efficiency, while growing our casino revenues and operating margins. Our objective is, and will continue to be, to deploy these strengths to seek out the most profitable segments within our VIP and main floor customer target markets.

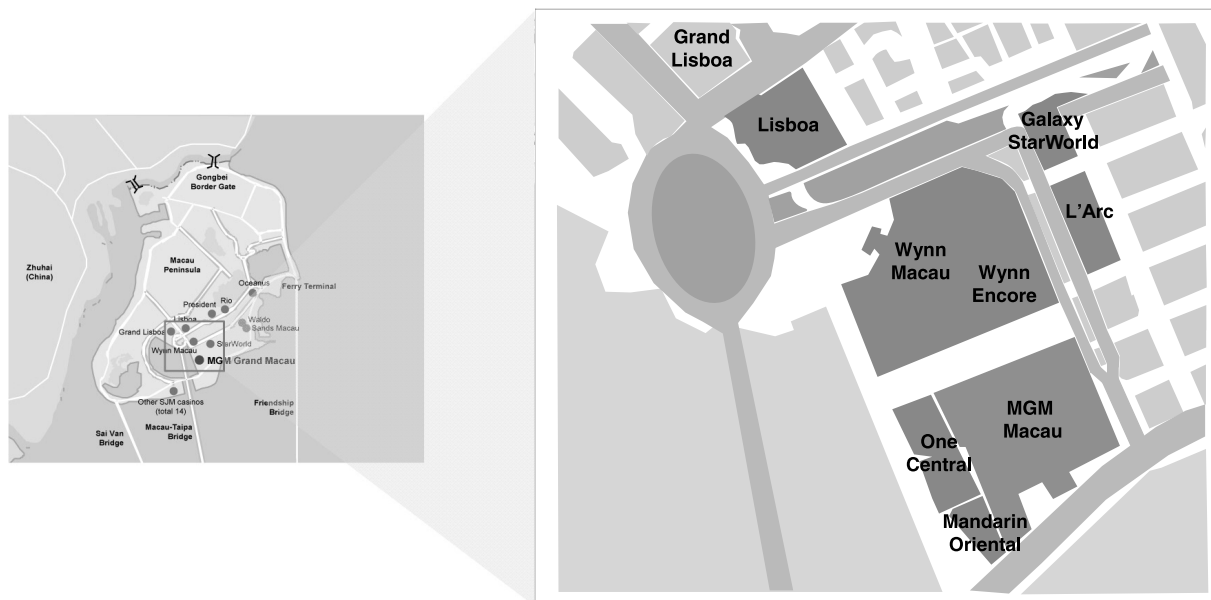
### **World-class gaming property in Macau**

MGM Macau is an integrated gaming and luxury hotel resort located on a prime site in Macau, currently one of the largest and fastest growing gaming destinations in the world. We seek to provide a premium experience to our patrons across our gaming and leisure products and services. We believe our target customers are attracted to our property because of the aspirational levels of luxury and sophistication it projects. We focus on delivering the highest quality of services to our guests in order to attract and retain their loyalty. Our property boasts a number of distinguishing features, including the architecturally stunning 1,088 square-meter Grande Praça and the award-winning Six Senses Spa. MGM Macau also contains many significant works of art.



Our property has been designed with the flexibility to allow additional gaming capacity as needed. Significant reserve space is currently available to allow additional gaming and leisure activities. We continually monitor the mix of gaming products and leisure-related amenities we offer to ensure we can match desired products and services to our target customer groups.

Our property further benefits from its strategic location in the heart of the Macau Peninsula. This area houses 23 of the 34 casinos in Macau, the largest concentration of casinos in Asia, including those that generate the highest turnover per table in the entire Macau enclave. Due to our central location, the completion of construction in our immediate vicinity and proximity to One Central, we believe our property has benefited greatly from the added pedestrian traffic in and around the facility. MGM Macau is highly visible to visitors arriving in Macau from air and sea and is located within close proximity to the Macau Airport, the Ferry Terminal and the Gongbei border crossing to Zhuhai in China, the main access points for visitors to Macau. As the supply of land is limited in the Macau Peninsula, our management does not expect any significant new gaming property construction to take place there in the next several years.



### **Complementary shareholder expertise combined with a strong management team**

We benefit from the international reputation and expertise of MGM Resorts International and the local knowledge and expertise of Pansy Ho, who bring us complementary strengths. While MGM Resorts International is an experienced and highly successful international gaming company to whose marketing and development expertise we have access, Pansy Ho is instrumental in helping drive our strategy and in identifying growth opportunities for us in Macau, Cotai and the greater China region. MGM Resorts International and Pansy Ho work closely together and both have representation on our board of directors.

We have access to MGM Resorts International's global expertise, operating and marketing experience and its regional customer database. MGM Resorts International has conducted marketing in the region for many years and currently has a sizable market share of Asian gaming visitors to Las Vegas. Building upon this history, MGM Resorts International has recently focused its marketing efforts in Macau with offices located in our property to serve its customer network.

Our management team responsible for implementing our strategy collectively has several decades of experience in the gaming industry, including significant management experience at prestigious gaming resorts in Macau and the Asia-Pacific region. Our Company is led by Grant Bowie (Chief Executive Officer), Yiu Ling Kwong (Executive Vice President, Casino Operations), Brian Fiddis (Senior Vice President, Casino Marketing), Janice Fitzpatrick (Senior Vice President, Finance and Chief Financial Officer) and Mark J. Whitmore (Senior Vice President, VIP Operations, Marker and Collections).

We believe the combination of international and local expertise on the part of both MGM Resorts International and Pansy Ho and our key senior management provides us with the operational knowledge and strategic advantage necessary to be competitive in Macau. As a result, we have attracted talented local employees to our Company and we believe our continued focus on training and development, with the assistance of MGM Resorts International, has helped us retain and motivate our dealers and hotel and service staff.

### **Ability to leverage and adapt the internationally recognized MGM brand**

The “MGM” brand is among one of the best recognized brands in the gaming industry worldwide. Its heritage spans more than 80 years to when Metro Goldwyn Mayer was founded as a movie studio and production company in the United States in the 1920s and the brand’s gaming roots go back over 30 years. We believe our relationship with Pansy Ho and her close involvement in the operations of our property have been instrumental in adapting the “MGM” brand to suitably address the preferences of customers from the greater China region. The “MGM Macau” brand is characterized by a golden lion, a symbol of prosperity and strength in Chinese culture, and has achieved high recognition among Chinese gaming patrons as being synonymous with high quality and luxury.

We believe Pansy Ho’s experience in branding, leisure and retail concept development, and her vision as well as her successful track record in building relevant businesses have enabled us to market the “MGM” brand, our property and our gaming and related products more effectively to our target clientele. We also believe her involvement in our business has enabled us to anticipate and respond quickly to emerging trends in our core gaming markets.

### **Superior customer segmentation approach**

We believe our comprehensive approach to customer segmentation enables us to identify, attract and retain the most profitable customers in both our VIP and main floor customer markets. Our marketing efforts are centered on our “Golden Lion Club” loyalty program that allows us to analyze customer data by segment and individual player profile. In turn, this has improved the effectiveness of our marketing campaigns and contributed to a significant increase in rated play. The four tiers of the program allow us to meet the needs of a range of customers from lower spending leisure and entertainment customers through to our highest level VIP cash players. A structured rewards system based on member value and tiers ensures that customers can progressively access the full range of services that MGM Macau provides. The program is aspirational by design and transparent in its rewards, encouraging customers to increase both visitation and spend.

We have developed dedicated gaming and non-gaming areas in our property to reflect different levels of rated play. In addition to the gaming offerings for our main floor players, we also have created and continue to expand several luxurious private gaming salons that provide a distinctive, high-end environment for the VIP players our gaming promoters and in-house marketing team bring to our property.

We have created a variety of incentive programs to reward gaming promoters for increased business and efficiency. We closely monitor the turnover and revenue of our gaming promoters in order to ensure that we are able to capture the more profitable segments of the VIP market and increase our share of this high growth market segment. We believe the flexibility inherent in our segmentation approach means that we can adapt it successfully to our future gaming properties and markets.

### **Enhanced profitability and capital strength driving future growth**

As a result of the foregoing core strengths and our sustained focus on attracting high-value gaming customers and efficiently managing our capital, we have experienced attractive returns on invested capital and have generated strong growth in our revenue and profitability. Our revenue increased by 11.7% and 60.9% in 2009 and 2010, compared to the corresponding prior periods in 2008. Our adjusted EBITDA also increased by 25.3% and 140.0% in 2009 and 2010, compared to the corresponding prior periods in 2008. Our adjusted EBITDA margins increased from 13.6% in 2008, 15.3% in 2009 to 22.8% in 2010.

We believe that our significant free cash flow and our strong balance sheet will enable us to reinvest in our property and actively pursue additional growth opportunities.

### **OUR STRATEGIES**

Our primary business strategies are to continue building on our core strengths by optimizing our gaming products and services and expanding key gaming areas on our property, strengthening our brand appeal and marketing reach, refining our customer segmentation approach to maximize revenues and profitability, driving operational efficiencies at our property and pursuing compelling growth opportunities in the region.

#### **Optimize gaming products and services**

We intend to continue developing new gaming products and services aimed at our target customer markets to ensure our patrons benefit from a premium experience at our property. In particular, we will continuously evaluate the types and quality of gaming products and services we offer to specific customer segments to ensure that individual patrons benefit from gaming and leisure services customized to their individual preferences.

We have begun reconfiguring and upgrading our main floor gaming and leisure spaces to cater to emerging customer preferences with respect to gaming products and other amenities. In addition, our significant reserve capacity provides us with the opportunity for growth by expanding our VIP client floor space. We will implement these measures with a view to continuing to capture the most profitable segments of our target customer markets and generating optimal returns on invested capital.

#### **Strengthen brand appeal**

We will aggressively promote the MGM Macau brand in the greater China region as a premium aspirational brand that combines an international heritage with local relevance. We will further build our brand via targeted advertising campaigns as well as conducting tailored promotional and event sponsorship activities. We intend to focus our brand promotion efforts in Macau, Hong Kong and rapidly urbanizing cities in the greater China region.

#### **Refine customer segmentation and enhance customer base**

We will continue to refine our customer segmentation by applying advanced analytics to our customer database. We will focus on creating customized one to one marketing programs for our best customers, advanced retention and referral programs, targeted promotions based on customer activity levels, reactivation programs for dormant customers and robust research programs to better understand customer preferences and spending patterns.

We will monitor and enhance our network of gaming promoters to strengthen VIP relationships. We intend to strategically manage the number and mix of gaming promoters we work with and ensure that high quality players remain central to our business. We will also continue to enhance our In-house VIP program and actively pursue direct relationships with VIP customers through our in-house marketing team and MGM Resorts International. Productivity of allocated VIP tables will also be a key focus and we will continue to invest the capital necessary to provide the most desirable gaming areas and amenities for our VIP customers.

We will continue to emphasize high quality service delivery across all areas of our gaming and non-gaming operations to maintain our brand appeal, retain the loyalty of our existing high-value customers and attract the interest of new customers who desire a premium gaming experience tailored to their individual preferences.

### **Drive operational efficiencies**

We will continue to drive efficiencies across our operations by closely monitoring our key performance indicators and efficiently staffing our gaming and hotel operations, managing labor related costs and leveraging MGM Resorts International's global platform to streamline our marketing and sales initiatives. We will also explore areas where economies of scale can be achieved by lowering our cost of goods and services.

We remain committed to enhancing our human resources capability in order to attract and retain the best quality staff in what we recognize to be a competitive market. We intend to increase our productivity through training and development programs and foster a proactive organizational culture that supports premium service delivery.

### **Pursue future growth opportunities**

We intend to fund growth at our existing property from our free cash flow and strong balance sheet. We will also actively pursue opportunities externally that present compelling growth prospects. We believe our market presence and reputation, together with our strong balance sheet, position us well to explore these opportunities, particularly in Cotai. We believe we can generate attractive growth in the future and that our strategy of prudent balance sheet and cash flow management will provide the necessary financial flexibility to pursue potential expansion.

## **OUR PROPERTY AND PROJECTS**

### **MGM Macau Resort and Casino Overview**

Our 205,824 square meter property (total floor area) is prominently situated on 43,167 square meters of land along the waterfront on the Macau Peninsula's central Nam Van entertainment district, the same neighborhood as Wynn Macau and Encore at Wynn Macau, Casino L'Arc Macau, Galaxy StarWorld, the Grand Lisboa and the Hotel Lisboa. MGM Macau opened to the public on December 18, 2007.

MGM Macau was designed by renowned architects, Wong & Tung International Ltd., to blend both Eastern and Western design cues and pay homage to Macau's multi-faceted history. In addition to the exterior facade's distinctive "ocean wave" design, a 63-ton, 10-meter tall golden lion — the hallmark of the MGM brand and a symbol of prosperity — sits outside and adds another iconic landmark to our property. The interior of MGM Macau fuses the Las Vegas know-how of MGM Resorts International with our understanding of local tastes to create an atmosphere with broad appeal that is distinctly Macau.



Our property features colorful hand-blown glass adornments by Dale Chihuly, including the massive “Fiori di Paradiso” chandelier and distinctive sculptures by Dali and other artists in the main lobby and entrance. The interior rooms and restaurants also feature the work of famed designers such as Super Potato and Wilson & Associates. Our suites and villas are accessed through private VIP lobbies featuring two-story ceilings painted with 24-carat gold filigree, handmade floor-to-ceiling tapestries and marble and lapis-lined floors, walls and exclusive VIP elevators. MGM Macau’s centerpiece, the 1,088 square meter Grande Praça features a 25-meter high glass skydome and European-inspired facades, including the main facade which is fashioned after the Estação Rossio, Lisbon’s central rail station. The Grande Praça is visible from a number of restaurants as well as areas of the upper gaming floor and is host to a variety of special exhibitions, shows, displays and various special occasions and events.

From the Grande Praça, patrons are able to access the casino on the main gaming floor. MGM Macau also maintains a convertible convention area on the main floor with 1,593 square meters of meeting space as well as a deluxe spa, swimming pool facilities and 10 bars and restaurants catering to a range of tastes. Our property is also seamlessly connected on multiple levels to the One Central complex, a premium 18,587 square meter shopping mall featuring retail stores for internationally recognized luxury brands, as well as serviced apartments and a Mandarin Oriental Hotel. MGM Macau and its first expansion were completed with capital expenditure of approximately US\$1.2 billion. Highlights of our property are described in greater detail below.

### ***Casino and Gaming Products***

#### ***Main Gaming Floor***

MGM Macau’s casino currently occupies approximately 28,976 square meters of floor area, offering 24-hour gaming and a full range of games. The layout of our main gaming floor is organized using the different market segments we target, namely the four tiers of our Golden

Lion Club loyalty program, as a basis for placing tables and games in such a way as to maximize their aspirational appeal. Although most of the floor features an open floor plan, design elements shift in an effort to create an impression of increasing luxury and exclusivity as patrons ascend from lower to higher limit gaming. To add to this appeal, we have also created a separate area on the main floor for high-end slot machines as well as the more exclusive Las Vegas Room, which features its own bar, elevated floors and higher-end table gaming in a more private and contemporary Las Vegas-style setting.

Our Supreme Gaming area on the casino main floor services VIP patrons with Supreme status in the Golden Lion Club as well as other invited patrons. The Supreme Gaming area occupies an expansive 1,785 square meter space across from our most high-end gaming tables on the main floor and in proximity to the Las Vegas Room. The Supreme Gaming area is being designed by the well-known hospitality industry designer, Hirsch Bedner Associates and features raised floors, exclusive facilities and luxury amenities and two exclusive entry-ways — one from the main gaming floor as well as a more private entry from the VIP lobby.

#### *Second Floor VIP Gaming Areas*

The majority of our existing VIP gaming area is located on the second floor which is accessible by exclusive elevators from our VIP lobby. Our VIP gaming area is also accessible via escalator adjacent to the casino's alternate entrance on the opposite end of our property from the lobby areas. The gaming rooms on the second floor comprise a mix of rooms operated by our in-house VIP team, while others are allocated to our gaming promoters. Our VIP rooms offer a substantial amount of privacy and feature two to three gaming tables, their own cage on the casino floor, a lounge and entertainment area and access to a wide array of luxury amenities and services. VIP rooms feature further enhancements including elevated floors, sliding walls/doors that allow rooms to be expanded or closed off for more privacy with each section having separate entry ways.

#### *34th/35th Floor Private VIP Gaming Rooms*

The 34th floor in our hotel tower is home to our four luxurious private VIP gaming rooms. A combination of gold furnishings and the gold tint of the outside window create a golden aura in the corridor leading to the four VIP gaming rooms. The VIP gaming rooms are adorned in luxurious materials and fixtures and feature panoramic sea views, private offices, bathrooms and dining facilities. These private gaming rooms feature modular designs that allow sections of the room to be closed off into private spaces that can hold one to three gaming tables.

Our hotel tower's 35th floor also features additional VIP gaming space with private VIP gaming rooms that are currently promoted by our gaming promoters. These VIP gaming rooms also feature panoramic sea views and extensive private facilities. Additionally, the 35th floor has a full kitchen capable of servicing the culinary needs of the VIP floors, including all our suites and villas.

#### *Gaming Product Statistics*

As at December 31, 2010, MGM Macau contained:

- approximately 427 approved gaming tables for all major types of table games such as baccarat, blackjack, craps, poker, Caribbean stud poker, roulette and sic bo. Baccarat is the most popular game among our patrons measured by the level of revenues generated per table. Gaming tables that are currently approved comprise 236 main floor (or mass market) tables and 191 VIP tables. Gaming tables that are currently licensed comprise 230 mass market tables and 172 VIP tables; and
- a combination of 1,006 slot machines as well as other electronic gaming units placed throughout the casino in areas and bet denominations designed to target players in the various tiers of membership in our Golden Lion Club.



## BUSINESS

MGM Macau allocates gaming tables and slot machines based upon a number of factors, including the popularity of particular games, feedback and suggestions from our gaming promoters with respect to the preferences of their clients and statistical gaming results.

Our VIP table games gross win, main floor (or mass market) table games win and slots gross win for the periods indicated below are:

	For the six months ended					
	June 30, 2008 (unaudited)	December 31, 2008 (unaudited)	June 30, 2009 (unaudited) (HK dollars in thousands)	December 31, 2009 (unaudited)	June 30, 2010 (unaudited)	December 31, 2010 (unaudited)
VIP gross table games win . . . . .	3,058,145	2,887,284	2,673,532	4,253,644	4,619,235	7,244,406
Mass market gross table games win . . .	1,072,003	1,088,314	1,207,040	1,236,253	1,573,495	1,870,354
Slots machine gross win . . . . .	216,759	231,163	303,917	378,700	410,346	581,926

### *Luxury Hotel*



The 35-story MGM Macau hotel tower is 154 meters tall and houses 587 hotel rooms comprising 468 standard guestrooms 99 luxury suites and 20 private luxury villas. All guest accommodations have access to wifi internet, video on-demand and the hotel's full complement of room service options. Both internal and external corridors connecting to these rooms follow the exterior wave shape of the tower. In addition to the unique shape of the internal corridors, the beige tones of the interior corridors subtly darken along with the lighting as the corridor moves away from the elevator lobby toward either end of the tower to create a more unique and welcoming atmosphere than straighter and more conventional hotel corridors. For the years ended December 31, 2008, 2009 and 2010, our occupancy rates were 75.2%, 87.5% and 93.7%, respectively. Our average daily room

rates during the same periods were HK\$1,528, HK\$1,426 and HK\$1,658, respectively. The revenues per available room during the same periods were HK\$1,264, HK\$1,373 and HK\$1,709, respectively<sup>(1)</sup>.

Highlights of our guest accommodations themselves include the following:

#### *Standard Guestrooms*

At 48 to 63 square meters in total floor area, our standard guestrooms are among the largest in Macau and the design of these rooms and the wide assortment of luxury amenities were chosen to be responsive to the needs of gaming patrons as well as regional leisure and business travelers with an eye toward attracting and retaining more multi-night leisure or business visitors to Macau. Each room is fitted with designer fixtures and finishes, including marble and lushly carpeted flooring and an oversized bathtub from which outside window views are possible through the curtained glass bathroom wall. Our standard guestrooms occupy floors 5 to 17 in the hotel tower.

#### *Luxury Suites*

Our 99 luxury suites are located on floors 20-28 of the hotel tower and range from 102 to 220 square meters in total floor area. There are nine different luxury suite floor plans and two different color schemes: “espresso” and “cinnamon.” All one bedroom suites are equipped with one and a half bathrooms, while two-bedroom suites are equipped with two and a half bathrooms. In addition to all the amenities offered in our standard guestrooms, our luxury suites feature spacious walk-in closets, an entertainment area with a home theater system, heated marble bathroom floors, an oversized Jacuzzi tub and an additional flat screen TV in the bathroom concealed behind a mirror. All suites also feature a pantry with a full-sized refrigerator, microwave and espresso machine. The adjustable lighting, curtains and TV and home theater in our suites can all be adjusted from a single wireless remote control in addition to standard wall and equipment mounted controls.

#### *Private Luxury Villas*

Our private luxury villas are designed to cater to our most discerning VIP patrons. Each of our 20 villas is located on floors 30-33 and is between 219 and 380 square meters in total floor area. Each villa has a grand entrance lined with marble to match one of the three themes of “Gold”, “Burgundy” (on floors 30-32), or “Jade” (floor 33). All of our villas feature contemporary designer furnishings, antique style mirrors and come with an around-the-clock butler and chef service, as well as a private pantry, full kitchen, separate lounge and entertainment areas and a Saint-Louis chandelier to illuminate the dining area. Both our suites and villas are accessed through the separate VIP lobby and its dedicated elevator bank.

---

**Note:**

(1) Average daily rate and revenue per available room calculations include promotional allowance/complimentary revenue.

### *Restaurants and Bars*



MGM Macau features several restaurants catering to a broad range of international tastes. The restaurants at MGM Macau provide high quality food, service and décor, which we believe are additional reasons for gaming patrons to visit and stay at MGM Macau. MGM Macau's restaurants and bars include the following:

- Aux Beaux Arts, a French, 1930's style brasserie, is situated along the Grande Praça featuring an extensive wine list and an exclusive wine cellar. Aux Beaux Arts also includes its foyer, which is lit by a custom Saint-Louis chandelier, with: The ABA Bar, specializing in champagne and other festive libations; and The Russian Room, which was designed to be reminiscent of the opulence of tsarist Russia and specializes in pairing vodkas and caviar of the highest quality.
- Imperial Court, which serves traditional and contemporary Cantonese cuisine created by the well-known celebrity Chef Chow Chung. In addition to Imperial Court's distinctively Eastern design cues and adornments its cuisine also pays respect to time-honored Chinese culinary traditions with a blend of contemporary flair. Imperial Court is situated off our VIP lobby and features six distinctive private rooms.
- Grand Imperial Court, located adjacent to the Level 2 VIP casino, which expands on the Chef Chow Chung's menu at Imperial Court to offer an even wider range of traditional and contemporary regional delicacies to our VIP patrons as well as those simply in pursuit of a special meal. Grand Imperial Court also features its own Noodle House.
- MGM Patisserie, situated on the ground floor, which features a wide array of confections and pastries created by celebrity pastry chef, Guenther Wolfsgrubner. The MGM Patisserie also serves tea and coffee and offers lunch and light breakfast items in addition to decadent desserts.

## BUSINESS

- Rossio, MGM Macau's signature restaurant named after the Estação Rossio, Lisbon's central train station whose facade is replicated just outside the restaurant in the Grande Praça. Rossio's interior was designed by the world-famous Japanese design firm Super Potato and its open-style kitchen prepares a variety of Western and Eastern dishes to fulfill orders off the menu and to supply its own extensive international buffet.
- Square 8, a contemporary yet casual dining restaurant, featuring specialty dishes from around the world, 24 hours a day.
- The Lion's Bar, a popular Macau night spot situated at the center of the grand casino floor featuring live music from around the world.

Other food and beverage venue includes the Pool Bar.

### *The Six Senses Spa*

World-famous spa treatment provider, Six Senses Spa, operates our 2,311 square meter spa, which is Six Senses Spa's first spa in greater China. The spa features a full range of luxury spa treatments and has its own vitality pool, flotation pool and a snow room.

### *Art Collection*

Precious works of art can be found throughout MGM Macau and the Chihuly Gallery Macau, the first Asian gallery of renowned artist Dale Chihuly, located at the hotel lobby. Elsewhere on the grounds, patrons can find additional pieces by Dale Chihuly, including the massive "Fiori di Paradiso" chandelier that was designed specifically for MGM Macau.

### *Convention, Meeting and Reception Facilities*



MGM Macau features approximately 1,593 square meters of convention, meeting and reception space, which includes a grand ballroom, three salons and the Vista, an area for private parties and gatherings. All areas feature advanced audio visual and internet capabilities, while the Vista, which overlooks the pool, also offers unobstructed views of the South China Sea from its floor-to-ceiling glass windows.

### ***Salon, Gym and Pool***

MGM Macau also operates a salon and fitness complex where fitness equipment, branded skin and body treatment products and clothing, accessories and athletic wear are available. The gym at MGM Macau is outfitted with modern gym and cardio training equipment and, along with the outdoor swimming pool, is a complimentary facility for hotel guests.

### **Land Concession**

The Macau Government owns most of the land in Macau and, in most cases, private interests in real property located in Macau are obtained through long-term conditional land concessions and other grants of rights to use land from the government which contracts are published in Macau Official Gazette. Land concessions in Macau typically become unconditional upon compliance of the terms and conditions therein. The requirements and procedures on the government lease are established in the Land Law, enacted by Law no. 6/80/M, with several amendments and currently under revision. Land concessions in Macau generally have 25 year terms. Within six months prior to the expiry of the initial term, any interested party may submit an application to the Public Works Department to renew the leasehold for another 10 years upon payment of a renewal fixed premium. Pursuant to Ordinance no. 219/93/M, the renewal fixed premium corresponds to 10 years of updated rent. There are common rates based on land use, which are generally applied to determine the cost of these land concessions. See the section headed “Regulations — Laws and Administrative Regulations Governing the Operation of Casinos in Macau — Land Use and Title Process Laws in Macau” in this prospectus.

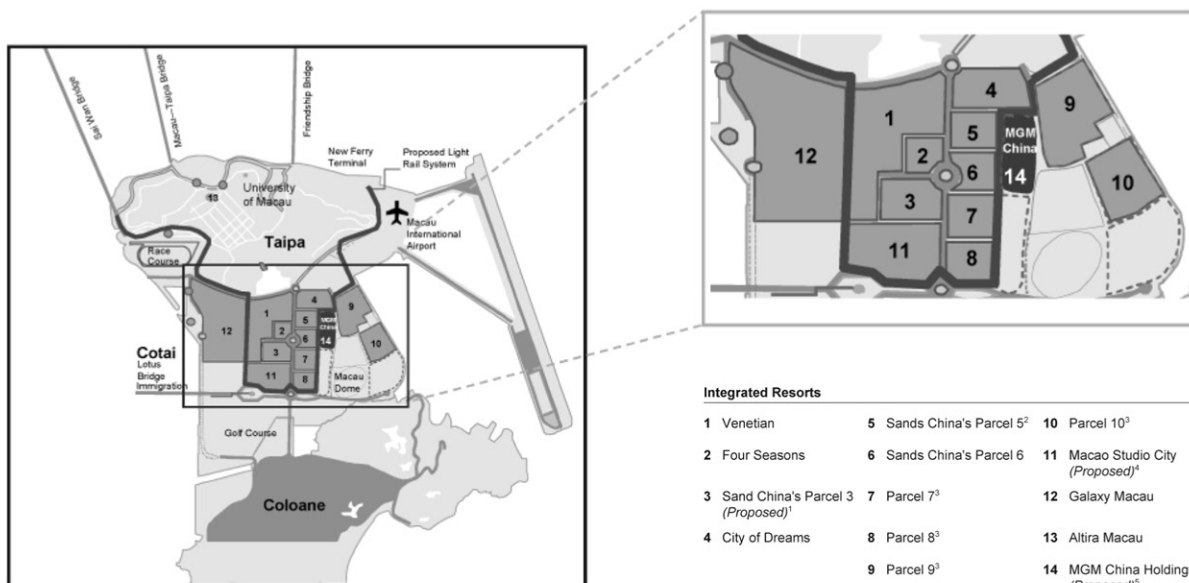
On March 29, 2006, MGM Grand Paradise entered into a land concession contract with the Macau Government for the leasehold of an approximate 43,167 square meters parcel of land on the Macau Peninsula. While we do not technically own this land, the land concession grants us exclusive use of the land for a term of 25 years, commencing from April 6, 2006, which term is renewable in accordance with Macau law. As specified in the land concession, MGM Grand Paradise had to pay a land premium, in a total of MOP299.0 million (approximately HK\$290.0 million). MGM Grand Paradise settled the amount of MOP1.8 million in specie, through completion of the reclamation works required in the land concession, paid MOP100 million in cash on February 24, 2006 and a total of MOP197.5 million (HK\$191.6 million) in semi-annual installments, the last being fully settled on November 7, 2007. In addition, there is an annual rent payment of approximately MOP2.9 million (approximately HK\$2.8 million) for the land concession contract, which is reviewed every five years.

### **Cotai and Other Opportunities**

Cotai, which derives its name from the surrounding islands, includes approximately 250 acres of newly reclaimed land between the islands of Coloane and Taipa. The area was developed to provide additional space for gaming and tourism. Cotai is expected to become an extensive development area with multiple resorts, including modern shopping malls, showrooms and spas, among other entertainment facilities and casinos.

We have identified a site of approximately 17.8 acres in Cotai and have submitted an application to the Macau Government to obtain the right to lease this parcel; no payments or deposits were made to the Macau Government when submitting the application. We are awaiting final approval of this application. The application submitted to the Macau Government does not contain any binding undertakings or conditions with respect to the potential integrated resort

project. However, the draft land concession agreement to be prepared by the Macau Government in connection with the application is expected to contain several undertakings and conditions standard for any land concession in Macau, including the obligation to develop the land within a certain period of time (in this case, the development and construction of an integrated casino and hotel complex of a certain size). As such proposals have not yet been finalized with the Macau Government and are not binding, the specific parameters of any potential Cotai project, including whether such project is to be built at all, are subject to change. We believe our management's experience, disciplined approach to development and prudent capital management put us in a strong position to evaluate Macau's evolving gaming market and selectively take advantage of opportunities in Cotai and elsewhere in Macau.



<sup>1</sup> Construction dependent on completion of Parcels 5 and 6, Macau Government's approval, additional financing to be obtained and future demand

<sup>2</sup> Terminated hotel management contract with Shangri-La and seeking new hotel management contract with expected opening in early 2012

<sup>3</sup> Macau Government has not approved land grant to any concessionaire/subconcessionaire

<sup>4</sup> Construction dependent on agreement between joint venture parties

<sup>5</sup> Construction dependent on government land approval which is currently under consideration

## ADVERTISING AND MARKETING

We advertise through several types of media and undertake various marketing activities to promote our operations. These activities capitalize upon our well-recognized MGM brand, our product offerings and our network of relationships with travel service providers. We seek to attract patrons through the following marketing activities and plans:

- **Advertising.** We have an internal advertising team responsible for promoting our property and marketing preferred products and services to potential patrons in the region. Advertising includes newspapers, magazines, billboards, (to the extent permitted by Macau and other applicable laws) and handouts that promote general market awareness of our property and brands.
- **Casino marketing.** We engage in extensive marketing to our players, subject to the requirements of Macau and other applicable laws. We have developed gaming patron databases in order to attract new and repeat premium players as well as marketing strategies to attract mass market patrons. Where permitted, we actively engage in direct marketing and telemarketing targeted at specific market segments. In addition, we engage in database marketing which focuses on the premium players in our rolling chip segment.

- **Media and public relations.** We utilize the local, regional and international media as a tool to market our property to a large number of people across several market segments. Such publicity includes press releases or conferences relating to our projects and operations before our openings or our continued daily operations. We have a dedicated public relations team that develops and maintains our media relationships and works to ensure that accurate and timely messages are communicated to the public on matters which are important for our brand image.
- **Sales network.** We have 13 sales staff in Macau and other regions throughout Asia. Our sales staff works in conjunction with staff in operations, information technology and other departments to develop sales messages and invitations for our target market segments. Our sales people are compensated on an incentive basis based on revenue attributable to their clients. We are currently in the process of developing a regional sales team that will be primarily focused on delivering premium play (VIP) business to MGM Macau.
- **Special events.** We also host different types of entertainment events and exclusive functions designed to attract patrons to our property, including parties at peak period times or during special occasions. We target various market segments with patron-specific events, which are designed to cater to our patrons' needs and expectations, with the objective of cultivating repeat patron visitation and developing long-term patron relationships. We issue invitations by conducting direct mail and e-mail campaigns, as well as by placing personal phone calls and making personal visits to select patrons.

#### **Loyalty and Marketing Program — the Golden Lion Club**

We market MGM Macau directly to our gaming patrons through the use of our patron loyalty program. The Golden Lion Club, our four tier loyalty card program, commenced operation at MGM Macau in July 2009. The loyalty card has a structured reward delivery system for accommodation, food, ferry tickets (Hong Kong and China), bus tickets (China) and helicopter tickets (Hong Kong and China) based on patron value or tier. In addition, there is a calendar of events with a major mass signature promotion rotating every two months. Such promotions are viewed as property-wide promotions which allow us to advertise externally in Macau, Hong Kong and to those arriving through the China border. Cascading down from the signature promotions are sub or niche promotions aimed directly at the top three tiers, as well as game specific promotions (for example, tournaments).

We believe our loyalty and marketing program enables us to effectively identify and target different categories of gaming patrons, particularly premium mass market players, and is an important part of our strategy to continually refine our market segmentation and enhance our profitability.

#### **GAMING PATRONS**

Our gaming patrons include VIP players, mass market players and gaming promoters who help source our VIP players.

#### **Main Floor Players**

Main floor players, including the premium mass market players we aim to attract, come to our property for a variety of reasons, including our central location, direct marketing efforts, brand recognition, the quality and comfort of our mass market gaming floors, and our non-gaming offerings. Unlike VIP players, who would otherwise be brought to MGM Macau by gaming promoters or through our own in-house efforts, no commission costs are payable in respect of our main floor players, including premium and mass market players. These players also account for a significant portion of our total gross profit.

## **VIP Players**

VIP clients who come to our property are patrons who participate in our In-house VIP Program or in the VIP programs of our gaming promoters. Our VIP clients are typically wealthy persons who play mostly in our dedicated VIP rooms or designated gaming areas. Our five largest clients together generate substantially less than 10% of our total operating revenues.

Our In-house VIP program is an internal program whereby we directly market our business to gaming clients, including high-end or premium players, or to players referred by MGM Resorts International or Pansy Ho. Gaming patrons generally qualify for a VIP program on the basis of their turnover level. These players are entitled to a variety of gaming-related rebates whereby they can earn cash commissions and room, food and beverage and other complimentary products or services. Gaming is conducted on a cash basis. We may extend credit, often in the form of non-negotiable chips, to these players based on our knowledge of them, their financial background and their payment history.

Alternately, our VIP clients may come under our gaming promoters' programs. Gaming promoters are individuals and corporations licensed by and registered with the Macau Government to promote games to patrons, through the arrangement of certain services, including the extension of credit and the provision, transportation, accommodation, dining and entertainment gaming promoters' activities are regulated by the Gaming Promoters Regulation. In exchange for the gaming promoters' services, we pay them either through turnover-based commissions or through revenue-sharing arrangements. For a more detailed description of our gaming promoters and our arrangements with them, see the section headed "— Gaming Patrons — Gaming Promoters" in this prospectus.

Gaming is conducted on a cash basis, and we generally only grant credit to our gaming patrons on a very limited basis such as to selected VIP players. For discussions on credit granted to our gaming patrons, see the section headed "Risk Factors — Risks Relating to Our Business — Risks Relating to Gaming Promoters and Clients — We are exposed to credit risk on credit extended to our patrons and gaming promoters" in this prospectus and also "— Gaming Operations — Credit Management" in this prospectus.

## **Gaming Promoters**

Gaming promoters have historically played a critical role in the Macau gaming market and are important to our business and operations. Upon the opening of MGM Macau in December 2007, we had contracts with five gaming promoters. As at the Latest Practicable Date, we had active engagements with eight major gaming promoters. All of these gaming promoters are Independent Third Parties licensed as gaming promoters by the DICJ. There is no limit imposed by the DICJ on the number of gaming promoters that we are allowed to engage. Our gaming promoters' primary business activities involve providing certain services, including directing patrons to MGM Macau and using best efforts to actively promote MGM Macau's facilities to existing and potential patrons in designated geographical areas. Many of our gaming promoters have affiliates that work with the other casino operators in Macau. We expect to continue to evaluate and selectively add gaming promoters going forward.

Consistent with our compliance committee policies, we have established procedures to screen prospective gaming promoters prior to their engagement, and conduct periodic checks that are designed to ensure that the gaming promoters with whom we associate meet suitability standards. The background checks we perform with respect to our gaming promoters or their directors and key employees are limited to the information that we can obtain under the applicable laws and procedures of each relevant jurisdiction, some of which are more comprehensive than others. For jurisdictions where we are unable to obtain certified records from the relevant authorities regarding the absence of a criminal record of any individual, we rely on the strict licensing process of



the DICJ, together with a self declaration certified by the relevant individual, to the extent applicable, and other publicly available information through database searches.

We are not responsible or jointly responsible for any misconduct on the part of the gaming promoters that occurs outside of our casino or gaming areas. During the Track Record Period, our Group was not subject to any material investigation, sanction, fine or penalty due to violations of Macau gaming laws by our gaming promoters.

Gaming promoters introduce a number of VIP patrons to MGM Macau and typically assist those patrons with their travel and entertainment arrangements. In addition, gaming promoters often extend credit to their clients. This extension of credit is one of the gaming promoters' key functions. For a more detailed discussion of the gaming promoters' role in extending credit to patrons, see the section headed "— Gaming Operations — Credit Management". We believe that we have formed strong relationships with some of the top gaming promoters in Macau and have built a network of selected gaming promoters that help us market our property and source and assist in managing their VIP players at our property.

In exchange for their services, we pay our gaming promoters either through turnover-based commissions or through revenue sharing. The majority of our gaming promoters as at the Latest Practicable Date were compensated through a revenue sharing plan that is based on a percentage of win going to the Gaming Promoter for the VIP patrons they bring to MGM Macau. By linking our gaming promoters' pay to revenue, we limit our exposure to fluctuation in gaming promoter performance while providing an incentive to perform. Our gaming promoters on revenue sharing plans are also liable to cover any losses we make as a result of the business they generate. Our gaming promoters with commission plans are compensated at a fixed percentage of rolling chip turnover which is capped, by law, at 1.25%. See the section headed "— Gaming Patrons — Regulation of Gaming Promoters" in this prospectus. In addition to this commission, our commissioned gaming promoters also receive a monthly allowance of a percentage of the total turnover generated by their clients for room, food and beverage and other expenses. There has been no material dispute with our gaming promoters with respect to any such payments or any other matters.

From time to time and on a case-by-case basis, we extend credit which is non-interest bearing to our gaming promoters based on the Gaming Promoter's three-month rolling turnover. We generally grant a credit period of 14 to 30 days on the issuance of markers to our gaming promoters and VIP patrons. The amounts of these credit are determined on a case-by-case basis. The total amounts of accrued commissions to the gaming promoters, were HK\$29.3 million, HK\$16.8 million and HK\$49.6 million for the years ended December 31, 2008, 2009 and 2010. The trade receivables from gaming promoters during the Track Record Period were HK\$65.0 million, HK\$681.7 million and HK\$1,386.2 million as at December 31, 2008, 2009 and 2010. This credit's disposition is normally 30 days from the date of issuance and is typically secured by the commissions earned by the Gaming Promoter over the course of the applicable month and sometimes by uncertified personal checks from the gaming promoters. The Gaming Promoter is legally obligated to repay the advances to us in the event of any shortfall. Most of our junket contracts provide that we may require a deposit from the junket operator at our option. There has been no default by our gaming promoters with respect to the repayment of outstanding credit balances during the Track Record Period. For a more detailed discussion of extending credit to our gaming promoters, see the section headed "— Gaming Operations — Credit Management".

### **Regulation of Gaming Promoters**

In July 2009, all Concessionaires and Subconcessionaires entered into an agreement to cap Gaming Promoter commissions. Under this agreement, commission payments to gaming promoters cannot exceed 1.25% of rolling chip volumes regardless of the commission structure adopted. The Secretary of Economy and Finance of the Macau Government now has the authority to issue a

dispatch implementing the 1.25% Gaming Promoter commission cap, as agreed between all Concessionaires and Subconcessionaires, which became effective on December 1, 2009. The amendment sets forth standards for what constitutes a commission to gaming promoters, including all types of payments, either monetary or in kind, that are made to gaming promoters such as food and beverage services, hotel related services and allowances. The amendment also imposes obligations on gaming promoters, Concessionaires and Subconcessionaires to report regularly to the DICJ and imposes fines or other sanctions for noncompliance with the commission cap or the monthly obligations to report and detail the amount of commissions paid to gaming promoters. In anticipation of the implementation of the commission cap, we began implementing the necessary internal control systems to ensure compliance with the additional reporting obligations and applicable rules.

The contracts we enter into with our gaming promoters have a term of one year, matching the duration of the licenses granted to gaming promoters by the DICJ. We also believe that the one-year term provides us with the ability to propose changes to both the commercial and legal terms of our Gaming Promoter arrangements on at least an annual basis as the market or our policies may dictate. Each of our eight gaming promoter agreements will automatically be voided if the relevant gaming promoter's license is terminated, suspended or materially impaired. We also may unilaterally terminate the relevant agreement with each gaming promoter (i) by giving 30 days' prior written notice to the affected gaming promoter and (ii) with immediate effect in the event that the gaming promoter commits a material breach of any of the terms of the relevant agreement or we determine that continuation of the agreement may have a materially adverse effect upon our relationship with any of our shareholders or their respective affiliates or any government agency. While our gaming promoter agreements do not stipulate an exclusivity clause, each of our gaming promoters must disclose to us the existence of any relationship it has with any of our competitors. All Gaming Promoter agreements must be filed with the DICJ, along with any changes to the agreements.

All of our gaming promoters undergo a thorough licensing and screening process by the DICJ. The DICJ examines the parties, including their corporate entities and ultimate owners, who operate and control the gaming promoters, as well as the gaming promoters' employees and business associates. The DICJ monitors each Gaming Promoter, its employees and any parties having business relationships with the Gaming Promoter and requires quarterly updates regarding the gaming promoters' personnel. Each Gaming Promoter is bound by Macau law and various DICJ regulations and is required to conduct its business in full accordance with the law at all times and to comply with all Macau anti-money laundering laws and regulations. The DICJ renews Gaming Promoter licenses on an annual basis and periodically conducts probity checks on the gaming promoters, their employees and business associates.

Under the terms of our concession agreement and the gaming laws of Macau, we are jointly responsible for violations of gaming laws by gaming promoters operating in our casino. Thus, in addition to the vetting performed by the DICJ, all of our gaming promoters undergo a thorough internal vetting process. We conduct extensive background checks on and continually monitor each gaming promoter, its employees and business associates. We also conduct periodic reviews of the activities of each gaming promoter, its employees, shareholders, affiliates, partners and collaborators for possible non-compliance with Macau legal and regulatory requirements. Such reviews include investigations into compliance with applicable money-laundering laws and regulations as well as tax withholding requirements. We require all gaming promoters to comply with all requests for information by us as part of such periodic review process. We have not been subject to any investigation, sanction, fine, penalty and do not believe we have suffered any reputational harm caused by any alleged violation by our gaming promoters of Macau gaming laws during the Track Record Period and we are not otherwise aware of any alleged violation of Macau gaming laws by our gaming promoters.

For more information regarding the risks associated with our relationships with gaming promoters, see the section headed “Risk Factors — Risks Relating to Our Business — Risks Relating to Gaming Promoters and Clients — We depend upon gaming promoters for a substantial portion of our casino revenues in Macau” in this prospectus.

## **GAMING OPERATIONS**

The Subconcession Contract requires that our casino and gaming areas be open seven days a week, every day of the year. MGM Macau operates on a 24-hour basis. MGM Macau’s gaming activities are conducted through a number of gaming operations, including gaming floor, cage and treasury as well as security and surveillance operations. MGM Macau’s gaming operations referred to herein include operations in all of areas that the VIP players and main floor players have access to, including gaming areas.

### **Gaming Floor Operations**

MGM Macau’s gaming floor is organized into multiple gaming pits, each consisting of a configuration of several gaming tables. Inside each gaming pit are playing cards, dice, table inventories of gaming chips and computer terminals used by gaming supervisors. As at December 31, 2010, we had 2,974 employees working in our gaming division. Of those, 1,434 were dealers, approximately 825 were gaming operations managers (including supervisors, pit managers and shift managers) and the remaining employees were technicians and other administrative staff.

MGM Macau’s dealers are responsible for conducting and facilitating various table games (such as baccarat, blackjack and roulette), handling chip exchanges occurring at their tables and assisting in chip counts. While most gaming tables have one dealer during operating hours, some table games, such as craps and baccarat, require more than one dealer to run. All of our casino staff are trained to identify high value transactions and suspicious transactions occurring at their gaming table and are required to report any such transaction to their supervisors for immediate and appropriate action.

Gaming operations managers are primarily responsible for the supervision of MGM Macau’s gaming operations. In particular, they monitor the performance of our gaming supervisors to ensure that all gaming floor operations are conducted properly and in accordance with both MGM Macau’s internal rules and regulations as well as with applicable laws and regulations imposed by the Macau Government. MGM Macau’s gaming supervisors and operations managers also monitor, through either MGM Macau’s electronic surveillance system or direct on-site supervision, the gaming activities of our patrons with a view to ensuring that no illegal or fraudulent activities are conducted in our casino or gaming areas.

MGM Macau’s gaming operations managers conduct chip counts and certify the amount and value of all chips contained in each gaming table’s chip tray on a regular basis. This process, which is recorded by MGM Macau’s video surveillance system, is completed in the presence of dealers and supervisors.

The chips contained in a gaming table’s chip tray represent the initial daily capital for each gaming table. Upon the closing of a gaming table, the supervisor in charge of the gaming table, under the supervision of the DICJ, counts and certifies the amount and value of all chips in that gaming table’s chip tray. The drop boxes are collected for centralized handling, and the total gross table games win is tabulated and certified by the DICJ.

### **Credit Management**

In 2004, the law in Macau was changed to permit casino operators to extend credit to gaming patrons and gaming promoters. We provide credit to individual in-house VIP gaming patrons.

Currently, the gaming tax in Macau is calculated as a percentage of gross gaming revenues, and the revenues calculation in Macau does not allow for deductions for bad debt.

We extend credit based on an evaluation of all available personal, business and gaming information relating to a gaming patron or Gaming Promoter. Regardless of the country of origin, we will conduct background checks and searches on all credit applicants with respect to gaming history and bank information (subject to the country's laws). We also conduct searches on databases of relevant jurisdictions, websites and public records. In addition, we usually require a personal cheque from each credit player as a promissory form of advance payment. This policy has been used effectively as a collection vehicle and as proof of the gaming patron's intention to honor the gaming debt.

Pursuant to agreements with our gaming promoters, gaming promoters are permitted to extend credit to their clients to use while playing in MGM Macau. We are not involved in these credit arrangements between the gaming promoters and their clients, and do not assume credit risk with respect to such extensions of credit. The extension of credit by gaming promoters to clients is an important function of the gaming promoters, as it helps us minimize credit risk caused by the lack of reliable credit databases on the basis of which to perform accurate credit check or asset verifications on our patrons. The use of gaming promoters in this way also reduces our exposure to credit risk associated with patrons who reside in jurisdictions where gaming related debts are not legally enforceable or where the enforcement of such debts is burdensome.

Our reserve for doubtful casino accounts receivable is based on our estimates of amounts that can be collected and depends on the risk assessments and judgments by our employees regarding realizability and our credit policy. As our client payment experience evolves, we will continue to refine our estimated reserve for bad debts. Accordingly, the associated provision for doubtful accounts expense may fluctuate, especially if MGM Macau's casino operations expand and the outstanding issued credit ages. Because individual patron account balances can be significant, the reserves and provisions can change significantly between periods as we become aware of additional information about a patron and his financial information. We regularly evaluate our reserve for bad debts based on a detailed review of patrons' accounts and their gaming activity, financial position and payment history as well as our experience with collection trends in the casino industry and our view of current economic and business conditions. For more information regarding allowances for doubtful accounts, see the section headed "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Allowance for Doubtful Debts" in this prospectus.

### **Cage, Audit and Treasury**

Key responsibilities carried out by MGM Macau's cage, audit and treasury operations teams include:

- verifying and reconciling results;
- computing, verifying and recording win of each gaming table;
- collecting cash from slot machines and table games and preparing cash collection reports under the supervision of the DICJ;
- managing and monitoring bank accounts; and
- auditing and ensuring compliance with anti-money laundering laws associated with high value transactions and suspicious transactions.

### **Security and Surveillance**

The security of MGM Macau's gaming operations and safety of our patrons and employees is of utmost importance to us. MGM Macau employs a security team whose primary responsibilities are to

ensure the safety of the casino and resort employees and patrons and the security of its casino and gaming areas, in particular the gaming floors and the cage. In addition, MGM Macau's security team is in charge of guarding and protecting MGM Macau's premises and properties against theft, vandalism and other criminal and unlawful activities as well as transporting cash and chips within the casino and gaming areas. All members of MGM Macau's security team are carefully screened and selected, and properly and extensively trained in law enforcement, crisis management, communications and patron service.

MGM Macau's casino and gaming areas are divided into different security patrol sections. Each patrol section consists of a specified area of the gaming floor and generally includes several gaming tables, cash counters and slot machines. We generally assign at least one security officer to each cash counter and private casino VIP room, and typically position several security officers in key areas of the gaming floor, such as at the entrances and exits of the casino and gaming areas as well as near the casino cages.

MGM Macau uses a sophisticated CCTV surveillance system consisting of fixed and movable cameras that rotate randomly to monitor and record all activities in the casino and gaming areas as well as elsewhere on our property. MGM Macau's surveillance system is designed to assist our security team in maintaining the highest levels of patron and employee security in the casino and gaming areas. Our surveillance department monitors large betting activities or any irregular activity reported by the gaming operations or security department. All activities in monitored areas are covered and digitally recorded by our CCTV network of cameras placed throughout the casino and associated gaming areas. The surveillance department uses the live and/or recorded images and video from the CCTV system to monitor and review high action losses on table games to determine if any cheating or illegal activities have occurred. This includes checks of gaming equipment (playing cards), the patrons and employee actions. High resolution video images of the gaming activities recorded are typically archived for a period of no less than seven days. In more sensitive areas such as the cages, images are archived for longer periods. During the Track Record Period we did not encounter any problems or discover any weaknesses in relation to our securities and surveillance system.

## **QUALITY ASSURANCE, INTERNAL CONTROLS AND GOVERNMENT OVERSIGHT**

MGM Macau employs internal controls and procedures designed to help ensure that gaming and other operations at MGM Macau are conducted in a professional manner and in compliance with the internal control requirements issued by the DICJ set forth in its instruction on Anti-Money Laundering, any applicable laws and regulations in Macau as well as the requirements set forth in the Subconcession Contract. Furthermore, like all casinos in Macau, MGM Macau is subject to on-site government oversight by the DICJ and the Macau Judiciary Police. For more information regarding the regulations to which MGM Macau is subject in Macau, see the section headed "Regulations" in this prospectus.

### **Internal Controls on Gaming Operations**

MGM Macau's gaming operations are subject to risk of loss resulting from employee or patron dishonesty or fraud by our gaming promoters. Minimizing these risks requires the development of procedures that can control the authorization, accountability and safekeeping of gaming chips, cash and gaming equipment. We have implemented a system designed to detect cheating and fraud scams in table and slot games, which includes a comprehensive surveillance system and experienced surveillance monitoring and security enforcement teams. Prevention and investigation of fraud and cheating in our casino and gaming areas are primarily carried out by the gaming operations department with the cooperation of the finance, security and surveillance departments. Our surveillance department operates independently from all other operational departments to ensure integrity of operations and compliance with operational policies and procedures.

In addition, we employ advanced technology and techniques in our gaming facilities to prevent and detect potential fraud, cheating or counterfeiting activities. These methods include the use of cards and chips with embedded authentication features such as holograms in cash chips and barcodes on cards, infrared readers, money note scanners, electronic card readers and a 24-hour CCTV system. All gaming equipment inventory and card sorting and storage are under 24-hour closed circuit television surveillance. The majority of the playing cards are pre-shuffled by the manufacturer and properly secured in our playing-card room and we use a playing card management system to maintain total inventory control. In addition, our gaming tables are all equipped with dealing shoes that assist in preventing cheating. We utilize a system with exclusive card codes. It is designed and dedicated exclusively to our casino. The shoes have built-in devices to read the card codes of each playing card drawn from a shoe, allowing it to detect any foreign cards. Furthermore, the system maintains records of each card drawn from a shoe to mitigate the risk of cheating by players exchanging the playing cards they receive.

Our casino staff and surveillance department are also trained in gaming protection techniques. Our surveillance department conduct reviews and checks on gaming equipment independent of our table games division to help ensure that game integrity has not been compromised and to help prevent collusion.

Our dealers, gaming supervisors, other senior gaming operations managers, cashiers, cash and chip counters, security, count, and surveillance personnel are subject to a randomized rotation plan in order to mitigate the risk of wrongdoing resulting from collusion.

Access to all sensitive areas such as count rooms, electronic storage rooms, cashiers and accounting offices is safeguarded with the use of physical access controls, including staff identification cards with RFID chips, fingerprint scanners, passwords, keys, double-layered doors and security guards. Access to gaming systems is also controlled and managed. Only authorized team members are allowed access to the gaming systems in performing their daily tasks. Any deposits to a patron's front money account and subsequent withdrawal of the deposited front money are (i) processed and signed by a cage cashier/senior cashier and (ii) witnessed and signed by a cage supervisor. Daily delivery of all gaming table drop boxes to the count rooms takes place under escort by our security officers or other personnel, while under the independent scrutiny of our surveillance department.

We also work closely with officers of the Macau Judiciary Police, who are stationed 24-hours a day, seven days a week in the resort and gaming areas. If a member of our staff identifies suspicious activity which may constitute a crime, our security department will report such activity to the stationed officers for further investigation. In addition, our security department maintains a permanent presence on the gaming floor to ensure that Macau Government blacklisted persons, money launderers, pickpockets, prostitutes and other criminal elements are not present in the casino. This is further supplemented by a plainclothes team of officers who also monitor the gaming floor to further ensure we maintain a safe and secure gaming operation.

#### ***Internal Control Measures Relating to Chips and Cards***

All gaming activities at MGM Macau's table games are conducted exclusively through the use of gaming chips. All players are required to purchase gaming chips prior to gaming and the total amount of chips purchased is monitored and recorded by MGM Macau's internal accounting security and surveillance procedures. All transactions processed at the pits and the cage are conducted in accordance with table games' departmental standard operating procedures (SOPs), recorded by the surveillance CCTV with footage retained for at least seven days and subsequently audited by casino accounting.

MGM Macau uses plastic-compound, high-quality, injection-molded chips. The placement and the type of authentication markings in different series of chips are different. Each series of chips has different denominations and the appearance of each denomination is also different. These chips

allow MGM Macau to both protect gaming integrity and monitor drop and turnover. MGM Macau has also implemented various measures to prevent the use of counterfeit chips, including:

- scans of the chips and inventory checks prepared by the Table Games department in accordance with departmental SOPs; and
- storage of chips not in use in secure locations.

MGM Macau employs stringent internal control measures on the creation, issuance and redemption of chips, including the following measures:

- the DICJ governs the issuance of new chips. Before issuing any new chips, MGM Grand Paradise must submit to the DICJ samples of the new chips to be used and other details, including the intended location(s) of the new chips to be used and the number of new chips to be issued in such location(s), for record-keeping purposes;
- chips that are not yet in circulation are stored in secure locations; and
- electronic security systems and surveillance cameras have been installed in all sensitive cash and chip handling areas.

MGM Macau has established elaborate recording and control systems with respect to the chips in inventory and in circulation. MGM Macau maintains inventory accounts for gaming chips and informs the DICJ of MGM Macau's inventory of chips. MGM Macau periodically inspects its chips and retires chips which are worn or damaged. MGM Grand Paradise informs the DICJ before destroying issued chips or taking chips permanently out of circulation.

MGM Macau uses special technologies to prevent and detect potential fraudulent and counterfeiting activities in its casino and gaming areas. These methods include the use of electronic equipment, infra-red readers, money note scanners and a closed circuit television surveillance system. All gaming equipment inventory is also under 24-hour closed circuit television surveillance. MGM Macau has installed scanning technology on its currency sorters in the soft count room and main cage that facilitates detection of counterfeit currency notes.

### ***Overall Internal Control Compliance***

As of the Latest Practicable Date, no counterfeit or altered chips have been detected and any instances of illegal or material fraudulent activity that have been detected have been reported to the authorities (the Macau Judicial Police and/or the DICJ). We have benefited from MGM Resorts International's assistance and experience in developing, testing and implementing our internal control measures.

We did not identify any material failure of its anti-cheating and anti-counterfeiting surveillance systems during or since the Track Record Period. In the event any failure is identified, we will seek to identify where the system failed, promptly rectify such failings and write off any losses resulting from such failings.

As a Subconcessionaire and the owner and operator of MGM Macau, we maintain regular contact with the Concessionaires and other Subconcessionaires in Macau in order to stay abreast of current issues in the area of casino security and potential fraudulent activity.

### **Internal Controls on Money Laundering**

We have complied with all of our material obligations under the relevant laws and regulations as required by the Subconcession Contract as well as all relevant laws and regulations relating to anti-money laundering. We have successfully undergone several routine DICJ audits and our anti-money laundering procedures have been found to be compliant with applicable regulations upon each such occasion. We have obtained a certificate of compliance issued by the DICJ on March 18, 2011, stating that we have complied with all our obligations under the Subconcession, applicable

gaming laws and AML since the opening of our property. For Macau's regulatory regime on anti-money laundering measures that are applicable to us, see the section headed "Regulations — Laws and Administrative Regulations Governing the Operation of Casinos in Macau — Anti-Money Laundering and Anti-Terrorism Financing Regulations" in this prospectus.

We have developed a comprehensive anti-money laundering policy and related procedures for our anti-money laundering and reporting process. The procedures cover accounts preparation, recording, reconciliations and reporting and are overseen by the Director of Audit.

Any new gaming employees who do or may come into contact with cash or cash equivalent transactions are provided AML training during their orientation. Follow-up AML training is provided annually to existing gaming employees. The AML Compliance committee meets monthly to discuss AML-related issues. Moreover, AML internal audit procedures are performed on a quarterly basis to determine the Company's compliance with applicable Macau laws and regulations and the adequacy and effectiveness of the Company's established AML internal controls.

We update our internal policies and compliance procedures accordingly whenever there are changes in the anti-money laundering laws and regulations. Any new legal and regulatory changes are communicated to us by, among others, the DICJ, upon the receipt of which we revise our policies and procedures. Any unclear issues are discussed with the DICJ or other applicable authorities to achieve a common understanding and interpretation of the applicable regulatory requirements. In principle, approval given by the DICJ for our anti-money laundering policies and procedures is one-off, meaning it is sufficient to annually send any minor revisions to the government for information and record purposes. However, if there are any major changes in the relevant laws and regulations, we are required to substantially amend our anti-money laundering policies and procedures and to submit the revised version to the DICJ for approval.

We use our established anti-money laundering tracking and reporting procedures to track high value transactions and suspicious transactions and generate a report when we detect any suspicious transaction or high value transaction. Upon receiving reports of high value transactions or suspicious transactions, we review the details of the case and decide on the course of action. We have successfully undergone several routine DICJ audits and have not encountered any problems with other Macau regulators with respect to our anti-money laundering procedures. In accordance with regulatory requirements, all suspicious transactions and high value transaction reports are generated and, to the extent required, submitted to the Financial Intelligence Bureau, as applicable. Our cashiers and gaming staff are trained to identify and to follow correct procedures in relation to high value transactions and suspicious transactions. In addition, all of our employees receive an employee handbook, all level 3 and above plus selected employees receive our code of conduct, and a group of employees receive anti-money laundering training. We also receive and monitor significant transaction reports from our gaming promoters with respect to transactions between our gaming promoters and their clients. In addition, we maintain and have available information on our gaming promoters, including as to matters such as responsible persons, commission schemes and license numbers.

### **Government Oversight**

Our activities and operation are closely monitored by the DICJ. As is customary for all casinos in Macau, the DICJ maintains an office inside MGM Macau where officials are stationed 24 hours a day, seven days a week. Our management is in continuous close contact with the DICJ regarding compliance with our gaming Subconcession and all applicable Macau laws. Inspectors from the DICJ are involved in inspecting and monitoring key processes, such as the issuance of chips, table fills and credits, drop box collections and the counting of cash and chips, on a daily basis. Weekly revenues from slot machines and daily revenues from table games are verified by the DICJ.



## BUSINESS

Monthly and quarterly financial reports are prepared by our accounting department and reviewed by our management. MGM Grand Paradise is also required to provide periodic reports to the DICJ that include, but are not limited to:

- quarterly trial balances;
- quarterly cash count reports;
- quarterly bank account reconciliations;
- annual reporting of lists of fixed assets;
- audited annual consolidated and unconsolidated financial statements; and
- monthly reporting of gaming tax payment schedules.

The DICJ also performs periodic site audits and obtains third party confirmations relating to us, including those from our banks. Moreover, the Macau Judiciary Police also maintain an office inside MGM Macau.

## INTELLECTUAL PROPERTY

Our Intellectual Property Rights, especially our rights to use the logo versions of “MGM”, are among our most valuable assets. We have sublicensed the right to use these logos and certain other “MGM”-related trademarks and service marks from MGM Branding and Development Holdings, which has licensed those same trademarks from MGM Resorts International. We have registered or applied to register numerous trademarks in connection with our properties, facilities and development projects. In March 2010, we launched our new logo to enhance our brand visibility and awareness. MGM is an established brand associated with a number of concepts including entertainment and aspiration. Our brand plays a key role in our internal and external initiatives including marketing, sales, promotions, product development and employee programs. We consider our brand name to be important to our business and believe that the name recognition, reputation and image that we have developed attract patrons to our facilities. It is our intent to pursue and maintain our trademark registrations and our trademark agreements with MGM Branding and Development Holdings consistent with our goals for brand development and identification. As far as we are aware, our intellectual property rights have not been infringed by third parties during the Track Record Period. For further information on our intellectual property licensing arrangements, see the section headed “Connected Transactions — Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Continuing Connected Transactions Subject To The Reporting, Annual Review, Announcement And Independent Shareholders’ Approval Requirements under Rule 14A.33 of the Listing Rules” in this prospectus.

## INFORMATION TECHNOLOGY

We operate an advanced information technology system. Our information technology team is responsible for ensuring all systems and applications are running at their optimal levels. Our information technology team works closely with management to understand the business needs and respond accordingly. Our information technology team consists of departments ranging from security and compliance to infrastructure, with a set of tested and integrated solutions for the day-to-day operation of our resorts and gaming areas. Our information technology infrastructure includes firewalls, virus protection, intrusion protection and monitoring in conjunction with redundant servers for all major applications. In line with our strategic goal of improving the cost-effectiveness of our operations, we intend to continue to develop these systems to provide further operational efficiencies. We will also focus on upgrading our compliance systems and infrastructure, with a goal of maintaining systems that meet international information technology compliance standards. We also aim to provide a stable and reliable platform that will allow

## BUSINESS

employees and guests to more readily access our integrated resort offerings and options for gaming and leisure.

### EMPLOYEES

As at December 31, 2010, we had approximately 5,539 employees, of which 53.7% were gaming employees, with the balance being primarily hotel, food and beverage employees. The following table provides an approximate breakdown by function of our employees as at December 31, 2010:

Casino .....	2,974
— Dealers .....	1,434
— Gaming operations managers .....	825
— Management and administrative .....	92
— Marketing .....	151
— Property operations .....	386
— Technicians in gaming operations .....	86
Hotel .....	292
Food and beverages .....	1,057
Other .....	<u>1,216</u>
Total .....	5,539

Most of our workforce has been recruited from Macau but we also employ experienced management recruited from outside Macau. The Macau Government has granted us permission to hire foreign workers subject to a quota. We believe that we will be able to attract and retain a sufficient number of qualified individuals to operate the hotel and casino but there can be no assurance that this will be the case.

We make extensive efforts to ensure employee retention with a focus on the particularities of the Macau labor market. Our Human Resources Department leads the team in training, recognition and other initiatives designed to increase employee satisfaction and skills levels. None of our employees are members of any labor union, and we are not party to any collective bargaining or similar agreement with our employees. We believe that we have a good relationship with our employees. See the section headed “Risk Factors — Risks Relating to Our Business — Risks Relating to Our Business and Operations — Our business depends on our ability to attract and retain a sufficient number of qualified employees to run our operations. A limited supply of qualified managers or labor could cause labor costs to increase” in this prospectus.

As at the Latest Practicable Date, our Group was in compliance with all currently applicable labor and employment regulations. We have in place and will maintain internal control systems and risk management procedures to monitor compliance with labor, employment and other applicable regulations.

### SUPPLIERS

We depend on our suppliers to provide us with products and services such as slot machines, security and surveillance systems, retail goods, gaming equipment and accessories, and construction and other administrative services.

In 2009 and 2010, our five largest casino related products suppliers accounted for approximately 1.7% and 0.6% of our total purchases, respectively. In 2009 and 2010, our single largest casino related products supplier accounted for approximately 0.8% and 0.3% of our total purchases, respectively. In 2010, our five largest casino-related product suppliers were Angel Playing Cards Co., Ltd. (approximately 0.3% of total purchases); Aristocrat (Macau) Pty. Limited (approximately 0.2% of total purchases); IGT Asia Macau LDA (approximately 0.1% of total purchases); Gaming Partners International, SAS (approximately 0.04% of total purchases); and TCS John Huxley Asia Limited (approximately 0.02% of total purchases).

## BUSINESS

In 2009 and 2010, our five largest service suppliers, including for electricity, insurance, project and construction management and travel services, accounted for approximately 12.1% and 1.8% of our total purchases, respectively. In 2009 and 2010, our single largest service supplier accounted for approximately 7.1% and 0.6% of our total purchases, respectively. In 2010, our five largest service suppliers were CEM (approximately 0.6% of total purchases); STCTSM (approximately 0.4% of total purchases); Angel Playing Cards Co., Ltd (approximately 0.3% of total purchases); American International Assurance Company (Bermuda) Limited (approximately 0.3% of total purchases); and Pat Davie (Macau) Limited (approximately 0.3% of total purchases).

With the exception of Pansy Ho, who has an interest in STCTSM, none of our Directors, their respective associates or any of our Shareholders had any interest in any of our top five suppliers or single largest supplier during the Track Record Period.

## COMPETITION

We operate in a highly competitive industry. Prior to 2002, gaming in Macau was permitted as a government-sanctioned monopoly concession awarded to a single Concessionaire. However, under the authority of Macau's Chief Executive and the Tender Commission of Macau, the Macau Government liberalized the gaming industry in 2002 by granting concessions to operate casinos to three Concessionaires, who in turn were permitted, subject to the approval of the Macau Government, to each grant one subconcession to other gaming operators. Our subsidiary, MGM Grand Paradise, is one of the three Subconcessionaires. Each Concessionaire and Subconcessionaire can operate multiple casinos subject to the approval of the Macau Government.

The gaming operators in Macau currently consist of the six Concessionaires or Subconcessionaires. As of December 31, 2010:

- MGM Grand Paradise, our subsidiary, operated the MGM Macau.
- SJM operated 20 casinos in Macau, including the Hotel Lisboa and The Grand Lisboa. In October and December 2010, SJM opened L'Arc and Oceanus, respectively. Other SJM casinos include Ponte 16, Babylon, Casa Real, Diamond, Emperor Palace, Fortuna, Golden Dragon, Jimei, Kam Pek Paradise, Lan Kwai Fong Macau, Macau Jockey Club (Grandview), New Century and VIP Legend. Additionally, SJM operated slot machine lounges, including Macau Jockey Club, Tiger Slot Lounge, Treasure Hunt Slot Lounge and Yat Yuen Canidrome Slot Lounge.
- Venetian Macao, the subconcessionaire of Galaxy, operated three casinos in Macau, namely Sands Macao, Venetian Macao and Plaza Macao.
- Galaxy operated five casinos, namely StarWorld and the CityClub casinos, which include Waldo, Rio, President and Grand Waldo. (Galaxy Macau was opened in May 2011.)
- Melco Crown, the subconcessionaire of Wynn Macau, operated three casinos, namely Altira Macau, City of Dreams, Taipa Square and Mocha Clubs.
- Wynn Macau operated one casino, namely Wynn Macau and its adjacent property, Encore Macau.

## BUSINESS

The scale of our property and gaming operations relative to those of the other operators are shown in the tables below (the splits between the number of VIP and mass gaming tables of the competitors are not consistently disclosed and therefore cannot be reliably computed):

	As of December 31, 2010		
	Number of Casinos	Gaming Tables	Slot Machines
MGM Macau <sup>(1)</sup> .....	1	402	1,006
Others .....	32	4,389	13,044
Total <sup>(2)</sup> .....	33	4,791	14,050

**Sources:**

(1) Company data

(2) DICJ

	For The Year Ended		For The Year Ended		For the Year Ended	
	December 31, 2008		December 31, 2009		December 31, 2010	
	Gross Casino revenue	%	Gross Casino revenue	%	Gross Casino revenue	%
(HK dollars in millions)						
MGM Macau <sup>(1)</sup> .....	8,539	8.1%	10,042	8.7%	16,314	8.9%
Others .....	97,065	91.9%	105,850	91.3%	166,543	91.1%
Total <sup>(2)</sup> .....	105,604	100.0%	115,892	100.0%	182,857	100.0%

**Sources:**

(1) Company data

(2) DICJ

As at the Latest Practicable Date, there were 34 operating casinos in Macau. Capacity has grown in Macau during 2009 when several casino openings and/or expansions including City of Dreams, Casino L'Arc Macau, Casino Lan Kwai Fong Macau, Casino Oceanus, and Jimei Casino brought approximately 2,500 additional slot machines, 220 additional VIP tables and 730 main floor table games into the market. We believe that the newer casinos are the most significant source of competition for VIP or premium clients seeking the luxury amenities which MGM Macau offers.

In April 2008, the Macau Government announced that it would be undertaking a series of reforms aimed at the gaming market. While such reforms have yet to result in new regulations or orders promulgated through executive dispatches, the Macau Government, through the DICJ, is exploring various measures, including maintaining the existing number of gaming concessions and subconcessions and limiting the number of tables in the overall market. The agreement of the Macau Government pursuant to its concession contracts with Galaxy, SJM and Wynn Macau to not grant any additional gaming concessions expired on April 1, 2009.

Further, in September 2009, the Macau Government capped the commissions paid to junket operators to 1.25%. The Macau Government also indicated that no additional land would be allocated for casino development and that no more casino venues would be permitted. Subsequently, senior officials of the Macau Government have made further public comments regarding the potential policy changes and new regulations. Until such measures have the force of law and are available for review, it is difficult to estimate the impact that these measures will have on the gaming market and MGM Macau. If the Macau Government decides to award additional concessions or permit additional subconcession, we will face increased competition from casino operators in Macau.

Our key competitors in Macau include five other Concessionaires and Subconcessionaires, including SJM, Galaxy, Wynn Macau, VML and Melco Crown. MGM Grand Paradise was the last of the six gaming concessionaires in Macau to open a property. As such, the MGM Macau commenced operations later than many of its key competitors. It also introduced its brand loyalty

program only in July 2009. MGM Grand Paradise has thereafter steadily improved its operating results as its levels of rated play have increased.

### **Other Regional Markets**

We also encounter competition from other major gaming centers located in other areas of Asia and around the world, including Singapore, Malaysia, Australia and Las Vegas and cruise ships in Asia that offer gaming and from unlicensed gaming operations in the region. See the sections headed “Risk Factors—Risks Relating to Our Business—Risks Relating to Our Business and Operations—We face intense competition in Macau and elsewhere in Asia” and “Our Industry—Macau Market Development and Trends—Other Asian Gaming Markets” in this prospectus.

### **INSURANCE**

Our credit agreements, the Subconcession Contract and other material agreements require us to procure and maintain a certain minimum level of insurance, a portion of which we are required to place with insurance companies based in Macau. We utilize the local Macau insurers supported by major Hong Kong and international insurers and reinsurers. We currently maintain an insurance program that includes, but is not limited to, property and business interruption, terrorism, public and product liability, crime, employee compensation, motor vehicle, directors and officers insurance, and a number of other coverages to meet identified risks and exposures of the company.

We believe that our insurance coverage is consistent with industry and regional practice and adequate and appropriate for our current operations and we expect to adjust our coverage going forward as identified risks and exposures change. See the section headed “Risk Factors—Risks Relating to Our Business—Risks Relating to Our Business and Operations—Our insurance coverage may not be adequate to cover all potential losses that we could suffer, and our insurance costs could increase” in this prospectus.

### **ENVIRONMENTAL MATTERS**

We maintain a pollution insurance policy with respect to environmental impact on our business. There were no material environmental incidents during the Track Record Period, all required permits and environmental approvals for construction were obtained and there was no administrative penalty imposed upon our Group as a result of any violation of environmental rules and regulations. In the absence of any complaints stating otherwise, our Macau legal advisors are of the opinion that our Group complies with Macau regulations and environmental rules and regulations in force.

### **LEGAL COMPLIANCE AND PROCEEDINGS**

The Group has obtained all necessary approvals, licenses and permits required to conduct its business operations in Macau. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. As at the Latest Practicable Date, no member of the Group was engaged in any material legal, arbitral or administrative proceedings and we are not aware of any material legal, arbitral or administrative proceedings pending or threatened by or against us.

<b>BUSINESS</b>
-----------------

In early 2011, Pansy Ho was involved in a dispute with her father, Stanley Ho, and other members of the Ho family and companies controlled by them regarding, in part, the issuance of shares in, and ownership of, Lanceford, which at that time held 31.7% of the share capital of STDM, the controlling shareholder of SJM. In connection with the dispute, proceedings were commenced on behalf of Stanley Ho in the Hong Kong courts on January 27, 2011 which were withdrawn/discontinued on January 29, 2011. Further proceedings were issued on February 17, 2011. In March 2011, Stanley Ho and his family members, including Pansy Ho, entered into a settlement agreement to resolve the dispute. As part of the settlement, Stanley Ho discontinued all the legal proceedings. The Company is of the view that neither the dispute nor the settlement of the same has had or will have a material impact on its management or business.