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

**MGM CHINA HOLDINGS LIMITED**

**美高梅中國控股有限公司**

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

**(Stock Code: 2282)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

The Board of MGM China Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended December 31, 2012 as follows:—

**FINANCIAL HIGHLIGHTS**

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Casino revenue	<b>21,454,483</b>	19,974,556
Other revenue	<b>319,109</b>	319,071
Total revenue	<b>21,773,592</b>	20,293,627
Adjusted EBITDA before the license fee (unaudited)	<b>5,543,235</b>	5,045,969
Adjusted EBITDA (unaudited)	<b>5,310,434</b>	4,932,962
Profit attributable to owners of the Company	<b>4,530,829</b>	3,279,060
Earnings per Share — basic and diluted	<b>HK\$1.19</b>	HK\$0.86

**DIVIDENDS**

The Board recommended that no final dividend be paid in respect of the year ended December 31, 2012.

Subsequent to the end of the reporting period, on February 19, 2013, our principal subsidiary, MGM Grand Paradise declared the payment of a dividend to the Company of approximately HK\$4,134.0 million. This dividend declaration complied with MGM Grand Paradise’s constitutional documents and the laws and regulations of Macau.

Consequently, the Board is pleased to announce that it has resolved to declare the payment of a special dividend of HK\$1.02 per Share (“Special Dividend”), amounting to approximately HK\$3,873.8 million in aggregate, representing approximately 94% of the Group’s consolidated profit before taxation for the year ended December 31, 2012. This Special Dividend is expected to be paid on or about March 18, 2013 (Monday) to the Shareholders of the Company whose names appear on the register of members on March 11, 2013 (Monday). The Board approved the payment of the Special Dividend after reviewing the Group’s general financial position as at February 20, 2013, its capital requirements going forward and other factors that the Board considers relevant, and determined that the Group has sufficient resources, after the payment of the Special Dividend, to finance its operations and expansion of its business, including the development of an additional casino and hotel complex in Cotai. The Special Dividend should not be taken as an indication of the level of profit or dividend for the full year.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>For the year ended December 31,</b>	
	<i>NOTES</i>	<b>2012</b>	2011
		<i>HK\$’000</i>	<i>HK\$’000</i>
<b>OPERATING REVENUE</b>			
Casino revenue	3	<b>21,454,483</b>	19,974,556
Other revenue	4	<b>319,109</b>	319,071
		<u><b>21,773,592</b></u>	<u>20,293,627</u>
<b>OPERATING COSTS AND EXPENSES</b>			
Special gaming tax and special levy to the Macau Government		<b>(11,548,882)</b>	(10,816,702)
Staff costs		<b>(1,518,076)</b>	(1,414,686)
Operating and administrative and other expenses	6	<b>(3,481,342)</b>	(3,348,214)
Depreciation and amortization		<b>(793,523)</b>	(746,580)
		<u><b>(17,341,823)</b></u>	<u>(16,326,182)</u>
<b>Operating profit</b>		<b>4,431,769</b>	3,967,445
Interest income		<b>37,979</b>	11,946
Finance costs		<b>(356,002)</b>	(240,366)
Net foreign currency gain/(loss)		<b>7,123</b>	(1,153)
		<u><b>4,120,869</b></u>	<u>3,737,872</u>
Profit before taxation		<b>4,120,869</b>	3,737,872
Taxation	7	<b>409,960</b>	(458,812)
		<u><b>4,530,829</b></u>	<u>3,279,060</u>
<b>Profit for the year and total comprehensive income attributable to owners of the Company</b>		<u><b>4,530,829</b></u>	<u>3,279,060</u>
<b>Earnings per share — Basic and diluted</b>	9	<u><b>HK\$1.19</b></u>	<u>HK\$0.86</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	<b>At December 31</b>	
		<b>2012</b>	2011
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property and equipment		4,746,237	4,964,656
Sub-concession premium		919,900	1,047,148
Land use right premium		332,404	351,651
Other assets		11,051	7,655
Construction in progress		319,378	31,290
Prepayments and deposits	11	447,954	2,102
		<b>6,776,924</b>	6,404,502
<b>CURRENT ASSETS</b>			
Inventories		85,945	79,099
Trade receivables	10	478,989	549,423
Prepayments, deposits and other receivables	11	37,766	46,043
Land use right premium — short term		19,246	19,299
Amounts due from related companies	15(a)(i)	345	284
Bank balances and cash		7,381,362	5,590,405
		<b>8,003,653</b>	6,284,553
<b>CURRENT LIABILITIES</b>			
Payables and accrued charges	12	4,475,302	3,466,324
Bank borrowings — due within 12 months	13	—	206,805
Deposits and advances		367,291	200,433
Construction retention payable			
— due within 12 months		21,135	4,712
Amounts due to related companies	15(a)(ii)	7,274	8,192
Taxation payable		15,236	457
		<b>4,886,238</b>	3,886,923
<b>NET CURRENT ASSETS</b>		<b>3,117,415</b>	2,397,630
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>9,894,339</b>	8,802,132
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings — due after 12 months	13	3,983,018	3,929,304
Deferred tax liability	14	—	458,779
		<b>3,983,018</b>	4,388,083
<b>NET ASSETS</b>		<b>5,911,321</b>	4,414,049
<b>CAPITAL AND RESERVES</b>			
Share capital		3,800,000	3,800,000
Share premium and reserves		2,111,321	614,049
<b>SHAREHOLDERS' FUNDS</b>		<b>5,911,321</b>	4,414,049

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

MGM China Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on July 2, 2010. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on June 3, 2011. The Company’s immediate holding company is MGM Resorts International Holdings, Ltd., a company incorporated in Isle of Man. The Company’s ultimate holding company is MGM Resorts International, a company incorporated in Delaware, the United States of America, and listed on the New York Stock Exchange. The address of the registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business is Avenida Dr. Sun Yat Sen, Edificio MGM MACAU, NAPE, Macau.

Through a group reorganization to rationalize the structure of the Company, MGM Grand Paradise Limited (“MGM Grand Paradise”) and its subsidiaries (together with the Company hereinafter collectively referred to as the “Group”) in preparation for the listing of the Company’s shares (the “Group Reorganization”), the Company became the holding company of the Group on June 2, 2011 upon completion of the Group Reorganization. Details of the Group Reorganization are more fully explained in the section headed “History and Corporate Structure — Reorganization” of the prospectus of the Company dated May 23, 2011 (the “Prospectus”). The Group resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, the consolidated financial statements for the year ended December 31, 2011 have been prepared using the principles of merger accounting. The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2011 have been prepared on the basis as if the current group structure had been in existence throughout the year.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), the functional currency of the Company and its subsidiaries.

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

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

IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

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

## Standards and Amendments in issue not yet adopted

Up to the date of this report, certain new and revised Standards and Amendments that the directors consider may be relevant to the Group have been issued but are not yet effective and have not been early adopted in the preparation of these consolidated financial statements:

IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
IFRS 9	Financial Instruments <sup>4</sup>
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures <sup>4</sup>
IFRS 10	Consolidated Financial Statements <sup>2</sup>
IFRS 11	Joint Arrangements <sup>2</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
IFRS 13	Fair Value Measurement <sup>2</sup>
IFRSs (Amendments)	Annual Improvements to IFRSs: 2009–2011 Cycle <sup>2</sup>
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup>
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities <sup>3</sup>
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
IAS 19 (Revised 2011)	Employee Benefits <sup>2</sup>
IAS 27 (Revised 2011)	Separate Financial Statements <sup>2</sup>
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after July 1, 2012

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2013

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2014

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2015

The directors of the Company anticipate that the application of the new and revised Standards and Amendments will have no material impact on the financial performance and financial position of the Group and the Company.

### 3. CASINO REVENUE

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Casino revenue from		
— VIP gaming operations	13,672,876	13,815,407
— Main floor table gaming operations	5,688,782	4,574,915
— Slot machine operations	2,092,825	1,584,234
	<u>21,454,483</u>	<u>19,974,556</u>

#### 4. OTHER REVENUE

Other revenue comprises:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Hotel rooms	65,103	86,214
Food and beverages	207,801	188,985
Retail goods and other services	46,205	43,872
	<u>319,109</u>	<u>319,071</u>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Hotel rooms	376,589	365,946
Food and beverages	322,726	332,214
Retail goods and other services	27,443	20,130
	<u>726,758</u>	<u>718,290</u>

#### 5. SEGMENT INFORMATION

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

During the current and prior year, all revenue is derived from customers in Macau and almost all the non-current assets of the Group are located in Macau. None of the customers of the Group individually contributed more than 10% of the total revenues during the current and prior year.

#### 6. OPERATING AND ADMINISTRATIVE AND OTHER EXPENSES

Operating and administrative and other expenses comprise:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Junket commission	1,819,566	1,712,177
Advertising and promotion	588,413	502,485
Cost of food and beverages	235,679	223,005
License fees	232,801	113,007
Utilities and fuel	121,586	119,296
Operating supplies	107,349	101,046
Repairs and maintenance	64,035	69,672
Consultancy and professional fees	63,892	65,743
Allowance for doubtful debts, net	52,854	115,201
Loss on disposal/write-off of property and equipment	17,899	93,826
Listing expenses	—	74,631
Others	177,268	158,125
	<u>3,481,342</u>	<u>3,348,214</u>

## 7. TAXATION

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax:		
Macau	(48,819)	(135)
Hong Kong	—	—
	<u>(48,819)</u>	<u>(135)</u>
Overprovision in prior years:		
Macau	—	—
Hong Kong	—	102
	<u>—</u>	<u>102</u>
Deferred tax:		
Current year	—	(458,779)
Reversal of deferred tax liability previously recognized	458,779	—
	<u>409,960</u>	<u>(458,812)</u>

Macau Complementary Tax is calculated at progressive rates up to a maximum of 12% of the estimated assessable profits for the current and prior year. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the current and prior year.

No Macau Complementary Tax and Hong Kong profits tax (2011: HK\$33,000) was provided by any subsidiaries of the Group on their estimated taxable profits for the year ended December 31, 2012.

No provision for Macau Complementary Tax has been provided by MGM Grand Paradise for both years as, pursuant to the approval notice 186/2008 issued by the Macau Government dated June 19, 2008, MGM Grand Paradise is exempted from Macau Complementary Tax for income generated from gaming operations for 5 years from 2007 to 2011. During the year ended December 31, 2011, pursuant to the approval notice 267/2011 issued by the Macau Government dated September 22, 2011, the tax exemption was renewed for another 5 years from 2012 to 2016.

MGM Grand Paradise's exemption from Macau Complementary Tax does not apply to the dividends to be distributed by MGM Grand Paradise. The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% on dividends it receives from MGM Grand Paradise. Accordingly, the Company is required to recognize deferred tax liabilities for taxable temporary differences associated with its investment in MGM Grand Paradise except where the Company will be able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. During the second half of the year ended December 31, 2011, a deferred tax charge of HK\$458,779,000 in respect of the taxable temporary difference associated with the Group's investment in MGM Grand Paradise was then recognized. In addition, MGM Grand Paradise made an application to the Macau Government for a tax concession arrangement for its shareholders. Pursuant to the dispatch 23/DIR/2012 dated June 21, 2012 issued by the Macau Government, MGM Grand Paradise is allowed to pay a dividend withholding tax of MOP84,000 (equivalent to approximately HK\$80,000) for the year ended December 31, 2007 and an annual lump sum dividend withholding tax of MOP8,700,000 (equivalent to approximately HK\$8,447,000) for each of the years ended December 31, 2008 through to 2011 as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of MGM Grand Paradise on dividend distributions from gaming profits ("lump sum dividend tax"). Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant year. Consequently, the deferred tax liability previously made of HK\$458,779,000 was reversed and the dividend tax of approximately HK\$33,868,000 was recognized during the current year.

On June 19, 2012, MGM Grand Paradise applied for a further 5-year extension of this tax concession arrangement (the “Extended Tax Concession Arrangement”) from the beginning of 2012 through to the end of 2016. On December 18, 2012, the Macau Government informed MGM Grand Paradise of the terms of the Extended Tax Concession Arrangement, MGM Grand Paradise is allowed to pay a dividend withholding tax of MOP15,400,000 (equivalent to approximately HK\$14,951,000) for each of the years ended December 31, 2012 through 2016 as payments in lieu of lump sum dividend tax to be paid by the shareholders of MGM Grand Paradise. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether MGM Grand Paradise has distributable profits in the relevant years. MGM Grand Paradise accepted the terms of the Extended Tax Concession Arrangement on December 26, 2012. Consequently, a further dividend tax of HK\$14,951,000 was recognized during the current year. On January 16, 2013, the Macau Government issued a dispatch 002/DIR/2013 which confirms the Extended Tax Concession Arrangement.

The tax credit/(charge) for the year can be reconciled to the profit in the consolidated statement of comprehensive income as follows:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>4,120,869</b>	3,737,872
Tax at applicable income tax rate of 12%	<b>(494,504)</b>	(448,545)
Effect of tax exemption granted to MGM Grand Paradise	<b>655,380</b>	586,560
Effect of tax losses not recognized	<b>(147,461)</b>	(110,944)
Effect of expenses not deductible for tax purposes	<b>(7,493)</b>	(15,252)
Effect of income not taxable for tax purposes	<b>899</b>	–
Effect of utilization of deductible temporary differences previously not recognized	<b>11,911</b>	11,911
Effect of deductible temporary differences not recognized	<b>(19,255)</b>	(24,179)
Overprovision in respect of prior years	–	102
Deferred tax reversed/(recognized) on distributable reserves of a subsidiary	<b>458,779</b>	(458,779)
Lump sum dividend tax	<b>(48,819)</b>	–
Others	<b>523</b>	314
	<b>409,960</b>	(458,812)

As at December 31, 2012, the Group has total unused tax losses (subject to agreement by the relevant tax authorities of Macau and Hong Kong) amounting to approximately HK\$3,262.7 million in aggregate, of which approximately HK\$1,210.1 million, HK\$977.7 million and HK\$1,046.3 million were arising from tax losses in Macau in the years of assessment ended December 31, 2012, 2011 and 2010 respectively (2011: total unused tax losses amounting to approximately HK\$3,122.0 million in aggregate, of which approximately HK\$914.7 million, HK\$1,046.3 million and HK\$1,151.1 million were arising from tax losses in Macau in the years of assessment ended December 31, 2011, 2010 and 2009 respectively). The Macau tax losses of approximately HK\$3,234.1 million will expire in the years ending December 31, 2015, 2014 and 2013 (2011: approximately HK\$3,112.1 million Macau tax losses will expire or had expired in the years ending December 31, 2014, 2013 and 2012). As at December 31, 2012, the Group also has other unused tax losses in Hong Kong of approximately HK\$28.6 million (2011: total unused tax losses in Hong Kong of approximately HK\$9.9 million), which may be carried forward indefinitely.

As at December 31, 2012, the Group also has deductible temporary difference of approximately HK\$998.8 million (2011: approximately HK\$937.6 million) mainly arising from pre-opening expenses and decelerated tax depreciation.



The directors of the Group have considered (i) the nature of business of MGM Grand Paradise which is a game of chance with inherent risk that increases the unpredictability of future profit streams; (ii) that pursuant to the approval notice 186/2008 and 267/2011 issued by the Macau Government dated June 19, 2008 and September 22, 2011, MGM Grand Paradise is exempted from Macau Complementary Tax for income generated from gaming operations for the period from 2007 to 2011 and 2012 to 2016 respectively; and (iii) the fact that tax losses can only be utilized in three years from the year of assessment. After taking into account of the above factors, the directors of the Group are of the view that it may not be probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized. As a result, no deferred tax assets have been recognized.

## 8. DIVIDENDS

On March 23, 2011, prior to the Group Reorganization, dividends of MOP2,450 per share (equivalent to approximately HK\$2,379 per share) amounting to approximately MOP490 million (equivalent to approximately HK\$476 million) in aggregate were declared and approved by the then shareholders of MGM Grand Paradise. These dividends were paid to those shareholders on March 24, 2011.

On February 22, 2012, a special dividend of HK81.6 cents per share, amounting to approximately HK\$3,100 million in aggregate has been declared by the directors of the Company. These dividends were paid to shareholders on March 20, 2012.

On February 19, 2013, the Company's principal subsidiary, MGM Grand Paradise declared the payment of a dividend to the Company of approximately MOP4,258.0 million, equivalent to approximately HK\$4,134.0 million. On February 20, 2013, a special dividend of HK\$1.02 per share, amounting to HK\$3,873.8 million in aggregate has been declared by the directors of the Company.

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the consolidated profit attributable to owners of the Company and on the number of shares in issue during the year and is set out as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Profit</b>		
Profit for the year and total comprehensive income attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>4,530,829</u>	<u>3,279,060</u>
<b>Number of shares</b>		
Number of ordinary shares in issue for the purposes of basic and diluted earnings per share ('000)	<u>3,800,000</u>	<u>3,800,000</u>
Earnings per share — Basic and diluted	<u>HK\$1.19</u>	<u>HK\$0.86</u>

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares during the period in which they are outstanding.

## 10. TRADE RECEIVABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	586,122	710,739
Less: Allowance for doubtful debts	<u>(107,133)</u>	<u>(161,316)</u>
	<u><b>478,989</b></u>	<u>549,423</u>

The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based on pre-approved credit limits. The directors consider the outstanding receivables from gaming promoters are of good credit quality based on their credit histories and subsequent settlements. The Group also issues markers and credit to approved casino customers (“VIP gaming customers”) and provides credit to hotel customers following background checks and investigations of creditworthiness. The Group allows a credit period up to 30 days on issuance of markers to gaming promoters and VIP gaming customers and an average of 30 days to hotel customers. Trade receivables are unsecured and non-interest bearing. The following is an analysis of trade receivables, net of allowance for doubtful debts, by age presented based on marker issuance date or invoice date:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 30 days	453,045	475,608
31 – 60 days	21,170	53,049
61 – 90 days	4,769	20,574
91 – 120 days	<u>5</u>	<u>192</u>
	<u><b>478,989</b></u>	<u>549,423</u>

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

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
At January 1,	161,316	232,358
Impairment losses recognized on trade receivables	146,908	155,868
Impairment losses reversed upon recovery	(94,054)	(40,667)
Amount written off as uncollectible	(107,037)	(186,243)
	<u>107,133</u>	<u>161,316</u>
At December 31,	<u>107,133</u>	<u>161,316</u>

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the debtor base being large and unrelated.

The allowance recognized during the years ended December 31, 2012 and 2011 represents impairment on a wide number of casino debtors who are individually determined to be impaired as they have defaulted in repayment of their debts and their creditworthiness has deteriorated.

The directors of the Group are of the opinion that the credit quality of the trade receivables that are neither past due nor impaired at end of the reporting period is of good quality.

#### 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group's prepayments, deposits and other receivables comprise:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Prepaid land use right premium ( <i>Note (i)</i> )	436,893	—
Prepaid goods and services	16,140	21,212
Rental and other deposits	23,853	19,155
Other receivables	8,834	7,778
	<u>485,720</u>	<u>48,145</u>
Current	37,766	46,043
Non-current	447,954	2,102
	<u>485,720</u>	<u>48,145</u>

Note:

- (i) On October 18, 2012, MGM Grand Paradise formally accepted the terms and conditions of a draft 25-year land concession contract in the form of a lease granted by the Macau Government, in respect of a plot of land in the Cotai area in Macau (the “Cotai Land”). The total amount of the land premium will be MOP1,291.2 million (approximately HK\$1,253.6 million) which comprises an initial payment in the sum of MOP450.0 million (approximately HK\$436.9 million), made in October 2012, and outstanding payments in the sum of MOP841.2 million (approximately HK\$816.7 million), which includes 5% interest per annum as required by the Macau Government, payable in eight equal instalments due every six months in the amount of MOP117.3 million (approximately HK\$113.9 million). The first of the eight instalments is due six months from the publication of the Cotai Land Concession contract in the official gazette of Macau. On January 9, 2013, the Cotai Land Concession contract was published in the official gazette of Macau by the Macau Government. Effective from the publication date, MGM Grand Paradise will lease the Cotai Land from the Macau Government for a term of 25 years.

## 12. PAYABLES AND ACCRUED CHARGES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Outstanding chips liabilities	1,426,233	1,622,048
Special gaming tax and special levy payables	1,222,981	907,278
Accrued commission and incentives	1,025,143	377,383
Other payables and accrued charges	294,389	197,442
Accrued staff costs	235,582	220,199
Accrued construction and renovation costs	99,893	10,148
Trade payables	94,554	70,899
Accrued liability for customer relationship programs	76,527	60,927
	<u>4,475,302</u>	<u>3,466,324</u>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 30 days	60,679	47,228
31 – 60 days	27,873	17,550
61 – 90 days	1,708	1,643
91 – 120 days	1,294	1,308
Over 120 days	3,000	3,170
	<u>94,554</u>	<u>70,899</u>

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

### 13. BANK BORROWINGS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Bank borrowings represent:		
Secured term loan facilities of HK\$4,290,000,000 (the “Existing Term Loan”)	—	4,290,000
Secured term loan facilities of HK\$4,290,000,000 (the “Amended Term Loan”)	<b>4,290,000</b>	—
Less: Debt finance costs	<b>(306,982)</b>	(153,891)
	<b>3,983,018</b>	4,136,109
Carrying amount repayable:		
On demand or within one year	—	206,805
More than one year, but not exceeding two years	—	620,416
More than two years, but not exceeding five years	<b>3,983,018</b>	3,308,888
	<b>3,983,018</b>	4,136,109
Current	—	206,805
Non-current	<b>3,983,018</b>	3,929,304
	<b>3,983,018</b>	4,136,109

In July 2010, the Group entered into a credit agreement with a limit of HK\$7,410 million with a syndicate of banks (the “Existing Credit Facilities”). The Existing Credit Facilities comprise a term loan facility and a revolving credit facility with a limit of HK\$4,290 million and HK\$3,120 million respectively. The term loan facility is denominated in HK\$ and bears interest at a percentage rate per annum equal to the aggregate of a margin ranging from 3% to 4.5% and Hong Kong Interbank Offered Rate (“HIBOR”). The revolving credit facility may be denominated in either HK\$ or US\$ and bears interest at a percentage rate per annum equal to the aggregate of the same margin and HIBOR or London Interbank Offered Rate as appropriate. In 2011, the Company provided a corporate guarantee to the banks to secure the Existing Credit Facilities.

In October 2012, the Existing Credit Facilities were amended and restated (the “Amended Credit Facilities”) with the Company and MGM Grand Paradise becoming co-borrowers. The Amended Credit Facilities comprise a HK\$4,290 million term loan facility and a HK\$11,310 million revolving credit facility. The Amended Credit Facilities bear interest for the first six months at HIBOR plus a fixed margin of 2.5% per annum and thereafter at a variable margin ranging from 1.75% to 2.5% per annum based on the Group’s leverage ratio. As at December 31, 2012, the interest rate under the Amended Credit Facilities is HIBOR plus 2.5% per annum. The effective interest rate on the Group’s borrowings for the year ended December 31, 2012 is 5.38% (2011: 5.59%). The term loan of the Amended Credit Facilities is repayable on a quarterly basis commencing in July 2016 and will be fully repaid in October 2017 while each revolving credit facility will be repaid in full on the last date of the respective term but no later than October 2017. As at December 31, 2012, the Group incurred and paid miscellaneous charges and bank fees of approximately HK\$318.1 million in relation to the Amended Credit Facilities.

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

#### 14. DEFERRED TAX LIABILITY

As explained in detail in note 7 to the consolidated financial statements, the Company has reversed the deferred tax liability of HK\$458,779,000 recognized in the year ended December 31, 2011 pursuant to the approval of the tax concession arrangement by the Macau Government on June 21, 2012. In December 2012, a further 5-year extension of this tax concession arrangement was granted with an annual dividend withholding tax of MOP15,400,000 (equivalent to approximately HK\$14,951,000) due to the Macau Government for each of the years ended December 31, 2012 through 2016. Therefore, the Company has not recognized a deferred tax liability in respect of the distributable profits of MGM Grand Paradise at the end of the reporting period.

#### 15. RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties are disclosed below.

- (a)(i) Amounts due from related companies represent the balances with fellow subsidiaries. The amounts are unsecured, non-interest bearing and repayable on demand.
- (a)(ii) Amounts due to related companies represent balances with companies in which one of the directors of the Company has non-controlling beneficial interests amounting HK\$3,616,000 (2011: HK\$3,530,000), and ultimate holding company of the Company amounting HK\$3,658,000 (2011: HK\$4,662,000). The amounts are unsecured, non-interest bearing and repayable on demand.

##### Aging of amounts due to related companies in respect of trade balance:

	2012 HK\$'000	2011 HK\$'000
Within 30 days	3,862	5,000
31 – 60 days	3,408	3,192
61 – 90 days	1	—
91 – 120 days	—	—
Over 120 days	3	—
	<u>7,274</u>	<u>8,192</u>

- (b) The Group had the following significant transactions with related companies:

Related parties	Type of transaction	2012 HK\$'000	2011 HK\$'000
Companies in which one of the directors of the Company has non-controlling beneficial interests	Advertising expenses	3,618	4,892
	Gift vouchers purchased	15,441	11,386
	Laundry services expenses	5,862	7,135
	Rental of premises	3,255	2,527
	Travelling and accommodation expenses, net of discounts	126,274	117,857
Shareholders	Marketing referral fees	15,794	20,102
	Marketing referral income	(1,050)	(820)
Company jointly-owned by shareholders	Developers' fees capitalized	44,349	—
	License fees	<u>232,801</u>	<u>113,007</u>

Historically, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries at no charge. Pursuant to the Branding Agreement entered into among the Company, MGM Grand Paradise, MGM Branding and Development Holdings, Ltd., MGM Resorts International, MGM Resorts International Holdings, Ltd. and New Corporate Enterprises Limited on May 17, 2011, the Group has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a fee. Such Branding Agreement is effective from June 3, 2011 and will expire on March 31, 2020, which is also the expiry date of the Group's Sub-Concession Contract. Pursuant to the terms of the Branding Agreement, the Group is required to pay an annual license fee calculated on a basis equal to 1.75% of its consolidated monthly revenue (as determined in accordance with IFRS) which is subject to an annual cap. For the year ended December 31, 2012, the annual cap is US\$30 million (equivalent to approximately HK\$233 million) and for the year ended December 31, 2011, the annual cap is US\$25 million (equivalent to approximately HK\$194 million) but is pro rated to US\$14.5 million (equivalent to approximately HK\$113 million) for the year of 2011 since the date of listing pursuant to the term of the Branding Agreement. This annual cap will increase by 20% per annum for each subsequent financial year during the term of the Branding Agreement. During the year ended December 31, 2012, a total license fee of HK\$232.8 million (2011: HK\$113.0 million) was recognized in the consolidated statement of comprehensive income.

In addition, from time to time, the Group and certain entities in which one of the directors of the Company has non-controlling beneficial interests, and the group companies of a shareholder of the Company collect and/or make payment on behalf of each other at no service charge.

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Short term benefits	<b>79,209</b>	69,682
Post-employment benefits	<b>1,822</b>	1,398
Share-based payments	<b>50,236</b>	39,712
	<b>131,267</b>	110,792

The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

## 16. EVENTS AFTER THE REPORTING PERIOD

As described in note 11 to the consolidated financial statements, on January 9, 2013, the Cotai Land Concession contract was published in the official gazette of Macau by the Macau Government. Effective from the publication date, MGM Grand Paradise will lease the Cotai Land from the Macau Government for a term of 25 years.

As described in note 7 to the consolidated financial statements, on January 16, 2013, the Macau Government issued a dispatch 002/DIR/2013 which confirms the Extended Tax Concession Arrangement.

As described in note 8 to the consolidated financial statements, on February 19, 2013, the Company's principal subsidiary, MGM Grand Paradise declared the payment of a dividend to the Company of approximately MOP4,258.0 million, equivalent to approximately HK\$4,134.0 million. On February 20, 2013, a special dividend of HK\$1.02 per share, amounting to HK\$3,873.8 million in aggregate has been declared by the directors of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

MGM China, one of the leading casino gaming resort developers, owns and operates MGM MACAU, 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 resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. The Grande Praça features unique themed displays and events throughout the year. Our property opened in December 2007 and has a casino floor area of approximately 25,523 square meters, with 1,272 slot machines, 427 gaming tables and multiple VIP and private gaming areas. The hotel comprises a 35-storey tower with 582 deluxe rooms, including 468 standard guest rooms, 99 luxury suites, 15 private luxury villas. In addition, the resort offers luxurious amenities, including 8 diverse restaurants and bars, world-class pool and spa facilities, and approximately 1,600 square meters of convertible convention space. 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.

On June 3, 2011, we completed a Reorganization and a Global Offering and the Company's Shares were listed on the Main Board of the Hong Kong Stock Exchange. Through the Reorganization and Global Offering, MGM Resorts International now owns 51% of the overall share capital of our Company and has therefore obtained a controlling interest in our Company.

On October 18, 2012, MGM Grand Paradise formally accepted the terms and conditions of a draft land concession contract in the form of a lease granted by the Macau Government, in respect of a plot of land with an area of 71,833 m<sup>2</sup> located in Cotai ("Cotai Land"). In October 2012, we made the initial payment of MOP450.0 million (approximately HK\$436.9 million) as the land premium pursuant to this Cotai Land concession contract. We will also need to make eight additional semi-annual instalments in the amount of MOP117.3 million (approximately HK\$113.9 million) each, which includes 5% interest per annum as required by the Macau Government. The first of the eight instalments is due six months from the publication of the Cotai Land concession contract in the official gazette of Macau.

On January 9, 2013, the Cotai Land concession contract has been published in the official gazette of Macau by the Macau Government. Effective from January 9, 2013, MGM Grand Paradise will lease the Cotai Land from the Macau Government for an initial term of 25 years with the right to successively renew the Cotai Land concession contract for additional periods, subject to applicable legislation.

In October 2012, we successfully closed on the refinancing transaction of HK\$15.6 billion ensuring the necessary funding for the Cotai project.



We have finalized a design of the Cotai project and will focus on the commencement of the construction works. Our plans call for constructing an integrated casino, hotel and entertainment complex with a truly unique MGM experience which will have approximately 500 gaming tables, 2,500 slot machines, 1,600 hotel rooms and a budget of approximately HK\$20 billion, excluding land cost and capitalized interest, to be spent over a timeframe of 36 months.

For the year ended December 31, 2012, our Company generated HK\$21,773.6 million in operating revenue, HK\$5,310.4 million in adjusted EBITDA and HK\$4,530.8 million in profit attributable to owners of the Company, representing respectively 7.3%, 7.7% and 38.2% increase over the results for the year ended December 31, 2011. Our operating results were positively impacted by our operating strategy and the market growth, but at the same time constrained by competition and general economic condition particularly in China.

### **Macau's Gaming and Tourism Markets**

Propelled by the solid economic development in China, the Macau gaming market has grown significantly in the last few years. Additional capacity has been added in recent years with several new hotels and casinos including Galaxy Macau, and Sands Cotai Central, which opened in May 2011 and April 2012, respectively. In addition, the overall table yield in the gaming market continues to improve which contributed to the market growth during the year. For the year ended December 31, 2012, total casino gross win in Macau market was approximately HK\$295.3 billion, up 13.5% over the same period in 2011.

According to statistics published by the Statistics and Census Service of the Macau Government, visitor arrivals reached 28.1 million in 2012 compared to 28.0 million in 2011. Gaming customers travelling to Macau typically come from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan, with approximately 89% of visitors to Macau in 2012 coming from mainland China, Hong Kong and Taiwan. Visitor coming from mainland China increased 4.6% from prior year and reached 16.9 million in 2012. We are optimistic that visitation levels and gross gaming revenue in Macau will continue to grow due to combination of factors. These factors include the economic growth of China, which continues to create a large and growing middle class with rising disposable income, infrastructure improvements, such as the expanded border gate capacity and others that are expected to facilitate more convenient travel to and within Macau, the efforts and investments made by gaming concessionaires to solidify Macau as a destination market with superior and diverse integrated resort products and the continuous focus on table yield management across the markets.

### **Our Competitive Strengths and Operation Strategies**

Our competitive strength lies principally in our high-end product and service offerings; our ability to access large and established marketing networks of our major Shareholders; our ability to segment and conduct targeted marketing to various customer groups through our Golden Lion Club customer relationship program; and our strong partnership with gaming promoters.

Our strategy is to leverage our competitive strength and to grow our business and earnings by continuously improving customer experience, employee engagement and operation efficiency. During 2012 and 2011, we expanded key gaming areas in our property to provide our high value customers and gaming operators with a first-class facility that embodies luxury, intimacy and inspiration. We continue to introduce new innovative gaming products to enhance customer experience. We provide regular professional and service training to our employees with the goal of building a culture of execution excellence. The investment we made in our products and our employees was an indispensable factor that allowed us to achieve the continuous growth and financial results in 2012.

### ***Gaming Operations***

We have taken full advantage of our strength and executed our strategies throughout our business units, particularly in casino operations, which contribute to the vast majority of our financial results. Our casino operations can be divided into three segments:

#### ***(1) VIP Casino Gaming Operations***

A significant amount of our VIP casino play is brought to us by gaming promoters, who have historically played an important role in the Macau gaming market and are important to the revenues of our casino business. Gaming promoters introduce high-spending VIP players to us and often assist those customers with their travel and entertainment arrangements. In addition, gaming promoters often extend credit to their players. Gaming promoters also rely upon sub-promoters or collaborators to bring in the VIP gaming customers.

In exchange for their services, we compensate the gaming promoters in two ways. Some gaming promoters are paid a percentage of the actual win, plus a monthly allowance based on a percentage of the rolling chip turnover their customers generate, which can be applied to hotel rooms, food and beverages and other discretionary customers-related expenses. Other gaming promoters are paid a percentage of the rolling chip turnover, plus discounted offering on our non-gaming amenities.

The Company has established good business relationships with our gaming promoters. While some have partnered with us since opening, we have been able to add new promoters over the years who have contributed significantly to our growth and we continuously add more throughout the year partly also to replace the departing ones due to under-performance. Our commission percentages have remained stable throughout our operating history and consistent with the overall market practice.

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

For the year ended December 31, 2012, our VIP casino gaming operations remained relatively stable. This segment of our business generated HK\$701.9 billion in rolling chip turnover, a slight increase of 0.1% in 2012 compared to the prior year. The increase in turnover is due primarily to incremental VIP business in response to our new gaming products and new in-house VIP gaming areas. The expansion of the VIP gaming areas on Level Two at MGM MACAU has resulted in a meaningful VIP business growth since its launch in October 2012. Our business growth also benefited from the full year impact of VIP spa conversion and high end villas conversion completed in 2011. The positive impact is partly offset by new gaming capacities and competition brought online by our competitors in May 2011 and April 2012 as well as the impact of the growth deceleration of Chinese economy during much of 2012. In addition, our VIP table games win percentage increased from 3.0% to 3.1% over the comparable periods in 2011 and 2012.

Operationally, we have successfully maintained VIP business volume by maximizing productivity from existing capacity and by making capital improvements to enhance our facilities and to increase capacity for our in-house VIP customers. We have expanded our VIP gaming areas on Level Two since October 2012, and the expansion has resulted in meaningful business growth since its opening and will continue to drive growth in the near future as it kicks into full gear. We continuously work with our current gaming promoters to fully utilize existing space and bring in more gaming promoters, when appropriate, to fill in available space, to maximize our yield and profits. In addition, we constantly review our service processes to meet or exceed our customer expectation. Our efforts to grow the VIP business will continue to center around maintaining a close partnership with gaming promoters and establishing good relationships with potential gaming promoters as well, and enhancing the gaming experience of our customers.

## *(2) Main Floor Casino Gaming Operations*

The main floor gaming operation in the Macau market is also referred to as the “mass gaming operation”. Unlike VIP players, main floor players do not receive commissions from us. The profit contribution from the main floor business is higher than the VIP segment. The main floor business represents the most profitable segment for us as well as the Macau market. We also believe that this segment represents the most potential for sustainable growth in the future. In 2012, this segment achieved a higher growth rate than the VIP segment in the Macau market and our property as well, which has helped us grow our revenue this year.

In spite of increased competition, for the year ended December 31, 2012, revenue from this segment increased year-over-year by 24.4% to HK\$5,688.8 million. The growth is in part attributable to the overall market growth, but more importantly due to our successful customer segmentation approach with a product and service focus on the mid to premium main floor business. We have invested capital to improve the gaming experience of our high-end main floor customers by creating dedicated exclusive gaming space for their use. We also leveraged our player club, Golden Lion Club, as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotion.

Following the success of Supreme Lounge launched at the end of 2010, we launched the Platinum Lounge and Live Table Games (“LT Games”) gaming area on the main floor in September 2011 and August 2012 respectively, which help us target the premium main floor players to grow our revenue and to improve our yield on the gaming floor continuously. We will continue to invest and leverage our strength in market segmentation to identify opportunities to grow our business through customer experience and service enhancement.

### *(3) Slot Machine Operations*

Our slot business continues to deliver record performance, and generated HK\$2,092.8 million in revenue for the year ended December 31, 2012, up 32.1% from the prior year. We have successfully increased slot business volume and our market share by our successful customer and products segmentation strategies as described previously, coupled with our focus on superior slot hosts services and building brand awareness and loyalty. Following the successful introduction of our Supreme and Platinum Lounge in 2011, we launched the LT Games gaming area in August 2012. Our strategy to retain and reactivate targeted high end players have led to more return visits and longer play, which has helped us grow our revenue. In addition, we also keep our slot product updated with the objective to increase the floor yield and to continuously improve the customer gaming experience.

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

We also recognize the importance of brand awareness in growing the gaming operation. As a result, we have enhanced our marketing activities to take advantage of our internationally recognized brand. Brand-building initiatives are driven through promotions, events, strategic alliances and public relation activities. In 2012, we have organized events such as the MGM Butterfly Pavilion from May 2012 till October 2012, Oktoberfest and International Lion Dance Championship 2012 during the year, and A Christmas Tale at MGM MACAU throughout December, which successfully drew record traffic to our property for visit during these periods. These exhibits and events have created a “WOW” factor and a sense of anticipation among our customers, local communities and tourist alike. In addition, MGM MACAU was the hosting venue for 2012 season of “Let’s Shake It” (舞林大會) semi-final during the year. Let’s Shake It is the one of most watched shows in China. The event and subsequent airing of the event in China exposed our brand to millions of Chinese consumers.

## **Operation Efficiency**

In face of increased competition in the market, we have adopted strategies to protect and grow our earnings by focusing on customer experience, employee engagement and operating efficiency. We have introduced key performance indicators (“KPI”) implementation on various segments of our business since the fourth quarter of 2011. Decisions on hiring, scheduling and staffing are made in accordance to our KPI which are linked to our business volume and target productivity. As a result, our table yield on the gaming floor and labor productivity in 2012 continue to improve. We will continue to provide professional and service training to our employees to implement continuous improvement processes and to seek more efficiency opportunities.

## **Competition**

While we generated solid financial results in 2012, we are not immune from competitive pressure. Currently, there are six gaming concessionaires in Macau, each of whom has commenced casino operating activities and several of which have expansion plans announced or underway. As at December 31, 2012, there were 35 casinos in Macau. Those properties located in Cotai have achieved a higher growth rate than those located in Macau Peninsula in 2012. Our market share in Macau Peninsula reached 17.0% in 2012 compared to 16.1% in 2011. We expect competition in the Macau market to continue to increase in the future, as newly opened properties ramp up their business and more capacity is brought on line in the near future.

Our competition is not just limited to the Macau market. We compete with similar business establishments in other parts of Asia as well as elsewhere in the world, including, but not limited to integrated resorts in Singapore and Las Vegas.

## **Segment Information**

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

For the years ended December 31, 2012 and 2011, all revenue is derived from customers in Macau and almost all the non-current assets of the Group are located in Macau. None of the customers of the Group contributed more than 10% of the total revenues in 2012 and 2011.

## Discussion of Results of Operations

### Financial results for the year ended December 31, 2012 compared to financial results for the year ended December 31, 2011

#### Summary Statistics

The following table presents certain selected income statement line items and certain other data.

(in thousands, except for number of gaming tables and slot machines, percentage, and REVPAR)	For the year ended December 31,	
	2012 HK\$'000 ( <i>unaudited</i> )	2011 HK\$'000 ( <i>unaudited</i> )
Number of VIP gaming tables	218	200
VIP table games turnover	701,917,457	701,305,426
VIP gross table games win	21,491,682	21,244,065
VIP table games win percentage	3.1%	3.0%
Average daily gross win per gaming table	269.0	291.5
Number of main floor gaming tables	201	220
Main floor table games drop	18,944,454	17,095,457
Main floor gross table games win	5,666,379	4,566,208
Main floor table games win percentage	29.9%	26.7%
Average daily gross win per gaming table	77.0	56.8
Number of slot machines	1,272	1,184
Slot machine handle	38,222,534	28,353,743
Slot machine gross win	2,098,901	1,589,602
Slot hold percentage	5.5%	5.6%
Average daily win per slot	4.5	3.7
Commission and discounts	(7,825,148)	(7,434,992)
Room occupancy rate	97.8%	96.5%
REVPAR <sup>(1)</sup>	2,097	2,149

Note:

- (1) Revenue per available room, expressed in Hong Kong dollars, arrived after inclusion of services provided for hotel rooms to certain customers and guests without charges.

## Operating Revenue

The following table sets forth the operating revenue for the years ended December 31, 2012 and 2011.

	For the year ended December 31,	
	2012	2011
	HK\$'000	HK\$'000
<b>Casino revenue</b>	<b>21,454,483</b>	19,974,556
VIP gaming operations	<b>13,672,876</b>	13,815,407
Main floor gaming operations	<b>5,688,782</b>	4,574,915
Slot machine gaming operations	<b>2,092,825</b>	1,584,234
<b>Other revenue</b>	<b>319,109</b>	319,071
Hotel rooms	<b>65,103</b>	86,214
Foods and beverages	<b>207,801</b>	188,985
Retail and other services	<b>46,205</b>	43,872
<b>Operating revenue</b>	<b>21,773,592</b>	20,293,627

Total operating revenue increased by 7.3% to HK\$21,733.6 million in 2012. We believe this increase was due to a combination of factors, including overall Macau market growth, enhanced marketing efforts and property improvements such as the launch of our expansion of our VIP gaming areas on Level Two at MGM MACAU, introduction of LT Games gaming area on the main floor during the year as well as the full year effect of the conversion of VIP spa area into a new in-house VIP gaming area and launch of Platinum Lounge in late 2011.

### Casino Revenue

Casino revenue increased by 7.4% to HK\$21,454.5 million in 2012. The components and reasons for this increase were:

#### (1) *VIP Gaming Operations*

Revenue from VIP gaming operations decreased by 1.0% to HK\$13,672.9 million in 2012. VIP table games turnover slightly increased by 0.1% to HK\$701,917.5 million in 2012. The slight increases in turnover primarily resulted from incremental VIP business as a result of VIP gaming areas on Level Two launched in October 2012, with a total of 42 tables as at December 31, 2012, and the addition of gaming promoters during the year. The positive impact is partly offset by new gaming capacities and competition brought online by our competitors in May 2011 and April 2012 as well as the impact of the growth deceleration of Chinese economy during much of 2012. In 2012, MGM MACAU had 218 VIP gaming tables in operation, as compared with 200 VIP gaming tables in 2011.

Approximately 80% of the commissions are netted against casino revenue, which corresponds to the approximate amount of the commission returned to the VIP players by the gaming promoters, and approximately 20% of the commissions are included in operating expenses, which corresponds to the approximate amount ultimately retained by gaming promoters for their compensation. The total amount of commissions netted against casino revenue was HK\$7,825.1 million and HK\$7,435.0 million in 2012 and 2011, respectively. The decrease in revenue was also impacted by the change in the commissions mix during the year which led the commission and discounts increased by 5.3% in 2012, while partly offset by an increase in VIP table games win percentage from 3.0% to 3.1% over the comparable periods in 2011 and 2012.

(2) *Main Floor Gaming Operations*

Revenue from main floor gaming operations increased by 24.3% to HK\$5,688.8 million in 2012. Main floor table games drop increased by 10.8% to HK\$18,944.5 million in 2012. The increases primarily resulted from continued success of the tiered-customer relationship program and improvement on our yield on the gaming floor. In addition, the revenue of this segment also benefitted from the introduction of new gaming areas — Platinum Lounge and LT Games areas, which are tailored for the high end segment of the mass market following the success of Supreme Lounge. Further, we benefitted from our marketing and branding activities including lucky draws and various tailored entertainment functions and non-gaming attractions and branding events as mentioned above. In 2012, MGM MACAU had 201 main floor gaming tables in operation, as compared with 220 main floor gaming tables in 2011. The main floor table games win percentage increased from 26.7% to 29.9% over the comparable periods in 2011 and 2012.

(3) *Slot Machine Gaming Operations*

Revenue from slot machine gaming operations increased by 32.1% to HK\$2,092.8 million in 2012. Slot machine handle increased by 34.8% to HK\$38,222.5 million in 2012. The increases primarily resulted from improvements to slot machine product mix, continued success of the tiered-customer relationship program, superior customer service from our slot hosts, and driving performance of the high denomination slot machines. In addition, the revenue of this segment also benefitted from the introduction of the Supreme and Platinum Lounge gaming areas in 2011 and LT Games gaming area in 2012, which were tailored for the high end segment of the market. Our strategy to retain and reactivate targeted high end players have also led to more return visits and longer play during the year. In 2012, MGM MACAU had 1,272 slot machines in operation, as compared with 1,184 slot machines in 2011. The slot machine win percentage slightly decreased from 5.6% to 5.5% over the comparable periods in 2011 and 2012.



## Other Revenue

Other revenue, which includes hotel rooms, foods and beverages and retail and other services, remained stable as HK\$319.1 million in 2011 and 2012. The non-gaming facilities and services are critical for MGM MACAU to establish its brand and maintain its popularity in Macau and the region, in order to encourage visitations and extend the length of customers' stay within the hotel.

## Operating Costs and Expenses

The following table sets forth the major operating costs and expenses for the years ended December 31, 2012 and 2011.

	For the year ended December 31,	
	2012	2011
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	11,548,882	10,816,702
Staff costs	1,518,076	1,414,686
Operating and administrative and other expenses	3,481,342	3,348,214
Depreciation and amortization	793,523	746,580
Finance costs	356,002	240,366
Taxation	(409,960)	458,812

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

Special gaming tax and special levy to the Macau Government increased by 6.8% to HK\$11,548.9 million in 2012. This increase resulted directly from the increased casino revenue in 2012 compared to 2011.

### *Staff costs*

Staff costs increased by 7.3% to HK\$1,518.1 million in 2012. The increase was primarily due to hiring of additional staff to cater to the increase in casino business volumes as well as a 5% staff salary increment to line level staff implemented in March 2012. Our labor efficiency continues to improve, as a result of KPI implementation, a process that started in fourth quarter of 2011 and continued into the current year.

### *Operating and administrative and other expenses*

Operating and administrative and other expenses increased mainly resulting from:

*Junket commissions.* Junket commissions increased by 6.3% from HK\$1,712.2 million in 2011 to HK\$1,819.6 million in 2012. The increase resulted directly from the increase in VIP gross table games win in 2012 compared to 2011.

*License fee and marketing fees.* License fee and marketing fees due to related companies increased by 86.8% from HK\$133.1 million in 2011 to HK\$248.6 million in 2012. The increase resulted mainly from the increase in annual cap in 2012 as compared to 2011, and the fact that prior's year amount was charged for the second half of the year from June 3, 2011, the listing date as well as the effective date of the Branding Agreement.

*Listing expenses.* Listing expenses was a one-off cost incurred associated with the listing of the Company on the Hong Kong Stock Exchange of approximately HK\$74.6 million in 2011.

*Allowance for doubtful debts, net.* Allowance for doubtful debts, net decreased by 54.1% from HK\$115.2 million in 2011 to HK\$52.9 million in 2012. There were no changes in the allowance for doubtful debts policy; the decrease was primarily as a result of tighter collection effort during the current year.

As a result, operating and administrative and other expenses increased by 4.0% to HK\$3,481.3 million in 2012.

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

Depreciation and amortization increased by 6.3% to HK\$793.5 million in 2012 due to the impact of assets placed into service in the new in-house VIP gaming area, Platinum Lounge, VIP gaming areas on Level Two and LT Games areas, offset by full depreciation of certain assets in 2012.

### ***Finance costs***

Finance costs increased by 48.1% to HK\$356.0 million in 2012. The increase primarily resulted from the written off of the unamortized debt finance cost in amount of HK\$115.7 million related to the existing credit facilities as a result of the refinancing of the existing credit facilities in October 2012.

### ***Taxation***

Taxation for the year ended December 31, 2012 primarily relates to the reversal of the difference in amount of HK\$424.9 million between the deferred tax expense which the Company provided on the distributable reserves of MGM Grand Paradise, calculated at the statutory progressive rate as at December 31, 2011 and the amount granted by the Macau Government under the tax concession arrangement in June 2012. This was offset by an annual dividend withholding tax of HK\$14.9 million granted by the Macau Government in December 2012. Details of taxation are set out in note 7 to the consolidated financial statements.

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

Profit attributable to owners of the Company increased by 38.2% from HK\$3,279.1 million in 2011 to HK\$4,530.8 million in 2012.

## Adjusted EBITDA

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement, operating profit, for the years ended December 31, 2012 and 2011.

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to owners of the Company	<b>4,530,829</b>	3,279,060
Add/(less):		
Depreciation and amortization	<b>793,523</b>	746,580
Interest income	<b>(37,979)</b>	(11,946)
Finance costs	<b>356,002</b>	240,366
Net foreign currency difference	<b>(7,123)</b>	1,153
Taxation	<b>(409,960)</b>	458,812
Share-based payments <sup>(1)</sup>	<b>67,243</b>	50,184
Property charges and others <sup>(2)</sup>	<b>17,899</b>	168,753
	<hr/>	<hr/>
<b>Adjusted EBITDA<sup>(3)</sup> (unaudited)</b>	<b>5,310,434</b>	4,932,962
	<hr/>	<hr/>
<b>Adjusted EBITDA before the license fee<sup>(4)</sup> (unaudited)</b>	<b>5,543,235</b>	5,045,969
	<hr/>	<hr/>

### Notes:

- (1) Share-based payments for the years 2012 and 2011 consisted of the stock compensation expense to Eligible Persons (as defined in the Company's share option scheme, which includes any Directors or employees of the Group and any other person including consultants or advisers).
- (2) Property charges and others for the years 2012 and 2011 primarily consisted of loss on the disposal or write-off of property and equipment of HK\$17.9 million in 2012 and HK\$93.8 million in 2011, and a one-off cost incurred associated with the listing of the Company on the Hong Kong Stock Exchange of HK\$74.6 million in 2011.
- (3) Adjusted EBITDA is profit before finance costs, taxes, depreciation and amortization, interest income, net foreign currency difference, share-based payments, and property charges and other items which mainly include loss on disposal/write-off of property and equipment and other non-recurring expenses. Adjusted EBITDA is used by management as the primary measure of our operating performance and to compare our operating performance with that of our competitors. However, adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our IFRS operating performance, or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.
- (4) Adjusted EBITDA before the license fee paid to a related company is HK\$5,543.2 million and HK\$5,046.0 million in 2012 and 2011 respectively. Details of the license fee are set out in note 15 to the consolidated financial statements.

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Resources

Working capital and recurring expenses as well as capital expenditures were funded from equity, bank borrowings, and cash generated from operations.

Our cash balance as at December 31, 2012 was HK\$7,381.4 million. This cash was available for operations, new development activities and enhancement to existing properties. In addition, HK\$11,310.0 million remains undrawn under the HK\$15.6 billion total banking facilities available to our Group.

### Gearing Ratio

The gearing ratio is an indicator of our Group's capital structure and capacity. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised long and short-term bank borrowings, where equity comprised all capital and reserves of the Group that are managed as capital. As at December 31, 2012, the gearing ratio of the Group is zero (December 31, 2011: zero), due to the fact that we have more cash than total debt as at December 31, 2012 and December 31, 2011.

### Group Cash Flows

The following table presents a summary of the Group's cash flows for the years ended December 31, 2012 and 2011.

	<b>For the year ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash generated by operating activities	<b>6,445,290</b>	6,354,857
Net cash used in investing activities	<b>(1,081,384)</b>	(301,925)
Net cash used in financing activities	<b>(3,572,949)</b>	(2,385,250)
Net increase in cash and cash equivalents	<b>1,790,957</b>	3,667,682
Cash and cash equivalents at the beginning of the year	<b>5,590,405</b>	1,922,723
Cash and cash equivalents at the end of the year	<b>7,381,362</b>	5,590,405

### Net cash generated by operating activities

Our net cash generated from operating activities is primarily affected by operating income generated by MGM Grand Paradise as a result of increased casino revenue and smaller growth in our working capital in 2012 compared to 2011. Net cash from operating activities was HK\$6,445.3 million in 2012 compared to HK\$6,354.9 million in 2011.

## Net cash used in investing activities

Net cash used in investing activities was HK\$1,081.4 million in 2012 compared to HK\$301.9 million in 2011. The major components of the cash flow used in investing activities relate to the initial payment of HK\$436.9 million to the Macau Government for part of the land premium of the Cotai Land in 2012 and payment for the construction in progress and purchase of property and equipment totaling HK\$580.2 million and HK\$295.4 million in 2012 and 2011, respectively. Payment for the construction in progress partly relates to the renovation work carried out throughout our property as well as the design and other preliminaries fees for the Cotai project. It included but is not limited to conversion of VIP gaming areas on Level Two and LT Games areas on the main floor in 2012, and conversion of VIP gaming suites, renovation and reconfiguration of gaming areas on the main floor in 2011. They are part of our ongoing effort to maintain and upgrade our products to enhance our customer experience at our property.

## Net cash used in financing activities

Net cash used in financing activities was HK\$3,572.9 million in 2012 compared to HK\$2,385.3 million in 2011. The increase mainly resulted from HK\$3,100.8 million dividend payment in 2012 as compared to the HK\$1,800.0 million repayment of revolving credit facility in 2011.

## Capital Commitments

Future commitments in respect of renovation of the casino and hotel complex of the Group and design and construction of the Cotai project that are not recorded in the consolidated financial statements herein are as follows:

	As at December 31,	
	2012	2011
	HK\$'000	HK\$'000
Authorized but not contracted for	17,206,835	134,270
Contracted but not accounted for	1,276,359	29,192
	<u>18,483,194</u>	<u>163,462</u>

## Other Commitment

Pursuant to the draft 25-year land concession contract in the form of a lease granted by the Macau Government, in respect of the Cotai Land, MGM Grand Paradise has committed to make payments in the sum of MOP841.2 million (approximately HK\$816.7 million), which includes 5% interest per annum as required by the Macau Government, payable in eight equal instalments due every six months in the amount of MOP117.3 million (approximately HK\$113.9 million). The first of the eight instalments is due six months from January 9, 2013 which is the date of publication of the Cotai Land Concession contract in the official gazette of Macau.

## Indebtedness

The following table presents a summary of our indebtedness as at December 31, 2012 and 2011.

	As at December 31,	
	2012	2011
	HK\$'000	HK\$'000
Secured term loan facility	<u>4,290,000</u>	<u>4,290,000</u>
<b>Total</b>	<u><b>4,290,000</b></u>	<u><b>4,290,000</b></u>

The Group had approximately HK\$11,310.0 million and HK\$3,120.0 million available to draw under the MGM Grand Paradise credit facilities as at December 31, 2012 and 2011 respectively.

## Contingent Liabilities

As at December 31, 2012, the Group has given bank guarantees totaling HK\$300.1 million in relation to our gaming subconcession.

## Term Loan Facility and Revolving Facility

### Overview

On July 27, 2010, MGM Grand Paradise entered into a HK\$7,410.0 million credit agreement (the "Existing Credit Facilities") with a syndicate of lenders and repaid the outstanding amounts under its prior credit facility in full on July 30, 2010. The Existing Credit Facilities include a HK\$4,290.0 million term loan facility and a HK\$3,120.0 million revolving credit facility.

On October 22, 2012, the Company and MGM Grand Paradise entered into an amended and restated credit agreement (the "Amended Credit Facilities") with certain lenders as co-borrowers. As part of such agreement, the credit facilities is now HK\$15.6 billion, consisting of a HK\$4,290.0 million term loan facility and a HK\$11,310.0 million revolving credit facility. The Amended Credit Facilities may be used for proper corporate purposes, including to refinance the Existing Credit Facilities, for future development opportunities including Cotai project and general corporate purposes of the Group.

As at December 31, 2012, the Group incurred and paid miscellaneous charges and bank fees of approximately HK\$318.1 million in relation to the Amended Credit Facilities.

### *Principal and Interest*

While the term loan of HK\$4,290.0 million was fully drawn on October 29, 2012, the HK\$11,310.0 million revolving credit facility is undrawn for the time being and is available for utilization up to September 2017. The term loan of the Amended Credit Facility is repayable on a quarterly basis commencing in July 2016 and will be fully repaid in October 2017 whereas each revolving credit facility will be repaid in full on the last date of the respective term but no later than October 2017.

The Amended Credit Facilities bear interest at HIBOR plus a fixed margin of 2.5% per annum for the first six months and thereafter a variable margin that may decrease to a minimum of 1.75% per annum based on the Group's leverage ratio. As at December 31, 2012, the Group paid interest at HIBOR plus a margin of 2.5% per annum.

### *General Covenants*

The Amended Credit Facilities contain general covenants restricting the ability of the obligor group (our Company and certain of its subsidiaries, namely the Restricted Group) to, among other things, enter into, dispose of or amend to certain commitments and/or investments. There are customary permitted exceptions to these restrictions and requirements for lenders approval.

### *Financial Covenants*

The Restricted Group is required to maintain a leverage ratio at the end of each quarter while the loans are outstanding. The leverage ratio is to be kept within 4.50 to 1.00 for each quarter and tightened up to no greater than 4.00 to 1.00 for each quarter after the first anniversary of opening of our upcoming integrated casino, hotel and entertainment complex in Cotai. In addition, the Group is required to maintain an interest coverage ratio of no less than 2.50 to 1.00 at each quarter end.

### *Compliance with Covenants*

The Group has complied with the general and financial covenants contained in the Amended Credit Facilities as set forth above.

### *Mandatory Prepayments*

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

### *Dividend Restrictions*

The Group is not allowed to declare, make or pay any dividends while any default is outstanding or will be resulted or if its leverage ratio exceeds 4.00 multiples by then or on a pro forma basis. To the extent its leverage ratio falls below 4.00 multiples but still exceeds 3.50, the Group may only pay dividends up to US\$300 million, including if any has been paid during preceding 12-month period. As at December 31, 2012, our leverage ratio is approximately 0.80.

### *Events of Default*

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

### *Security and Guarantees*

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

### **Quantitative and Qualitative Disclosure about Market Risk**

Market risk is the risk of loss arising from adverse changes in market rates and conditions, such as inflation, interest rates, and foreign currency exchange rates.

### *Foreign Exchange Risk*

The cash received from gaming activities is primarily in HK\$. The Group reports gross gaming win to the Macau Government in Patacas and the gaming taxes are paid in HK\$. Our costs and expenses are primarily denominated in Patacas and HK\$. The value of a Pataca is directly linked to the value of a HK\$, and accordingly, we do not expect fluctuations in the values of these currencies to have a material impact on our operations. The majority of its foreign currency exposures comprises assets denominated in US\$, Taiwan Dollars and Singapore Dollars. The exchange rate of the HK\$ is pegged to the US\$ and has remained relatively stable.

### *Interest Rate Risk*

One of our primary exposures to market risk is interest rate risk associated with our credit facilities that bear interest based on floating rates. We manage our interest rate risk by maintaining a level of cash and cash equivalents which management considers adequate to finance our operations and mitigate the effects of fluctuations in cash flows. We cannot assure you that these risk management strategies will have the desired effect, and interest rate fluctuations could have a negative impact on our results of operations. We do not hedge our interest rate risk.



## **Off Balance Sheet Arrangements**

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

## **Other Liquidity Matters**

We expect that we will fund our operations and capital expenditure requirements from operating cash flows, cash on hand and standby credit facilities. However, we cannot be sure that operating cash flows will be sufficient for this purpose. We may raise additional debt or refinance all or a portion of our indebtedness on or before maturity, but there can be no assurance that we will be able to do so on acceptable terms or at all.

New business developments or other unforeseen events may occur, resulting in the need to raise additional funds. There can be no assurances regarding the business prospects with respect to any other opportunity. Any other development would require us to obtain additional financing.

In the ordinary course of business, in response to market demands and client preferences and in order to increase revenue, we have made and will continue to make enhancements and refinements to our casino and hotel complex. We have incurred and will continue to incur capital expenditures related to these enhancements and refinements. In addition, the Cotai Land concession contract has been published in the official gazette of Macau on January 9, 2013, we will focus on the commencement of the Cotai project, and will incur capital expenditures for constructing an integrated casino, hotel and entertainment complex in Cotai.

Taking into consideration our financial resources, including our cash and cash equivalents, standby credit facilities and internally generated funds, we believe that we have sufficient liquid assets to meet our working capital and operating requirements for the following 12 months.

## **Related Party Transactions**

Details of related party transactions are set out in note 15 to the consolidated financial statements. Our Directors confirm that all related party transactions are conducted on normal commercial terms and that their terms are fair and reasonable and are in the best interest of all the Shareholders as a whole.

## **Business Review and Prospects**

MGM China achieved a good financial performance throughout 2012. The adjusted EBITDA and profit attributable to owners of the Company increased by 7.7% and 38.2% to HK\$5,310.4 million and HK\$4,530.8 million, respectively, in 2012 compared to 2011.

Throughout the year, we have demonstrated our operating resilience and expertise in an increasingly competitive market. We continued to grow our business, defended our market share, improved our operating efficiency and, as a result, exceeded our financial target. We reinvested in our business to maximize the financial return and to promote our brand.

During the past year, we demonstrated our capability to drive earnings and improve our margins through managing our customer segments, yielding our gaming floor and containing our cost. Marketing effectiveness and operating efficiency are critical in the highly competitive market. However, equally if not more important to the sustainability of our earnings increase, is our focus on new revenue streams and sources. This is an area that we will continue to devote much of our management time and resources to in the future. To that end, we will need to continuously improve our customer experience at MGM MACAU, both gaming and non-gaming.

On the gaming front, our VIP gaming areas on Level Two at MGM MACAU expansion was a significant undertaking that has resulted in meaningful VIP business growth since its opening in October 2012. We also improved the area on the main floor adjacent to the Platinum Lounge by introducing new products, such as LT Games tailored for the market. We will continue to re-examine the existing resources allocation to increase our VIP gaming revenue and productivity and to introduce some new games to our players, and at the same time, we will also focus on capital improvements to refresh our mass and slot machine gaming experience.

On the non-gaming front, we allocated significant resources to create customer unique experiences consistent with our brand image, which showed the public and the Macau Government our commitment to non-gaming diversification. Over 300,000 visitors went through our Butterfly Pavilion between May and October 2012. The exhibit became a must-see for many locals and tourists alike. We have created a sense of anticipation among our customers and the local communities on “What’s next at MGM’s Grand Praça?”.

With regard to Cotai development, in October 2012, with the formal acceptance of the terms and conditions of the draft land concession contract, we reached a key milestone in making MGM COTAI a reality. Shortly afterwards, we successfully closed on the refinancing transaction of HK\$15.6 billion which would ensure the funding for the Cotai project. On January 9, 2013, we received the final approval for the land grant in the Macau Government official gazette, a few months earlier than the market had anticipated. Now we will focus our full energies on the commencement of construction of our Cotai Complex which will bring a new level of excitement, sophistication and entertainment to Macau. Our plan is to have approximately 500 gaming tables, 2,500 slot machines, 1,600 hotel rooms with a budget of approximately HK\$20 billion, excluding land cost and capitalized interest. We are well positioned for a truly unique MGM experience.

It is the people at MGM who made possible all these accomplishments. We make employee engagement a strategic priority. In early 2012, we launched performance management process closely linked to our operating strategy. We invested in training and development. In December 2012, we celebrated the property’s 5th anniversary with a series of events to thank all the employees, particularly to honor those who have served the company for 5 years.

In summary, we believe in the long-term growth prospect of the Macau market, driven by (1) a large and growing mainland Chinese middle class with increasing disposable income; (2) continuous infrastructure improvements that will facilitate convenient travel to and within Macau and enhance the visitation levels; and (3) the efforts and investments made by gaming concessionaires to solidify Macau as a destination market with superior integrated resort products. MGM China will be an active participant contributing to as well as benefitting from the Macau market growth. We are confident that we will continue to grow and create value for our Shareholders and other stakeholders.

## **DISCLOSURE OF FINANCIAL RESULTS IN MACAU**

MGM Grand Paradise, our subsidiary and the holder of our gaming Subconcession, will file its statutory consolidated financial statements in accordance with Financial Reporting Standards of Macau Special Administrative Region, the People's Republic of China ("MFRS") for the year ended December 31, 2012 ("MFRS Consolidated Financial Statements") to the Gaming Inspection and Coordination Bureau of Macau on or about February 28, 2013. This is a statutory filing requirement mandated by Macau law. In addition, MGM Macau expects to publish its MFRS Condensed Financial Statements in the Macau Official Gazette and local newspapers in Macau by the end of April 2013. The MFRS Consolidated Financial Statements and the MFRS Condensed Financial Statements may not be directly comparable with our Company's financial results disclosed herein, which are prepared under IFRS.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the Special Dividend from March 7, 2013 (Thursday) to March 11, 2013 (Monday), both days inclusive, for the purpose of ascertaining the Special Dividend, during which period no transfer of Shares of the Company will be effected. In order to qualify for the Special Dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30p.m. on March 6, 2013.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended December 31, 2012.

## **CORPORATE GOVERNANCE REPORT**

### **Corporate Governance Practices**

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

During the year, the Company has complied with all code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 of the Listing Rules — Code for Securities Transactions by Officers.

The Company has adopted its own code of conduct regarding securities transactions by Directors and senior management of the Group (the "Code") in terms which are more exacting than the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules.

Having made specific inquiries of all Directors of the Company, the Company has received confirmations from all Directors that they have complied with the required standard set out in the Code for the year ended December 31, 2012.

### **Audit Committee**

The Audit Committee is currently comprised of three Independent Non-executive Directors and one Non-executive Director. The major duties of the Audit Committee under its terms of reference include overseeing the relationship between the Company and its external auditors, monitoring the integrity of the financial statements, annual and interim reports and reviewing significant financial reporting judgement contained therein, monitor compliance with statutory and Listing Rules requirements in relation to financial reporting, reviewing the Group's financial controls, internal control and risk management systems. The Audit Committee has reviewed the Group's annual results for the year ended December 31, 2012.

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

This announcement is published on the Company's and the Hong Kong Stock Exchange's websites. The Company's annual report for the year ended December 31, 2012 in accordance with the relevant requirements of the Listing Rules will be dispatched to Shareholders and published on the Company's and the Hong Kong Stock Exchange's websites in due course.

## DEFINITIONS AND GLOSSARY USED IN THIS ANNOUNCEMENT

“Board of Directors” or “Board”	the board of Directors of our Company
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and gross slot win), calculated net of commissions and discounts and in accordance with IFRS
“China”, “mainland China” or “PRC”	the People’s Republic of China excluding, for the purpose of this announcement for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire”	the holder of a concession for the operation of casino games in Macau. As at February 20, 2013, the Concessionaires were Galaxy, SJM and Wynn Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Directors”	the directors of our Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“EBITDA”	earnings before interest, tax, depreciation and amortization
“Eligible Persons”	any Directors or employees of the Group and any other person including consultants or advisers for their contribution to and continuing efforts to promote the interests of the Group

“Galaxy”	Galaxy Casino, S.A., a company incorporated in Macau on November 30, 2001, one of three direct Concessionaires and an Independent Third Party
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government
“gaming promoters”	individuals or corporations licensed by and registered with the Macau Government to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Global Offering”	the offer of Shares in the Company by subscription for cash at HK\$15.34 per Share on June 3, 2011 and subject to the terms outlined in the IPO Prospectus
“gross gaming revenue” or “gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions and discounts
“gross slot win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of a portion of commissions and discounts
“gross table games win”	the amount of drop (in our main floor casino segment) or turnover (in our VIP casino segment) that is retained as winnings. We record this amount and gross slot win as casino revenue after deduction of a portion of commissions and discounts
“Group”, “we”, “us” or “our”	our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group
“HIBOR”	Hong Kong InterBank Offer Rate
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“Independent Third Party(ies)”	parties which are not connected persons of our Company within the meaning of the Listing Rules
“IPO Prospectus”	the IPO Prospectus of the Company published on May 23, 2011 in connection with the Listing
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“Melco Crown”	Melco Crown Jogos (Macau) S.A., one of three Subconcessionaires

“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Subconcessionaires and one of our subsidiaries
“MGM Macau” or “our property”	our sole resort and casino property in Macau owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling shareholder
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Ho, Pansy Catilina Chiu King, a substantial shareholder and an executive director of our Company
“Pataca” or “MOP”	Macau Pataca, the lawful currency of Macau
“premium main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer relationship programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“Reorganization”	the reorganization of our Group in preparation for the Listing, as more fully described in the section headed “History and Corporate Structure — Reorganization” in IPO Prospectus
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time



“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“Subconcession” or “Subconcession Contract”	the tripartite Subconcession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
“Subconcessionaire(s)”	the holder(s) of a subconcession for the operation of casino games in Macau. As at February 20, 2013, the Subconcessionaires were VML, Melco Crown and MGM Grand Paradise
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus nonnegotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its Jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“VIP clients” or “VIP patrons”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitations”	with respect to visitation of our property, the number of times our property is entered during a fixed time period. Estimates of the number of visits to our property are based on information collected from digital cameras placed above every entrance to our property capable of counting visitors (including repeat visitors) to our property on a given day

“VML”	Venetian Macao, S.A., a company incorporated in Macau on June 21, 2002, one of three Subconcessionaires and an Independent Third Party
“Wynn Macau”	Wynn Resorts (Macau) S.A., a company incorporated in Macau on October 17, 2001, one of three direct Concessionaires and an Independent Third Party
“%”	per cent

By Order of the Board

**Pansy Catilina Chiu King Ho**  
*Chairperson and Executive Director*

**James Joseph Murren**  
*Co-chairperson and Executive Director*

Hong Kong, February 20, 2013

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