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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, 2013**

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, 2013 as follows:—

**FINANCIAL HIGHLIGHTS**

	<b>For the year ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Casino revenue	<b>25,412,367</b>	21,454,483
Other revenue	<b>315,146</b>	319,109
Total revenue	<b>25,727,513</b>	21,773,592
Adjusted EBITDA before the license fee (unaudited)	<b>6,644,875</b>	5,543,235
Adjusted EBITDA (unaudited)	<b>6,365,573</b>	5,310,434
Profit before taxation	<b>5,348,479</b>	4,120,869
Profit attributable to owners of the Company	<b>5,333,528</b>	4,530,829
Earnings per Share — basic and diluted	<b>HK\$1.40</b>	HK\$1.19

## **DIVIDENDS**

The Board is pleased to declare the payment of a special dividend of HK\$1.02 per Share (the “Special Dividend”), amounting to approximately HK\$3,876 million in aggregate, representing approximately 72.5% of the Group’s consolidated profit before taxation for the year ended December 31, 2013. The register of members will be closed from March 6, 2014 to March 10, 2014, both days inclusive, for the purpose of ascertaining the members who are entitled to the Special Dividend. This Special Dividend is expected to be paid on or about March 17, 2014 to the Shareholders whose names would appear on the register of members on March 10, 2014.

In accordance with the dividend policy announced by the Company on February 28, 2013 stipulating that the semi-annual dividends may not, in aggregate, exceed more than 35% of the anticipated consolidated annual profits in any one year, the Board recommends a final dividend of HK\$0.26 per Share (the “Final Dividend”), amounting to approximately HK\$988 million in aggregate, representing approximately 18.5% of the Group’s consolidated profit before taxation for the year ended December 31, 2013. Subject to approval by the Shareholders of the Final Dividend in the forthcoming Annual General Meeting, the register of members will be closed from May 23, 2014 to May 27, 2014, both days inclusive, for the purpose of ascertaining the members who are entitled to the Final Dividend. This Final Dividend is expected to be paid on or about June 4, 2014 to the Shareholders whose names would appear on the register of members on May 27, 2014.

The Board has resolved to declare the Special Dividend and recommend the payment of the Final Dividend after reviewing the Group’s general financial position as at February 19, 2014, its capital requirements going forward and other factors that the Board considered relevant, and determined that the Group has sufficient resources, after the payment of the Special Dividend and subject to the Shareholders’ approval, the Final 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 and Final Dividend should not be taken as an indication of the level of profit or dividend going forward.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>For the year ended</b>	
		<b>December 31,</b>	
	<i>NOTES</i>	<b>2013</b>	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING REVENUE</b>			
Casino revenue	3	25,412,367	21,454,483
Other revenue	4	315,146	319,109
		<u>25,727,513</u>	<u>21,773,592</u>
<b>OPERATING COSTS AND EXPENSES</b>			
Special gaming tax and special levy to the Macau Government		(13,654,092)	(11,548,882)
Inventories consumed		(359,900)	(343,028)
Staff costs		(1,695,803)	(1,518,076)
Operating and administrative and other expenses	6	(3,706,416)	(3,138,314)
Depreciation and amortization		(767,670)	(793,523)
		<u>(20,183,881)</u>	<u>(17,341,823)</u>
Operating profit		5,543,632	4,431,769
Interest income		24,529	37,979
Finance costs		(213,903)	(356,002)
Net foreign currency (loss)/gain		(5,779)	7,123
Profit before taxation		5,348,479	4,120,869
Taxation (expense)/benefit	7	(14,951)	409,960
<b>Profit for the year and total comprehensive income attributable to owners of the Company</b>		<u><u>5,333,528</u></u>	<u><u>4,530,829</u></u>
<b>Earnings per share — Basic and diluted</b>	9	<u><u>HK\$1.40</u></u>	<u><u>HK\$1.19</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	<b>At December 31</b>	
		<b>2013</b>	2012
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property and equipment		4,380,930	4,746,237
Construction in progress		2,333,003	319,378
Sub-concession premium		793,000	919,900
Land use right premium	10	1,468,761	332,404
Other assets		12,464	11,051
Prepayments and deposits	12	399,718	447,954
		<b>9,387,876</b>	<b>6,776,924</b>
<b>CURRENT ASSETS</b>			
Inventories		98,610	85,945
Trade receivables	11	577,244	478,989
Prepayments, deposits and other receivables	12	68,560	37,766
Land use right premium — short term	10	69,406	19,246
Amounts due from related companies	15(a)(i)	987	345
Bank balances and cash		7,884,805	7,381,362
		<b>8,699,612</b>	<b>8,003,653</b>
<b>CURRENT LIABILITIES</b>			
Payables and accrued charges	13	6,365,599	4,475,302
Deposits and advances		355,593	367,291
Land use right payable — due within 12 months	10	194,034	—
Construction retention payable			
— due within 12 months		30,066	21,135
Amounts due to related companies	15(a)(ii)	12,879	7,274
Taxation payable		15,236	15,236
		<b>6,973,407</b>	<b>4,886,238</b>
<b>NET CURRENT ASSETS</b>		<b>1,726,205</b>	<b>3,117,415</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,114,081</b>	<b>9,894,339</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings — due after 12 months	14	4,049,217	3,983,018
Land use right payable — due after 12 months	10	529,156	—
Construction retention payable			
— due after 12 months		32,250	—
		<b>4,610,623</b>	<b>3,983,018</b>
<b>NET ASSETS</b>		<b>6,503,458</b>	<b>5,911,321</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		3,800,000	3,800,000
Share premium and reserves		2,703,458	2,111,321
<b>SHAREHOLDERS' FUNDS</b>		<b>6,503,458</b>	<b>5,911,321</b>

## 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.

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 new and revised IFRSs relevant to the Group:

IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRSs (Amendments)	Annual Improvements to IFRSs 2009 — 2011 Cycle
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures

Except as described below, the application of the above new and revised 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.

#### ***Amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities***

The Group has applied the amendments to IFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about:

- a) recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*; and
- b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The amendments to IFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group’s consolidated financial statements but has resulted in more disclosures relating to the Group’s offsetting arrangements.

## New and revised IFRSs in issue not yet adopted

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

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities <sup>1</sup>
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions <sup>2</sup>
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures <sup>3</sup>
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle <sup>4</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle <sup>2</sup>
IFRS 9	Financial Instruments <sup>3</sup>
IFRS 14	Regulatory Deferral Accounts <sup>5</sup>
IFRIC 21	Levies <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after July 1, 2014

<sup>3</sup> Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

<sup>4</sup> Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

<sup>5</sup> Effective for first annual IFRS financial statements beginning on or after January 1, 2016

The directors of the Company anticipate that the application of the above standards, amendments and interpretation 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.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Casino revenue from		
— VIP gaming operations	15,995,647	13,672,876
— Main floor table gaming operations	7,162,671	5,688,782
— Slot machine operations	2,254,049	2,092,825
	<u>25,412,367</u>	<u>21,454,483</u>

#### 4. OTHER REVENUE

Other revenue comprises:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hotel rooms	45,364	65,103
Food and beverages	220,222	207,801
Retail goods and other services	49,560	46,205
	<u>315,146</u>	<u>319,109</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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hotel rooms	406,502	376,589
Food and beverages	368,604	322,726
Retail goods and other services	20,919	27,443
	<u>796,025</u>	<u>726,758</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 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 based on the location of the Group’s operations and almost all the non-current assets of the Group are located in Macau based on the geographical location of those assets. 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Junket commission	2,160,594	1,819,566
Advertising and promotion	775,472	588,413
License fees	279,302	232,801
Utilities and fuel	120,898	121,586
Repairs and maintenance	79,964	64,035
Other support services	71,564	63,892
Loss on disposal/write-off of property and equipment	3,027	17,899
(Reversal of) allowance for doubtful debts, net	(55,396)	52,854
Others	270,991	177,268
	<u>3,706,416</u>	<u>3,138,314</u>

## 7. TAXATION

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax:		
Macau	(14,951)	(48,819)
Hong Kong	—	—
	<u>(14,951)</u>	<u>(48,819)</u>
Deferred tax:		
Current year	—	—
Reversal of deferred tax liability previously recognized	—	458,779
	<u>(14,951)</u>	<u>409,960</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 Profit Tax is calculated at 16.5% of the estimated assessable profits for the current and prior year.

No provision for Macau Complementary Tax and Hong Kong Profit Tax has been recognized since the Group did not have estimated assessable profit for both years.

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



MGM Grand Paradise's exemption from Macau Complementary Tax does not apply to dividends to be distributed by MGM Grand Paradise. During the second half of 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. Pursuant to the dispatch 23/DIR/2012 dated June 21, 2012 issued by the Macau Government, MGM Grand Paradise was 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. Consequently, the deferred tax liability of HK\$458,779,000 previously made was reversed and dividend tax of approximately HK\$33,868,000 was recognized in the first half of 2012. On December 18, 2012, the Macau Government informed MGM Grand Paradise of the terms of an extended tax concession arrangement pursuant to which MGM Grand Paradise is 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.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before taxation	<u>5,348,479</u>	<u>4,120,869</u>
Tax at applicable income tax rate of 12%	<b>(641,817)</b>	(494,504)
Effect of tax exemption granted to MGM Grand Paradise	<b>817,072</b>	655,380
Effect of tax losses not recognized	<b>(166,793)</b>	(147,461)
Effect of expenses not deductible for tax purposes	<b>(4,740)</b>	(7,493)
Effect of income not taxable for tax purposes	—	899
Effect of utilization of tax losses previously not recognized	<b>484</b>	—
Effect of utilization of deductible temporary differences previously not recognized	<b>10,997</b>	11,911
Effect of deductible temporary differences not recognized	<b>(14,197)</b>	(19,255)
Deferred tax reversed/(recognized) on distributable reserves of a subsidiary	—	458,779
Lump sum dividend tax	<b>(14,951)</b>	(48,819)
Others	<b>(1,006)</b>	523
	<u><b>(14,951)</b></u>	<u>409,960</u>

As at December 31, 2013, the Group has total unused tax losses (subject to agreement by the relevant tax authorities of Macau and Hong Kong) amounting to approximately HK\$3,594.8 million in aggregate, of which approximately HK\$1,379.6 million, HK\$1,202.5 million and HK\$977.7 million were arising from tax losses in Macau in the years of assessment ended December 31, 2013, 2012 and 2011 respectively (2012: total unused tax losses 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). The Macau tax losses of approximately HK\$3,559.8 million in aggregate will expire in the years ending December 31, 2016, 2015 and 2014 (2012: approximately HK\$3,234.1 million Macau tax losses in aggregate will expire or had expired in the years ending December 31, 2015, 2014 and 2013). As at December 31, 2013, the Group also has other unused tax losses in Hong Kong of approximately HK\$35.0 million (2012: approximately HK\$28.6 million), which may be carried forward indefinitely.

As at December 31, 2013, the Group also has deductible temporary difference of approximately HK\$1,025.5 million (2012: approximately HK\$998.8 million) 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 267/2011 issued by the Macau Government dated September 22, 2011, MGM Grand Paradise is exempted from Macau Complementary Tax for income generated from gaming operations for another 5 years from 2012 to 2016; 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 February 22, 2012, a special dividend of HK81.6 cents per share, amounting to approximately HK\$3,100 million in aggregate was declared by the directors of the Company. These dividends were paid to shareholders on March 20, 2012.

On February 20, 2013, a special dividend HK\$1.02 per share, amounting to approximately HK\$3,873.8 million in aggregate was declared by the directors of the Company. These dividends were paid to shareholders on March 18, 2013.

On August 6, 2013, an interim dividend of HK\$0.23 per share, amounting to approximately HK\$874.0 million in aggregate was declared by the directors of the Company. These dividends were paid to shareholders on September 2, 2013.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the years ended December 31, 2013 and 2012 is based on the consolidated profit attributable to owners of the Company and on the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share for the year ended December 31, 2013 is based on the consolidated profit attributable to owners of the Company and on the weighted average number of shares, including the weighted average number of shares in issue during the year plus the potential shares arising from exercise of share options.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Profit</b>		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u><u>5,333,528</u></u>	<u><u>4,530,829</u></u>
<b>Weighted average number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share ('000)	3,800,107	3,800,000
Number of dilutive potential shares arising from exercise of share options ('000)	<u>4,338</u>	<u>—</u>
Weighted average number of shares for the purpose of diluted earnings per share ('000)	<u><u>3,804,445</u></u>	<u><u>3,800,000</u></u>
Earnings per share — Basic and diluted	<u><u>HK\$1.40</u></u>	<u><u>HK\$1.19</u></u>

During the year ended December 31, 2012, 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 the shares during the year in which they are outstanding.

## 10. LAND USE RIGHT PREMIUM

	<i>HK\$'000</i>
COST	
At January 1, 2012, December 31, 2012 and January 1, 2013	481,470
Transfer form prepayments and deposits	436,893
Additions	817,930
	<hr/>
At December 31, 2013	1,736,293
	<hr/>
AMORTIZATION	
At January 1, 2012	(110,520)
Charge for the year	(19,300)
	<hr/>
At December 31, 2012 and January 1, 2013	(129,820)
Charge for the year	(19,246)
Capitalized in construction in progress	(49,060)
	<hr/>
At December 31, 2013	(198,126)
	<hr/>
CARRYING AMOUNT	
At December 31, 2013	1,538,167
	<hr/>
At December 31, 2012	351,650
	<hr/>

Included in the consolidated statement of financial position as:

	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current land use right premium	<b>69,406</b>	19,246
Non-current land use right premium	<b>1,468,761</b>	332,404
	<hr/>	<hr/>
	<b>1,538,167</b>	351,650
	<hr/> <hr/>	<hr/> <hr/>

The land use right premium represents payments made for the leasehold interest in land for the casino and hotel complex of the Group located on the Macau peninsula (the “Macau Complex”) and another integrated casino, hotel and entertainment complex on the Cotai Land (the “Cotai Complex”) and are stated at cost less accumulated amortization and impairment and are amortized using the straight-line method over the estimated useful life of 25 years from the date when the land use right was granted on April 6, 2006 and January 9, 2013 respectively.

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 the Cotai Land. The total amount of the land premium was MOP1,291.2 million (approximately HK\$1,253.6 million) which comprised an initial payment of MOP450.0 million (approximately HK\$436.9 million included in non-current prepayments and deposits as at December 31, 2012) made in October 2012 and a payable of MOP841.2 million (approximately HK\$816.7 million) to the Macau Government. The amount is interest bearing at 5% per annum and payable in eight equal instalments due every six months of MOP117.3 million (approximately HK\$113.9 million). The first of the eight instalments was paid in July 2013.

Included in the consolidated statement of financial position as:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Land use right payable — due within 12 months	194,034	—
Land use right payable — due after 12 months	529,156	—
	<u>723,190</u>	<u>—</u>

#### 11. TRADE RECEIVABLES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables	610,974	586,122
Less: Allowance for doubtful debts	(33,730)	(107,133)
	<u>577,244</u>	<u>478,989</u>

The Group grants unsecured credit lines, drawn by way of non-negotiable chips, to gaming promoters based on pre-approved credit limits. The Group also issues markers and credit to approved casino customers (“VIP gaming customers”) 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 carrying amount of the trade receivables approximates their fair value.

The following is an analysis of trade receivables, net of allowance for doubtful debts, by age presented based on marker issuance date or invoice date:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 30 days	514,732	453,045
31 — 60 days	33,753	21,170
61 — 90 days	28,732	4,769
91 — 120 days	27	5
	<u>577,244</u>	<u>478,989</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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At January 1,	107,133	161,316
Impairment losses recognized on trade receivables	34,162	146,908
Impairment losses reversed upon recovery	(89,558)	(94,054)
Amount written off as uncollectible	(18,007)	(107,037)
	<u>33,730</u>	<u>107,133</u>
At December 31,	<u><u>33,730</u></u>	<u><u>107,133</u></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 Group has a concentration of credit risk with gaming promoters as the Group's trade receivables due from gaming promoters were mainly due from a few counterparties, all of which are domiciled in Macau.

The allowance recognized during the years ended December 31, 2013 and 2012 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.

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Prepaid land use right premium ( <i>note 10</i> )	—	436,893
Prepaid goods and services	62,334	16,140
Rental and other deposits	31,679	23,853
Advance to a construction contractor ( <i>note</i> )	366,019	—
Other receivables	8,246	8,834
	<u>468,278</u>	<u>485,720</u>
Current	68,560	37,766
Non-current	399,718	447,954
	<u><u>468,278</u></u>	<u><u>485,720</u></u>

*Note:* During the year, the Group advanced MOP377.0 million (equivalent to approximately HK\$366.0 million) to a construction contractor for mobilization costs associated with the construction of the Cotai Complex.

### 13. PAYABLES AND ACCRUED CHARGES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Outstanding chips liabilities	2,555,951	1,426,233
Special gaming tax and special levy payables	1,316,136	1,222,981
Other casino liabilities	1,214,224	1,101,670
Accrued construction and renovation costs	552,002	99,893
Accrued staff costs	336,619	235,582
Other payables and accrued charges	306,015	294,389
Trade payables	84,652	94,554
	<u>6,365,599</u>	<u>4,475,302</u>

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 30 days	53,114	60,679
31 — 60 days	27,330	27,873
61 — 90 days	1,005	1,708
91 — 120 days	2,479	1,294
Over 120 days	724	3,000
	<u>84,652</u>	<u>94,554</u>

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

### 14. BANK BORROWINGS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Bank borrowings represent:		
Secured term loan facilities of HK\$4,290,000,000	4,290,000	4,290,000
Less: Debt finance costs	(240,783)	(306,982)
	<u>4,049,217</u>	<u>3,983,018</u>
Carrying amount repayable:		
On demand or within one year	—	—
More than one year, but not exceeding two years	—	—
More than two years, but not exceeding five years	4,049,217	3,983,018
	<u>4,049,217</u>	<u>3,983,018</u>
Current	—	—
Non-current	4,049,217	3,983,018
	<u>4,049,217</u>	<u>3,983,018</u>

The credit facilities comprise a HK\$4,290 million term loan facility and a HK\$11,310 million revolving credit facility. The credit facilities bear interest for the first six months from the effective date of the credit facilities at Hong Kong Interbank Offered Rate (“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, 2013, the interest rate under the credit facilities is HIBOR plus 1.75% per annum (2012: HIBOR plus 2.5% per annum). The effective interest rate on the Group’s borrowings for the year ended December 31, 2013 is 4.71% (2012: 5.38%). The term loan 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. During the year ended December 31, 2012, the Group incurred and paid miscellaneous charges and bank fees of approximately HK\$318.1 million in relation to the credit facilities. There were no similar charges and fees being paid during the year ended December 31, 2013.

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

## 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\$6.3 million (2012: HK\$3.6 million), and ultimate holding company of the Company amounting HK\$6.6 million (2012: HK\$3.7 million). The amounts are unsecured, non-interest bearing and repayable on demand.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 30 days	10,166	3,862
31 — 60 days	2,713	3,408
61 — 90 days	—	1
91 — 120 days	—	—
Over 120 days	—	3
	<u>12,879</u>	<u>7,274</u>



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

Related parties	Type of transaction	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Companies in which one of the directors of the Company has non-controlling beneficial interests	Rental of premises	3,204	3,255
	Travelling and accommodation, net of discounts	149,812	126,274
Ultimate holding company	Marketing referral fees	17,908	15,794
	Marketing referral income	(827)	(1,050)
Company jointly-owned by shareholders	Developers' fees capitalized	118,030	44,349
	License fee	279,302	232,801
		<u><u>          </u></u>	<u><u>          </u></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, 2013, the annual cap is US\$36 million (equivalent to approximately HK\$279 million) and for the year ended December 31, 2012, the annual cap is US\$30 million (equivalent to approximately HK\$233 million). 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, 2013, a total license fee of HK\$279.3 million (2012: HK\$232.8 million) was recognized in the profit or loss.

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

## 16. EVENT AFTER THE REPORTING PERIOD

On February 19, 2014, a special dividend of HK\$1.02 per share, amounting to approximately HK\$3,876 million in aggregate, has been declared by the directors of the Company, and a final dividend of HK\$0.26 per share, amounting to approximately HK\$988 million in aggregate, has been recommended by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

## 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 25,677 square meters, with 1,368 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 Mandarin Oriental Hotel and serviced apartments.

On January 9, 2013, our Cotai Land concession contract was published in the official gazette of Macau by the Macau Government. Effective from January 9, 2013, MGM Grand Paradise has leased a plot of land with an area of 71,833 square meters located in Cotai ("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. Pursuant to the Cotai Land concession contract, we need to make an initial payment of MOP450.0 million (approximately HK\$436.9 million) and 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 the land premium as required by the Macau Government. We made the initial payment when MGM Grand Paradise formally accepted the terms and conditions of the draft land concession contract in October 2012, and the first of the eight instalments was paid in July 2013. In addition, we need to make annual lease payments of MOP2.2 million (approximately HK\$2.1 million) during the development period and annual payments of approximately MOP5.5 million (approximately HK\$5.3 million) once the development is completed.

The Group is now constructing an integrated casino, hotel and entertainment complex on the Cotai Land, which providing a truly unique MGM experience with up to 1,600 hotel rooms, 500 gaming tables and 2,500 slot machines. In May 2013, we have appointed a main contractor for the COTAI project. MGM COTAI is well underway. We are excited to see the commencement of the basement and tower construction, along with ongoing development of our interior designs. We are also progressing a number of exciting ideas for cutting edge entertainment and interaction technology in our property. It is important to note that all of our efforts to progress the project this year include integrated efforts focused on maximizing our sustainability goals including optimizing our plant performance and overall building systems applications that anticipate compelling results in the energy and water conservation categories. Follow on an extensive review, we expect the project cost will be approximately HK\$23 billion, excluding land costs and capitalized interest, HK\$3 billion higher than previously announced. The cost increases are due to an increase in project scope as well as market cost escalation. We remain on track for an early 2016 opening.

For the year ended December 31, 2013, our Company generated HK\$25,727.5 million in operating revenue, HK\$6,365.6 million in adjusted EBITDA and HK\$5,333.5 million in profit attributable to owners of the Company, representing 18.2%, 19.9% and 17.7% increase respectively over the results for the year ended December 31, 2012. Our operating results were positively impacted by our operating strategy and the market growth, but at the same time inhibited by competition and general economic condition particularly in China. In addition, the increase in profit attributable to owners of the Company was partly offset by a reversal of the deferred tax expense in amount of HK\$424.9 million in prior year.

### **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 opened in Cotai resulting the market share migration from Macau Peninsula to Cotai. 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, 2013, total casino gross win in Macau market was approximately HK\$350.2 billion, up 18.6% over the same period in 2012.

According to statistics published by the Statistics and Census Service of the Macau Government, visitor arrivals reached 29.3 million in 2013 compared to 28.1 million 2012. Gaming customers travelling to Macau typically come from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan, with approximately 90% of visitors to Macau in 2013 coming from mainland China, Hong Kong and Taiwan. Visitors coming from mainland China increased 10.2% from prior year and reached 18.6 million in 2013. We are optimistic that visitation levels and gross gaming revenue in Macau will continue to grow due to a 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 Gongbei border gate capacity, extension of inter-city train from Guangzhou all the way to the Gongbei border gate 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 Strength and Operating Strategies**

Our competitive strength lies principally in our high-end product and service offerings; our ability to segment and conduct targeted marketing to various customer groups through our Golden Lion Club customer relationship program; our strong partnership with gaming promoters; and our very effective strategy execution by the operation team.

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. We continue to expand 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, and 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 during the year. In the coming year, we will introduce our market leading resort life-style curator program, M-Life, as a vehicle to expand the reach of our current player club, Golden Lion Club, and increase our brand awareness and customer loyalty from our key feeder markets.

## ***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 hotel rooms, food and beverages all based on a percentage of the rolling chip turnover.

For the year ended December 31, 2013, our VIP casino gaming operations experienced significant growth. This segment of our business generated HK\$894.6 billion in rolling chip turnover, an increase of 27.4% in 2013 compared to the prior year. The increase in turnover was due primarily to incremental VIP business in response to our new gaming products and gaming areas as well as the addition of new gaming promoters during the year. The expansion of the VIP gaming areas on Level Two at MGM MACAU has resulted in meaningful VIP business growth since its launch in October 2012. The positive impact was partly offset by the decrease in our VIP table games win percentage from 3.1% to 2.8% over the comparable periods in 2012 and 2013.

Operationally, we have successfully continued to improve VIP business volume by maximizing productivity from existing capacity and by making capital improvements to enhance our facilities and to increase capacity for our 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 which has continued to drive growth during

the year. 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 expectations. Our efforts to grow the VIP business will continue to center around maintaining a close partnership with gaming promoters, enhancing the gaming experience of our customers, and yielding all VIP gaming rooms to maximize table utilization and profit.

(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 for the Macau market as a whole. We also believe that this segment represents the most potential for sustainable growth in the future. In 2013, this segment achieved a higher growth rate than the VIP segment in the Macau market and our property as well.

In spite of increased competition, for the year ended December 31, 2013, revenue from this segment increased year-over-year by 25.9% to HK\$7,162.7 million. The growth was 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 continued to invest 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 Golden Lion Club as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotions.

Following the success of Supreme and Platinum Lounge launched in 2011, we launched the electronic betting terminals of Live Table Games (“LT Games”) gaming area, which includes both table game and slots, on the main floor in August 2012, which help us target the premium main floor players to grow our revenue and to improve our yield on the gaming floor continuously. Going forward, we will continue to re-examine our main floor gaming areas to maximize table utilization, to innovate our gaming products and to invest in technologies and analytical capability to enhance table productivity and customer retention.

(3) *Slot Machine Gaming Operations*

Our slot business generated HK\$2,254.0 million in revenue for the year ended December 31, 2013, up 7.7% from the prior year. We have successfully increased slot business volume and our market share by our successful customer and product 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. Going forward, we will expand our Supreme Lounge to increase slot capacity and introduce M-Life to increase our brand awareness and customer loyalty simultaneously. In conjunction with the M-Life rollout, we are also developing technologies to enhance our analytical capability to help us deliver much more personal and precision marketing efforts.

## ***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 2013, we have organized events such as the “Glorious China, Auspicious Macau” Gold Brick Exhibition by prominent crossover designer and artist, Wang Kaifang, the MGM Water Aurora starting from May 2013 featuring an 8-meter-tall water-sky aquarium with fish darting among multi-hued corals, Oktoberfest 2013, the Art Exhibition in L2 Gallery featuring themed artworks by local artists, and the “MGM Art Space” with a spectacular exhibition featuring Florentine Renaissance artist Sandro Botticelli’s life, legend, legacy and his enduring masterpiece, *Venus*, starting from December 2013. These exhibits and events successfully drew traffic to our property for visit and have created a sense of anticipation among our customers, local communities and tourists alike, on what is going on at MGM MACAU.

## **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. 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 2013 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. We are also investing in technologies to enhance our analytical capability for operations and marketing in order to further enhance our overall efficiency.

## **Competition**

While we generated solid financial results in 2013, 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, 2013, there were 35 casinos in Macau. Those properties located in Cotai have continued to achieve a higher growth rate than those located in Macau Peninsula in 2013. Despite market share migration from Macau Peninsula to Cotai, we were able to maintain our overall market share. Our market share in Macau Peninsula reached 18.1% in 2013 compared to 17.0% in 2012. We expect competition in the Macau market to continue to increase in the future as 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, Philippines 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.

During the current and prior year, all revenue was derived from customers in Macau based on the location of our operations and almost all the non-current assets of the Group are located in Macau based on the geographical location of those assets. None of the customers of the Group individually contributed more than 10% of the total revenues during the current and prior year.

## Discussion of Results of Operations

### Financial results for the year ended December 31, 2013 compared to financial results for the year ended December 31, 2012

#### 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,	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Number of VIP gaming tables	233	218
VIP table games turnover	894,592,686	701,917,457
VIP gross table games win	25,243,772	21,491,682
VIP table games win percentage	2.8%	3.1%
Average daily gross win per gaming table	296.8	269.0
Number of main floor gaming tables	189	201
Main floor table games drop	20,847,423	18,944,454
Main floor gross table games win	7,118,699	5,666,379
Main floor table games win percentage	34.2%	29.9%
Average daily gross win per gaming table	103.3	77.0
Number of slot machines	1,368	1,272
Slot machine handle	44,409,964	38,222,534
Slot machine gross win	2,262,939	2,098,901
Slot hold percentage	5.1%	5.5%
Average daily win per slot	4.5	4.5
Commission and discounts	(9,254,411)	(7,825,148)
Room occupancy rate	98.3%	97.8%
REVPAR <sup>(1)</sup>	2,078	2,097

Note: <sup>(1)</sup> 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, 2013 and 2012.

	For the year ended December 31,	
	2013	2012
	HK\$'000	HK\$'000
<b>Casino revenue</b>	<b>25,412,367</b>	21,454,483
VIP gaming operations	<b>15,995,647</b>	13,672,876
Main floor gaming operations	<b>7,162,671</b>	5,688,782
Slot machine gaming operations	<b>2,254,049</b>	2,092,825
<b>Other revenue</b>	<b>315,146</b>	319,109
Hotel rooms	<b>45,364</b>	65,103
Foods and beverages	<b>220,222</b>	207,801
Retail and other services	<b>49,560</b>	46,205
<b>Operating revenue</b>	<b>25,727,513</b>	21,773,592

Total operating revenue increased by 18.2% to HK\$25,727.5 million in 2013. We believe this increase was due to a combination of factors, including overall Macau market growth, enhanced marketing efforts and the continuous property improvements such as the expansion of our VIP gaming areas on Level Two at MGM MACAU to cater for new and existing gaming operators, and the introduction of LT Games gaming area on the main floor in August 2012 as well.

### Casino Revenue

Casino revenue increased by 18.4% to HK\$25,412.4 million in 2013. The components and reasons for this increase were:

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

Revenue from VIP gaming operations increased by 17.0% to HK\$15,995.6 million in 2013. VIP table games turnover increased by 27.4% to HK\$894,592.7 million in 2013. The increase in turnover primarily resulted from incremental VIP business as a result of additional VIP gaming areas and capacity on Level Two launched in October 2012, with a total of 42 tables, and the addition of gaming promoters during the year. The positive impact was partly offset by the decrease in our VIP table games win percentage from 3.1% to 2.8% over the comparable periods in 2012 and 2013. In 2013, MGM MACAU had 233 VIP gaming tables in operation, as compared with 218 VIP gaming tables in 2012.

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\$9,254.4 million and HK\$7,825.1 million in 2013 and 2012, respectively.



(2) *Main Floor Gaming Operations*

Revenue from main floor gaming operations increased by 25.9% to HK\$7,162.7 million in 2013. Main floor table games drop increased by 10.0% to HK\$20,847.4 million in 2013. The increase 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 — LT Games areas, which are tailored for the high end segment of the mass market following the success of Supreme and Platinum Lounge. Further, we benefited from our marketing, branding and promotional activities including lucky draws and various tailored entertainment functions and non-gaming attractions and branding events as mentioned above. In 2013, MGM MACAU had 189 main floor gaming tables in operation, as compared with 201 main floor gaming tables in 2012. The main floor table games win percentage increased from 29.9% to 34.2% over the comparable periods in 2012 and 2013.

(3) *Slot Machine Gaming Operations*

Revenue from slot machine gaming operations increased by 7.7% to HK\$2,254.0 million in 2013. Slot machine handle increased by 16.2% to HK\$44,410.0 million in 2013. The increase 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 LT Games gaming area in August 2012, which were tailored for the high-end segment of the market. Our strategy to retain and reactivate targeted high end players has also led to more return visits and longer play during the year. The positive impact was partly offset by the decrease in our slot machine win percentage from 5.5% to 5.1% over the comparable periods in 2012 and 2013. In 2013, MGM MACAU had 1,368 slot machines in operation, as compared with 1,272 slot machines in 2012.

**Other Revenue**

Other revenue, which includes hotel rooms, foods and beverages and retail and other services, slightly decreased by 1.2% to HK\$315.1 million in 2013. 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 MGM MACAU.

## Operating Costs and Expenses

The following table sets forth the major operating costs and expenses for the years ended December 31, 2013 and 2012.

	For the year ended	
	December 31,	
	2013	2012
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	13,654,092	11,548,882
Inventories consumed	359,900	343,028
Staff costs	1,695,803	1,518,076
Operating and administrative and other expenses	3,706,416	3,138,314
Depreciation and amortization	767,670	793,523
Finance costs	213,903	356,002
Taxation expense/(benefit)	14,951	(409,960)

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

Special gaming tax and special levy to the Macau Government increased by 18.2% to HK\$13,654.1 million in 2013. This increase resulted directly from the increased casino revenue in 2013 compared to 2012.

### *Inventories consumed*

Inventories consumed increased by 4.9% to HK\$359.9 million in 2013. This increase was primarily due to increase in consumptions of supplies in response to the increase in our business volumes during the year.

### *Staff costs*

Staff costs increased by 11.7% to HK\$1,695.8 million in 2013. The increase was primarily due to hiring of additional staff in response to the increase in casino business volumes and a 5% staff salary increment to line level staff implemented in March 2013. Our labor efficiency continues to improve, as a result of KPI implementation.

### *Operating and administrative and other expenses*

Operating and administrative and other expenses increased mainly resulting from:

*Junket commissions.* Junket commissions increased by 18.7% from HK\$1,819.6 million in 2012 to HK\$2,160.6 million in 2013. The increase resulted directly from the increase in VIP gross table games win in 2013 compared to 2012.

*Advertising and promotions expense.* Advertising and promotions expense increased by 31.8% from HK\$588.4 million in 2012 to HK\$775.5 million in 2013. The increase was as a result of more marketing activities were organized during the year to continuously create customer unique experiences consistent with our brand image.

*License fee and marketing fees.* License fee and marketing fees due to related companies increased by 19.6% from HK\$248.6 million in 2012 to HK\$297.2 million in 2013. This increase resulted directly from the increased revenue in 2013 compared to 2012 as well as the increase in annual cap by 20% in 2013.

*Allowance for doubtful debts, net.* Allowance for doubtful debts, net was HK\$55.4 million credit in 2013 compared to a debit of 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 efforts and recovery of doubtful debts provided for in previous years.

*Other expenses.* Other expenses increased by 52.9% from HK\$177.3 million in 2012 to HK\$271.0 million in 2013. The increase was primarily as a result of a one-off additional Macau tourism tax assessment of HK\$62.4 million made during the year.

As a result, operating and administrative and other expenses increased by 18.1% to HK\$3,706.4 million in 2013.

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

Depreciation and amortization decreased slightly by 3.3% to HK\$767.7 million in 2013 due to full depreciation of certain assets in 2013, and partly offset by the impact of assets placed into service in the new in-house VIP gaming area on Level Two and LT Games area.

### ***Finance costs***

Finance costs decreased by 39.9% to HK\$213.9 million in 2013. The decrease primarily resulted from the write-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 and the decrease in interest rate of term loan of the Amended Credit Facilities during the current year. The decrease was partly offset by the increase in commitment fee of the revolving credit facility as a result of the increase in amount of revolving credit facility from HK\$3,120.0 million to HK\$11,310.0 million upon the completion of the refinancing of the credit facilities.

### ***Taxation***

Taxation for the year ended December 31, 2013 related to the dividend withholding tax in 2013 granted by the Macau Government in December 2012, while the amount for the year ended December 31, 2012 related 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. 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 17.7% from HK\$4,530.8 million in 2012 to HK\$5,333.5 million in 2013.

## Adjusted EBITDA

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement, profit attributable to owners of the Company, for the years ended December 31, 2013 and 2012.

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit attributable to owners of the Company	<b>5,333,528</b>	4,530,829
Add/(less):		
Depreciation and amortization	<b>767,670</b>	793,523
Interest income	<b>(24,529)</b>	(37,979)
Finance costs	<b>213,903</b>	356,002
Net foreign currency difference	<b>5,779</b>	(7,123)
Taxation expense/(benefit)	<b>14,951</b>	(409,960)
Share-based payments <sup>(1)</sup>	<b>34,462</b>	67,243
Property charges and others <sup>(2)</sup>	<b>19,809</b>	17,899
	<hr/>	<hr/>
Adjusted EBITDA <sup>(3)</sup> (unaudited)	<b><u>6,365,573</u></b>	<u>5,310,434</u>
	<hr/>	<hr/>
Adjusted EBITDA before the license fee <sup>(4)</sup> (unaudited)	<b><u>6,644,875</u></b>	<u>5,543,235</u>

### Notes:

- (1) Share-based payments for the years ended December 31, 2013 and 2012 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 year ended December 31, 2013 consisted of pre-opening expenses of HK\$16.8 million incurred for our COTAI project and loss on the disposal or write-off of property and equipment of HK\$3.0 million, while the balance for the year ended December 31, 2012 represented the loss on the disposal or write-off of property and equipment amounting to HK\$17.9 million.
- (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 was HK\$6,644.9 million and HK\$5,543.2 million in 2013 and 2012 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 bank and cash balances as at December 31, 2013 was HK\$7,884.8 million. This bank and cash balances was available for operations, new development activities including COTAI project and enhancement to existing properties. In addition, HK\$11,310.0 million remained 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-term bank borrowings (offset by cash and bank balances), where equity comprised all capital and reserves of the Group that are managed as capital. As at December 31, 2013, the gearing ratio of the Group was zero (2012: zero), due to the fact that we have more cash than total debt as at December 31, 2013 and 2012.

### Group Cash Flows

The following table presents a summary of the Group's cash flows for the years ended December 31, 2013 and 2012.

	For the year ended December 31,	
	2013	2012
	HK\$'000	HK\$'000
Net cash generated by operating activities	7,528,090	6,134,678
Net cash used in investing activities	(2,052,298)	(1,081,384)
Net cash used in financing activities	(4,972,349)	(3,262,337)
Net increase in cash and cash equivalents	503,443	1,790,957
Cash and cash equivalents at the beginning of the year	7,381,362	5,590,405
Cash and cash equivalents at the end of the year	<u>7,884,805</u>	<u>7,381,362</u>

### Net cash generated by operating activities

Our net cash generated from operating activities was primarily affected by operating income generated by MGM Grand Paradise as a result of increased casino revenue and growth in our working capital in 2013 compared to 2012. Net cash from operating activities was HK\$7,528.1 million in 2013 compared to HK\$6,134.7 million in 2012.

## Net cash used in investing activities

Net cash used in investing activities was HK\$2,052.3 million in 2013 compared to HK\$1,081.4 million in 2012. The major components of the cash flow used in investing activities relate to the payment for the construction in progress and purchase of property and equipment totaling HK\$1,811.6 million and HK\$589.6 million in 2013 and 2012, respectively, as well as developers' fees and land use right premium paid. Payment for the construction in progress partly related to the renovation work carried out throughout our property as well as the design and other preliminaries fees, including ground treatment, professional fees and piling works, for the COTAI project. The renovation works were 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\$4,972.3 million in 2013 compared to HK\$3,262.3 million in 2012. The increase mainly resulted from HK\$4,750.0 million dividend payment in 2013 as compared to the HK\$3,100.8 million dividend payment in 2012.

## 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,	
	2013	2012
	HK\$'000	HK\$'000
Authorized but not contracted for	8,318,527	17,206,835
Contracted but not accounted for	9,626,778	1,276,359
	<u>17,945,305</u>	<u>18,483,194</u>

## Indebtedness

As at December 31, 2013 and 2012, the Group had secured a term loan facility of approximately HK\$4,290.0 million. The Group had approximately HK\$11,310.0 million available to draw under the MGM Grand Paradise credit facilities as at December 31, 2013 and 2012.

## Contingent Liabilities

As at December 31, 2013, the Group had given bank guarantees totaling HK\$300.1 million in relation to our gaming subconcession.

## **Term Loan Facility and Revolving Credit 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.

During the year ended December 31, 2012, the Group incurred and paid miscellaneous charges and bank fees of approximately HK\$318.1 million in relation to the credit facilities. There were no similar charges and fees being paid during the year ended December 31, 2013.

### *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 Facilities 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, 2013, the Group paid interest at HIBOR plus a margin of 1.75% 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 reduced 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 proforma 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, 2013, our leverage ratio was approximately 0.68.

### *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.

### *Credit Risk*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to a financial guarantee issued by the Group

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

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Group believes that no significant credit risk is inherent in the Group's trade receivables which are not provided for.

The liquid funds which are deposited with several banks with high credit standing in Hong Kong and Macau. The credit risk on liquid funds is limited because the counterparties are banks with high credit standing in Hong Kong and Macau.

### **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 was published in the official gazette of Macau on January 9, 2013, we are focusing on the commencement of the COTAI project, and will continue to 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 2013. The adjusted EBITDA and profit attributable to owners of the Company increased by 19.9% and 17.7% to HK\$6,365.6 million and HK\$5,333.5 million, respectively, in 2013 compared to 2012.

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 introduced new products, such as LT Games tailored for the market in August 2012. We will continue to re-examine the existing resources allocation to increase our VIP gaming revenue and productivity and to introduce some new games, promotions, and our M-Life to our players on the mass floor, 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 continued to allocate significant resources to create customer unique experiences consistent with our brand image, and we will continue to improve our customer experiences by enhancing our hotel, foods and beverages offerings which showed the public and the Macau Government our commitment to non-gaming diversification. In addition, in conjunction with the M-Life rollout, we will simultaneously increase our brand awareness and customer loyalty from our key feeder markets.

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, the Cotai Land concession contract became effective upon its publication in the Macau Government official gazette, a few months earlier than the market had anticipated. In May 2013, we appointed a main contractor for the COTAI project and are now focusing our full energies on the commencement of construction of our COTAI property which will bring a new level of excitement, sophistication and entertainment to Macau. Our plan is to have up to 1,600 hotel rooms, 500 gaming tables and 2,500 slot machines with a budget of approximately HK\$23 billion, excluding land costs and capitalized interest. We are well positioned for a truly unique MGM experience.

It is the people at MGM China 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 and continued to invest in training and development throughout the year.

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, 2013 ("MFRS Consolidated Financial Statements") to the Gaming Inspection and Coordination Bureau of Macau on or about February 28, 2014. 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 2014. 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

### *Special Dividend*

The register of members of the Company will be closed from March 6, 2014 (Thursday) to March 10, 2014 (Monday), both days inclusive, during which period no transfer of Shares of the Company will be effected, for the purpose of ascertaining the members who are entitled to the Special Dividend. 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 5, 2014.

### *Final Dividend*

Subject to the Shareholders' approval for the Final Dividend in the forthcoming Annual General Meeting, the register of members of the Company will be closed from May 23, 2014 (Friday) to May 27, 2014 (Tuesday), both days inclusive, during which period no transfer of Shares of the Company will be effected, for the purpose of ascertaining the members who are entitled to the Final Dividend. In order to qualify for the Final 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 May 22, 2014.

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

During the year ended December 31, 2013, the Company repurchased a total of 2,704,200 Shares at an aggregate purchase price of HK\$67.8 million on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

<b>Month of repurchase</b>	<b>Total number of shares repurchases</b>	<b>Highest price paid per share</b> <i>HK\$</i>	<b>Lowest price paid per share</b> <i>HK\$</i>	<b>Aggregate consideration paid</b> <i>HK\$'000</i>
March 2013	624,800	19.10	18.90	11,933
May 2013	50,000	20.60	20.50	1,033
June 2013	40,000	19.84	19.70	795
August 2013	106,400	22.05	22.05	2,354
September 2013	671,000	24.45	23.55	16,232
November 2013	872,000	28.50	27.80	24,643
December 2013	340,000	31.80	31.70	10,847

New Shares were issued pursuant to the exercise of share options by qualifying grantees under the share option scheme adopted by the Company. The Company repurchased the aggregate number of Shares equivalent to the aggregate number of all such new Shares being issued during the year ended December 31, 2013 in accordance with Rule 10.06 of the Listing Rules, and all the repurchased Shares were subsequently cancelled. The total issued share capital of the Company remains the same. The Board considered that such repurchases were made for the benefit of the Company and its Shareholders as a whole with a view of maintaining the same total issued share capital and enhancing stability of the Company's share capital and hence the net value of the Company and its assets and/or earnings per Share.

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

## **CORPORATE GOVERNANCE REPORT**

### **Corporate Governance Practices**

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

During the year, the Company has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules. The Company has also adopted the amendments to its Corporate Governance Policy to incorporate sections on Board diversity pursuant to the Listing Rules requirements during the year.

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

The Company has made specific inquiries and has received confirmations from all the Directors that they have complied with the required standard as set out in the Code for the year ended December 31, 2013.

### **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, monitoring compliance with statutory and the Listing Rules requirements in relation to financial reporting, reviewing the Group's financial controls, internal controls and risk management systems. The Audit Committee has reviewed the Group's annual results for the year ended December 31, 2013.

### **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, 2013 in accordance with the relevant requirements of the Listing Rules will be dispatched to the Shareholders and published on the Company's and the Hong Kong Stock Exchange's websites in due course.

## DEFINITIONS AND GLOSSARY USED IN THIS ANNOUNCEMENT

“Annual General Meeting”	the annual general meeting of the company to be held on or around May 15, 2014
“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
“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
“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
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“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.
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)
“United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“US GAAP”	Generally Accepted Accounting Principles as in effect from time to time in the 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
“%”	per cent

By Order of the Board

**James Joseph Murren**  
*Chairperson and Executive Director*

**Pansy Catilina Chiu King Ho**  
*Co-chairperson and Executive Director*

Hong Kong, February 19, 2014

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