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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, 2011**

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, 2011 as follows:—

FINANCIAL HIGHLIGHTS

	For the year ended December 31,	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Casino revenue	19,974,556	12,126,848
Other revenue	319,071	307,880
Adjusted EBITDA (unaudited)	4,932,962	2,830,838
Adjusted EBITDA before the license fee (unaudited)	5,045,969	2,830,838
Profit attributable to owners of the Company ⁽¹⁾	3,279,060	1,566,035
Earnings per Share — basic and diluted	HK86.3 cents	HK41.2 cents

Note:

- (1) The amounts presented herein differ from the pro-forma US GAAP amounts presented by MGM Resorts International concerning the Company in its filing with the Securities and Exchange Commission in the United States on February 22, 2012. This is primarily due to the purchase price allocation resulting from the acquisition of 51% of the Company by MGM Resorts International during the year as well as adjustments for IFRS and US GAAP differences.

DIVIDENDS

The Board recommends that no final dividend be paid in respect of the year ended December 31, 2011.

Subsequent to the end of the reporting period, on February 16, 2012, our principal subsidiary, MGM Grand Paradise declared the payment of a dividend to the Company of approximately HK\$3,816 million. This dividend declaration complied with MGM Grand Paradise's constitutional documents and the laws and regulations of Macau.

Consequently, the Board is pleased to announce that it has resolved to declare the payment of a special dividend of HK81.6 cents per Share ("Special Dividend"), amounting to approximately HK\$3,100 million in aggregate, representing approximately 83% of the Group consolidated profit before taxation for the year ended December 31, 2011. This Special Dividend is expected to be paid on or about March 20, 2012 to the Shareholders of the Company whose names appear on the register of members on March 9, 2012. The Board approved the payment of the Special Dividend after reviewing the Group's general financial position as at February 22, 2012, its capital requirements going forward and other factors that the Board considers relevant, and determined that the Group has sufficient resources, after the payment of the Special Dividend, to finance its operations and expansion of its business, including the development of an additional casino and hotel complex in Cotai. The Special Dividend should not be taken as an indication of the level of profit or dividend for the full year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended	
		December 31,	
		2011	2010
	NOTES	HK\$'000	HK\$'000
OPERATING REVENUE			
Casino revenue	4	19,974,556	12,126,848
Other revenue	5	319,071	307,880
		<u>20,293,627</u>	<u>12,434,728</u>
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government		(10,816,702)	(6,480,269)
Staff costs		(1,414,686)	(1,188,424)
Operating and administrative and other expenses	7	(3,348,214)	(1,967,699)
Depreciation and amortization		(746,580)	(777,780)
		<u>(16,326,182)</u>	<u>(10,414,172)</u>
Operating profit		3,967,445	2,020,556
Interest income		11,946	1,299
Finance costs		(240,366)	(450,516)
Net foreign currency loss		(1,153)	(5,012)
Profit before taxation		3,737,872	1,566,327
Taxation	8	(458,812)	(292)
Profit for the year and total comprehensive income attributable to owners of the Company		<u>3,279,060</u>	<u>1,566,035</u>
Earnings per share — Basic and diluted	10	<u>HK86.3 cents</u>	<u>HK41.2 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At December 31,	
		2011	2010
NOTES		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property and equipment		4,964,656	5,351,259
Sub-concession premium		1,047,148	1,174,048
Land use right premium		351,651	370,950
Other assets		7,655	6,058
Construction in progress		31,290	28,827
Deposit		2,102	—
		6,404,502	6,931,142
CURRENT ASSETS			
Inventories		79,099	63,848
Trade receivables	11	549,423	1,137,422
Prepayments, deposits and other receivables		46,043	77,314
Land use right premium — short term		19,299	19,246
Amounts due from related companies	15(a)(i)	284	72,471
Bank balances and cash		5,590,405	1,922,723
		6,284,553	3,293,024
CURRENT LIABILITIES			
Payables and accrued charges	12	3,466,324	2,706,145
Bank borrowings — due within 12 months	13	206,805	—
Deposits and advances		200,433	135,103
Construction retention payable			
— due within 12 months		4,712	3,433
Amounts due to related companies	15(a)(ii)	8,192	11,681
Taxation payable		457	225
		3,886,923	2,856,587
NET CURRENT ASSETS		2,397,630	436,437
TOTAL ASSETS LESS CURRENT LIABILITIES		8,802,132	7,367,579
NON-CURRENT LIABILITIES			
Bank borrowings — due after 12 months	13	3,929,304	5,886,730
Deferred tax liability	14	458,779	—
NET ASSETS		4,414,049	1,480,849
CAPITAL AND RESERVES			
Share capital		3,800,000	194,175
Share premium and reserves		614,049	1,286,674
SHAREHOLDERS' FUNDS		4,414,049	1,480,849

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 Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business is Avenida Dr. Sun Yat Sen, Edificio MGM Macau, NAPE, Macau.

Through a group reorganization to rationalize the structure of the Company, MGM Grand Paradise Limited (“MGM Grand Paradise”) and its subsidiaries (together with the Company hereinafter collectively referred to as the “Group”) in preparation for the listing of the Company’s shares (the “Group Reorganization”), the Company became the holding company of the Group on June 2, 2011 upon completion of the Group Reorganization. Details of the Group Reorganization are more fully explained in the section headed “History and Corporate Structure — Reorganization” of the prospectus of the Company dated May 23, 2011 (the “Prospectus”). The Group resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting. The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2010 and 2011 have been prepared on the basis as if the current group structure had been in existence throughout those periods. The consolidated statement of financial position of the Group as at December 31, 2010 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date.

The 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 period, the Group has applied, for the first time, the following new or revised Standards Amendments and Interpretations (“new or revised IFRSs”):

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

Standards and Interpretations in issue not yet adopted

The Group has not early applied the following new or revised IFRSs that have been issued but are not yet effective:

IFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets ¹
IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities ⁴
IFRS 9	Financial Instruments ⁶
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date and Transition Disclosures ⁶
IFRS 10	Consolidated Financial Statements ⁴
IFRS 11	Joint Arrangements ⁴
IFRS 12	Disclosure of Interests in Other Entities ⁴
IFRS 13	Fair Value Measurement ⁴
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
IAS 19 (Revised 2011)	Employee Benefits ⁴
IAS 27 (Revised 2011)	Separate Financial Statements ⁴
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ⁴
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ⁵
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine ⁴

¹ Effective for annual periods beginning on or after July 1, 2011

² Effective for annual periods beginning on or after January 1, 2012

³ Effective for annual periods beginning on or after July 1, 2012

⁴ Effective for annual periods beginning on or after January 1, 2013

⁵ Effective for annual periods beginning on or after January 1, 2014

⁶ Effective for annual periods beginning on or after January 1, 2015

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

3. CHANGE OF ACCOUNTING ESTIMATE

Deferred tax liability on distributable reserves of MGM Grand Paradise

The Company's wholly-owned subsidiary is MGM Grand Paradise. MGM Grand Paradise's exemption from Macau Complementary Tax as detailed in note 8 below does not apply to the dividends to be distributed by MGM Grand Paradise. The Company is subject to Macau Complementary Tax at a progressive rate of up to a maximum of 12% for dividends it receives from MGM Grand Paradise. Accordingly, the Company will be required to recognize deferred tax liabilities for taxable temporary differences associated with its investment in MGM Grand Paradise except where the Company will be able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

As at June 30, 2011, MGM Grand Paradise had distributable reserves of approximately HK\$2 billion and the Company determined that the profits of MGM Grand Paradise would not be distributed in the foreseeable future and therefore the Company did not recognize a deferred tax liability at that date. The Company reassesses the plans of whether the profits of MGM Grand Paradise will be reinvested or distributed to shareholders on an on-going basis. As at December 31, 2011, the Company has reviewed its position and now considers that cash dividends will be distributed to the shareholders of MGM Grand Paradise in the foreseeable future. Consequently a deferred tax charge and the corresponding liability amounting HK\$458.8 million on the distributable reserves of MGM Grand Paradise as at December 31, 2011 was recognized during the year.

4. CASINO REVENUE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Casino revenue from		
— VIP gaming operations	13,815,407	7,681,219
— Main floor table gaming operations	4,574,915	3,459,606
— Slot machine operations	1,584,234	986,023
	<u>19,974,556</u>	<u>12,126,848</u>

5. OTHER REVENUE

Other revenue comprises:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hotel rooms	86,214	101,203
Food and beverages	188,985	171,088
Retail goods and other services	43,872	35,589
	<u>319,071</u>	<u>307,880</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 consideration is received for such promotional activities. The retail value of the Promotional Allowances incurred during the year is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hotel rooms	365,946	258,496
Food and beverages	332,214	234,898
Retail goods and other services	20,130	10,282
	<u>718,290</u>	<u>503,676</u>

6. 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 result 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 and almost all the non-current assets of the Group are located in Macau. None of the customers of the Group contributed more than 10% of the total revenues during the current and prior year.

7. OPERATING AND ADMINISTRATIVE AND OTHER EXPENSES

Operating and administrative and other expenses comprise:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Advertising and promotion	502,485	335,261
Allowance for doubtful debts, net	115,201	81,330
Cost of food and beverages	223,005	173,940
Junket commission	1,712,177	912,835
Listing expenses	74,631	—
Operating supplies	101,046	95,882
Others	500,373	258,482
Utilities and fuel	119,296	109,969
	<u>3,348,214</u>	<u>1,967,699</u>

8. TAXATION

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current tax:		
Macau	(135)	(98)
Hong Kong	—	(194)
	<u>(135)</u>	<u>(292)</u>
Over provision in prior years:		
Macau	—	—
Hong Kong	102	—
	<u>102</u>	<u>—</u>
Deferred tax (<i>note 3</i>):		
Current year	(458,779)	—
	<u>(458,812)</u>	<u>(292)</u>

Macau Complementary Tax is calculated at progressive rates up to a maximum of 12% of the estimated assessable profits for the current and prior year. Hong Kong profits tax is calculated at 16.5% for the year ended December 31, 2011 of the estimated assessable profits for the current and prior year.

Macau Complementary Tax and Hong Kong profits tax was provided by one of the subsidiaries of the Group on its estimated taxable profit for the year ended December 31, 2011.

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

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit before tax	<u>3,737,872</u>	<u>1,566,327</u>
Tax at applicable income tax rate of 12%	(448,545)	(187,959)
Effect of tax exemption granted to MGM Grand Paradise	586,560	322,231
Effect of tax losses not recognized	(138,015)	(134,272)
Effect of different tax rates of group entities operating in jurisdictions other than Macau	—	(194)
Overprovision in respect of prior years	102	—
Deferred tax recognized on distributable reserves of a subsidiary	(458,779)	—
Others	<u>(135)</u>	<u>(98)</u>
	<u>(458,812)</u>	<u>(292)</u>

At the end of the reporting period, the Group has unused tax losses (subject to agreement by the relevant tax authority) and deductible temporary differences as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Arising from unused tax losses	4,236,951	3,689,232
Arising from pre-opening expenses	<u>190,905</u>	<u>290,165</u>
	<u>4,427,856</u>	<u>3,979,397</u>

At December 31, 2011, tax losses of approximately HK\$4,237.0 million (December 31, 2010: HK\$3,689.2 million) will expire in three years from the year of assessment.

The directors of the Group have considered (i) the nature of business of MGM Grand Paradise which is a game of chance with inherent risk that increases the unpredictability of future profit streams; (ii) that pursuant to the approval notice 186/2008 issued by the Macau Government dated June 19, 2008, MGM Grand Paradise is exempted from Macau Complementary Tax for income generated from gaming operations for 2011; 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.

As discussed in note 3 above, a deferred tax charge of HK\$458.8 million in respect of the taxable temporary difference associated with the Group's investment in MGM Grand Paradise was recognized during the year. Also, during the year, MGM Grand Paradise made an application to the Macau Government for a tax concession arrangement (the "Concession Arrangement") for its shareholders. By making reference to precedent cases of similar arrangements, the directors of the Company believe that once the Concession Arrangement is granted, the Group may pay an annual lump sum payment to the Macau Government in lieu of the Macau Complementary Tax on dividend distributions to the shareholders of MGM Grand Paradise from gaming profits. As at December 31, 2011 and at the date of approval of these consolidated financial statements, this application is still being processed and subject to approval by the Macau Government. Also, the various terms and conditions of the Concession Arrangement, including the duration of the concession and the amount of the annual lump sum payment required to be paid are still to be determined by the Macau Government. As a result, as at December 31, 2011, the Company continues to recognize deferred tax liabilities in respect of the taxable temporary difference associated with the Group's investment in MGM Grand Paradise at the statutory progressive rate. Should the Company obtain the necessary approval of the Concession Arrangement in the future, the amount of the deferred tax liability associated with this temporary difference, or income tax liability where appropriate, may be adjusted accordingly in the year when the Concession Arrangement is granted. However, as the result of the application and the detailed terms of the Concession Arrangement are still uncertain as at the date of this report, the directors of the Company are unable to quantify the potential financial impact at this stage.

9. DIVIDENDS PAID

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

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of shares in issue during the year on the assumption that the Group Reorganization has been effective on January 1, 2010 and is set out as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit		
Profit for the year and total comprehensive income attributable to owners of the Company for the purpose of basic earnings per share	<u><u>3,279,060</u></u>	<u><u>1,566,035</u></u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	<u><u>3,800,000</u></u>	<u><u>3,800,000</u></u>
Earnings per share — Basic and diluted	<u><u>HK86.3 cents</u></u>	<u><u>HK41.2 cents</u></u>

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

11. TRADE RECEIVABLES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade receivables	710,739	1,369,780
Less: Allowance for doubtful debts	<u>(161,316)</u>	<u>(232,358)</u>
	<u>549,423</u>	<u>1,137,422</u>

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within 30 days	475,608	1,071,999
31-60 days	53,049	62,063
61-90 days	20,574	2,668
91-120 days	<u>192</u>	<u>692</u>
	<u>549,423</u>	<u>1,137,422</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 each reporting period.

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
At January 1,	232,358	151,314
Impairment losses recognized on trade receivables	155,868	186,097
Impairment losses reversed upon recovery	(40,667)	(104,767)
Amount written off as uncollectible	<u>(186,243)</u>	<u>(286)</u>
At December 31,	<u>161,316</u>	<u>232,358</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 period. Other than as discussed below, the concentration of credit risk is limited due to the debtor base being large and unrelated.

Included in trade receivables as at December 31, 2010 is an aggregate receivable (before allowance) of approximately HK\$120 million due from a single debtor that was not past due. However, after taking into account the determination of the credit worthiness of this debtor, full provision of approximately HK\$120 million was made by management against this receivable as at December 31, 2010. During the year ended December 31, 2011, this amount was written off as uncollectible.

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

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

12. PAYABLES AND ACCRUED CHARGES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Accrued commission and incentives	377,383	82,034
Accrued construction and renovation costs	10,148	33,256
Accrued liability for customer relationship program	60,927	43,372
Accrued staff costs	220,199	180,843
Other payables and accrued charges	197,442	150,256
Outstanding chips liabilities	1,622,048	1,301,709
Special gaming tax and special levy payables	907,278	865,807
Trade payables	70,899	48,868
	<u>3,466,324</u>	<u>2,706,145</u>

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within 30 days	47,228	39,789
31-60 days	17,550	7,530
61-90 days	1,643	1,120
91-120 days	1,308	199
Over 120 days	3,170	230
	<u>70,899</u>	<u>48,868</u>

The average credit period on purchases of goods is one month. The Group has financial risk management policies to ensure that all payables are paid within the credit time frame.

13. BANK BORROWINGS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Bank borrowings represent:		
Secured term loan facilities of HK\$4,290,000,000	4,290,000	4,290,000
Secured revolving credit loan facilities of HK\$3,120,000,000	—	1,800,000
	<u>4,290,000</u>	<u>6,090,000</u>
Less: Debt finance costs	(153,891)	(203,270)
	<u>4,136,109</u>	<u>5,886,730</u>
Carrying amount repayable:		
On demand or within one year	206,805	—
More than one year, but not exceeding two years	620,416	214,500
More than two years, but not exceeding five years	3,308,888	5,672,230
	<u>4,136,109</u>	<u>5,886,730</u>
Current	206,805	—
Non-current	3,929,304	5,886,730
	<u>4,136,109</u>	<u>5,886,730</u>

In July 2010, the Group entered into a credit agreement with a limit of HK\$7,410 million with a syndicate of banks. The credit facilities comprise a term loan facility and a revolving facility with a limit of HK\$4,290 million and HK\$3,120 million respectively. The term loan facility is denominated in HK\$ and bears interest at a percentage rate per annum equal to the aggregate of a margin ranging from 3% to 4.5% and Hong Kong Interbank Offered Rate (“HIBOR”). The revolving credit facility may be denominated in either HK\$ or US\$ and bears interest at a percentage rate per annum equal to the aggregate of the same margin and HIBOR or London Interbank Offered Rate as appropriate. As at December 31, 2011, the interest rate under the credit agreement is HIBOR plus 3%. The term loan facility is repayable on a quarterly basis commencing in July 2012 and will be fully repaid in July 2015 while each revolving credit loan will be repaid in full on the last date of the respective term but no later than July 2015. As at December 31, 2010, the Group incurred and paid miscellaneous charges and bank fees of approximately HK\$222 million in relation to the credit facilities. There are no transaction costs of a similar nature paid in 2011.

The credit facilities are secured by a charge over the shares of MGM Grand Paradise and its subsidiaries including all its assets and all the assets of its subsidiaries. During the current year, the Company provided a corporate guarantee to the banks to secure the credit facilities.

14. DEFERRED TAX LIABILITY

As explained in detail in note 3 and 8, the Company is subject to Macau Complementary Tax on dividends it receives from MGM Grand Paradise. Accordingly, as at December 31, 2011, the Company has recognized a deferred tax liability of HK\$458.8 million in respect of temporary differences arising from the distributable reserves of MGM Grand Paradise.

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 has non-controlling beneficial interests and the ultimate holding company of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

Aging of amounts due to related companies

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0-30 days	5,000	2,217
31-60 days	3,192	3,708
61-90 days	—	1,582
91-120 days	—	1,295
Over 120 days	—	2,879
	8,192	11,681

- (b) During the year ended December 31, 2011, the Group had the following significant transactions with related companies:

Related parties	Type of transaction	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Companies in which certain directors have non-controlling beneficial interests	Advertising expenses	4,892	—
	Gift vouchers purchased	11,386	4,661
	Laundry services expenses	7,135	10,291
	Rental of premises	2,527	2,240
	Travelling and accommodation, net of discounts	117,857	79,241
Shareholders	Developers' fees paid	—	1,846
	Interest expenses	—	75,612
	Marketing referral fees	20,102	9,248
	Marketing referral income	820	142
Company jointly-owned by shareholders	License fees	113,007	—

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 Company 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 Company 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, 2011, the annual cap is US\$25 million (equivalent to approximately HK\$194 million) but is pro rated to US\$14.5 million (equivalent to approximately HK\$113 million) for the year 2011 since the date of listing pursuant to the term of the Branding Agreement. This annual cap will increase by 20% per annum for each subsequent financial year during the term of the Branding Agreement. During the year ended December 31, 2011, total license fee of HK\$113 million (2010: Nil) was recognized in the consolidated statement of comprehensive income.

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

(c) Compensation to key management personnel

The remuneration of key management during the year ended December 31, 2011 was as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Short term benefits	69,682	56,091
Post-employment benefits	1,398	1,099
Share-based payments	39,712	—
	<u>110,792</u>	<u>57,190</u>

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

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 Praca and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. The property opened in December 2007 and has a casino floor area of approximately 29,496 square meters, with 1,184 slot machines, 427 gaming tables and multiple VIP and private gaming areas. The hotel comprises a 35-story 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 9 diverse restaurants and bars, world-class pool and spa facilities, and 1,593 square meters of convertible convention space. Our property is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes a Mandarin Oriental Hotel and serviced apartments.

We have identified a site of approximately 17.8 acres in Cotai and have submitted an application to the Macau Government to obtain the right to lease this parcel of land for the purpose of constructing an integrated casino hotel and entertainment complex. There is currently no definitive timetable for finalizing the application process with the Macau Government. We are currently working towards finalizing the concept and design of the project and will be prepared to commence the project upon approval by the Macau Government.

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

For the year ended December 31, 2011, our Company generated HK\$20,293.6 million in operating revenue, HK\$4,933.0 million in adjusted EBITDA and HK\$3,279.1 million in net profit, representing respectively 63.2%, 74.3% and 109.4% increase over the results for the year ended December 31, 2010. Our operating results were positively impacted by the market growth and our operating strategies, but at the same time constrained by competition.

Growth of Macau's Gaming and Tourism Markets

Propelled by the vibrant economic development in China, both the Macau gaming market and visitation to Macau have grown significantly in the last few years. Additional capacity has been added in recent years with several new hotels and casinos including City of Dreams, Encore at Wynn Macau, and Galaxy Macau, which opened in June 2009, April 2010, and May 2011, respectively. For the year ended December 31, 2011, total casino gross win in Macau market was approximately HK\$260.1 billion, up 42.2% over the same period in 2010.

We have benefited from the rise in visitation to Macau. According to statistics published by the Statistics and Census Service of the Macau Government, visitor arrivals increased 12.2% from prior year and reached 28.0 million in 2011. Gaming customers travelling to Macau typically come from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan, with approximately 89% of visitors to Macau in 2011 coming from mainland China, Hong Kong and Taiwan. We are optimistic that visitation levels and gross gaming revenue in Macau will continue to grow. A combination of factors will drive the growth. These factors include the economic growth of China, which continues to create a large and growing middle class with rising disposable income, infrastructure improvements that are expected to facilitate more convenient travel to and within Macau, and the efforts and investments made by gaming concessionaires to solidify Macau as a destination market with superior integrated resort products.

Our Competitive Strengths and Operation Strategies

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

Our strategy is to leverage our competitive strengths and to grow our business by continuously improving customer experience, employee engagement and operation efficiency. In 2011, we expanded key gaming areas in our property to provide our high value customers with a first-class facility that embodies luxury, intimacy and inspiration. 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 impressive growth and financial results in 2011.

We have taken full advantage of our strengths 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. In 2011, we added two new gaming promoters. Our commission levels have in general remained stable throughout our operating history and consistent with the overall market practice.

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

For the year ended December 31, 2011, our VIP table games experienced strong growth. This segment of our business generated HK\$701.3 billion in rolling chip turnover, an increase of 72.1% over the same period in the prior year.

Operationally, we have successfully increased VIP business volume by maximizing productivity from existing capacity and by making capital improvements to enhance our facilities and to increase capacity for our in-house VIP customers. We have converted a number of high-end villas on top floors of MGM Macau into VIP gaming areas during the year and the VIP spa area into a new in-house VIP gaming areas in December 2011. In addition, we constantly review our service processes to meet or exceed our customer expectation. Our efforts to grow the VIP business will continue to center around maintaining a close partnership with gaming promoters and enhancing the gaming experience of our customers.

(2) *Main Floor Casino Gaming Operations*

The main floor gaming operation in the Macau market is also referred to as the "mass gaming operation". Unlike VIP players, main floor players do not receive commissions from us. The main floor business represents the most profitable segment for us. We also believe that this segment represents the most potential for sustainable growth in the future.

For the year ended December 31, 2011, revenue from this segment increased year-over-year by 32.2% to HK\$4,574.9 million. The strong growth is in part attributable to the overall market growth, but more importantly due to our successful customer segmentation approach with a product and service focus on the mid to premium main floor business. We have invested capital to improve the gaming experience of our high-end main floor customers by creating dedicated exclusive gaming space for their use. We also leveraged our player club, Golden Lion Club, as a vehicle to attract and retain those high value main floor players through exclusive customer service and promotion.

The launch of Supreme Lounge and Platinum Lounge on the main floor in December 2010 and September 2011 respectively, have helped us to target the premium main floor players to grow our revenue and to improve our yield on the gaming floor. We will continue to leverage our strengths in market segmentation to identify opportunities to grow our business through customer experience and service enhancement.

We also recognize the importance of brand awareness in growing this business segment. As a result, this year, we have enhanced our marketing activities to take advantage of our internationally recognized brand. Brand-building initiatives will be driven through promotions, events, strategic alliances and public relation activities. In 2011, we have organized events such as the Ink Painting Exhibition in collaboration with Mr. Charles Chauderlot in October, and Christmas themed ice-skating performance “Christmas Wonderland 2011” throughout December, which successfully drew record traffic to our property in October and December and created crossover main floor casino gaming activities. In addition, MGM Macau was the hosting venue for China’s Got Talent — Hong Kong and Macau Grand Audition. China’s Got Talent is the one of most watched shows in China. The event and subsequent airing of the event in China exposed our brand to millions of Chinese consumers.

(3) *Slot Machine Operations*

Our slot business generated HK\$1,584.2 million in revenue during the year ended December 31, 2011, up 60.7% from the prior year. The growth is driven by our customer segmentation strategies as described previously, coupled with our focus on superior service and building brand awareness and loyalty. In addition, we also keep our slot product updated with the objective to increase the floor yield and to improve the customer gaming experience.

Competition

While we generated very solid financial results in 2011, 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, 2011, there were 34 casinos in the Macau. We expect competition in the Macau market to continue to increase in the future, as newly opened properties ramp up their business and more capacity is brought on line in the near future.

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

Segment Information

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

For the years ended December 31, 2011 and 2010, all revenue is derived from customers in Macau and almost all the non-current assets of the Group are located in Macau. None of the customers of the Group contributed more than 10% of the total revenues in 2011 and 2010.

Discussion of Results of Operations

Financial results for the year ended December 31, 2011 compared to financial results for the year ended December 31, 2010

Summary Statistics

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

(in thousands, except for averages, number of tables and slot machines)	For the year ended December 31,	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Number of VIP gaming tables	200	172
VIP table games turnover	701,305,426	407,610,681
VIP gross table games win	21,244,065	11,863,641
VIP table games win percentage	3.0%	2.9%
Average daily gross win per gaming table	291.5	188.6
Number of main floor gaming tables	220	230
Main floor table games drop	17,095,457	14,617,353
Main floor gross table games win	4,566,208	3,443,849
Main floor table games win percentage	26.7%	23.6%
Average daily gross win per gaming table	56.8	41.1
Number of slot machines	1,184	1,006
Slot machine handle	28,353,743	17,735,546
Slot machine gross win	1,589,602	992,272
Slot hold percentage	5.6%	5.6%
Average daily win per slot	3.7	2.7
Commission and discounts	(7,434,992)	(4,187,303)
Room occupancy rate	96.5%	93.7%
REVPAR ⁽¹⁾	2,149	1,709

Note:

- (1) Revenue per 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, 2011 and 2010.

	For the year ended	
	December 31,	
	2011	2010
	HK\$'000	HK\$'000
Casino revenue	19,974,556	12,126,848
VIP gaming operations	13,815,407	7,681,219
Main floor gaming operations	4,574,915	3,459,606
Slot machine gaming operations	1,584,234	986,023
Other revenue	319,071	307,880
Hotel rooms	86,214	101,203
Foods and beverages	188,985	171,088
Retail and other services	43,872	35,589
Operating revenue	<u>20,293,627</u>	<u>12,434,728</u>

Total operating revenue increased by 63.2% to HK\$20,293.6 million in 2011. We believe this increase was due to a combination of factors, including strong overall Macau market growth, enhanced marketing efforts and property improvements such as conversion of a number of high-end villas on top floors of MGM Macau into VIP gaming areas and the VIP spa area into a new in-house VIP gaming areas, and introduction of Supreme Lounge and Platinum Lounge on the main floor. All these projects were completed in December 2010 and throughout 2011.

Casino Revenue

Casino revenue increased by 64.7% to HK\$19,974.6 million in 2011. The components and reasons for this increase were:

(1) *VIP Gaming Operations*

Revenue from VIP gaming operations increased by 79.9% to HK\$13,815.4 million in 2011. VIP table games turnover increased by 72.1% to HK\$701,305.4 million in 2011. The increases primarily resulted from increased levels of VIP business brought to us by gaming promoters, in response to our new gaming products and areas to cater to the preferences of our VIP patrons. We have converted a number of high-end villas and the VIP spa area into a new in-house VIP gaming areas with a total of 63 tables in 2011, which helped the growth in our VIP business. Meanwhile, the addition of 2 new gaming promoters in September and October 2011 also increased our VIP business level. In 2011, MGM Macau had 200 VIP gaming tables in operation, as compared with 172 VIP gaming tables in 2010. VIP table games win percentage increased from 2.9% to 3.0% over the comparable periods in 2010 and 2011.

Approximately 80% of the commissions are netted against casino revenue, which corresponds to the 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 amount ultimately retained by gaming promoters for their compensation. The total amounts of commissions netted against casino revenue were HK\$7,435.0 million and HK\$4,187.3 million in 2011 and 2010, respectively.

(2) *Main Floor Gaming Operations*

Revenue from main floor gaming operations increased by 32.2% to HK\$4,574.9 million in 2011. Main floor table games drop increased by 17.0% to HK\$17,095.5 million in 2011. The increases primarily resulted from increases in general foot traffic, continued success of the tiered-customer relationship program, and introduction of new gaming areas — Supreme Lounge and Platinum Lounge, which tailored for the high end segment of the mass market, and enhanced our marketing activities including organizing events such as the Ink Painting Exhibition in the month of October, Christmas Wonderland 2011 in the month of December and the hosting of the China's Got Talent — Hong Kong and Macau Grand Audition stop. In 2011, MGM Macau had 220 main floor gaming tables in operation, as compared with 230 main floor gaming tables in 2010. The main floor table games win percentage increased from 23.6% to 26.7% over the comparable periods in 2010 and 2011.

(3) *Slot Machine Gaming Operations*

Revenue from slot machine gaming operations increased by 60.7% to HK\$1,584.2 million in 2011. Slot machine handle increased by 59.9% to HK\$28,353.7 million in 2011. The increases primarily resulted from an increase in foot traffic and improvements to slot machine product mix, continued success of the tiered-customer relationship program driving performance of the high denomination slot machines, and introduction of the Supreme Lounge and Platinum Lounge gaming areas tailored for the high end segment of the market. In 2011, MGM Macau had 1,184 slot machines in operation, as compared with 1,006 slot machines in 2010. The slot machine win percentage remained stable at 5.6% over the comparable periods in 2010 and 2011.

Other Revenue

Other revenue, which include hotel rooms, foods and beverages and retail and other services, increased by 3.6% to HK\$319.1 million in 2011. The increase in revenue was due to the increase in our overall casino business volume and foot traffic into the property. The non-gaming facilities and services are critical for MGM Macau to establish its brand and maintain its popularity in Macau and the region, in order to encourage visitations and extend the length of customers' stay within the hotel.

Operating Costs and Expenses

The following table sets forth the major operating costs and expenses for the years ended December 31, 2011 and 2010.

	For the year ended	
	December 31,	
	2011	2010
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	10,816,702	6,480,269
Staff costs	1,414,686	1,188,424
Operating and administrative and other expenses	3,348,214	1,967,699
Depreciation and amortization	746,580	777,780
Finance costs	240,366	450,516
Taxation	458,812	292

Special Gaming Tax and Special Levy to the Macau Government. Special gaming tax and special levy to the Macau Government increased by 66.9% to HK\$10,816.7 million in 2011. This increase resulted directly from the increased casino revenue over the comparable period in 2010.

Staff costs. Staff costs increased by 19.0% to HK\$1,414.7 million in 2011. The increase was primarily due to hiring of additional staff to cater to the increase in casino business volumes as well as a 5% staff salary increment to line level staff implemented in March 2011.

Operating and administrative and other expenses. Operating and administrative and other expenses increased by 70.2% to HK\$3,348.2 million in 2011. The increases were driven by higher commission expense to gaming promoters resulting from the increase in VIP business volume and higher advertising promotion expense consistent with the increase in business volume. Provision for doubtful debts, net increased by 41.6% from HK\$81.3 million in 2010 to HK\$115.2 million in 2011. There were no changes in the provision for doubtful debts policy; the increase is in line with the increase in the number of in-house VIP customers and the corresponding increase in VIP business volume in 2011. License fees and marketing fees due to related companies of approximately HK\$133.1 million were incurred in 2011. No such costs were incurred in 2010. There was also a one-off cost incurred associated with the listing of the Company on the Hong Kong Stock Exchange of approximately HK\$74.6 million.

Depreciation and amortization. Depreciation and amortization decreased by 4.0% to HK\$746.6 million in 2011 due to full depreciation of certain assets in 2011.

Finance costs. Finance costs decreased by 46.6% to HK\$240.4 million in 2011. The decrease primarily resulted from a lower average loan balance in 2011 when compared to 2010 and the refinancing of the loan facility in July 2010. Further, all shareholders' loans were repaid in full as at December 2010.

Taxation. Taxation for the year 2011 mainly consisted of the deferred tax liability of HK\$458.8 million the Company provided on the distributable profits of MGM Grand Paradise, calculated at the applicable rate at the balance sheet date. No such taxation was provided in 2010 as MGM Grand Paradise was not a subsidiary of the Company in 2010. Details of taxation are set out in note 8 to the consolidated financial statements.

Profit attributable to owners of the Company

Profit attributable to owners of the Company increased by 109.4% from HK\$1,566.0 million in 2010 to HK\$3,279.1 million in 2011.

Adjusted EBITDA

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement, operating profit, for the years ended December 31, 2011 and 2010.

	For the year ended	
	December 31,	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to owners of the Company	3,279,060	1,566,035
Add/(less):		
Depreciation and amortization	746,580	777,780
Interest income	(11,946)	(1,299)
Finance costs	240,366	450,516
Net foreign currency difference	1,153	5,012
Taxation	458,812	292
Share-based payments ⁽¹⁾	50,184	—
Property charges and others ⁽²⁾	168,753	32,502
	<hr/>	<hr/>
Adjusted EBITDA ⁽³⁾ (unaudited)	<u>4,932,962</u>	<u>2,830,838</u>
	<hr/>	<hr/>
Adjusted EBITDA before the license fee ⁽⁴⁾ (unaudited)	<u>5,045,969</u>	<u>2,830,838</u>

Notes:

- (1) Share-based payments for the year 2011 consisted of the stock compensation expense to Eligible Persons.
- (2) Property charges and others for the years 2011 and 2010 primarily consisted of loss on the disposal or write-off of property and equipment of HK\$93.8 million in 2011 and HK\$31.4 million in 2010 and a one-off cost incurred associated with the listing of the Company on the Hong Kong Stock Exchange of HK\$74.6 million in 2011.
- (3) Adjusted EBITDA is profit before finance costs, taxes, depreciation and amortization, interest income, net foreign currency difference, share-based payments, and property charges and other items which mainly include loss on disposal/write-off of property and equipment and other non-recurring expenses. Adjusted EBITDA is used by management as the primary measure of our operating performance and to compare our operating performance with that of our competitors. However, adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our IFRS operating performance, or other combined operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.
- (4) Adjusted EBITDA before the license fee paid to a related company is HK\$5,046.0 million and HK\$2,830.8 million in 2011 and 2010 respectively. No such fee was charged in 2010. Details of the license fee are set out in note 15 to the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

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

Our cash balance as at December 31, 2011 was HK\$5,590.4 million. This cash was available for operations, new development activities and enhancement to existing properties. In addition, HK\$3,120.0 million remains undrawn under the HK\$7,410.0 million total banking facilities available to our Group.

Gearing Ratio

The gearing ratio is an indicator of our Group's capital structure and capacity. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised long and short-term bank borrowings, where equity comprised all capital and reserves of the Group that are managed as capital. As at December 31, 2011, the gearing ratio of the Group is zero (December 31, 2010: 72.8%), due to the fact that we have more cash than total debt as at the year end.

Group Cash Flows

The following table presents a summary of the Group's cash flows for the years ended December 31, 2011 and 2010.

	For the year ended	
	December 31,	
	2011	2010
	HK\$'000	HK\$'000
Net cash generated by operating activities	6,356,136	3,359,528
Net cash used in investing activities	(303,204)	(255,134)
Net cash used in financing activities	(2,385,250)	(3,157,382)
Net increase (decrease) in cash and cash equivalents	3,667,682	(52,988)
Cash and cash equivalents at the beginning of the year	1,922,723	1,975,711
Cash and cash equivalents at the end of the year	<u>5,590,405</u>	<u>1,922,723</u>

Net cash generated by operating activities

Our net cash generated from operating activities is primarily affected by operating income generated by MGM Grand Paradise as a result of increased casino revenue. Net cash from operating activities was HK\$6,356.1 million in 2011 compared to HK\$3,359.5 million in 2010.

Net cash used in investing activities

Net cash used in investing activities was HK\$303.2 million in 2011 compared to HK\$255.1 million in 2010. The major components of the cash flow used in investing activities relates to payment for the construction in progress and purchase of property and equipment totaling HK\$296.6 million and HK\$244.8 million in 2011 and 2010, respectively. Payment for the construction in progress relates mostly to the renovation work carried out throughout the property. It included but is not limited to conversion of gaming villas, renovation and reconfiguration of gaming areas on the main floor. They 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\$2,385.3 million in 2011 compared to HK\$3,157.4 million in 2010. The decrease in the net cash used in financing activities reflected the full repayment of shareholders' loan in 2010.

Capital Commitments

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

	As at December 31,	
	2011	2010
	HK\$'000	HK\$'000
Authorized but not contracted for	134,270	43,081
Contracted but not accounted for	29,192	30,900
	<u>163,462</u>	<u>73,981</u>

Indebtedness

The following table presents a summary of our indebtedness as at December 31, 2011 and 2010.

	As at December 31,	
	2011	2010
	HK\$'000	HK\$'000
Secured revolving credit facility	—	1,800,000
Secured term loan facility	4,290,000	4,290,000
Total	<u>4,290,000</u>	<u>6,090,000</u>

The group had approximately HK\$3,120.0 million available to draw under the MGM Grand Paradise credit facilities as at December 31, 2011.

Contingent Liabilities

As at December 31, 2011, the Group has given bank guarantees totaling HK\$300.0 million in relation to our gaming subconcession.

Term Loan Facility and Revolving Facility

Overview

On July 27, 2010, MGM Grand Paradise entered into a new HK\$7,410.0 million credit agreement with a syndicate of lenders and repaid the outstanding amounts under its prior credit facility in full on July 30, 2010.

The new credit facilities include a HK\$4,290.0 million term loan facility and a HK\$3,120.0 million revolving credit facility. The credit facilities may be used for a variety of purpose, including refinancing, casino operation and all proper corporate purposes. The credit facilities are secured by a charge over the shares and substantially all the assets of MGM Grand Paradise and its subsidiaries.

Principal and Interest

The loans under the revolving facility may be redrawn up to June 2015. The principal amount of the term loans is required to be repaid in quarterly installments, commencing in July 2012, and in one lump sum of HK\$2,145.0 million upon final maturity in July 2015.

MGM Grand Paradise pays interest at HIBOR plus an initial margin of 4.5% per annum. Depending on MGM Grand Paradise's adjusted leverage ratio, the margin may decrease to a minimum of 3.0% per annum. As at December 31, 2011, MGM Grand Paradise paid interest at HIBOR plus a margin of 3.0%.

General Covenants

The facilities contain general covenants restricting the ability of the obligor group (MGM Grand Paradise and certain of its subsidiaries, but not our Company) to, among other things, enter into, dispose of or amend to certain commitments and/or investments. With the approval of the lenders, there are certain permitted exceptions to these restrictions.

Financial Covenants

MGM Grand Paradise is required to maintain a specified adjusted leverage ratio at the end of each quarter while the loans are outstanding. For the year 2011, the specified adjusted leverage ratio is to be no greater than 4.00 to 1.00 for each quarter. The adjusted leverage ratio is required to be no greater than 3.50 to 1.00 for each quarter thereafter. In addition, MGM Grand Paradise is required to maintain a debt service coverage ratio of no less than 1.50 to 1.00 at each quarter end.

Compliance with Covenants

MGM Grand Paradise has complied with the general and financial covenants contained in the credit facilities as set forth above.

Mandatory Prepayments

The 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, a revocation, repudiation, termination or otherwise the unenforceability of the Subconcession Contract or the land concession contract or a sale of the MGM Grand Paradise business.

Dividend Restrictions

MGM Grand Paradise is not allowed to declare, make or pay any dividends if its adjusted leverage ratio exceeds 4.00 to 1.00 and, to the extent its adjusted leverage ratio exceeds 3.50 to 1.00, may only pay dividends if it concurrently prepays the loans outstanding under the credit agreement. As at December 31, 2011, our adjusted leverage ratio is approximately 0.88.

Events of Default

The facilities contain certain events of default, and certain insolvency-related proceedings relating to our Group. Pursuant to the facilities, a divestment of holdings in MGM Grand Paradise by MGM Resorts International would constitute a change of control unless MGM Resorts International retains direct or indirect beneficial ownership of at least 25% of the issued share capital of MGM Grand Paradise.

Security and Guarantees

Collateral for the term loan and revolving credit facility consists of substantially all of the assets of the MGM Grand Paradise group and the shares of MGM Grand Paradise. Our Company and certain of MGM Grand Paradise's direct and indirect subsidiaries (where applicable) have executed guarantees as security.

Quantitative and Qualitative Disclosure about Market Risk

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

Foreign Exchange Risk

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

Interest Rate Risk

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

Off Balance Sheet Arrangements

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

Other Liquidity Matters

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

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

In the ordinary course of business, in response to market demands and client preferences and in order to increase revenue, we have made and will continue to make enhancements and refinements to our casino and hotel complex. We have incurred and will continue to incur capital expenditures related to these enhancements and refinements.

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 strong growth and excellence financial performance throughout 2011. The adjusted EBITDA and net profit increased by 74.3% and 109.4% to HK\$4,933.0 million and HK\$3,279.1 million, respectively, in 2011 over the comparable period in 2010. We attribute our strong financial performance to not only the strong growth of the overall Macau market, but also our investments in the upgrade of our physical facility, which greatly enhanced customer experience. Furthermore, these financial results would not have been possible without a highly engaged employee base that strives for service excellence and operation efficiency.

While having generated very solid financial results in 2011, MGM China was not immune from the competitive pressure. There was a new entrant to the market in May 2011 and more new capacity is expected to be brought online in the near future. 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. In the near future, we plan to expand the gaming area and add a new restaurant in our property that will help us defend our market share. We will continue to provide professional and service training to our employees to implement continuous improvement processes.

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, 2011 ("MFRS Consolidated Financial Statements") to the Gaming Inspection and Coordination Bureau of Macau on or about February 29, 2012. 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 2012. The MFRS Consolidated Financial Statements and the MFRS Condensed Financial Statements may not be directly comparable with our Company's financial results disclosed herein, which are prepared under IFRS.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the purpose of determining the identity of members who are entitled to the Special Dividend from March 7, 2012 to March 9, 2012, both days inclusive, for the purpose of ascertaining the Special Dividend, during which period no transfer of Shares of the Company will be effected. In order to qualify for the Special Dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on March 6, 2012.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended December 31, 2011.

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.

The Company has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the period from June 3, 2011 to December 31, 2011. It has also adopted a number of recommended practices stated therein.

Code for Securities Transactions by Officers

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

Having made specific inquiries of all Directors of the Company, the Company has received confirmations from all Directors that they have complied with the required standard set out in the Code for the year ended December 31, 2011.

Audit Committee

The Audit Committee is comprised of two Independent Non-executive Directors and one Non-executive Director. The major duties of the Audit Committee under its terms of reference include overseeing the relationship between the Company and its external auditors, monitoring the integrity of the financial statements, annual and interim reports and reviewing significant financial reporting judgement contained therein, monitor compliance with statutory and Listing Rules requirements in relation to financial reporting, reviewing the Group's financial controls, internal control and risk management systems. The Audit Committee has reviewed the Group's annual results for the year ended December 31, 2011.

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, 2011 in accordance with the relevant requirements of the Listing Rules will be dispatched to Shareholders and published on the Company's and the Hong Kong Stock Exchange's websites in due course.

DEFINITIONS AND GLOSSARY USED IN THIS ANNOUNCEMENT

“Board of Directors” or “Board”	the board of Directors of our Company
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and gross slot win), calculated net of commissions and discounts and in accordance with IFRS
“China”, “mainland China” or “PRC”	the People’s Republic of China excluding, for the purpose of this announcement for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire”	the holder of a concession for the operation of casino games in Macau. As at February 22, 2012, the Concessionaires were Galaxy, SJM and Wynn Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau
“Directors”	the directors of our Company
“drop”	the sum of markers exchanged for chips at the gaming table and the amount of cash deposited in a gaming table’s drop box
“EBITDA”	earnings before interest, tax, depreciation and amortization
“Eligible Persons”	any Directors or employees of the Group and any other person including consultants or advisers for their contribution to and continuing efforts to promote the interests of the Group
“Galaxy”	Galaxy Casino, S.A., a company incorporated in Macau on November 30, 2001, one of three direct Concessionaires and an Independent Third Party
“gaming area”	a gaming facility that provides casino games consisting of table games, electronic games, slot machines and other casino games but has not been designated as a casino by the Macau Government

“gaming promoters”	individuals or corporations licensed by and registered with the Macau Government to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including the extension of credit, transportation, accommodation, dining and entertainment, whose activity is regulated by the Gaming Promoters Regulation
“Global Offering”	the offer of Shares in the Company by subscription for cash at HK\$15.34 per Share on June 3, 2011 and subject to the terms outlined in the IPO Prospectus
“Grand Paradise Macau Limited”	Grand Paradise Macau Limited, a company incorporated in the Isle of Man and wholly-owned by Pansy Ho
“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 PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history

“Independent Third Party(ies)”	parties which are not connected persons of our Company within the meaning of the Listing Rules
“IPO Prospectus”	the IPO Prospectus of the Company published on May 23, 2011 in connection with the Listing
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“Melco Crown”	Melco Crown Jogos (Macau) S.A., one of three Subconcessionaires
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anonima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Subconcessionaires and one of our subsidiaries
“MGM Macau” or “our property”	our sole resort and casino property in Macau owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling shareholder
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pansy Ho”	Ho, Pansy Catilina Chiu King, a substantial shareholder and an executive director of our Company

“Pataca” or “MOP”	Macau Pataca, the lawful currency of Macau
“premium main floor players”	consists of predominantly walk-in, day-trip visitors to Macau from China. Our premium mass market clients generally do not take advantage of our luxury amenities to the same degree as VIP clients, but they are offered a variety of premium mass market amenities and customer relationship programs, such as reserved space on the regular gaming floor and various other services, that are unavailable to the general mass market
“Reorganization”	the reorganization of our Group in preparation for the Listing, as more fully described in the section headed “History and Corporate Structure — Reorganization” in IPO Prospectus
“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“Subconcession” or “Subconcession Contract”	the tripartite Subconcession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
“Subconcessionaire(s)”	the holder(s) of a subconcession for the operation of casino games in Macau. As at February 22, 2012, the Subconcessionaires were VML, Melco Crown and MGM Grand Paradise
“table games”	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
“turnover”	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus nonnegotiable chip exchange minus non-negotiable chip return)

“US GAAP”	Generally Accepted Accounting Principles as in effect from time to time in the United States
“United States”	the United States of America, its territories and possessions and all areas subject to its Jurisdiction
“US\$”	United States dollars, the lawful currency of United States
“VIP clients” or “VIP patrons”	patrons or players who participate in our In-house VIP Program or in the VIP program of any of our gaming promoters
“visitations”	with respect to visitation of our property, the number of times our property is entered during a fixed time period. Estimates of the number of visits to our property are based on information collected from digital cameras placed above every entrance to our property capable of counting visitors (including repeat visitors) to our property on a given day
“VML”	Venetian Macao, S.A., a company incorporated in Macau on June 21, 2002, one of three Subconcessionaires and an Independent Third Party
“Wynn Macau”	Wynn Resorts (Macau) S.A., a company incorporated in Macau on October 17, 2001, one of three direct Concessionaires and an Independent Third Party
“%”	per cent

By Order of the Board

Pansy Catilina Chiu King Ho
Chairperson and Executive Director

James Joseph Murren
Co-chairperson and Executive Director

Hong Kong, February 22, 2012

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