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

2013 Annual Report

美高梅中國控股有限公司
MGM China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2282

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Corporate Information

Board of Directors

Executive Directors

James Joseph Murren *(Chairperson)*
Pansy Catilina Chiu King Ho *(Co-Chairperson)*
Chen Yau Wong
William Joseph Hornbuckle
Grant R. Bowie *(Chief Executive Officer)*

Non-executive Directors

William M. Scott IV
Daniel J. D'Arrigo
Kenneth A. Rosevear

Independent Non-executive Directors

Zhe Sun
Tommei Mei Kuen Tong
Sze Wan Patricia Lam
Peter Man Kong Wong

Audit Committee

Tommei Mei Kuen Tong *(Chairperson)*
Kenneth A. Rosevear (retired on April 1, 2014)
Daniel J. D'Arrigo (appointed on April 1, 2014)
Zhe Sun
Peter Man Kong Wong

Remuneration Committee

Zhe Sun *(Chairperson)*
Pansy Catilina Chiu King Ho
William Joseph Hornbuckle
Tommei Mei Kuen Tong
Sze Wan Patricia Lam
Peter Man Kong Wong

Nomination and Corporate Governance Committee

Sze Wan Patricia Lam *(Chairperson)*
William M. Scott IV
Chen Yau Wong
Tommei Mei Kuen Tong
Zhe Sun
Peter Man Kong Wong

Joint Company Secretaries

Antonio Jose Menano
Lam Wai Yan (resigned on March 21, 2014)
Wong Wai Yee, Ella (appointed on March 21, 2014)

Authorized Representatives

Antonio Jose Menano
William M. Scott IV

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Legal Advisors

As to Hong Kong law:

Herbert Smith Freehills
23rd Floor, Gloucester Tower, 15 Queen's Road Central
Hong Kong

As to Macau law:

DSL Lawyers
Avenida da Praia Grande no. 409
China Law Building 16th Floor
Macau

Compliance Advisor

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Registered Office in Cayman Islands

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Principal Place of Business and Head Office in Macau

Avenida Dr. Sun Yat Sen, Edifício MGM MACAU
NAPE, Macau

Place of Business in Hong Kong Registered Under Part XI of the Companies Ordinance

1402 China Merchants Tower
200 Connaught Road
Central, Hong Kong

Hong Kong Listed Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Cayman Islands Unlisted Share Registrar and Transfer Office

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town, Grand Cayman KY1-9005
Cayman Islands

Company Website

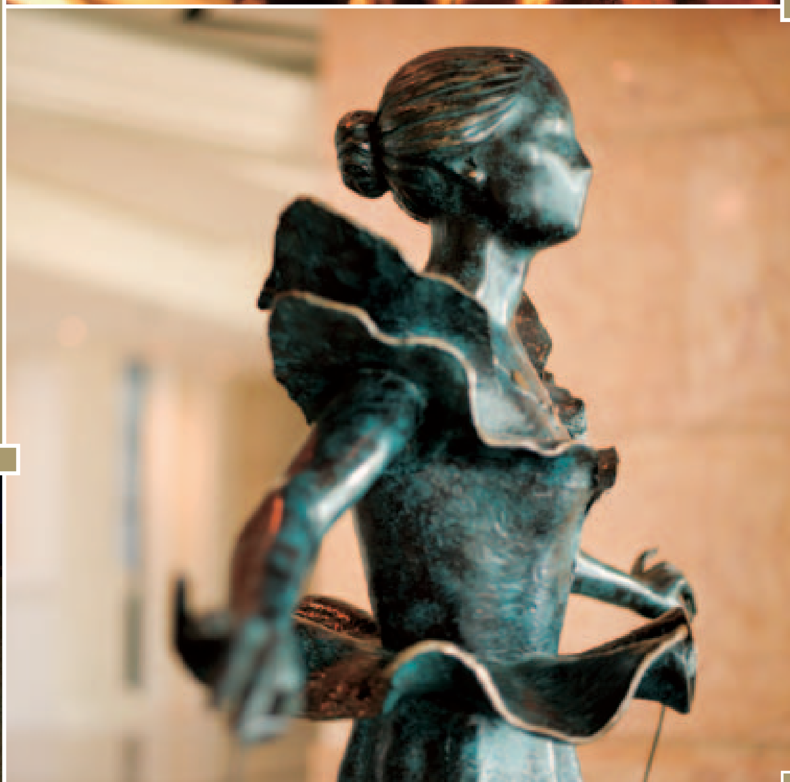
www.mgmchinaholdings.com

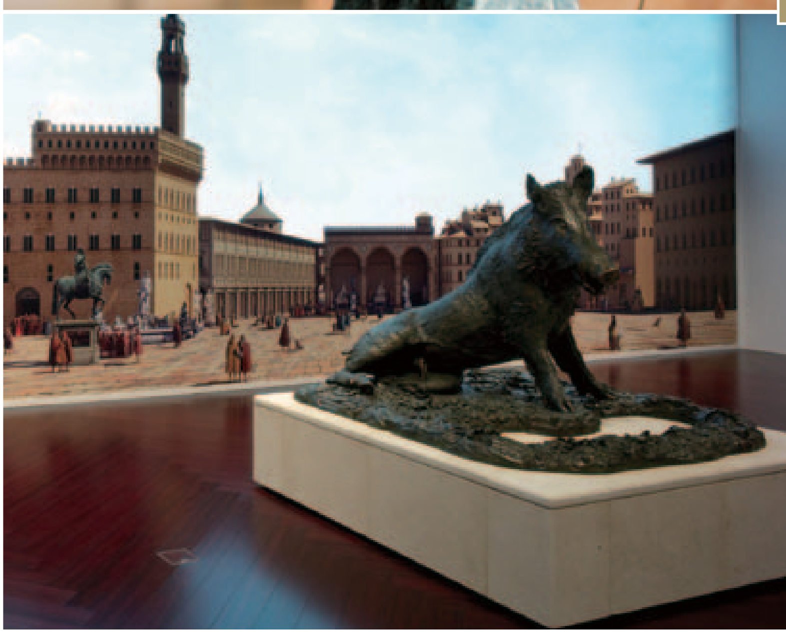
Stock Code

2282

Financial Highlights

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





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Looking to the future, we will ensure the continued success of MGM China by fostering reinvention in all aspects of our business with a focus on service enhancement and a dedication to the customer experience.


MGM


Chairperson's Statement

James Joseph Murren
Chairperson

Dear Shareholders,

2013 was another year of exceptional performance, robust growth and reinvention for MGM China, our employees and the wider Macau community. I am proud to present to you our sixth consecutive year of record growth, with EBITDA of HK$6.6 billion up 20% from 2012. I attribute our success to our focus on efficiency, diversification and innovation, and, above all, the hard work of the team members at MGM China.

As reflected by our healthy balance sheet, MGM China has a lot of flexibility going forward, and we believe that all stakeholders will see continued rewards as we implement our growth oriented development plans. In February 2013, MGM China initiated a regular dividend policy, and rewarded our Shareholders with a special dividend as well. I am pleased to report that our operating strategy and commitment to the execution of these plans continues to garner strong investor confidence and our team is committed to delivering consistent value for you, our Shareholders.

As you may already be aware, MGM COTAI construction is in full swing, and progressing in an impressive manner. With our foundation works completed, construction of our basement and tower is moving ahead quickly. The ongoing development and refinement of our interior designs are progressing well. Designed by Kohn Pederson Fox, MGM COTAI will include "The Mansion", a luxury and invitation-only villa complex. The Mansion is designed to attract and cater to high-end clientele. The Mansion will surely take the MGM experience to the next level. Designer, Jacques Garcia, has applied all of his design excellence to ensure our premium customers have a unique and memorable experience while staying at The Mansion.

On track to open in early 2016, MGM COTAI will see the addition of many more non-gaming, cutting-edge and exciting offerings. Featuring up to 1,600 rooms, 2,500 slot machines and 500 tables, our new premier resort will offer unparalleled experience which will engage, entertain and inspire our guests.

Staying ahead in this dynamic industry involves remodeling, renovation and reinvestment. In the coming months one can expect to see a prominent MGM China presence across marketing channels. This will include but will not be limited to a significant expansion of M life, our company-wide customer recognition program. With its proven success in the United States, I look forward to M life further strengthening our position in China and acting as a catalyst to build our customer base and driving growth in our existing Macau property and in Cotai.

In 2013, our team continued to work hard to support the vision of the Macau Government for diversification. I am very proud that our stunning aquarium at the Grande Praça has become a popular attraction. We also recently opened the MGM Art Space led by our collaboration with the Italian Consulate to present Botticelli's Venus for the first time in Macau.

As I have already reported we know that our team members at MGM China are the single most important component to our success and we seek to foster their commitment to both the company and the Macau community. In 2013, we continued to strive to engage each and every member of the team, allowing them to deliver the MGM brand story at work and beyond. For two weeks in July 2013, our team members donated 650 hours and raised in excess of HK$200,000 to help create a better Macau through our MGM Community Care Campaign.

In anticipation of MGM COTAI, we will continue to foster a positive working environment for our team and ensure that we remain an exciting and successful place for our employees to grow and excel.

Looking to the future, we will ensure the continued success of MGM China by fostering reinvention in all aspects of our business with a focus on service enhancement and a dedication to the customer experience. The future for MGM China is full of opportunities and we look forward to capturing those that will continue to add value to our company.

James J. Murren
Chairperson

Directors and Senior Management

1. Pansy Ho
2. Jim Murren
3. Grant Bowie
4. Tommei Tong
5. CY Wong
6. Patti Lam
7. Bill Hornbuckle
8. Zhe Sun
9. Ken Rosevear
10. Peter Wong
11. William Scott
12. Dan D'Arrigo

Members of our Board

Executive Directors

James Joseph Murren, aged 52, is the Chairperson and an Executive Director of MGM China Holdings Limited. Mr. Murren is the Chairman and Chief Executive Officer of MGM Resorts International. He has served as a director of MGM Grand Paradise since January 19, 2010. In 1998, Mr. Murren joined MGM Grand Inc. (a predecessor of MGM Resorts International) as Chief Financial Officer and a member of the board. He completed significant acquisitions over the next seven years, overseeing the transformation of MGM Resorts International into one of the world's leading gaming companies. In 1999, the board promoted Mr. Murren to President and then to Chief Operating Officer in 2007. As Chief Financial Officer, Mr. Murren directed the implementation of an extensive reorganization of MGM Grand Inc. and started the development of CityCenter. Before he joined MGM Grand Inc., Mr. Murren served as a Managing Director of U.S. Equity Research at Deutsche Bank AG. Mr. Murren graduated with a Bachelor's degree in art history and urban studies from Trinity College, Hartford in 1983. Prior to joining the board of MGM Grand Paradise, Mr. Murren was involved in the design, development, financing, management and operations of MGM Grand Paradise.

Pansy Catilina Chiu King Ho, aged 51, is the Co-Chairperson, an Executive Director and a member of the Remuneration Committee of MGM China Holdings Limited. Ms. Ho is the Managing Director of Shun Tak Holdings Limited, a leading business conglomerate listed on the Hong Kong Stock Exchange, a position she has held since 1999. She has served as a director of MGM Grand Paradise since June 1, 2005. Ms. Ho is also a director of a number of privately held companies, including Grand Paradise Macau Limited, Grand Paradise Grupo S.A., New Corporate Enterprises Limited, Bright Elite Holdings Limited and Grand Paradise Group (HK) Limited. In addition, Ms. Ho is the Vice Chairman of the board of directors of Macau International Airport Company Limited and an independent non-executive director of Sing Tao News Corporation Limited which is listed on the Hong Kong Stock Exchange. She is also a Standing Committee Member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a Standing Committee Member of the All-China Federation of Industry and Commerce, a Vice President of the Chamber of Tourism of the All-China Federation of Industry and Commerce and a Vice Chairperson of the China Society for Promotion of The Guangcai Program. In Macau, Ms. Ho is a member of the Government of Macau SAR Tourism Development Committee, the Chairperson of Global Tourism Economy Research Centre, the Vice Chairperson and Secretary-General of Global Tourism Economy Forum, a Vice President of the Macau Chamber of Commerce and a Vice Chairperson of Macau Convention & Exhibition Association. Internationally, she is also an Executive Committee Member of the World Travel & Tourism Council and a member of Sotheby's International Advisory Board. Ms. Ho graduated with a Bachelor's degree in marketing and international business management from the University of Santa Clara in the United States.

Chen Yau Wong, aged 60, is an Executive Director and a member of the Nomination and Corporate Governance Committee of MGM China Holdings Limited. Mr. Wong is a director of MGM Grand Paradise, a position he has held since September 2007. Mr. Wong is also a director of Grand Paradise Group (HK) Limited and Grand Paradise Grupo S.A. Prior to that, Mr. Wong was appointed by Shun Tak Holdings Limited as a financial advisor and operations controller between 2000 and 2007. Mr. Wong qualified as a chartered accountant in England and Wales in 1980 and graduated with a Bachelor's degree in mechanical engineering science from the University of Salford in the United Kingdom.

Directors and Senior Management

Executive Directors (Continued)

William Joseph Hornbuckle, aged 56, is an Executive Director and a member of the Remuneration Committee of MGM China Holdings Limited. Mr. Hornbuckle is the President and Chief Marketing Officer of MGM Resorts International. He provides corporate oversight for all marketing functions across MGM Resorts International's properties including MGM MACAU and executes its strategic plan that included expanding its presence domestically and internationally. Mr. Hornbuckle has served as a director of MGM Grand Paradise since November 16, 2009. From 2005 until August 2009, Mr. Hornbuckle served as President and Chief Operating Officer of Mandalay Bay Resort & Casino in Las Vegas. He previously served as President and Chief Operating Officer of MGM MIRAGE-Europe, where he worked on the development of the company's gaming operations in the United Kingdom. He also served as President and Chief Operating Officer of MGM Grand Hotel & Casino and of Caesars Palace, Las Vegas. He spent the majority of his earlier career with Mirage Resorts Inc. in various senior management positions, including the Vice President of Hotel Operations of Golden Nugget, the Vice President of Hotel Operations of MGM Mirage, the President of Laughlin, the Executive Vice President and Chief Operating Officer of Treasure Island and the Executive Vice President of Operations of MGM Grand, from 1986 to 1998. He obtained a Bachelor's degree in hotel administration from the University of Nevada, Las Vegas. Prior to joining the board of MGM Grand Paradise, Mr. Hornbuckle was involved in the design, development, financing, management and operations of MGM Grand Paradise.

Grant R. Bowie, aged 56, is the Chief Executive Officer and an Executive Director of MGM China Holdings Limited. He has been the President of MGM Grand Paradise since August 1, 2008. With over two decades of experience working in the hospitality industry, Mr. Bowie joined our Company after approximately four years as the President and General Manager of Wynn Resorts (Macau) S.A. Prior to that, he contributed to the growth and development of Park Place Entertainment Corporation's Jupiter operations in Australia from 1987 to 2003. In his 16 years with Park Place Entertainment, he held senior positions in casino, general finance and hotel operations before being appointed General Manager of both Park Place Entertainment's properties in Australia. Mr. Bowie is also an Adjunct Professor in Tourism and Leisure Management at the University of Queensland. Mr. Bowie holds a Bachelor's degree in commerce from the University of Otago in New Zealand.

Non-executive Directors

William M. Scott IV, aged 54, is a Non-executive Director and a member of the Nomination and Corporate Governance Committee of MGM China Holdings Limited. Mr. Scott is the Executive Vice President-Corporate Strategy and Special Counsel of MGM Resorts International, a position he has held since July 2010. In November 2011, he was also appointed to serve as a director of Diaoyutai-MGM Hospitality, Ltd, the joint venture between MGM Resorts International and Diaoyutai State Guesthouse (the hospitality arm of the PRC government) for the development of hospitality resources in China and was subsequently made Executive Director and General Manager. In March 2012, he was appointed by MGM Resorts International as Senior Resident Executive for Greater China. In July 2013, he was appointed General Manager of Diaoyutai MGM Hospitality, Ltd. Mr. Scott previously served as Senior Vice President and Deputy General Counsel of MGM Resorts International from August 2009 to July 2010. Mr. Scott was a partner at the law firm Sheppard, Mullin, Richter & Hampton LLP, specializing in financing transactions, having joined the firm in 1986. Mr. Scott holds a Bachelor's degree in history from the Dartmouth College in 1982 and a Juris Doctor degree from Union University in 1985. He also obtained a Master of Laws degree from Boston University in 1986.

Daniel J. D'Arrigo, aged 45, is a Non-executive Director and a member of the Audit committee of MGM China Holdings Limited since April 1, 2014. Mr D'Arrigo is the Executive Vice President, Chief Financial Officer and Treasurer of MGM Resorts International. He has held the position of Executive Vice President and Chief Financial Officer since August 2007 and the position of Treasurer of MGM Resorts International since 2009. Mr. D'Arrigo previously served as Senior Vice President-Finance of MGM Resorts International from February 2005 to August 2007 and as Vice President-Finance of MGM Resorts International from December 2000 to February 2005. Mr. D'Arrigo holds a Bachelor's degree in Business Administration from West Virginia University in 1991.

Kenneth A. Rosevear, aged 64, is a Non-executive Director and was a member of the Audit Committee of MGM China Holdings Limited until April 1, 2014. Mr. Rosevear is the President of MGM Resorts Development, LLC (a subsidiary of MGM Resorts International), a position he has held since 1995. He has served as director of MGM Grand Paradise since December 4, 2008. Prior to joining MGM Resorts International, Mr. Rosevear was the President of Development for Caesars World for two years. Mr. Rosevear was Chief Executive of Sun International Group, which operated casino resorts in southern Africa, from 1985 to 1993 and its Deputy Managing Director from 1983 to 1985. He held the position of Financial Director of Southern Sun Group from 1982 to 1983. Mr. Rosevear began his career at Price Waterhouse in 1967 and rose to partnership in 1979, a position he held until 1982. During his career, Mr. Rosevear has overseen the design, construction and development of a number of gaming resorts internationally, including MGM MACAU. Mr. Rosevear obtained a Certificate in the Theory of Accountancy from the University of the Witwatersrand, Johannesburg and was qualified as a chartered accountant by the Chartered Accountants of South Africa in 1973.

Directors and Senior Management

Independent Non-executive Directors

Zhe Sun, aged 48, is an Independent Non-executive Director, a member of the Audit Committee, the Chairperson of the Remuneration Committee and a member of the Nomination and Corporate Governance Committee of MGM China Holdings Limited. He is a professor at the Institute for International Studies and director of the Center for U.S.-China Relations at Tsinghua University. Prior to that, he was a professor and deputy director of the Center for American Studies at Fudan University between 2000 and 2007. Professor Sun has also taught at the East Asian Institute, Columbia University and Ramapo College, New Jersey. Professor Sun is the author and editor of 18 books on comparative politics and U.S.-China relations. He has a Bachelor's and a Master's degree in law from Fudan University in 1987 and 1989, respectively, and obtained a Doctor's degree in political science from Columbia University in 2000. He also obtained a Master of Art degree from Indiana State University in 1992.

Tommei Mei Kuen Tong, aged 49, is an Independent Non-executive Director, the Chairperson of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination and Corporate Governance Committee of MGM China Holdings Limited. Ms. Tong was the Executive Director of TOM Group Limited, from 2003 to 2008. She also served as the Chief Financial Officer and Chief Operating Officer of Ping An Insurance (Group) of China, Ltd., a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Prior to that, Ms. Tong spent 14 years with Arthur Andersen & Co. She has received the "Top Ten Private Female Entrepreneurs" award from the All-China Federation of Industry and Commerce and the All-China Women's Federation. Ms. Tong is a Fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. She obtained a Bachelor's degree in social science with a major in management studies from the University of Hong Kong.

Sze Wan Patricia Lam, aged 47, is an Independent Non-executive Director, the Chairperson of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of MGM China Holdings Limited. She is the Chairman of Sotheby's Asia and a member of the Board of Governors of the Hang Seng Management College in Hong Kong. Based between London and Hong Kong, Ms. Lam held the post of Head of Sotheby's Private Client Services Department in London before her appointment as Chairman of Sotheby's Asia in 2004. She was also appointed Chairman of Sotheby's Diamonds, a retail joint venture established in December 2005 between Sotheby's and the Steinmetz Diamond Group. She received her Bachelor's degree in Monetary Economics from the London School of Economics in 1990 and a post graduate diploma in Asian Arts — Chinese, Japanese and Korean Arts at the School of Oriental and African Studies, London University in 1991.

Independent Non-executive Directors (Continued)

Peter Man Kong Wong, aged 65, is an Independent Non-executive Director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination and Corporate Governance Committee of MGM China Holdings Limited. Mr. Wong has over 39 years of industrial, commercial and public service experience. He is serving as a deputy to the 12th National People's Congress of the People's Republic of China. Mr. Wong is currently the Chairman of M.K. Corporation Limited, Culture Resources Development Co., Ltd. and North West Development Limited. Mr. Wong holds a Bachelor of Science Degree from the University of California, Berkeley. He was nominated a Justice of the Peace in 1987 and was awarded Bronze Bauhinia Star in 2003 for his valuable contributions to promote public services in Hong Kong. Mr. Wong has an extensive record in public services. From 1979 to 1992, he served as a director of Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He was also a member of the Hong Kong Special Administrative Region Preparatory Committee during 1996 and 1997 and a member of the Election Committee of the Second Chief Executive of the Hong Kong Special Administrative Region in 2002. Mr. Wong currently holds directorships in a number of public companies listed on the Hong Kong Stock Exchange. He is an independent non-executive director of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Chinney Investments, Limited, Sun Hung Kai & Co., Limited, Sino Hotels (Holdings) Limited and Far East Consortium International Limited. He is a non-executive director of New Times Energy Corporation Limited and Hong Kong Ferry (Holdings) Company Limited.

Senior Management

Yiu Ling Kwong, aged 68, is the Executive Vice President, Casino Operations of our Company, a position he has held since August 2010. Mr. Kwong is responsible for the overall management and the strategic development of the gaming operations in MGM MACAU. Commencing his gaming career with STDM in 1975, Mr. Kwong has been at the forefront of the transformation and modernization of the Macau gaming industry. He set up, in the wake of the opening of Macau gaming licenses, Macau's first themed casino, Pharaoh's Palace Casino, introducing new games and concepts, such as Caribbean Stud Poker and 9-seat Midi Baccarat table, and creating a customer service focus for Pharaoh's. Mr. Kwong then joined Altira Macau as Chief Operating Officer. Mr. Kwong obtained a Bachelor's degree in social science from the Chinese University of Hong Kong.

Directors and Senior Management

Senior Management (Continued)

Zhi Qi (Hubert) Wang, aged 46, is our Vice President — Finance & Chief Financial Officer, a position he has held since July 2011. As the most senior finance executive at MGM China, Mr. Wang plays a key role in both daily operations and corporate strategies and affairs. Mr. Wang is a seasoned executive with a wealth of knowledge in gaming and finance. He worked for a number of large gaming companies in the United States and Canada, including Caesars Entertainment Inc., Las Vegas Sands Corporation and Penn National Gaming. He held senior positions in either property operations or corporate finance in these companies. Early in his career when working for Caesars Entertainment Inc. (known as Harrah's Entertainment Inc. then), Mr. Wang worked on riverboat development projects, M&A and financing transactions before going into property operations in multiple jurisdictions. Mr. Wang was also involved in several casino development projects in Asia. When he worked for Las Vegas Sands, he participated in the pre-opening process of Venetian Macau and Marina Bay Sands in Singapore. Mr. Wang holds a graduate degree in Master of Business Administration from University of Memphis. He also received dual bachelor's degrees in Industrial Management and in English language from Shanghai Jiaotong University.

Brian Fraser Fiddis, aged 62, is the Senior Vice President, Casino Marketing and Business Development of our Company, previously, he was the Senior Vice President, Casino Marketing of our Company, a position he has held since September 1, 2008. Mr. Fiddis brings over two decades of experience running comprehensive marketing and sales programs for prestigious casinos in Australia. He previously held the position of General Manager, International Sales at Tabcorp Holdings Limited, Casinos Division, where he was responsible for the growth and development of Star City, Sydney and the Jupiters Queensland properties. While there, he led the strategic development of a marketing plan for the re-entry of the Sydney property into the international commission business. Mr. Fiddis has also held various positions within the International Sales Division of Conrad Jupiters Casino. Mr. Fiddis obtained a Master of Arts degree from Glasgow University and a Diploma of Education from the University of Tasmania.

Mark J. Whitmore, aged 66, is the Senior Vice President, VIP Operations, Marker and Collections of our Company, a position he has held since March 31, 2008. Mr. Whitmore originally joined our Company as Vice President, Cage, Collection and Marker Operations on August 1, 2006. Mr. Whitmore brings over 30 years of experience in the gaming industry, the last 12 of which have been with MGM Resorts International. Before arriving in Macau, Mr. Whitmore was the Vice President of Cage, Credit and Collections at the MGM Grand Hotel & Casino in Las Vegas. Prior to joining MGM Resorts International, he spent ten years with Imperial Palace Hotel & Casino as the Casino Manager. Mr. Whitmore began his career in gaming in 1972 with MGM Grand in Las Vegas. He graduated with a Bachelor of Science degree in hotel administration from the University of Nevada in Las Vegas.

Senior Management (Continued)

Peter L.J. Finamore, aged 58, is our Senior Vice President of Hotel Operations. Mr. Finamore has been with the company since August 19, 2013. In his extensive career spanning over 35 years and multiple continents, Mr. Finamore has worked for some of the best hospitality names in the world including Hong Kong and Shanghai Hotels Ltd. (the Peninsula Group in Hong Kong, Manila, Beijing and Chicago), Hilton International Company and Rosewood Hotels & Resorts. He is coming to the company from his most recent role as Senior Vice President - Operations of Regent Hotels & Resorts where he led and supported the company's 6 operating hotels as well as 5 new projects from their head office in Taipei. Prior to that, Mr. Finamore was the Managing Director for Rosewood Hotels & Resorts with responsibilities for operation of three hotels including Al Faisaliah Hotel, an award winning luxury hotel in Riyadh, Saudi Arabia. He also brings to us leadership experience in gaming industry from his previous roles as Senior Vice President - Operations for Echelon Resorts, Las Vegas and Vice President - Hospitality for Borgata Hotel Casino & Spa in Atlantic City, USA. Peter holds a Bachelor of Commerce in Management from Concordia University, Montreal, Canada.

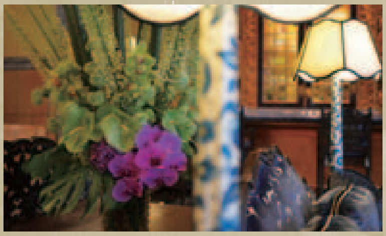
Antonio Jose Menano, aged 51, is the Joint Company Secretary and Vice President, Legal & Administrative Affairs of our Company, a position he has held since November 17, 2006. Mr. Menano originally joined MGM Grand Paradise as Company Secretary and Director, Legal & Administrative Affairs on September 1, 2005. Before joining us, he was the director of Air Law, Air Transport & International Relations for the Civil Aviation Authority of Macau for more than 10 years. In this capacity, he was responsible for negotiation of air service agreements, drafting of Macau Special Administrative Region civil aviation laws and regulations and providing legal support to the Civil Aviation Authority. Simultaneously, Mr. Menano worked as a Government Delegate in Air Macau Company Limited and previously worked in Instituto de Accao Social de Macau and Sorefoz Electrodomesticos e Equipamentos Lda. in Portugal. He graduated with a law degree from the University of Coimbra.

Yueu Ying (Wendy) Yu, aged 46, is the Vice President, Human Resources of our Company, a position she has held since July 1, 2009. Ms. Yu started her hospitality career with the Hyatt Regency Macau and then became the Human Resources Manager of Holiday Inn Macau from its pre-opening stages. Moving from a corporate to an educational role, Ms. Yu spent one year as a Lecturer for the Institute of Tourism Education in Macau after her hotel job assignment in Shanghai with the New World Group. She then moved to the Westin Resort, Macau as Director of Human Resources. Ms. Yu subsequently joined Wynn Resorts (Macau) S.A. in 2003 as Vice President — Human Resources and was responsible for the human resources department for the opening of Wynn Resorts (Macau) S.A. Before joining our Company, Ms. Yu spent a year with Starwood Hotels and Resorts for their Sheraton and St. Regis pre-opening project in Cotai. Ms. Yu graduated with a Bachelor's degree in business administration in personnel management from the University of East Asia Macau.

Toby Kwok Wai Leung, aged 51, is the Vice President, Marketing and Communications of our Company, a position he has held since February 28, 2011. Mr. Leung has more than 20 years experience in marketing and communications, most notably in the tobacco and luxury liquor industries. Before joining us, Mr. Leung was based in Shanghai for 10 years. He was the founding Managing Director of Auditoire China, a leading global experiential events, PR and marketing agency originated from Paris. Mr. Leung obtained a Professional Diploma in business management from Hong Kong Polytechnic University in 1985 and a Master of Science degree in marketing from the University of Salford, U.K. in 1987.

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.


Management
Discussion
and Analysis



Management Discussion and Analysis

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. The resort's focal point is the signature Grande Praça and features Portuguese-inspired architecture, dramatic landscapes and a glass ceiling rising 25 meters above the floor of the resort. Our property is directly connected to the One Central complex, which features many of the world's leading luxury retailers and includes Mandarin Oriental Hotel and serviced apartments.

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.

Management Discussion and Analysis

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 eight-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.

Management Discussion and Analysis

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 [(1)]	**2,078**	2,097

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

Operating Revenue

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

	For the year ended December 31,	
	2013	2012
	HK$'000	HK$'000
Casino revenue	**25,412,367**	21,454,483
VIP gaming operations	**15,995,647**	13,672,876
Main floor gaming operations	**7,162,671**	5,688,782
Slot machine gaming operations	**2,254,049**	2,092,825
Other revenue	**315,146**	319,109
Hotel rooms	**45,364**	65,103
Foods and beverages	**220,222**	207,801
Retail and other services	**49,560**	46,205
Operating revenue	**25,727,513**	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 11 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.

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

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). Details of the share-based payments are set out in note 29 to the consolidated financial statements.

(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 37 to the consolidated financial statements.

Management Discussion and Analysis

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 HK$'000	2012 HK$'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	**7,884,805**	7,381,362

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 pilling 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
	17,945,305	18,483,194

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.

Management Discussion and Analysis

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 37 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.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Life

Sustainability

Our Approach to Sustainability

This section of our annual report provides a summary of the Company's approach to sustainability and our progress and performance in implementing our Sustainability Strategy. As a company listed on the Hong Kong Stock Exchange, our sustainability reporting aims to progressively address the upcoming disclosure requirements for environmental, social and governance ("ESG") reporting of the Hong Kong Stock Exchange and the Global Reporting Initiative's Sustainability Reporting Guidelines, version G4, where appropriate and applicable.

Our Sustainability Vision and Policy

Sustainability is a fundamental part of how we do business. Our Sustainability Vision, 'Creating Tomorrow Today', articulates our belief that incorporating a sustainable outlook into our business today is integral to the continued success of our Company and that this brings benefits to all our stakeholders. Our vision is inherent in our core values — Teamwork, Integrity & Trust, and Excellence — that drive us to become the preferred company for our Shareholders, customers and business partners, employees, and to make a positive contribution to our community.

In 2013, our sustainability policy ("Policy") was developed by MGM Macau's Sustainability Committee ("Committee") and endorsed by our Chief Executive Officer. This Policy states the Company's overall intentions and direction for integrating sustainability considerations into every aspect of the business and our decision-making processes. Our Policy comprises three core commitments:

1. Make decisions today that will positively influence our own and our stakeholders' future by minimizing negative impacts and maximizing positive opportunities;

2. Continually improve our performance; and

3. Enable and inspire our employees and business partners to take sustainable actions.

Further, the Policy outlines the Company's commitments for our three key sustainability focus areas of Governance, People and Environment.

Our Sustainability Focus Areas

In 2012, MGM China took its first step in its sustainability journey by commissioning an external consultancy to assist in scoping and reviewing MGM China's sustainability performance. This involved a full review of our operations to identify key sustainability risks and opportunities, and areas for improvement. The review also included a gap analysis of performance against recognized reporting standards and international best practice, as well as the views and expectations of our stakeholders.

From this review, the following three focus areas were identified as priorities for our sustainability strategy:

1. Governance — comprises the procedures and processes that direct and control the Group's operations.

2. People — engages the company in supporting and developing beneficial relationships with and opportunities for all of our stakeholders, which include our Shareholders, customers, business partners, employees and members of our community.

3. Environment — directs the Group to responsibly manage its operations to use resources efficiently and reduce environmental impacts.

Under these three focus areas, a number of sustainability issues were identified as important to our stakeholders. These key issues form the basis of our strategy and reporting. In time, as our ability to shape and influence the sustainability landscape grows, we aim to address each of our material issues with defined targets and actions.

Our Sustainability Strategy

2013 marked the first full year of implementing our sustainability strategy, which was developed to systematically embed sustainability objectives into our core business strategy. Our strategy includes actions, performance indicators and specific targets to address the issues and risks for each of our sustainability focus areas. It also provides a roadmap for continual improvement with overarching short, medium and long-term goals for each area. To help us achieve these goals, an implementation plan has been developed and is updated on an annual basis to reflect any changes in business focus and priorities.

Our Sustainability Committee

Our Committee was established in 2012 and is responsible for ensuring that social, environmental and governance risks and opportunities are properly identified, and steps are taken to address them. The Committee's core tasks include establishing policies, programs and procedures that help guide and assist MGM China in achieving its sustainability goals and integrating sustainability in its business practices. The Committee is chaired by our Chief Executive Officer and includes senior representatives from major divisions of the Group. The Committee meets on a monthly basis and each focus area is championed by a committee member.

Stakeholder Engagement

We commit to operating in an economically, socially and environmentally responsible manner, whilst balancing the reasonable expectations of our diverse stakeholders. We see engagement with multiple stakeholders as a key enabler of both risk mitigation and innovation and we believe that developing and refining the skill of listening is critical to strengthening our strategy and our long-term success.

We define our stakeholders as groups that have a significant impact on our business or those who are affected by our operations, including: our Shareholders, customers, business partners, employees, community members, non-governmental organizations and regulatory bodies. Every year, our Company engages with its stakeholders through channels such as our annual report, investor meetings, annual general meetings, the company website and other communication channels.

Commitment to Our People

Our Company's success is only made possible by the support of our employees, the community and our customers. We are committed to their long-term development and supporting their needs and aspirations.

Employees

Our employees are our greatest asset and key to maintaining our competitive advantage, now and into the future. We aim to attract, employ and retain high-calibre staff who share our vision and values. It is therefore a priority to support our employees to develop their careers and reach their potential. We believe in creating a workplace that is safe, fair and diverse and one that provides a work-life balance.

Human Resources Philosophy

Our Values

We aim to be a premier entertainment resort respected by its employees for rewarding opportunities. The guiding principles "Teamwork, Integrity & Trust, and Excellence" govern our management and employees' daily behavior while striving to achieve our vision and mission as below.

The Company aims to be a premier entertainment resort respected by:

- Shareholders for its value creation capabilities
- Customers for creating unforgettable experiences
- Business partners for its trustworthiness
- Employees for rewarding opportunities
- Community as a responsible employer and partner

We Care

Creating a culture of caring lies at the heart of the human resources philosophy. To support this, we pioneer cutting edge activities and programs to our employees and their families.

Health and Safety Management

The health and safety of our employees, customers, contractors and communities is our highest priority. Our approach is guided by our Occupational Health and Safety Policy and Manual and our performance is managed and monitored by our Risk and Safety team and also monitored by the Board-level Risk and Safety Committee on a semiannual basis. Mandatory health and safety training is provided to all employees and contractors upon induction. Depending on work function, other mandatory health and safety training sessions are also provided.

We also have Management Plans for Risks, Critical Events and Fire and Emergency Evacuation which provide procedures for responding to critical events (e.g. earthquake, storm, fire, bomb, threat to life/property). The Critical Event Management Committee regularly reviews risk management and performance and our management establishes Task Forces as needed to respond to events and to conduct practice drills.

As a food and beverage provider, food safety is of critical importance. Stringent measures have been adopted in food and beverage kitchens and outlets to ensure the highest levels of food safety standards. Monthly inspections are conducted using a scoring system and audits are conducted every three months to prevent and minimize incidents of food contamination.

Employee Fun

Equal employment opportunities are provided to all candidates in regardless of age, race, color, sex, sexual inclination, marital status, religion or disability. We strive to create a harmonious and positive work environment where employees can perform their best, and there were no incidents of discrimination reported in 2013. To increase sense of belonging amongst employees, we regularly organize social events and gatherings such as themed parties like Oktoberfest, Summer Movie Carnival and Anniversary staff party. To boost team spirit amongst teams, we have built up different sports teams: Dragon Boat, Soccer, Basketball and Badminton teams and actively participate in different kinds of local competition. We encourage work-life balance through supporting MGM sport teams in regular practices and competitions, local and overseas.

In addition, we have events to include employees' families too such as MGM Movie Carnival, Golden Lion Summer Camp which is an outbound adventure training taken place in Hong Kong and "A Day with MGM" which is a familiarization program for teenagers to experience the 'on job' hotel environment, with the objective to enhance communication skills, broaden their horizons, and enrich their profile.

Employee Communications

We believe good, open communication can engage and empower our employees to make a difference. Through our employee portal, M life Insider, back of the house notice boards, internal TV, and Wall of Pride (a monthly column that celebrates inspiring stories and people within the Golden Lion team). We make sure our employees always stay in the know, whether it is about professional awards won by our employees or new F&B, marketing program. We deliver information that matters to the team as well to the business. We create an open environment where opinions/ideas count. Open communication avenues are set up to foster open dialogue between management and employees to update, and to seek ideas to improve work and work environment, such as Tea Time with CEO, and Employee Suggestion Scheme.

Our employee communications channels include but not limited to:

- Hotlines
- Email Announcement
- Posters
- Leaflets
- Notice Board
- Departmental Internal Communication Meeting
- Daily Briefings
- Employee Opinions Forms
- Digital Signage System

Employee Recognition

We want to cultivate a motivational work environment where team members are recognized and rewarded for their accomplishments. The "Golden Lion Award" and "Leo Award" are recognition programs recognizing employees who exemplify company core values and demonstrate outstanding behavior. In the year of 2013, 120 employees from different departments were awarded the Golden Lion Award while 1,697 employees were awarded the Leo Award.

Listen & Resolve

We know how important it is for every employee to be comfortable at work and with fellow colleagues. The Employee Relations team is dedicated to address to any work related issues and concerns with fairness and impartiality.

Employee Assistance Program — Enrich Your Life

We believe that personal well-being is as important as professional development. Just as we are committed to helping our employees to grow, we want to help them to thrive as individuals, even when bad times come. That is why we provide the Employee Assistance program to help our employees to cope with personal concern. Supported by Sheng Kung Hui Service Coordination Office, the "Enrich Your Life" program offers professional counseling services, including "Let's meet" face-to-face consultation and "Let's Chat" support hotline, to help employees and their families to resolve any personal concern on financial problems, work-life balance and family issues through objective assessment, expert guidance and coaching. Both the "Let's Chat" and "Let's Meet" service is also extended to employees' family at the Group's expense.

We also provide On Site EAP support whereby the counselor is stationed in the property on a weekly basis as to reach out the employees easier.

To promote the Enrich Your Life — Employee Assistance Program, we organized themed roadshows and workshops on family relationship, finance, responsible gaming, emotional quotient and stress management etc.

We Excel

We strive to be a preferred employer by offering rewarding careers for local talent as well as overseas team members. We seek to attract, hire and retain top talent for the continued success and development of the Company. We provide competitive remuneration and compensation packages in our industry. In addition, we offer our employees a comprehensive benefits package that includes fair compensation, medical care, retirement benefits and a discretionary bonus for full-time, permanent employees.

We are committed to supporting and developing local talent. We work closely with local universities to provide internship programs for undergraduates. Our interns obtain on the job-training as well as management exposure. This year, we began a career tour for secondary schools in Macau to provide career-planning advices for youngsters. We work hard to ensure that MGM China carries employer of choice branding that positions us for future success.

As Macau becomes more successful, we understand we need to be more creative and proactive in facing the challenge of worker shortage. Employees are always the most important assets in our organization. The Group is committed to the growth and development of all employees and actively promotes life-time learning within the organization, even before potential employees join our Group. We believe that training and development initiatives for a sustainable organization should be three fold:

- To identify potential employees in the market and prepare them for joining
- To provide essential knowledge and skills to employees once they join the Group
- To develop employees of good potential and performance for further advancement

We actively promoted our internal referral program via lucky draws and road shows. We also found some success in our Rehire Program to rejoin the Company. We are also tapping into new labor markets such as Thailand, Myanmar with very encouraging results. These achievements will help us craft efficient and effective hiring strategy for Cotai mass recruitment.

Other than new hire orientation, departmental induction and various other job-related skills and knowledge training, we also focus on the long term development of potential employees and existing team members with focus in the following key areas:

Performance Review Program

The Performance Review Program is an important management tool to maximize utilization and development of its human resources for business success. We continue to communicate this important program through a series of briefings, Performances Review Skills Training, Performance Review Procedural Training and a company-wide communication campaign throughout 2013. The Annual Performance Review was successfully completed in December 2013 covering all full time employees.

Programs on Company Values

Based on the Company's core values T.I.E. (Teamwork, Integrity & Trust, and Excellence) and a competency-based model, this comprehensive program aims to enable employees to be more objectively assessed and be helped to understand what is expected of them. It is an integral component of our overall strategy in identifying improvement and development needs, employees potential and career advancement opportunities.

Reinforcement of Company's Core Values — T.I.E. (Teamwork, Integrity & Trust, and Excellence)

While the Company's core values forms an essential part of our Company culture, different activities were introduced throughout the year to strengthen our beliefs that T.I.E. as not only being the core values we promote but our guiding principles in our day-to-day behaviors at work.

T.I.E. activities were organized in both inter-departmental and intra-departmental manners:

- TIE RACE Series — Introduced in 2013, an inter-departmental cross function teambuilding activity for the middle management with the objective to build up trust, improve communication and cultivate team spirit across different functional areas.

- TIE Competitions — Different departments to organize intra-departmental competitions with the theme to promote Teamwork, Trust & Integrity, and Excellence.

MGM Academy

Established on December 18, 2009, the MGM Academy aims to provide an organized, structured, life-long learning environment for all team members. The motto for the Academy is "Where Excellence Starts". The organization's training & development programs are based on Core Competencies which are identified by focus groups. Using a 4-tiered competency-based model, a series of mandatory programs have been developed to meet the development needs of all team members with different levels of job responsibilities. These programs help enhancing their self-development and prepare for further advancement in the Group.

With the overwhelming participation, within 3 years' time, we have launched many programs including leadership and supervisory skills; managing and coaching techniques targeting to all levels of team members. The Academy courses are offered regularly and on a year-round basis. New courses were introduced in 2013 including How to Conduct Effective Meetings, How to Improve Tardiness, Influencing Skills and LEAN Concept for Management. To be in line with the Performance Review Program, more Academy courses will be developed and introduced in the future to further develop and reinforce the Company's bench strength.

MGM LEAD Program

The name LEAD stands for Learning, Education Assistance & Development. We believe that to support the vision and mission of the Company, it is important that we identify high potential local individuals and develop them, even before they join the Company. This is a sponsorship program to nurture local students of higher tertiary education whom we identify as high potential leaders of tomorrow with a passion in the gaming and hospitality industry. The sponsorship program aims to prepare local students for full time employment at MGM China right after graduation.

A tuition sponsorship will be awarded to selected students who are undergoing a 4-year degree program when they are entering their 3rd year of study. Selected students will be working with the Company for a minimum of 400 hours per year while studying so that they will get a head start in gaining practical working experience before they are promised a minimum of 2 years full time employment with MGM China.

MGM PRIDE Program

While “PRIDE” stands for a group of lions, the MGM PRIDE program is a 15-month management development program for a group of proud and high flying team members. The program is launched in preparing for the development and expansion of MGM China. We aim to be one of the finest management development programs in the industry and recognized as being the program that will produce high potential management and supervisory employees of the Group.

This program is targeted for internal candidates with excellent performance with an outstanding score under the MGM MACAU's Performance Review Program (“PRP”). Selected employees are required to participate in a structured management development program. Those employees will attend at least 2 days of management development training per month and have to lead and work on projects to develop skills in leadership and knowledge on management under a mentorship structure. Job rotation within department will also be arranged to give the selected employee a wider perspective on management at departmental level. As an integral part of the program, field trips to reputable companies within the vicinity will be organized and there will also be an overseas trip to our sister properties worldwide toward the end of the program.

Education Support Program

On top of the different training and development programs in place, we also promote and encourage continuous learning and development for all employees with the Education Support Program.

This program aims to support full time employees, after completing 1 year of service with the Group, who would like to further their formal education or enhance their professional qualifications. Qualified employees will be given education subsidies up to a maximum 80% of the total tuition fee of different education programs leading to formal or professional qualifications.

Macau Occupational Skills Recognition Program — MORS

We believe that employees are best motivated by their personal success and recognition. We encourage employees to participate in different MORS Certification program organized by the Institute for Tourism Studies. Not only do we sponsor their fees for enrolment, we also actively support employees to participate in the annual MORS Gold Pin Competition. 2013 was a fruitful year as we have a total of 13 finalist in the competition and won 3 Gold Pin Awards in total.

Learning Zone

To promote life-long learning, the Learning Zone was introduced since late 2012. The Learning Zone consists of a library with a collection of over 1,500 books and a self-study area where employees can look for resources either for work related subjects, self-development or leisure studies. The usage has been increasing gradually and we have awarded the 600th Borrower Award in late 2013.


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MGM

Community

Sustainability

Community

We Share

"Creating a better Macau" is the belief that everyone shares at the Group. We believe it is a vital part of the Group's social responsibility to take an active leadership role in giving back. We lead our team to reach out to the Macau community through events and charitable work that benefit those who are less fortunate. It is our aim to put in place programs and initiatives for employees to contribute their talent and skills to making Macau a better place to work, live and raise families.

Moreover, we believe adding economic value goes beyond simply delivering financial returns. It also means creating jobs, hiring locally, contributing to local government revenue and activities, purchasing from local suppliers and supporting and contributing to local non-profit organizations.

The Group has been recognized for our leadership in corporate social responsibility and we had taken a holistic approach to community outreach, supporting non-profit organizations on food and health care for human sustainability, to education for talent sustainability, to people suffering from natural disasters and more. Our community engagement programs and commitment to social and environmental responsibility have led the Macau gaming industry by receiving local awards and reputations.

Economic Contribution

The Group's economic contribution to our community is an important aspect of our sustainability performance. We are proud to be building a better Macau by contributing to local employment and economic development; 80% of our employees are hired locally. Details of our charitable contributions and taxes paid to the Macau Government are disclosed in the Report of the Directors and consolidated financial statements.

MGM Volunteer Team

We organized diversified events to serve the different age needy groups in Macau, like the Elderly Health Day, Chinese New Year celebration, Cleaning of 110 Elderly homes. For young people, we offered a 22 hour certified Culinary training program to the students at Macau Youth Correctional Institution. For the second year, we appointed the YMCA of Hong Kong to organize the 3 day 2 nights "Golden Lion Summer Camp" for a total of 90 students, including employees' family and students nominated by the local schools. The aim is to develop participants' self-confidence, communications skills, creative thinking and problem solving skills and gain a better appreciation of team work through a host of exciting outdoor activities.

Partnered with Holy House of Mercy to strengthen our commitment to the well-being of our community, we distributed food and necessities packages to low income families at the Welfare Shop run by the Holy House of Mercy.

Achievement in the Group Community Activities

The following are some of the achievements of the Group:

- Achieved a total of 4,718 community service hours in 2013 in a variety of events for different age groups.

- 2013 MGM Community Care Campaign successfully raised MOP209,000, consisting of MOP104,500 from employees and a matching donation of MOP104,500 from the company. A total of 210 MGM China employees joined the two week community campaign consisting of 650 community hours. Activities of the campaign includes changing electricity sockets for the elderly, organizing cooking lessons for people with learning disability, distributing food hampers and organizing movie day to low income families, refurbishing facilities of a primary school, sponsoring learning materials and desktop computers for primary and youth center, helping low-income families buy life-sawing equipment.

- Attained rewards from Macau Blood Donation Centre for being the organization with the highest number of blood donors in 2008, 2009, 2010 and 2011.

- Organization with the highest donation for ORBIS raffle sales in 2009, 2010, 2011, 2012 and 2013.

- The first gaming organization to hold "Chinese Medicine Health Day for Elderly" for over 200 elderly since 2010 for 4 consecutive years.

- The first gaming organization to launch the "A Day with MGM" which is a familiarization program for local students, age of 13-17 to experience one day work in a real work environment. In 2013, a total of 60 teenagers from different local schools joined the event.

- Received the "Outstanding Corporate for Volunteerism" organized by the "Association for Social Service Volunteers of Macau" for 2011, 2012 and 2013. One of the team members received the' Brightest Prospect Volunteer Award' and one received the "Star Volunteer Award".

- Received the "Caring Corporate Award" from the Chinese Young Enterpriser Association of Macau and The Youth Committee of Macao Chamber of Commerce in 2013.

- Received the award from Macau Trail Hiker as Macau Corporate Entering Most Teams Award, 224 team members joined the event, being the highest number from one organization.

- The first Gaming Organization to sell a variety of clay art handcraft produced by members of the Fuhong Society of Macau in our gift shop Essence since 2011.

Sustainability

Customers

Responsible Gaming

We believe gaming should always be handled responsibly. That is why our "Responsible Gaming" program extends to many aspects of our Group's operation. It is a topic which employees from every department learn on the first day of their job and are reminded of regularly through classroom instruction or internal communications.

For the past years, we fully supported the Annual "Macau Responsible Gaming Week" which is co-organized by the Macau Social Welfare Bureau, Macau Gaming Inspection and Coordination Bureau and the University of Macau's Institute for the Study of Commercial Gaming. Our management and employees are all encouraged to support the "kick off ceremony", the annual conference, the promotion week communication and every year we have representative in the panel discussion during the Symposium.

In line with the newly implemented law, we had formed an internal Responsible Gaming Team which includes Table Games and Security Management staff. This team will be the first contact in handling responsible gaming issues and together they will initiate annual events and activities.

Additionally, we have a long-standing collaboration with Sheng Kung Hui to provide professional counseling service for our employees and their family. We believe it is vital that assistance should be available to employees should their lives be affected by gambling. This confidential service is available to all levels of employees and their family and is fully sponsored by the Company. We also formulate a proactive strategy with Sheng Kung Hui to minimize the impact of problem gaming on the lives of our employees and their family through a string of workshops, roadshows and fun days. It is a concept we make readily available to guests through communications posted throughout the casino. It is a philosophy our executive team embraces and supports both on property and in the community where we live and do business.

Commitment to Our Environment

Our core business is developing, owning and operating premium, luxury casino resorts that consume resources and generate waste. We also procure goods and services through a diverse range of suppliers. It is therefore important for us find innovative ways to minimize our impact on the environment through responsible procurement and the efficient use of resources. We also actively measure, track and evaluate our performance on a regular basis to ensure we achieve our objectives and continually improve our performance.

To us, an environmentally-responsible business is a better business that brings benefits not only to our Company but also to the local community through our employees who are supported to adopt environmentally-responsible behavior at work and at home. We are also committed to providing high-quality services and experiences to our guests and customers in an environmentally-responsible way while balancing the diverse expectations of our stakeholders.

Use of Natural Resources

At MGM China we are keenly aware that our planet's supply of natural resources is limited and this is particularly relevant in Macau. With this in mind, we are actively engaged and committed to resource efficiency and conservation. Our approach focuses on:

- **Resource-efficient technologies:** we engage with suppliers and external consultants to identify or improve existing systems and equipment. In addition, our procurement selection process favors environmentally-responsible products and takes into consideration lifecycle costing.

- **Preventative maintenance:** our asset management system ensures energy and water efficiency is closely monitored and energy- and water-intensive equipment is properly calibrated and maintained.

- **Monitoring and evaluation:** we actively monitor and review our building's resource efficiency performance and provide regular reports to our senior management. In addition, we closely monitor electricity and water consumption in high-intensity areas such as kitchens and chiller plants through the use of submeters.

- **Education and awareness:** we share monthly posters and newsletters to provide our staff with tips on the benefits of conserving natural resources through the adoption of sustainable habits at work and in their personal lives.

Key Initiatives and Results

Our energy and water efficiency programs were initiated in 2010 and 2012, respectively. Since their initiation, we have implemented a number of technical upgrades and control strategies. Examples of initiatives undertaken in 2013 and results from such initiatives are presented in the table below. To date our water efficiency program has been solely focused on the hotel operation and 21% reduction in our water intensity is observed in 2013. Going forward, we will establish a suitable water intensity KPI for the podium and we aim to further expand on our program to gradually implement water saving initiatives in this area in 2014. Further, with the recent installment of water submeters in the podium area, we are gaining a better understanding of usage in water-intensive areas to determine our areas of focus for 2014.

	Key initiatives	Result
Energy	• Adjustment of air flow rate to efficient set point in the hotel • Replacement of oversized impeller in the condensed water pump • Installation of variable speed drive (VSD) on kitchen exhaust fans • Replacement of oversized pumps with a single, efficient pump to meet the chilled water pumping requirement • Site-wide energy-efficient lighting replacement • BMS activation turn off hotel heating when outside temperature is greater than 18 degrees	19% reduction in absolute electricity use against the 2008 baseline 22% reduction in electricity intensity (kWh/m^2*) against the 2008 baseline 8% increase in absolute LPG use against the 2008 baseline 23% reduction in LPG intensity (MJ/guest nights) against the 2008 baseline
Water	• Fine tuning of blowdown control on boilers and cooling towers • Installation of low-flow showerheads in the hotel • Installation of low-flow tap/faucet aerators in back-of-house areas • Optimization of water filtration in cooling towers • Installation of sub-meters in kitchens • Regular maintenance and monitoring to reduce risk of water leakage	16% increase in absolute water consumption against the 2012 baseline 21% reduction in water intensity in hotel operation (m3/guest nights) against the 2008 baseline

* MGM MACAU underwent series of expansion in the gaming area from 2010 to 2013, some of the areas that were converted into casino space were previously not air-conditioned, therefore the conversion has significantly increased the electricity requirements of these areas. The area used to determine the electricity intensity represents the total air-conditioned space of the facility.

Figure 1: MGM MACAU's Electricity Intensity from 2008-2013

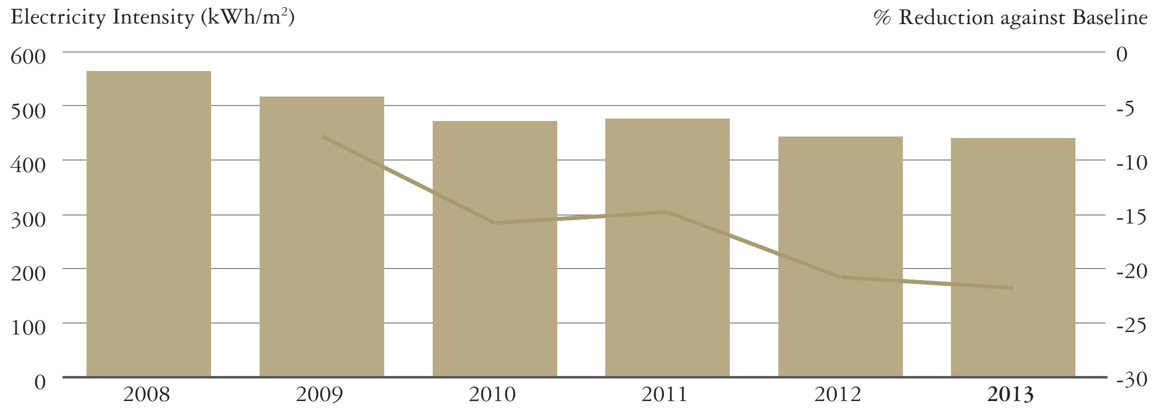


Figure 2: MGM MACAU's LPG intensity from 2008-2013

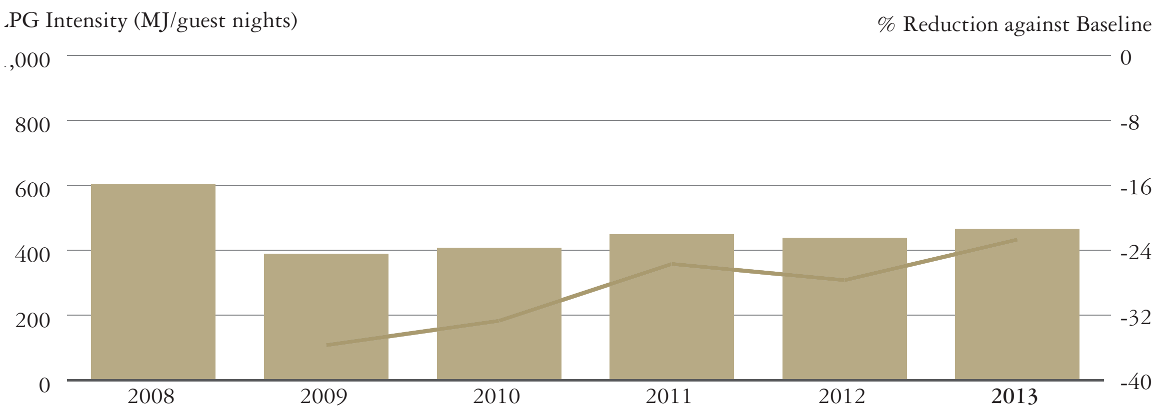
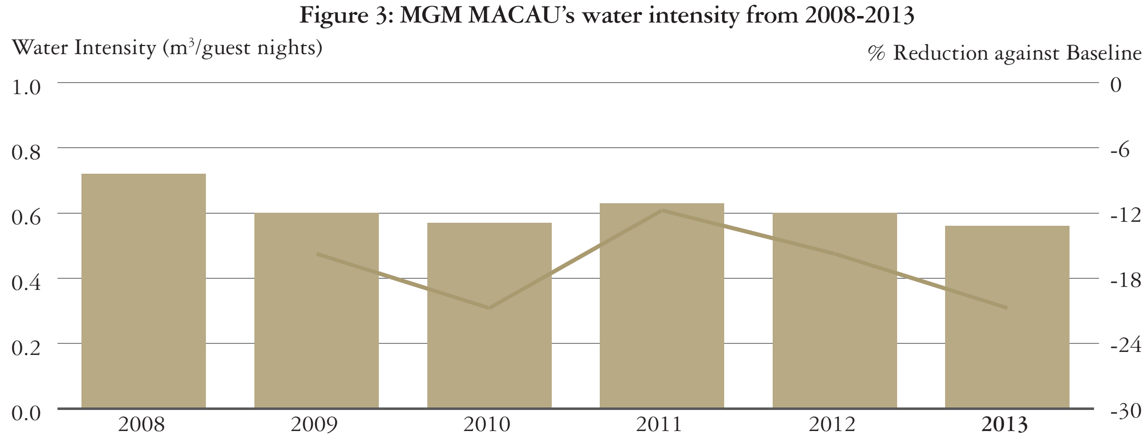


Figure 3: MGM MACAU's water intensity from 2008-2013



Waste

MGM MACAU generates a variety of waste materials, including organics, paper, plastic bottles, glass, etc. A site-wide waste audit was conducted in 2012 to understand sources of waste generation and existing management practices and systems. The audit quantified the type and amount of waste and recyclable materials generated by our facility and assessed the effectiveness of the existing waste management system. Following the completion of the waste audit in 2012, an action plan incorporating the 4Rs of waste management — Reduce, Reuse, Recycle and Recovery — was developed from the management opportunities identified by the audit.

In 2013, we reduced our waste generation by 6% against our 2012 baseline through the implementation of a number of measures, including:

- Expanding the existing recycling stream to include glass;
- Establishing recycling procedures for IT equipment;
- Installing a food waste pulper in our employee dining room to reduce the volume of organic food waste sent for incineration;
- Setting office printer defaults for double-sided printing;
- Replacing existing water coolers with bottle-less, water filtration coolers in high-volume areas; and
- Recycling wooden pallets from warehouse areas at the end of their useful life.

Emissions

Our approach to indoor air quality ("IAQ") is to ensure that the air supplied to the occupants of MGM MACAU (including both guests and employees) is in full compliance with legal requirements for IAQ and that when air quality issues do arise, they are promptly addressed. Disclosure of IAQ levels against the legally-required, monitoring parameters is displayed throughout the casino floors.

In addition to ongoing monitoring, MGM MACAU conducts IAQ audits of front-of-house areas on an annual basis and ensures regular inspection of equipment, ducts and filters. We track and investigate any complaints to identify the sources of potential problems and to determine corrective and preventative actions. We are currently in the process of establishing our greenhouse ("GHG") emission inventory for 2013.

Purchasing

We procure a significant quantity of goods and services for its operations and we seek to make environmentally- and socially-responsible procurement decisions. Not only do we believe that sourcing products sustainably is the right thing to do, we also realise that sustainable procurement can result in cost savings through a reduction in purchasing requirements and by reducing risks in our supply chain.

A comprehensive review of purchasing was undertaken by our consultants in 2012 to assess the environmental and socio-economic risks and opportunities associated with the products we purchase. Using the insights and results of this review, we formalized our approach to sustainable purchasing. To underpin our approach we have:

- Developed an Environmental Procurement Policy that sets out our commitment to sourcing products that minimise environmental impacts, support local economies, human and labor rights and communities in our supply chain and reduce health and safety risks. We aim to include environmental attributes as part of the procurement lifecycle, along with cost, quality and delivery.

- Developed a Sustainable Procurement Guideline and Checklist that outlines responsible procurement principles and best practices. The intention of these documents is to assist and provide guidance for the purchasing team in making decisions that support our commitments to sustainability.

- Developed a Sustainable Procurement Training Manual and will roll out the training program to all staff in the procurement department in 2014.

Responsible procurement in action
Green vehicles In 2013, we replaced our fleet of buses and vans with more fuel-efficient vehicles that meet EURO VI standards; these vehicles consume cleaner fuels and produce significantly less carbon emissions.
Light bulb replacement A review of MGM MACAU's lighting solutions was conducted to identify opportunities to reduce energy by changing the types of light bulbs used. We found that by replacing inefficient lighting with more energy-efficient technologies, we could generate significant cost savings while minimizing impacts on the environment.
Forest Stewardship Council ("FSC") certified paper replacement In 2013, we mandated the replacement of all our office paper with FSC-certified paper. FSC certification ensures that the paper products are from sources that are managed in environmentally and socially responsible ways and manufacturers that ensure the chain-of-custody of the FSC-certified sources.

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures to attain high ethical standards as well as to ensure 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 the interests of employees, business partners, and the communities in which it operates.

During the year ended December 31, 2013, the Company has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. It has also adopted certain recommended best practices stated therein. The key corporate governance principles and practices of the Company are as follows:

Role of the Board

The Board is collectively responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs. It focuses on the overall leadership and control of the Group. The principal functions of the Board are to determine strategic directions and performance objectives of the Group, set management targets and monitor management performance, approve financial budgets, funding and investment proposals as well as to perform the corporate governance duties.

Board Composition

The Board is currently comprised of twelve Directors, of whom five are executive Directors, three are non-executive Directors and four are independent non-executive Directors. Details of the membership of the Board (including the independent non-executive Directors) have been posted on the Company's website and such information will be updated following any changes. There is no relationship (including financial, business, family or other material relationship) among members of the Board. Biographical details of the Directors are set out on pages 11 to 15 of this annual report and on the Company's website.

The Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers that all the four independent non-executive Directors as at the date of this report, namely, Ms. Tommei Mei Kuen Tong, Professor Zhe Sun, Ms. Sze Wan Patricia Lam and Mr. Peter Man Kong Wong are independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules. They are expressly identified as such in all corporate communications that disclose the names of the Directors of the Company.

Chairpersons and Chief Executive Officer

The Chairperson, Mr. James Joseph Murren, jointly with the Co-Chairperson, Ms. Pansy Catilina Chiu King Ho take the lead of the Board. The role of the Chief Executive Officer is held separately by Mr. Grant R. Bowie. While the Chairperson and Co-Chairperson oversee the Board's overall direction and functions, the Chief Executive Officer, supported by his management team, is responsible for the day-to-day management of the business of the Group.

The Chairperson met with the non-executive Directors (including the independent non-executive Directors) during the year ended December 31, 2013 without the presence of the executive Directors. The Chairperson and the non-executive Directors (including the independent non-executive Directors) may attend meetings in person, by telephone or through means of similar communication equipment in accordance with the Company's articles of association.

Non-executive Directors

Non-executive Directors (including independent non-executive Directors) are appointed for an initial term of three years and are subject to retirement by rotation and re-election by Shareholders at the annual general meeting in accordance with article 105 of the Company's Articles of Association.

Appointment and Re-election of Directors

Every Director is subject to retirement by rotation at least once every three years in accordance with article 105 of the Company's Articles of Association. Any new Director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Directors' Training and Development

Directors are regularly updated on the Group's businesses, the regulatory and industry-specific environments in which the Group operates as well as changes on their legal duties and obligations as Directors where appropriate. These updates are in the form of written memoranda or reports to the Board, presentations and briefings by senior executives or external advisers, or site visits. During the year, seminar trainings on topics including anti-corruption regulations applicable to the Group and the latest amendments to the Listing Rules advised by the external legal advisors were offered to the Directors. Publications, periodicals, presentations, summaries of the latest developments in the relevant laws, regulations, governance standards and practices are uploaded on the Company's board portal for online access and reference for each of the Directors at all times. The Directors are regularly informed by the Joint Company Secretaries of the availability of the appropriate courses, conferences and seminars conducted by the external professional bodies and they are encouraged to attend.

Corporate Governance Report

Board Meetings

The Board held six meetings during the year ended December 31, 2013. Board decisions are made by voting at the Board meetings and supplemented by circulation of written resolutions between Board meetings.

The attendance of each Director at the Board, Board Committees and general meetings during the year ended December 31, 2013 is summarized in the following table:

	Number of meetings attended/held#					
Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	General Meeting	Continuous Professional Development*
EXECUTIVE DIRECTORS						
Mr. James Joseph Murren	6/6	—	—	—	1/1	√
Ms. Pansy Catilina Chiu King Ho	6/6	—	2/2	—	1/1	√
Mr. Chen Yau Wong	6/6	—	—	1/1	1/1	√
Mr. William Joseph Hornbuckle	5/6	—	2/2	—	1/1	√
Mr. Grant R. Bowie	6/6	—	—	—	1/1	√
NON-EXECUTIVE DIRECTORS						
Mr. William M. Scott IV	6/6	—	—	1/1	1/1	√
Mr. Daniel J. D'Arrigo	6/6	—	—	—	1/1	√
Mr. Kenneth A. Rosevear	5/6	5/6	—	—	1/1	√
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Professor Zhe Sun	5/6	5/6	2/2	1/1	1/1	√
Ms. Tommei Mei Kuen Tong	2/6	3/6	1/2	0/1	1/1	√
Ms. Sze Wan Patricia Lam	4/6	—	1/2	0/1	0/1	√
Mr. Peter Man Kong Wong	4/6	4/6	1/2	1/1	0/1	√

the number of meetings held during the year ended December 31, 2013 where each Director was a member of the Board and/or the relevant Board Committees

* keeping abreast of matters relevant to their role as Directors by means of written memoranda or reports to the Board, presentations and briefings by senior executives or external advisers concerning relevant laws, regulations, governance standards and practices about the industry

Delegation by the Board

The Board has delegated day-to-day operations of the Group to the executive Directors and senior management under the leadership of the Chief Executive Officer but has reserved certain major matters for its own approval. These major matters include, but are not limited to strategic policies, funding and capital investment decisions. The Board has also delegated certain functions and matters to the Board Committees pursuant to their respective terms of reference.

Board Committees

The Board has established the following committees with specific and clear written terms of reference:

Audit Committee

The Audit Committee is comprised of four members: Ms. Tommei Mei Kuen Tong (Chairperson), Professor Zhe Sun and Mr. Peter Man Kong Wong, all of whom being independent non-executive Directors, and Mr. Kenneth A. Rosevear, a non-executive Director. The Committee held six meetings during the year ended December 31, 2013 supplemented by circulation of written resolutions of all Committee members where appropriate.

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 and reviewing the Group's financial controls, internal controls and risk management systems.

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2013 by the Audit Committee included the following:

- the announcements relating to the Group's final results for the year ended December 31, 2012 and interim results for the six months ended June 30, 2013;
- 2012 annual and 2013 interim reports;
- significant accounting and audit issues arising in respect of the audit of financial statements for the year ended December 31, 2012, the review of financial statements for the six months ended June 30, 2013, management letter by independent auditor and management's responses;
- payment of 2013 interim dividend;
- periodic reports from Internal Audit Department and progress in resolving any such matters identified therein and the progress of 2013 internal audit plan;
- compliance with the Deed of Non-compete Undertakings by MGM Resorts International and Pansy Ho;
- re-appointment of independent auditor;
- external audit plan and audit timetable for the financial year ended December 31, 2013 presented by independent auditor;
- approval of audit and non-audit fees;

- compliance with obligations in relation to the continuing connected transactions under the Listing Rules on a quarterly basis;
- matters arising from compliance committee of MGM Grand Paradise on a quarterly basis;
- concerns on integrity hotline and whistle-blowing initiatives;
- adequacy of resources, staff qualifications and experiences, training programmes and budget for the Group's accounting and financial reporting functions;
- SOX compliance of the Group;
- renewal of certain existing continuing connected transactions agreements and the respective proposed annual caps for the years ended December 31, 2014, 2015 and 2016; and
- matters separately raised by independent auditor and head of internal audit in sessions without the presence of management

Remuneration Committee

The Remuneration Committee is comprised of six members: Professor Zhe Sun (Chairperson), Ms. Tommei Mei Kuen Tong, Ms. Sze Wan Patricia Lam and Mr. Peter Man Kong Wong, all of whom being independent non-executive Directors, Ms. Pansy Catilina Chiu King Ho and Mr. William Joseph Hornbuckle, both of whom being executive Directors. The Committee held two meetings during the year ended December 31, 2013 supplemented by circulation of written resolutions of all committee members where appropriate.

The principal functions of the Remuneration Committee include determining (with delegated responsibilities) the remuneration packages of executive Directors and recommending to the Board the remuneration packages for non-executive Directors and members of the senior management of the Group, approving the terms of the executive Directors' service contracts and compensation-related issues.

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2013 by the Remuneration Committee included the following:

- Directors' remuneration for the financial year ended 2013 (No Director took part in any discussion about his or her own remuneration);
- annual revision of senior management remuneration;
- granting of share options to certain existing and new senior executives;
- annual salary adjustment for all staff and senior executives;
- making recommendations to the Board on the policy and structure for all Directors and senior management's remuneration;

- revision of senior management performance incentive program;
- remuneration packages for newly appointed senior executives;
- 2013 bonus payout for senior management and all staff; and
- medical insurance renewal

Details of the remuneration of the Directors for the year ended December 31, 2013 are set out in note 13 to the consolidated financial statements.

The remuneration of the members of the senior management by band for the year ended December 31, 2013 is set out below:

	No. of members of senior management
HK$2,000,001 to HK$2,500,000	1
HK$5,000,001 to HK$5,500,000	2
HK$5,500,001 to HK$6,000,000	1
HK$6,500,001 to HK$7,000,000	1
HK$7,500,001 to HK$8,000,000	1
HK$9,500,001 to HK$10,000,000	1
HK$10,500,001 to HK$11,000,000	1
	8

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee is comprised of six members: Ms. Sze Wan Patricia Lam (Chairperson), Ms. Tommei Mei Kuen Tong, Professor Zhe Sun, and Mr. Peter Man Kong Wong, all of whom being independent non-executive Directors, Mr. William M. Scott IV, a non-executive Director and Mr. Chen Yau Wong, an executive Director. The Committee held one meeting during the year ended December 31, 2013 supplemented by circulation of written resolutions of all committee members where appropriate.

The Nomination and Corporate Governance Committee is responsible for making recommendations to the Board on nominations and appointments of Directors, reviewing the size, diversity and composition of the Board, assessing the independence of independent non-executive Directors and performing corporate governance functions as set out in code provision D.3.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Matters reviewed, discussed, considered and recommended to the Board for approval during the year ended December 31, 2013 by the Nomination and Corporate Governance Committee included the following:

- composition of the Board, in particular relating to Board diversity;
- independence of independent non-executive Directors;
- retirement of Directors by rotation at the 2013 annual general meeting and re-election of retiring Directors; and
- amendments to the Company's Corporate Governance Policy to incorporate sections on Board diversity pursuant to the Listing Rules requirements

Board Diversity

The Board has a balance of skills, experience and diversity of perspectives appropriate for the requirements of the Group's gaming and hospitality businesses. Under article 102(1) of the Articles of Association, the minimum number of Directors shall not be less than 11 and the maximum number shall not be more than 15.

The Board currently comprises 12 members with five executive Directors, three non-executive Directors and four independent non-executive Directors with a suitable breadth of background and professional experience from the accounting, commercial, education, financial, gaming and legal sectors. The number of independent non-executive Directors complies with the requirements of the Listing Rules which states that every board of directors of a listed issuer must include at least three independent non-executive directors (Rule 3.10(1) of the Listing Rules) and an issuer must appoint independent non-executive directors representing at least one-third of the board (Rule 3.10A of the Listing Rules). The adequate representation on the Board by the non-executive and independent non-executive Directors brings objective and independent judgment to the Board and enables their views to carry weight.

The Board composition is designed and maintained in a way so that there is proper balance while having sufficient diversity in various aspects, including but not limited to gender, age, cultural and education background, race, family status, skills and professional experience, in order to discharge its functions effectively and to enhance the quality of its deliberations and decisions, but at the same time without being too large and compromising efficiency. Most importantly, no single individual or group of individuals is able to dominate the decision-making process.

The Company has adopted amendments to its Corporate Governance Policy relating to Board diversity, setting out the Company's approach to achieve diversity on the Board. The composition of the Board and its Board Committees are regularly reviewed by the full Board to ensure that the balance and mix of diversity is maintained and that the Board can retain its effectiveness at all times. Directors' appointments will be evaluated against existing balance of skills to ensure balance and mix of diversity.

Disclosure Committee

The Disclosure Committee which was established by written resolutions of the Board on August 8, 2011 comprises all the executive Directors.

The Disclosure Committee is delegated by the Board with powers to make a prompt assessment of the likely impact of any unexpected and significant event that the Company may face on its share price or trading volume and to decide consciously whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. The Disclosure Committee may also be responsible for approving certain announcements and/or circulars to be issued by the Company with the powers delegated by the Board from time to time.

Directors' and Officers' Insurance

The Group has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Code for Securities Transactions by Directors and Senior Management

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 written confirmations from all the Directors that they have complied with the required standard as set out in the Code during the accounting period covered by this annual report.

Financial Reporting

Directors' Responsibility

The Board acknowledges its responsibility for preparing the financial statements which will give a true and fair view of the state of affairs of the Company and of the Group on a going concern basis, with supporting assumptions or qualifications as necessary. In preparing the interim and annual financial statements, the Directors have selected suitable accounting policies and applied them consistently and made judgements and estimates that are prudent and reasonable.

The management team recognizes the importance of providing the Board with sufficient explanations as well as appropriate and relevant information on an accurate and timely basis. Annual and interim business reviews and financial reports comparing the Group's actual performance with the budget and highlighting major relevant issues are provided to the Board to enable it to make an informed assessment on the Group's performance, position and prospects.

Auditor's Responsibility and Auditor's Remuneration

A statement by the external auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 101 to 102 of this annual report.

During the year ended December 31, 2013, the remuneration paid and payable to the Company's external auditor, is set out below:

Type of Services	HK$'000
Audit services	8,576
Non-audit services	353

Communication with Shareholders

The Board recognizes the importance of maintaining a clear, timely and effective communication channel with the Shareholders and potential investors. The Group is committed to ensuring the Shareholders and potential investors receive timely information of the Group through the publication of annual and interim reports, announcements, circulars and press releases. All Shareholders' communications are also available on the Company's website. The Company regards the annual general meeting an opportunity for the Board to communicate directly with the Shareholders. Questions from the Shareholders at the annual general meeting are encouraged and welcomed. The Company has adopted a Shareholders' Communication Policy to ensure effective communication with the Shareholders.

Investor Relations

The Board recognizes that effective communications with the Shareholders is the key to establish Shareholders' confidence and to attract new investors. The Company maintains regular dialogues with institutional investors, financial analysts and financial media from time to time to keep them informed of the Group's latest strategy, operations, management and plans.

The Company's Articles of Association were amended at the annual general meeting held on May 17, 2012 and the extraordinary general meeting held on November 30, 2012. Details of the amendments to the Company's Articles of Association were set out in the circulars to the Shareholders dated April 16, 2012 and November 6, 2012.

Internal Controls

The Board has overall responsibility for maintaining sound and effective internal controls system to safeguard the Shareholders' investment and the Group's assets. The Group conducts regular reviews of the internal controls system. The management team is primarily responsible for the design, implementation, and maintenance of the internal controls. The Board is responsible for overseeing the performance of the management team and the Board and the Audit Committee are responsible for monitoring the effectiveness of the internal controls that have been put in place.

The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. The Group's internal controls system encompasses policies and procedures aiming to:

- facilitate effective and efficient operation by ensuring the internal controls system to being able to respond appropriately to significant business, operational, financial, compliance and other risks in a timely manner with a view to achieving business objectives. This includes safeguarding assets from inappropriate use or from loss and fraud and ensuring that potential liabilities are identified and managed;
- ensure maintenance of proper accounting records for the provision of reliable financial information for internal or external reporting; and
- ensure compliance with the relevant legislation, rules and regulations and also with our internal policies with respect to the conduct of business

The Internal Audit Department ("IA") is responsible for conducting independent reviews of the adequacy and effectiveness of the internal controls and reporting the review results to the Board through the Audit Committee on a quarterly basis. IA plans its internal audit projects annually based on applicable regulatory requirements and risk assessments. In accordance with the annual audit plan approved by the Audit Committee, IA conducts statutory required gaming compliance audits, as well as risk-based audits on the business operations. IA communicates with the management the audit findings and recommendations for remedial actions, and performs follow up to confirm that the implementation of remedial actions by the management team occurred. Status of follow up and the management team's remedial actions are also reported to the Audit Committee. To preserve IA's independence, the director of IA reports directly to the Audit Committee on audit matters and to the Chief Executive Officer on administrative matters. During 2013, no material internal control weakness that might have adverse impact on the financial position or operations of the Group was identified.

In respect of the year ended December 31, 2013, the Board reviewed the scope and quality of management's ongoing monitoring of risks and of the internal control system, in particular, the work of its internal audit function, amongst others, and through the review and findings of the Audit Committee, considered that (i) the Group's internal controls system was effective and the Group had complied satisfactorily with the code provisions on internal controls as set forth in the Corporate Governance Code; and (ii) the resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions were adequate.

Shareholders' Rights

Procedures for Shareholders to convene an extraordinary general meeting

The Board shall, on the written requisition of any one or more Shareholders holding at the date of deposit of the requisition not less than one-third of the paid-up capital of the Company, or any one Shareholder being a recognized clearing house (or its nominee(s)) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company, proceed duly to convene an extraordinary general meeting of the Company. The requisition must specify the objects of the meeting and must be signed by the requisitionist(s) and deposited at the principal place of business of the Company in Hong Kong at 1402 China Merchants Tower, 200 Connaught Road, Central, Hong Kong. Once the Company verifies that the request is proper and in order, the Joint Company Secretaries will as soon as practicable inform the Board of such request. If the Board does not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting to be held with a further twenty-one days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may themselves convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

Procedures for sending enquiries to the Board

Enquiries can be made by the public in writing with their contact information and deposited at the Company's principal place of business and head office in Macau at Avenida Dr. Sun Yat Sen, Edifício MGM MACAU, NAPE, Macau or the Company's principal place of business in Hong Kong at 1402 China Merchants Tower, 200 Connaught Road, Central, Hong Kong. The Company has a dedicated investor relations team which supports the Board in dealing with enquiries raised by the Shareholders and potential investors. The Company's corporate website also includes the contact details of the Company for the Shareholders and potential investors to post their queries.

Procedures for putting forward proposals at Shareholders' meetings

To put forward a proposal at a general meeting, the Shareholder(s) should submit a written notice of the proposal specifying the intention to move it as an ordinary or a special resolution, the particulars of the resolution together with the detailed contact information to the Joint Company Secretaries at the Company's principal place of business in Hong Kong as detailed above not less than six weeks (42 days) before the meeting at which it is moved. Once the Company verifies that the request is proper and in order, the Joint Company Secretaries will request the Board to include the said resolution in the agenda for the general meeting.

To put forward a proposal to elect a person (other than a retiring Director and other than the Shareholder himself/herself) as a Director (the "Candidate") at a general meeting of the Company, the Shareholder shall deposit a written notice of such proposal (signed by the Shareholder who is duly qualified to attend and vote at the general meeting) providing the biographical details of the Candidate as set out in Rule 13.51(2)(a) to (x) of the Listing Rules at the Company's principal place of business and head office in Macau as detailed above or the Company's registered office at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands for the attention of the Joint Company Secretaries, and a written consent signed by the Candidate indicating his/her willingness to be elected. Unless otherwise determined by the Directors and notified by the Company to the Shareholders, the period for lodgement of such a written notice will commence on the day after the dispatch of the notice of the relevant general meeting and end no later than seven days prior to the date of such general meetings.

Code of Business Conduct and Ethics and Conflict of Interest Policy

The Board and senior staff are committed to conducting the Group's business with integrity and the highest standard of business ethics, and in compliance with all the applicable laws and regulatory requirements. The Company has adopted an internal Code of Business Conduct and Ethics and Conflict of Interest Policy which sets out the Company's ethical value and business principles. The code provides an understandable framework and is distributed to all the employees concerned to observe.

Whistle-blowing Policy

The Group has in place an integrity hotline where employees, customers, contractors and vendors can raise in confidence (where they can choose to be anonymous or otherwise), their concerns on the possible improprieties or relating to any alleged breach of the Code of Business Conduct and Ethics and Conflict of Interest Policy, without fear of reprisals. Under the policy, there are arrangements in place for independent investigations of such matters of concern and for appropriate follow up actions to be taken.

Report of the Directors

The Directors present their annual report together with the audited consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2013.

Principal Activities and Subsidiaries

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the development and operation of casino games of chance and other casino games and the related hotel and resort facilities in Macau. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and other particulars, is set out in note 38 to the consolidated financial statements.

Financial Results and Appropriations

The results of the Group for the year ended December 31, 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 103 of this annual report. The financial highlights for the Group for the most recent five years are set out on page 173 of this annual report.

Dividends

On February 20, 2013, the Board declared a special dividend HK$1.02 per Share, amounting to approximately HK$3,873.8 million in aggregate, which was paid to the Shareholders on March 18, 2013.

On August 6, 2013, the Board declared an interim dividend of HK$0.23 per Share, amounting to approximately HK$874.0 million in aggregate, which was paid to the Shareholders on September 2, 2013.

On February 19, 2014, the Board declared 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 Special Dividend was expected to be paid on or about March 17, 2014 (Monday) to the Shareholders whose names appear on the register of members on March 10, 2014 (Monday).

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 recommended 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 proposed Final Dividend is expected to be paid on or about June 4, 2014 (Wednesday) to the Shareholders whose names appear on the register of members on May 27, 2014 (Tuesday).

All the above dividends declaration complied with MGM Grand Paradise's constitutional documents and the laws and regulations of Macau. The Board has resolved to declare and recommend the declaration of the above dividends 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 dividends, to finance its operations and expansion of its business, including the development of an additional casino and hotel complex in Cotai. Such dividends declaration should not be taken as an indication of the level of profit or dividend going forward.

Property and Equipment

Details of movements in the property and equipment during the year are set out in note 17 to the consolidated financial statements.

Bank Borrowings

Particulars of bank borrowings are set out in note 26 to the consolidated financial statements.

Share Capital and Warrants

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

Save as disclosed in note 29 to the consolidated financial statements and the subsection headed "Share Option Scheme" in this report of the directors below, there have been no convertible securities, warrants or similar rights issued or granted by the Company, or any of its subsidiaries.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's articles of association which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

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:

Month of repurchase	Total number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid HK$'000
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.

Distributable Reserves of the Company

As at December 31, 2013, the Company's reserves available for distribution to Shareholders were as follows:

	2013 HK$'000	2012 HK$'000
Share premium	**10,432,876**	10,434,193
Retained earnings	**1,166,035**	573,339
	11,598,911	11,007,532

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the Shareholders of the Company subject to the provisions of its memorandum and articles of association and provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Charitable Contributions

During the year ended December 31, 2013, the Group made charitable contributions totaling HK$11.2 million.

Major Customers and Suppliers

Revenues from our five largest customers accounted for less than 30% of our total operating revenues for the year ended December 31, 2013.

We depend on our suppliers to provide us with products and services such as slot machines, security and surveillance systems, gaming equipment and accessories, food and beverage products, retail goods, and construction and other administrative services. For the year ended December 31, 2013, purchases from our five largest suppliers accounted for less than 30% of the total purchases.

Report of the Directors

With the exception of Pansy Ho, who has a direct interest in STCTSM and an indirect interest in Mandarin Oriental, Macau, none of our Directors, their respective associates or any of our Shareholders, who to the knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in any of our top five suppliers in 2013. None of our Directors, their respective associates or any Shareholders, who to the knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in any of our top five customers in 2013.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:
James Joseph Murren *(Chairperson)*
Pansy Catilina Chiu King Ho *(Co-Chairperson)*
Chen Yau Wong
William Joseph Hornbuckle
Grant R. Bowie *(Chief Executive Officer)*

Non-executive Directors:
William M. Scott IV
Daniel J. D'Arrigo
Kenneth A. Rosevear

Independent non-executive Directors:
Zhe Sun
Tommei Mei Kuen Tong
Sze Wan Patricia Lam
Peter Man Kong Wong

In accordance with article 105 of the amended articles of association of the Company adopted at the extraordinary general meeting held on November 30, 2012, at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Every Director shall be subject to retirement at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any other Directors to retire shall be determined on the basis that (a) at least one executive Director shall retire each year, (b) at least one non-executive Director (who is not an independent non-executive Director) shall retire each year, and (c) at least one independent non-executive Director shall retire each year, provided that no Director shall be required by the Board to retire by rotation if the last re-election or appointment of that Director is more recent than the last re-election or appointment of any other Director who is not being required to retire by rotation. Any Director appointed pursuant to article 102(2) or 102(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Details of the Directors who shall retire from office of the Company and, being eligible, offer themselves for re-election at the forthcoming annual general meeting will be set out in the circular and notice of the annual general meeting to be sent to the Shareholders.

The Company has received annual confirmations of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

Directors' Interest in Contracts

Save as disclosed in note 37 to the consolidated financial statements on pages 168 to 170 of this annual report, there is no contract of significance in relation to the Group's business subsisting at the end of the year or at any time during the year ended December 31, 2013 in which the Group was a party and in which a Director was materially interested.

Deed of Non-Compete Undertakings with Pansy Ho and MGM Resorts International

The Company entered into a Deed of Non-compete Undertakings with Pansy Ho and MGM Resorts International on May 17, 2011 so as to maintain a clear delineation of the respective businesses of each party as set out in pages 134 to 137 of the Company's IPO Prospectus. The Company has received annual written declarations of their compliance with the undertakings under the Deed of Non-compete Undertakings during the year ended December 31, 2013 from Pansy Ho and MGM Resorts International. Based on the confirmations received from Pansy Ho and MGM Resorts International and after review, our independent non-executive Directors considered that Pansy Ho and MGM Resorts International have complied with the terms set out in the Deed of Non-compete Undertakings during the year ended December 31, 2013.

Save as disclosed above, none of our Directors had any interest in any business which competes with our Group's business during the year ended December 31, 2013.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2013.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at December 31, 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive had taken or deemed to have under such provisions of Part XV of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code or as the Company was aware, were as follows:

(a) Long Position in the Shares and Underlying Shares of the Company

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares and Underlying Shares held	Percentage of issued share capital
Pansy Ho	380,000,000 [1]	—	662,661,200 [2]	1,042,661,200	27.44%
Grant R. Bowie	3,500,000 [3]	—			

(d) Long Position in the Convertible Senior Notes of Associated Corporations — MGM Resorts International (the "Notes")[32]

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total
Pansy Ho	—	—	US$300,000,000 [33]	US$300,000,000

Notes:

(1) These represent the Shares beneficially held by Pansy Ho in her personal capacity.

(2) Pansy Ho was deemed to be interested in 662,661,200 Shares held by Grand Paradise Macau Limited, a company which she controls.

(3) This represents 3,500,000 share options of the Company granted to Grant R. Bowie pursuant to the share option scheme of the Company, details of which are set out in note 29 to the consolidated financial statements.

(4) These represent 50% of total issued class B shares of MGM Grand Paradise which carry 10% of the total voting power at any meetings of shareholders of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise, each holder of class B shares will be entitled to receive dividends of up to MOP1 only.

(5) MGM Resorts International adopted an omnibus incentive plan in 2005 which, as amended, allows it to grant stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other stock-based awards to eligible directors, officers and employees of MGM Resorts International and its subsidiaries. Stock options and SARs granted under all plans generally have terms of either seven or ten years, and in most cases vest in either four or five equal annual installments. RSUs and PSUs granted vest ratably over four and three years respectively. MGM Resorts International's practice is to issue new shares upon exercise or vesting of awards.

(6) This represents 1,615,625 vested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.

(7) This represents 196,875 unvested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.

(8) This represents 131,446 unvested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.

(9) This represents 376,185 unvested PSUs in the common stock of MGM Resorts International granted to James Joseph Murren. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.

(10) These represent the common stock of MGM Resorts International held by James Joseph Murren.

(11) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.

(12) This represents 375,000 vested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.

(13) This represents 75,000 unvested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.

(14) This represents 40,594 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.

(15) This represents 116,321 unvested PSUs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.

(16) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.

(17) This represents 230,000 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.

(18) This represents 18,750 unvested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.

(19) This represents 13,627 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.

(20) This represents 39,386 unvested PSUs in the common stock of MGM Resorts International granted to William M. Scott IV. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.

(21) These represent the common stock of MGM Resorts International held by William M. Scott IV.

(22) This represents 266,125 vested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.

(23) This represents 184,375 unvested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.

(24) This represents 26,510 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.

(25) This represents 89,521 unvested PSUs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo. Each PSU can be converted into a maximum of 1.6 common stock of MGM Resorts International.

(26) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.

(27) This represents 690,000 vested employee stock options in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.

(28) This represents 45,000 vested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.

(29) This represents 67,500 unvested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.

(30) This represents 11,000 unvested RSUs in the common stock of MGM Resorts International held by Kenneth A. Rosevear.

(31) These represent the common stock of MGM Resorts International held by Kenneth A. Rosevear.

(32) The Notes will pay interest semi-annually at a rate of 4.25% per annum and will mature on April 15, 2015. The Notes will be convertible into shares in the common stock of MGM Resorts International at an initial conversion rate of 53.83 shares in the common stock of MGM Resorts International per US$1,000 principal amount of the Notes.

(33) Pansy Ho was deemed to be interested in the Notes by virtue of her indirect beneficial interests in the entity which acquired the Notes.

Save as disclosed above, as at December 31, 2013, none of the Directors or the chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (ii) recorded in the register maintained by the Company as required pursuant to Section 352 of the SFO as aforesaid or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at December 31, 2013, so far as is known to any Director or the chief executive of the Company, the persons who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company were as follows:

(a) Long Position in the Shares of the Company

Name	Capacity/nature of interest	Number of Shares held	Percentage of shareholding
MGM Resorts International (1)	Interest of a controlled corporation	1,938,000,001	51.00%
MGM International, LLC (1)	Interest of a controlled corporation	1,938,000,001	51.00%
MGM Resorts International Holdings, Ltd. (1)	Direct interest	1,938,000,001	51.00%
Pansy Ho (2)	Direct interest	380,000,000	10.00%
	Interest of a controlled corporation	662,661,200	17.44%
Grand Paradise Macau Limited (2)	Direct interest	662,661,200	17.44%

Notes:

(1) MGM Resorts International Holdings, Ltd. is a wholly owned subsidiary of MGM International, LLC, which in turn is wholly owned by MGM Resorts International. Therefore, MGM International, LLC and MGM Resorts International are deemed or taken to be interested in 1,938,000,001 Shares which are directly held by MGM Resorts International Holdings, Ltd.

(2) Grand Paradise Macau Limited is a company controlled by Pansy Ho and therefore Pansy Ho is deemed or taken to be interested in 662,661,200 Shares which are directly held by Grand Paradise Macau Limited.

Save as disclosed above, the Company had not been notified of any other corporation or person, who, as at December 31, 2013, had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Remuneration Policy

As at December 31, 2013, MGM Grand Paradise employed 6,062 full-time and part-time employees in Macau and Hong Kong.

The Group's remuneration philosophy is a market-based job leveling approach to pay administration, which we believe is the best strategy to fulfill the Company's fundamental goal of attracting and retaining a diverse and highly skilled workforce. To accomplish this, the Company intends its remuneration system to be:

- Competitive — in the Macau Labor market, considering both MGM China's market niche and the larger industries in which we compete for talent.

- Comprehensive — to be viewed through the lens of total rewards, including base pay, health benefits, incentive pay, bonus, equity and retirement plans, etc.

- Objective — to be consistent with Macau market rates.

- Developmental — to encourage career and professional development within the workforce.

A group-wide performance based incentive program has been implemented since 2011 for all managerial level employees. The objective of developing such an incentive bonus program is to focus all members of the team in creating and sustaining the enterprise value of the Group. The program consists of several components designed to encourage targeted individuals and groups based on clear and measurable objectives designed to support the Group's strategy.

In addition to the above performance incentives, it is customary in Macau to provide additional months of salary to line staff during the Chinese New Year period as a gratuity for their hard work during the year. Such additional bonus is subject to the Board's discretion.

Share Option Scheme

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected qualifying grantees. The vesting periods for all of the options granted on that date were 25% vesting on each of the anniversary date of the date of grant. A summary of the movements of the outstanding options under the scheme during the year ended December 31, 2013 is as follows:

					Number of share options				
Directors, eligible employees and consultants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Outstanding at January 1, 2013	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at December 31, 2013
Grant R. Bowie	June 3, 2011	June 3, 2011- June 2, 2015	June 2, 2012- May 10, 2021	15.62	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 3, 2011- June 2, 2015	June 2, 2012- May 10, 2021	15.62	12,710,000	—	(2,394,200)	(645,200)	9,670,600
Employees	August 22, 2011	August 22, 2011- August 21, 2015	August 21, 2012- May 10, 2021	15.12	1,080,000	—	(250,000)	—	830,000
Employees	September 1, 2011	September 1, 2011- August 31, 2015	August 31, 2012- May 10, 2021	14.78	830,000	—	(40,000)	—	790,000
Employees	November 15, 2011	November 15, 2011- November 14, 2015	November 14, 2012- May 10, 2021	10.80	160,000	—	(20,000)	—	140,000
Employees	February 23, 2012	February 23, 2012- February 22, 2016	February 22, 2013- May 10, 2021	13.82	80,000	—	—	—	80,000
Consultants	February 23, 2012	February 23, 2012- February 22, 2016	February 22, 2013- May 10, 2021	13.82	875,000	—	—	—	875,000
Employees	February 26, 2013	February 26, 2013- February 25, 2017	February 25, 2014- February 26, 2023	18.74	—	230,000 (1)	—	(80,000)	150,000
Employees	May 15, 2013	May 15, 2013- May 14, 2017	May 14, 2014- May 15, 2023	20.35	—	50,000 (2)	—	—	50,000
Employees	August 15, 2013	August 15, 2013- August 14, 2017	August 14, 2014- August 15, 2023	22.65	—	80,000 (3)	—	—	80,000
Employees	November 15, 2013	November 15, 2013- November 14, 2017	November 14, 2014- November 15, 2023	27.25	—	750,000 (4)	—	—	750,000
					19,235,000	1,110,000	(2,704,200)	(725,200)	16,915,600

Notes:

(1) The closing price of the Shares immediately before the date of this grant was HK$18.94 and the estimated weighted average fair value of share options granted on that date was HK$11.91 per option.

(2) The closing price of the Shares immediately before the date of this grant was HK$19.70 and the estimated weighted average fair value of share options granted on that date was HK$12.93 per option.

(3) The closing price of the Shares immediately before the date of this grant was HK$22.65 and the estimated weighted average fair value of share options granted on that date was HK$14.39 per option.

(4) The closing price of the Shares immediately before the date of this grant was HK$26.95 and the estimated weighted average fair value of share options granted on that date was HK$9.85 per option.

Connected Transactions

During the year ended December 31, 2013, the Group engaged in existing transactions and had renewed certain existing transactions with MGM Resorts International, Pansy Ho and their respective affiliates described below which constitute continuing connected transactions under the Listing Rules.

Non-exempt continuing connected transactions

Continuing Connected Transactions exempt from the Independent Shareholders' Approval Requirements under Rule 14A.34 of the Listing Rules

1. *MGM Marketing Agreement*

On May 17, 2011, MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and our Company entered into the MGM Marketing Agreement pursuant to which MGM Resorts International and its designated affiliates will be paid certain marketing fees in consideration of referrals of gaming customers made to resort, hotel and casino properties owned or operated by our Group. The marketing fees payable pursuant to the MGM Marketing Agreement are equal to 3% of the theoretical win (refer to note on page 93) associated with gaming play by customers referred (excluding any play with junket operators at our property). The fees have been determined based on the assessment of the incremental costs that the Group would have to incur to attract gaming customers.

The MGM Marketing Agreement entitles MGM Resorts International to have a marketing presence at MGM MACAU and our future gaming developments during the term of the agreement. The major reason for such marketing arrangement is to utilize the established international marketing network of MGM Resorts International to direct additional gaming customers to our Company's present and any future properties. The arrangement formalizes the existing manner in which our Company has benefited from the international marketing efforts of MGM Resorts International in the past. The term of the MGM Marketing Agreement commenced on July 1, 2010 and continues for three years from June 3, 2011. As the annual caps under the MGM Marketing Agreement expired on December 31, 2013, the parties entered into the Renewed MGM Marketing Agreement on December 24, 2013 (described below) to terminate the existing agreement and renew the same.

MGM Resorts International is a connected person of our Company as it is our controlling Shareholder. MGM Resorts International Marketing, Ltd. and MGM Grand International Pte, Ltd. are both wholly-owned subsidiaries of MGM Resorts International and are therefore also connected persons of the Company (MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd. and their controlled affiliates which carry on the casino gaming business, excluding our Group, collectively, the "MGM Group"). As MGM Resorts International, MGM Resorts International Marketing, Ltd. and MGM Grand International Pte, Ltd. are connected persons, the MGM Marketing Agreement constitutes continuing connected transactions of our Company pursuant to Rule 14A.14 of the Listing Rules.

The aggregate total consideration to be paid to MGM Resorts International by our Group for such referrals for the year ended December 31, 2013 on an annual basis shall not exceed US$5 million. The annual cap is based on the amount which must be paid to properly compensate for the services of the marketing executives, sufficient additional fee capacity to address the expected increase in the revenues during the three-year term of the agreement and the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business.

For the year ended December 31, 2013, the aggregate total consideration paid to the MGM Group by our Group was HK$17.9 million (equivalent to approximately US$2.3 million) which fell within the annual cap of US$5 million for the calendar year of 2013 as disclosed in our IPO Prospectus.

2. *Macau Marketing Agreement*

On May 17, 2011, MGM Resorts International, MGM Grand Paradise and our Company entered into the Macau Marketing Agreement pursuant to which our Group will be paid certain marketing fees in consideration of the referral of gaming customers to resort, hotel and casino properties owned or operated by MGM Resorts International and its designated affiliates in the United States or elsewhere.

The major reason for this arrangement is to provide an additional revenue stream to our Company for gaming customers referred to MGM Resorts International and to facilitate cooperative marketing efforts between our in-house marketing staff and the international marketing staff of MGM Resorts International. The term of the Macau Marketing Agreement commenced on July 1, 2010 and continues for three years from June 3, 2011. As the annual caps under the Macau Marketing Agreement expired on December 31, 2013, the parties entered into the Renewed Macau Marketing Agreement on December 24, 2013 (described below) to terminate the existing agreement and renew the same.

The marketing fees payable to the Company are also calculated on the basis of 3% of the theoretical win (refer to note on page 93) associated with customers gaming play by customers referred (excluding any play with gaming promoters at our property). The fees have been determined based on the assessment of the incremental costs that the Group would have to incur to attract these gaming customers.

MGM Resorts International is a connected person of our Company as it is our controlling Shareholder. As MGM Resorts International is a connected person, the Macau Marketing Agreement constitutes continuing connected transactions of our Company pursuant to Rule 14A.14 of the Listing Rules.

The aggregate total consideration to be paid for such services provided by our Company to MGM Resorts International and its subsidiaries for the year ended December 31, 2013 on an annual basis shall not exceed US$1 million. The annual cap is based on the amount which must be paid to properly compensate for the services of the marketing executives, sufficient additional fee capacity to address the expected increase in the revenues during the three-year term of the agreement and the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business.

For the year ended December 31, 2013, the aggregate total consideration paid to our Group by the MGM Group was HK$827,000 (equivalent to approximately US$106,000) which fell within the annual cap of US$1 million for the calendar year of 2013 as disclosed in our IPO Prospectus.

3. *BEH Marketing Agreement*

On May 17, 2011, Bright Elite Holdings Limited ("BEH"), MGM Grand Paradise and our Company entered into the BEH Marketing Agreement pursuant to which BEH will be entitled to receive marketing fees in consideration of referrals of gaming customers to our Company's resort, hotel and casino properties owned and operated by our Group. The marketing fees payable to BEH by our Company are calculated on the basis of 3% of the theoretical win (refer to note on page 93) associated with customers referred (excluding any play with gaming promoters at our property). The fee has been determined based on the assessment of the incremental costs that the Group would have to incur to attract these gaming customers.

The major reason for this arrangement is to stimulate referrals from BEH to our Company's resort, hotel and casino facilities and to thereby extend our client base in Macau. The BEH Marketing Agreement commenced on June 3, 2011 and continues for three years from June 3, 2011. As the annual caps under the BEH Marketing Agreement expired on December 31, 2013, the parties entered into the Renewed BEH Marketing Agreement on December 24, 2013 (described below) to terminate the existing agreement and renew the same.

BEH, a wholly-owned company by Pansy Ho, is a connected person of our Company as Pansy Ho is one of our substantial Shareholders and Directors. As BEH is a connected person, the BEH Marketing Agreement constitutes continuing connected transactions of our Company pursuant to Rule 14A.14 of the Listing Rules.

The aggregate total consideration to be paid for such services provided by Pansy Ho and her associates to our Group for the year ended December 31, 2013 on an annual basis shall not exceed US$3.0 million. Our Company will benefit from Pansy Ho's marketing team because they are able to directly leverage Pansy Ho's expertise and extensive contacts in the casino gaming business in Macau, which is expected to attract further customers and revenue to our Company.

No consideration had been paid by the Company under the BEH Marketing Agreement for the year ended December 31, 2013 since there was no referral of gaming customers to our Company's resort, hotel and casino properties owned and operated by our Group from BEH during the year.

The proposed annual caps for the year ended December 31, 2013 in relation to each of the MGM Marketing Agreement, the Macau Marketing Agreement and the BEH Marketing Agreement have been determined after taking into account the expected growth of the Group's business through referrals in the year and in general the trend of the gaming market's gaming revenue growth in Macau. Further details of these three agreements were included in our IPO Prospectus.

4. *Development Agreement*

On May 17, 2011, our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MGM Resorts International Holdings, Ltd. ("MRIH") and NCE entered into a Development Agreement. The Development Agreement sets forth the terms on which we have appointed MGM Branding to provide certain development services to our Group in connection with future expansion of the existing project and development of future resort gaming projects. We are the third party beneficiaries of these support agreements. These development services will enable us to access MGM Resorts International's and Grand Paradise Macau Limited's expertise in the design, construction, management and operation of high quality resort casino projects.

The development fee is calculated separately for each resort casino property upon which we commence development during the term of the agreement (whether or not completed during the term). For each such property, the fee is 2.625% of project costs, to be paid in installments as certain benchmarks are achieved. The fee is based on the possibility of an increase in the requirement for development services for the Cotai project, the expected increase in the aggregate costs and expenses for the development services our Group has to pay for anticipated routine and potential enhancements to MGM MACAU and the assumption that there will be no significant increase in the aggregate costs and expenses.

MGM Resorts International is our controlling Shareholder. Pansy Ho is our substantial Shareholder. According to the Listing Rules, MGM Resorts International, MRIH, NCE and Pansy Ho are connected persons of our Company. As such, the Development Agreement constitutes continuing connected transactions of our Company pursuant to Rule 14A.14 of the Listing Rules.

The development fee is subject to an annual cap of US$20 million per annum for the initial financial year for each property, which amount shall increase by 10% per annum for each succeeding financial year during the term of the Development Agreement.

Development fees

Period	Annual cap (US$)
1	20,000,000
2	22,000,000
3	24,200,000

The proposed annual caps for the of the development fees have been determined based on the development fees paid for MGM MACAU and the Group's expected future developments, which are at a very preliminary stage. As such, the Group will place substantial reliance on the expertise and support of MGM Resorts International and Pansy Ho. Both parties have provided support in developing MGM MACAU and will continue to provide similar development services in future.

The initial term of the Development Agreement is for three years commenced on June 3, 2011. Further details of this agreement were included in our IPO Prospectus. As the annual caps under the Development Agreement expired on December 31, 2013, the parties entered into the Renewed Development Agreement (described below) on December 24, 2013 to terminate the existing agreement and renew the same.

For the year ended December 31, 2013, the aggregate total consideration paid for services under the Development Agreement by the Group to the MGM Group was HK$118.0 million (equivalent to approximately US$15.2 million) which fell within the annual cap of US$24.2 million for the calendar year of 2013 as disclosed in our IPO Prospectus.

A waiver from strict compliance with the announcement requirements under Rule 14A.42(3) of the Listing Rules for the MGM Marketing Agreement, Macau Marketing Agreement, BEH Marketing Agreement and Development Agreement has been granted by the Hong Kong Stock Exchange.

5. *Master Service Agreement and Related Arrangements*

As announced by Shun Tak on October 8, 2010, Shun Tak and MGM Grand Paradise entered into the Master Service Agreement which provides a continuing framework for the provision of products and services between our Group and the Shun Tak Group. Such transactions include the Shun Tak Group providing various services and products, including ferry tickets, travel products, rental of hotel rooms, laundry services, advertising services and property cleaning services to our Group and our Group providing rental of hotel rooms at wholesale room rates to the Shun Tak Group and receiving rebates for ferry tickets from the Shun Tak Group.

The term of the Master Service Agreement came into effect from January 1, 2011 and ran until December 31, 2013. As the Master Service Agreement and the annual caps under the Master Service Agreement expired on December 31, 2013, the parties entered into the Renewed Master Service Agreement (described below) on December 24, 2013 to renew the existing agreement.

Terms of each specific service are or will be further detailed separately in an agreement or a service contract which may be constituted by the acceptance of a price quotation, sales order or other written documents and have been or will be negotiated on arm's length normal commercial terms and by reference to prevailing market prices. Details of the terms of the relevant agreements or service contracts in relation to the transactions under the Master Service Agreement were set out in the Company's announcement dated June 3, 2011.

Pansy Ho, one of our substantial Shareholders, Co-Chairperson and executive Director of our Company, is the managing director and a substantial shareholder of Shun Tak. By virtue of a number of direct and indirect interests in Shun Tak, the Hong Kong Stock Exchange has determined that Shun Tak is an associate of Pansy Ho and therefore a connected person of the Company.

Set out below are the annual caps on net amounts payable by our Group to the Shun Tak Group after the rebates for discounts on bulk purchases of ferry tickets and the amounts payable by the Shun Tak Group to our Group in respect of the transactions contemplated by the Master Service Agreement in respect of the financial year ended December 31, 2013:

Period (for the year ended)	Annual cap on payments from Shun Tak Group (HK$)	Annual cap on payments to Shun Tak Group (HK$)
December 31, 2013	4,500,000	135,000,000

The annual caps on amounts payable to the Shun Tak Group have been determined by reference to (i) historical amounts paid to the Shun Tak Group for the services contemplated by the Master Service Agreement; and (ii) the estimated quantity of ferry ticket sales and the volume of services in respect of travel agency services, rental of hotel rooms, laundry services, advertising services and property cleaning services which may be required by our Group during the year ended December 31, 2013.

The annual caps on amounts payable by the Shun Tak Group have been determined by reference to (i) historical amounts of revenues received for services contemplated by the Master Service Agreement; (ii) the anticipated demand for the relevant products and services; and (iii) the anticipated room rates for hotel rooms during the year ended December 31, 2013.

For the year ended December 31, 2013, the aggregate total consideration made by the Group to the Shun Tak Group after the rebates for discounts on bulk purchases of ferry tickets was HK$133.5 million which fell within the annual cap of HK$135.0 million for the calendar year 2013 and the aggregate total consideration received by the Group from the Shun Tak Group was HK$402,000 which fell within the annual cap of HK$4.5 million for the calendar year 2013 as disclosed in the announcement of our Company dated June 3, 2011.

Our Company's continuing connected transactions with Shun Tak fall under Rule 14A.34 of the Listing Rules which are exempt from the independent shareholders' approval requirements. Our Company will comply with the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2) of the Listing Rules.

MGM Grand Paradise and Shun Tak & CITS Coach (Macao) Limited ("Shun Tak Coach") have entered into various Limousine Services Agreements pursuant to which Shun Tak Coach provides limousine transportation services to MGM Grand Paradise to pick-up or drop-off guests of the Group at various points between Macau and cities within the Pearl River Delta Region or within Macau. Shun Tak Coach has been providing limousine services to MGM Grand Paradise since April 15, 2010. MGM Grand Paradise has also entered into various Shuttle Bus Agreements pursuant to which Shun Tak Coach provides shuttle bus transportation services to MGM Grand Paradise for customers and employees of the Group in Macau. Shun Tak Coach has been providing shuttle bus services to MGM Grand Paradise since November 1, 2007.

Shun Tak Coach is an associated company of Shun Tak and one in which Ms. Pansy Ho has minority interests. Historically, the Company had not treated Shun Tak Coach as a connected person of the Company under the Listing Rules. At the time of entering into the Renewed Master Service Agreement in December 2013, after further consideration, the Company has taken the view that Shun Tak Coach was a deemed connected person of the Company under the Listing Rules. As a result, the transactions with Shun Tak Coach constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. Details of these transactions are included in the Company's announcement dated March 31, 2014.

For the year ended December 31, 2013 the aggregate consideration payable under the Limousine Services Agreements and the Shuttle Bus Agreements was HK$25 million. Our Company's continuing connected transactions with Shun Tak Coach fall under Rule 14A.34 of the Listing Rules which are exempt from the independent shareholders' approval requirements, but subject to the announcement and reporting requirements.

6. *Cooperation and Support Master Agreement*

As disclosed in the announcement of the Company dated February 18, 2013, MGM Resorts International, MGM Hospitality, LLC and the Company entered into the Cooperation and Support Master Agreement on February 18, 2013 which sets out the principal framework upon which any member of our Group and/or MGM Group as a supporting party may provide certain goods or services to the extent reasonably required to support the pre-opening, opening, design, development, construction, licensing, hiring of staff and application for work permits or on-going operations of a resort owned or managed by our Group and/or MGM Group as a recipient, as applicable, at the request of the recipient from time to time.

The Cooperation and Support Master Agreement is for a term of three years (unless terminated earlier, upon 60 days' written notice to the other party) and is effective from February 18, 2013. Subject to the compliance with the Listing Rules, or alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Cooperation and Support Master Agreement, the agreement shall be automatically renewed for further three years (or such other periods as may be permitted under the Listing Rules).

Provision of goods and services shall be agreed by mutual agreement between a supporting party and a recipient, in writing, by way of a statement of work, on a case-by-case basis. Where the resort is a Managed Resort (as defined in the aforesaid announcement), the recipient is deemed to have requested the provision of such goods and services on behalf of the owner of the Managed Resort pursuant to the related management agreement between the recipient and the owner of the Managed Resort, and by requesting goods or services, shall be deemed to represent and warrant that the provision of such goods and services is consistent with the applicable management agreement.

The service fees charged under each statement of work shall be determined after arm's length negotiation between relevant parties and calculated on the following basis: (i) the price of relevant goods and services in the market which shall be the price at which comparable types of goods or services are provided by independent third parties under comparable conditions and normal commercial terms in their ordinary course of business to independent customers; (ii) where there is no market price for particular goods or services, the fees charged by the supporting party shall be based on fees applied to independent third parties or to other subsidiaries or affiliates of the MGM Group for the provision of comparable types of goods and services; and (iii) where there is neither a market price nor a price charged by the supporting party available for comparable reference, the fees shall be calculated at an agreed price based on actual or expected costs plus a reasonable profit margin of up to 5%.

Our Group has developed significant experience and know-how, and is equipped with experienced management personnel, in relation to the sale and marketing and the operations of casino games of chance and resort hotels. The provision of goods and services as contemplated under the Cooperation and Support Master Agreement by our Group to MGM Group will enable our Group to fully utilize the existing resources and generate additional sources of revenue. Alternatively, pursuant to the Cooperation and Support Master Agreement, our Group is able to obtain the aforesaid support and assistance provided by the MGM Group as and when required. This will help to strengthen the capabilities and to put our Group in a better position to attract and retain more customers and to seek further business development opportunities which will in turn contribute to the revenue of our Group. It is also in the mutual interest of MGM Resorts International, MGM Hospitality, LLC and our Group that all resorts operating under any of the brands owned or licensed by the MGM Group provide a consistently high quality customer experience and similar levels of operating standards and that each new resort operating under such brands opens successfully and efficiently.

MGM Resorts International, through its wholly-owned subsidiaries, holds approximately 51% of the entire issued share capital of the Company and is our controlling Shareholder. MGM Hospitality, LLC is a wholly-owned subsidiary of MGM Resorts International. According to the Listing Rules, MGM Resorts International, MGM Hospitality, LLC are connected persons of the Company. As such, the Cooperation and Support Master Agreement constitutes continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules.

Set out below are the annual caps on net amounts payable by our Group to MGM Group and the amounts payable by MGM Group to our Group in respect of the transactions contemplated under the Cooperation and Support Master Agreement in respect of the three years ending February 17, 2016 respectively:

Period (for the year ended)	Annual cap on receivables from MGM Group (HK$)	Annual cap on payments to MGM Group (HK$)
From February 18, 2013 (date of agreement) to December 31, 2013	58,500,000	58,500,000
December 31, 2014	39,000,000	78,000,000
December 31, 2015	39,000,000	78,000,000
From January 1, 2016 to February 17, 2016	7,800,000	7,800,000

The annual caps were determined taking into consideration: (i) the information provided by MGM Group regarding the nature and scope of services that may be required to be provided by our Group to MGM Group for the projects in progress; (ii) the expected level of support from MGM Group that may be required by our Group in the next three years; and (iii) the additional allowances for the new projects of both MGM Group and our Group not identified at present.

No consideration had been paid by our Group to MGM Group and no consideration had been paid by MGM Group to our Group under the Cooperation and Support Master Agreement for the year ended December 31, 2013 since there were no goods or services required to be provided from either party during the year.

As the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under the Renewed MGM Marketing Agreement, Renewed Macau Marketing Agreement, Renewed BEH Marketing Agreement, Renewed Development Agreement (for each project), Renewed Master Service Agreement and Cooperation and Support Master Agreement are, on an annual basis, more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting and announcement requirements and the annual review requirements and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Appropriate disclosures are required to be made in the annual report and the accounts of the Company in accordance with the Listing Rules.

Renewed Continuing Connected Transactions exempt from the Independent Shareholders' Approval Requirements under Rule 14A.34 of the Listing Rules

As mentioned above, the annual caps of the MGM Marketing Agreement, Macau Marketing Agreement, BEH Marketing Agreement, the Development Agreement and the term and annual caps of the Master Service Agreement expired on December 31, 2013. The parties entered into the respective renewed agreements below on December 24, 2013 to terminate the existing agreements and renew the same. As the renewed agreements were only effective on January 1, 2014, no consideration was accrued under the renewed agreements during the year ended December 31, 2013.

1. *Renewed MGM Marketing Agreement*

As disclosed in the IPO Prospectus, MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company entered into the MGM Marketing Agreement on May 17, 2011. As the annual caps under the MGM Marketing Agreement expired on December 31, 2013, the parties entered into the Renewed MGM Marketing Agreement on December 24, 2013 to terminate the existing agreement and renew the same. Pursuant to the Renewed MGM Marketing Agreement, MGM Resorts International and its designated affiliates will be entitled to receive marketing fees in consideration of referrals of gaming customers made to resort, hotel and casino properties owned or operated by the Company, MGM Grand Paradise and their respective controlled affiliates which carry on the casino gaming business (the "Macau Group").

The Renewed MGM Marketing Agreement is for a term of three years and is effective from January 1, 2014. Subject to the compliance with the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Renewed MGM Marketing Agreement, the agreement may be renewed for a three year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing. The MGM Marketing Agreement was terminated and was without further force or effect as of January 1, 2014, and the Renewed MGM Marketing Agreement superseded the MGM Marketing Agreement in its entirety.

The Company has agreed to cause each Macau Group member to pay marketing fees to MGM Resorts International and its designated affiliates in consideration of the referrals of gaming customers made to resort, hotel and casino properties owned or operated by the members of the Macau Group. The marketing fees payable are equal to 3% of the theoretical win (refer to note on page 93) associated with gaming play by customers referred (excluding any play with gaming promoters).

The Renewed MGM Marketing Agreement entitles MGM Resorts International to have a marketing presence at MGM MACAU and the Company's future gaming developments during the term of the Renewed MGM Marketing Agreement. The purpose of the Renewed MGM Marketing Agreement is to continue to utilize the established international marketing network of MGM Resorts International to direct additional gaming customers to the Company's present and any future properties. The terms of the Renewed MGM Marketing Agreement were arrived at after arm's length negotiations between the relevant parties.

MGM Resorts International is a connected person of the Company as it holds, through its wholly-owned subsidiaries, approximately 51% of the issued share capital of the Company and is our controlling Shareholder. MGM Resorts International Marketing, Ltd. and MGM Grand International Pte, Ltd. are both wholly-owned subsidiaries of MGM Resorts International and are therefore also connected persons of the Company (the MGM Group). As MGM Resorts International, MGM Resorts International Marketing, Ltd. and MGM Grand International Pte, Ltd. are connected persons, the Renewed MGM Marketing Agreement constitutes continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules.

The aggregate total consideration to be paid to the MGM Group by our Group for such referrals for each of the years ended December 31, 2014, 2015 and 2016 on an annual basis shall not exceed HK$39,000,000. The marketing fees under the Renewed MGM Marketing Agreement were determined based on, amongst others, the assessment of the incremental costs that the Group would have to incur to attract gaming customers and the historical fee arrangement under the MGM Marketing Agreement. The proposed annual caps were determined by reference to, amongst others, (i) the amount to be paid to properly compensate for the services of the marketing executives; (ii) sufficient additional fee capacity to address the expected growth of the Group's business through referrals in the next three years and in general the trend of the gaming market's gaming revenue growth in Macau; (iii) the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business; (iv) the historical marketing fees paid by the Group to the MGM Group for the two years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013 under the MGM Marketing Agreement; and (v) the arrangements under the Renewed Macau Marketing Agreement and the Renewed BEH Marketing Agreement.

2. *Renewed Macau Marketing Agreement*

As disclosed in the IPO Prospectus, MGM Resorts International, MGM Grand Paradise and the Company entered into the Macau Marketing Agreement on May 17, 2011. As the annual caps under the Macau Marketing Agreement expired on December 31, 2013, the parties entered into the Renewed Macau Marketing Agreement on December 24, 2013 to terminate the existing agreement and renew the same. Pursuant to the Renewed Macau Marketing Agreement, the Group will be paid certain marketing fees in consideration of referrals of gaming customers made to resort, hotel and casino properties owned or operated by MGM Resorts International and its designated affiliates in the United States or elsewhere.

The Renewed Macau Marketing Agreement is for a term of three years which is effective from January 1, 2014. Subject to the compliance with the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Renewed Macau Marketing Agreement, the agreement may be renewed for a three year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing. The Macau Marketing Agreement was terminated and was without further force or effect as of January 1, 2014, and the Renewed Macau Marketing Agreement superseded the Macau Marketing Agreement in its entirety.

MGM Resorts International has agreed to pay marketing fees to MGM Grand Paradise (or to an affiliate of MGM Grand Paradise designated by it in writing) in consideration of referrals made of gaming customers to resort, hotel and casino properties owned or operated by the MGM Resorts International and its designated affiliates in the United States or elsewhere. The marketing fees payable are calculated on the basis of 3% of the theoretical win (refer to note on page 93) associated with customers gaming play by customers referred (excluding any play with gaming promoters).

The major purpose of the Renewed Macau Marketing Agreement is to continue to provide an additional revenue stream to the Company for gaming customers referred to MGM Resorts International and to facilitate cooperative marketing efforts between the Company's in-house marketing staff and the international marketing staff of MGM Resorts International. The terms of the Renewed Macau Marketing Agreement were arrived at after arm's length negotiations between the relevant parties.

MGM Resorts International is a connected person of the Company as it holds, through its wholly-owned subsidiaries, approximately 51% of the issued share capital of the Company and is our controlling Shareholder. As MGM Resorts International is a connected person, the Renewed Macau Marketing Agreement constitutes continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules.

The aggregate total consideration to be paid to our Group by MGM Resorts International and its subsidiaries for such referrals for each of the years ended December 31, 2014, 2015 and 2016 on an annual basis shall not exceed HK$39,000,000. The marketing fees under the Renewed Macau Marketing Agreement were determined based on, amongst others, the assessment of the incremental costs that the MGM Group would have to incur to attract these gaming customers and the historical fee arrangement under the Macau Marketing Agreement. The proposed annual caps under the Renewed Macau Marketing Agreement were determined by reference to, amongst others, (i) the amount to be paid to properly compensate for the services of the marketing executives; (ii) sufficient additional fee capacity to address the expected growth of the business through referrals in the next three years and in general the trend of the gaming market's gaming revenue growth in the United States; (iii) the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business; (iv) the historical marketing fees paid by the MGM Group to the Group in the two years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013 under the Macau Marketing Agreement; and (v) the arrangements under the Renewed MGM Marketing Agreement and the Renewed BEH Marketing Agreement to give the Company the potential to receive the same benefit as those under the Renewed MGM Marketing Agreement and the Renewed BEH Marketing Agreement.

3. *Renewed BEH Marketing Agreement*

As disclosed in the IPO Prospectus, BEH, MGM Grand Paradise and the Company entered into the BEH Marketing Agreement on May 17, 2011. As the annual caps under the BEH Marketing Agreement expired on December 31, 2013, the parties entered into the Renewed BEH Marketing Agreement on December 24, 2013 to terminate the existing agreement and renew the same. Pursuant to the Renewed BEH Marketing Agreement, BEH will be entitled to receive certain marketing fees in consideration of referrals of gaming customers made to the resort, hotel and casino properties owned and operated by the Macau Group.

The Renewed BEH Marketing Agreement is for a term of three years and is effective from January 1, 2014. Subject to the compliance with the Listing Rules, or alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Renewed BEH Marketing Agreement, the agreement may be renewed for a three year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing. The BEH Marketing Agreement was terminated and was without further force or effect as of January 1, 2014, and the Renewed BEH Marketing Agreement superseded the BEH Marketing Agreement in its entirety.

The Company has agreed to cause each Macau Group member to pay marketing fees to BEH (or to a wholly-owned affiliate of BEH designated by it in writing) in consideration of referrals made of gaming customers to resort, hotel and casino properties owned and operated by the Macau Group member. The marketing fees payable are calculated on the basis of 3% of the theoretical win (refer to note on page 93) associated with customers referred (excluding any play with gaming promoters).

The major purpose of the Renewed BEH Marketing Agreement is to stimulate referrals from BEH to the Company's resort, hotel and casino facilities and to thereby extend the Company's client base in Macau. The Company will benefit from Pansy Ho's marketing team because they are able to directly leverage Pansy Ho's expertise and extensive contacts in the casino gaming business in Macau, which is expected to attract further customers and revenue to the Company. The terms of the Renewed BEH Marketing Agreement were arrived at after arm's length negotiations between the relevant parties.

Pansy Ho holds directly and indirectly approximately 27.40% of the entire issued share capital of the Company and is a substantial Shareholder. She is also an executive Director of the Company. As such, Pansy Ho is a connected person of the Company under the Listing Rules. BEH is wholly-owned by Pansy Ho and as such it is also a connected person of the Company. As BEH is a connected person, the Renewed BEH Marketing Agreement constitutes continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules.

The aggregate total consideration to be paid to Pansy Ho and her associates by our Group for such referrals for each of the years ended December 31, 2014, 2015 and 2016 on an annual basis shall not exceed HK$39,000,000. The marketing fees under the Renewed BEH Marketing Agreement were determined based on, amongst others, the assessment of the incremental costs that the Group would have to incur to attract these gaming customers and the historical fee arrangement under the BEH Marketing Agreement. The proposed annual caps under the Renewed BEH Marketing Agreement were determined by reference to, amongst others, (i) the amount to be paid to properly compensate for the services of the marketing executives; (ii) sufficient additional fee capacity to address the expected growth of the Group's business through referrals in the next three years and in general the trend of the gaming market's gaming revenue growth in Macau; (iii) the fact that the marketing fee rates payable in respect of the fees are similar to those payable to independent agents in connection with referrals of gaming business; and (iv) the arrangements under the Renewed MGM Marketing Agreement and the Renewed Macau Marketing Agreement.

Note:

For the purposes of the MGM Marketing Agreement, Macau Marketing Agreement, BEH Marketing Agreement, Renewed MGM Marketing Agreement, Renewed Macau Marketing Agreement and Renewed BEH Marketing Agreement, "theoretical win" means, in respect of any customer (i) in the case of cash chip play, the total amount wagered multiplied by the game house advantage, and (ii) in the case of rolling chip, the turnover amount multiplied by the theoretical rolling chip win percentage of 2.7%, in each case ignoring the actual win or loss experienced as a result of that customer's play and provided in each case that "theoretical win" shall not exceed, as to any customer, 12.5% of the available credit line for that customer on the related visit.

4. *Renewed Development Agreement*

As disclosed in the IPO Prospectus, MGM Branding, MGM Grand Paradise, MGM Resorts International, MRIH, NCE and the Company entered into the Development Agreement on May 17, 2011. As the annual caps under the Development Agreement expired on December 31, 2013, the parties entered into the Renewed Development Agreement on December 24, 2013 to terminate the existing agreement and renew the same. Pursuant to the Renewed Development Agreement, the Company has agreed to appoint MGM Branding to provide certain development services to the Group in connection with future expansion of the existing project and development of future resort gaming projects.

The Renewed Development Agreement is for a term of three years and is effective from January 1, 2014. Subject to the compliance with the Listing Rules, or alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Renewed Development Agreement, the agreement may be renewed for a three year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing. The Development Agreement was terminated and was without further force or effect as of January 1, 2014, and the Renewed Development Agreement superseded the Development Agreement in its entirety.

MGM Branding has agreed to provide certain development services to the Group in connection with future expansion of the existing project and development of future resort gaming projects. MGM Branding may provide the development services directly or through any of its affiliates. Each of MGM Resorts International and NCE has severally agreed that it shall use reasonable efforts to cooperate with, facilitate and support the provision of development services by MGM Branding to the Group in accordance with the Renewed Development Agreement.

The Group has agreed to pay development fees to MGM Branding in consideration for the development services provided. The development fee payable is equal to 2.625% of the project costs for each project commenced in the territory during the term of the Renewed Development Agreement (whether or not completed during the term).

The Group is entitled to terminate the appointment of MGM Branding as provider of development services if it fails to comply with its obligations to provide the services. MGM Branding is entitled to terminate the provision of development services if the Group fails to comply with its obligations under the Renewed Development Agreement, including the payment of development fee.

The major purpose of the Renewed Development Agreement is that, through the development services provided, the Company will have access to MGM Resorts International's and Grand Paradise Macau Limited (a company wholly-owned by Pansy Ho)'s expertise in the design, construction, management and operation of high quality casino projects. The terms of the Renewed Development Agreement were arrived at after arm's length negotiations between the relevant parties.

MGM Resorts International, through its wholly-owned subsidiaries, holds approximately 51% of the entire issued share capital of the Company and is our controlling Shareholder. MRIH is a wholly-owned subsidiary of MGM Resorts International. Pansy Ho holds directly and indirectly approximately 27.40% of the entire issued share capital of the Company and is our substantial Shareholder. She is also an executive Director of the Company. NCE is wholly-owned by Pansy Ho. MGM Branding is held 50% by MRIH and 50% by NCE. According to the Listing Rules, MGM Resorts International, MRIH, Pansy Ho, NCE and MGM Branding are connected persons of the Company. As such, the Renewed Development Agreement constitutes continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules.

The development fees payable by the Group during the term, in respect of each project, shall be limited to US$26,620,000 for the year ended December 31, 2014. The amount shall increase by 10% per annum for each succeeding financial year during the term, i.e. US$29,282,000 and US$32,210,200 for the years ending December 31, 2015 and 2016, respectively. The development fees under the Renewed Development Agreement were determined based on, amongst others, the possibility of an increase in the requirement for development services for the Cotai project and other potential projects that the Company may undertake, the expected increase in the aggregate costs and expenses for the development services the Group has to pay for anticipated routine and potential enhancements to MGM MACAU and the assumption that there will be no significant increase in the aggregate costs and expenses. The annual caps under the Renewed Development Agreement were determined based on, amongst others, (i) the Group's expected future developments; and (ii) the historical development fees paid by the Group to MGM Branding for the year ended December 31, 2012 and the nine months ended September 30, 2013 under the Development Agreement.

5. *Renewed Master Service Agreement and Related Arrangements*

As disclosed in the IPO Prospectus and the announcement of the Company dated June 3, 2011, Shun Tak and MGM Grand Paradise entered into the Master Service Agreement on October 8, 2011. As the Master Service Agreement and the annual caps expired on December 31, 2013, the parties entered into the Renewed Master Service Agreement on December 24, 2013 to renew the existing agreement. The Renewed Master Service Agreement governs the terms for the provision of products and services, including but not limited to, ferry tickets, travel products and rental of hotel rooms between the Group and Shun Tak Group (and including, for the purpose of this section, Shun Tak Coach).

The Renewed Master Service Agreement is for a term of three years and is effective from January 1, 2014. Subject to the compliance with the Listing Rules, or alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Renewed Master Service Agreement, the agreement may be renewed for a three year term (or such other period permitted under the Listing Rules) upon mutual agreement between the parties in writing.

The services and products provided or to be provided by the Shun Tak Group include sale of ferry tickets at discounted bulk purchase rate, sale of travel products including accommodation and transportation, provision of laundry services, transportation services provided by Shun Tak Coach, advertising services and property cleaning services to the Group. The services and products provided or to be provided by the Group include provision of rental of hotel rooms at wholesale room rates to the Shun Tak Group.

Terms of each specific service are or will be further detailed separately in an agreement or a service contract which may be constituted by the acceptance of a price quotation, sales order or other written documents and have been or will be negotiated on arm's length negotiations between the parties and by reference to prevailing market price. Existing agreements entered into under the Master Service Agreement shall remain in full force and effect subject to the terms of the Renewed Master Service Agreement. Further details of the terms of the existing transactions under the Renewed Master Service Agreement were set out in the announcement of the Company dated December 24, 2013. Agreements or service contracts entered into under the Renewed Master Service Agreement will be in writing for a fixed term of not more than three years.

The Renewed Master Service Agreement shall continue to provide a framework for the provision of products and services between the Group and the Shun Tak Group. The Renewed Master Service Agreement and the existing transactions shall continue to enable the Group to foster its hospitality-related business in Macau and enhance its overall revenue. The terms of the Renewed Master Service Agreement and the existing transactions were arrived at after arm's length negotiations between the relevant parties.

Pansy Ho, one of our substantial Shareholders, Co-Chairperson and an executive Director of the Company, is the managing director and a substantial shareholder of Shun Tak. By virtue of a number of direct and indirect interests in Shun Tak, the Hong Kong Stock Exchange has determined that Shun Tak is an associate of Pansy Ho and therefore Shun Tak is deemed to be a connected person of the Company under the Listing Rules. Accordingly, the Renewed Master Service Agreement constitutes continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules.

Set out below are the annual caps on net amounts payable by our Group to the Shun Tak Group and the amounts payable by the Shun Tak Group to our Group in respect of the transactions contemplated under the Renewed Master Service Agreement in respect of the financial years ended December 31, 2014, 2015 and 2016 respectively:

Period (for the year ended)	Annual cap on payments to Shun Tak Group (HK$)	Annual cap on payments from Shun Tak Group (HK$)
December 31, 2014	155,000,000	3,500,000
December 31, 2015	155,000,000	4,000,000
December 31, 2016	264,000,000	4,500,000

The Group and the Shun Tak Group have entered into, and may continue to enter into, agreements or service contracts with details of the service scope and fees determined/to be determined at arm's length negotiations between the relevant member(s) of the Group and the relevant member(s) of the Shun Tak Group by reference to prevailing market prices and on normal commercial terms.

The annual caps on amounts payable by the Group to the Shun Tak Group under the Renewed Master Service Agreement were determined by reference to (i) historical amounts paid for services contemplated by the Master Service Agreement for the two years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013; (ii) the estimated quantity of ferry tickets sales and the volume of services in respect of travel agency services, transportation services, laundry services, advertising services and property cleaning services which may be required by the Group during each of the three years ending December 31, 2014, 2015 and 2016; and (iii) the anticipated increase in demand for services from the Shun Tak Group due to the Group's expected increase in business volume and revenue over the next few years and in particular the expected commencement of operation of the COTAI project in early 2016.

The annual caps on amounts payable by the Shun Tak Group to the Group under the Renewed Master Service Agreement were determined by reference to (i) historical amounts of revenues received for services contemplated by the Master Service Agreement for the two years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013; (ii) the anticipated demand for the relevant products and services; and (iii) the anticipated room rates for hotel rooms during each of the three years ending December 31, 2014, 2015 and 2016.

Further details of the Renewed MGM Marketing Agreement, Renewed Macau Marketing Agreement, Renewed BEH Marketing Agreement, Renewed Development Agreement and Renewed Master Service Agreement were included in the announcement of the Company dated December 24, 2013.

Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements under Rule 14A.33 of the Listing Rules

Branding Agreement

Pursuant to the Branding Agreement entered into on May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH, and NCE, and related upstream trademark license agreements, our Company has been granted the use of certain trademarks owned by MGM Resorts International and its subsidiaries for a term co-extensive with that of the Subconcession, ending on March 31, 2020 (the date upon which the Subconcession in Macau is currently scheduled to expire).

Under the Branding Agreement, our Company and the Group have been granted a revocable, non-assignable and non-transferable sublicense to use the marks "MGM", "MGM Grand", "MGM Grand Macau" and the MGM lion and other MGM-related service marks, trademarks, registrations and domain names owned by MGM Resorts International and its subsidiaries (the "Subject Marks") in connection with the marketing and operation of our casino resort businesses within the Restricted Zone (as defined in the Branding Agreement), excluding certain reserved zones within the PRC in which MGM Resorts International will not license the parties to conduct casino gaming business within the Restricted Zone and will only create reserved zones if it permits the Company to either use MGM Resort International's alternative proprietary branding or permits the Company to develop and use our own intellectual property.

MGM Resorts International, through its wholly-owned subsidiaries, holds approximately 51% of the entire issued share capital of the Company and is our controlling Shareholder. MRIH is a wholly-owned subsidiary of MGM Resorts International. Pansy Ho holds directly and indirectly approximately 27.40% of the entire issued share capital of the Company and is our substantial Shareholder. She is also an executive Director of the Company. NCE is wholly-owned by Pansy Ho. MGM Branding is held 50% by MRIH and 50% by NCE. According to the Listing Rules, MGM Resorts International, MRIH, Pansy Ho, NCE and MGM Branding are connected persons of the Company. As such, the Renewed Development Agreement constitutes continuing connected transactions of the Company pursuant to Rule 14A.14 of the Listing Rules.

The license fee for MGM MACAU is calculated on a basis equal to 1.75% of our consolidated gross monthly revenues (determined in accordance with IFRS) and is subject to an annual cap of US$30 million for the calendar year 2012. This annual cap will increase by 20% for each subsequent calendar year during the term of the Branding Agreement.

License fees of MGM MACAU

Period (for the year ended)	Annual cap (US$)
December 31, 2013	36,000,000
December 31, 2014	43,200,000
December 31, 2015	51,840,000
December 31, 2016	62,208,000
December 31, 2017	74,649,600
December 31, 2018	89,579,520
December 31, 2019	107,495,424
December 31, 2020	128,994,509

In the event that we open additional properties during the term of the Branding Agreement, the amount of the annual cap will also increase by US$20 million during the calendar year in which the relevant property is opened for business (the "Additional Property Cap Increase"). The Additional Property Cap Increase will also apply to subsequent calendar years, and shall also increase at the rate of 20% per year.

License fees of any additional property

Period	Annual cap (US$)
1	20,000,000
2	24,000,000
3	28,800,000
4	34,560,000
5	41,472,000
6	49,766,400
7	59,719,680
8	71,663,616
9	85,996,339
10	103,195,607

Note: The above assumes, for illustrative purposes, that the additional property opens on January 1, 2011 and has the right to use the Subject Marks for approximately nine years under the initial term.

The Branding Agreement shall remain in effect for a term of approximately nine years commenced on June 3, 2011 and ending on March 31, 2020, which is co-extensive with the term of the Subconcession, unless terminated earlier as set out in the agreement. Further details of the Branding Agreement were included in our IPO Prospectus.

Pursuant to the Branding Agreement, the license fees for MGM MACAU paid by the Group for the year ended December 31, 2013 amounted to HK$279.3 million (equivalent to approximately US$36.0 million) which was within the annual cap of US$36 million for the calendar year of 2013 as disclosed in our IPO Prospectus.

A waiver from the announcement and independent shareholders' approval requirements, as required under the Listing Rules, for the initial term of the Branding Agreement which will expire on March 31, 2020, has been granted by the Hong Kong Stock Exchange.

Under Chapter 14A of the Listing Rules, the transactions contemplated under the Branding Agreement constitute non-exempt continuing connected transactions of the Group and require disclosure in the annual report of the Company.

Save as disclosed above, related party transactions that did not constitute connected transactions or continuing connected transactions of the Group made during the year are disclosed in note 37 to the consolidated financial statements.

Pursuant to Rule 14A.38 of the Listing Rules, our Board engaged Deloitte Touche Tohmatsu, the Company's auditor, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued an unqualified letter containing their factual findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules, and reported to the Board and confirmed that for the year ended December 31, 2013:

(i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions set out on pages 81 to 98 of this annual report, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the prospectus of the Company dated May 23, 2011 and the previous announcements dated June 3, 2011 and February 18, 2013 made by the Company in respect of each of the disclosed continuing connected transactions. Without qualifying the opinion, the auditor noted that no maximum aggregate annual value had been set in respect of the transactions between MGM Grand Paradise and Shun Tak Coach as the Company had not previously treated Shun Tak Coach as a connected person of the Company under the Listing Rules. Therefore the auditor could not give the confirmation set out in Rule 14A.38(4) of the Listing Rules in respect of the transactions between MGM Grand Paradise and Shun Tak Coach.

A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange. In addition, all of the non-exempt continuing connected transactions of the Company disclosed herein constitute related party transactions set out in note 37 to the consolidated financial statements.

The independent non-executive Directors of the Company have reviewed these transactions and the report of the auditor and confirmed that the continuing connected transactions for the year ended December 31, 2013 have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or on terms no less favourable to the Company than the terms available to and from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Report of the Directors

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules, save as disclosed in the Company's announcement dated March 31, 2014.

Sufficiency of Public Float

The Hong Kong Stock Exchange granted to the Company a waiver from strict compliance with Rule 8.08(1) of the Listing Rules (the "Public Float Waiver"). Pursuant to the Public Float Waiver, the Company's prescribed minimum percentage of Shares which must be in public hands must not be less than 21.6% of the total issued share capital of the Company. Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company maintained the prescribed public float under the Listing Rules and as required by the Public Float Waiver.

Auditor

Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

James Joseph Murren
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

Hong Kong, April 1, 2014

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
MGM CHINA HOLDINGS LIMITED
美高梅中國控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of MGM China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 103 to 172, which comprise the consolidated and company statements of financial position as at December 31, 2013 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

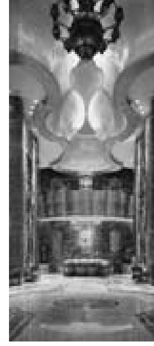
Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2013 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

February 19, 2014



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2013

	NOTES	2013 HK$'000	2012 HK$'000
OPERATING REVENUE			
Casino revenue	5	25,412,367	21,454,483
Other revenue	6	315,146	319,109
		25,727,513	21,773,592
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levy to the Macau Government	8	(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	9	(3,706,416)	(3,138,314)
Depreciation and amortization		(767,670)	(793,523)
		(20,183,881)	(17,341,823)
Operating profit		5,543,632	4,431,769
Interest income		24,529	37,979
Finance costs	10	(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	11	(14,951)	409,960
Profit for the year and total comprehensive income attributable to owners of the Company	12	5,333,528	4,530,829
Earnings per share — Basic and diluted	15	HK$1.40	HK$1.19

Consolidated Statement of Financial Position

At December 31, 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property and equipment	17	4,380,930	4,746,237
Construction in progress	17	2,333,003	319,378
Sub-concession premium	18	793,000	919,900
Land use right premium	19	1,468,761	332,404
Other assets	20	12,464	11,051
Prepayments and deposits	23	399,718	447,954
		9,387,876	6,776,924
CURRENT ASSETS			
Inventories	21	98,610	85,945
Trade receivables	22	577,244	478,989
Prepayments, deposits and other receivables	23	68,560	37,766
Land use right premium — short term	19	69,406	19,246
Amounts due from related companies	37(a)(i)	987	345
Bank balances and cash	24	7,884,805	7,381,362
		8,699,612	8,003,653
CURRENT LIABILITIES			
Payables and accrued charges	25	6,365,599	4,475,302
Deposits and advances	27	355,593	367,291
Land use right payable — due within 12 months	19	194,034	—
Construction retention payable — due within 12 months		30,066	21,135
Amounts due to related companies	37(a)(ii)	12,879	7,274
Taxation payable		15,236	15,236
		6,973,407	4,886,238
NET CURRENT ASSETS		1,726,205	3,117,415
TOTAL ASSETS LESS CURRENT LIABILITIES		11,114,081	9,894,339

Consolidated Statement of Financial Position

At December 31, 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings — due after 12 months	26	4,049,217	3,983,018
Land use right payable — due after 12 months	19	529,156	—
Construction retention payable — due after 12 months		32,250	—
		4,610,623	3,983,018
NET ASSETS		6,503,458	5,911,321
CAPITAL AND RESERVES			
Share capital	28(a)	3,800,000	3,800,000
Share premium and reserves	28(b)(i)&(ii)	2,703,458	2,111,321
SHAREHOLDERS' FUNDS		6,503,458	5,911,321

The consolidated financial statements on pages 103 to 172 were approved and authorized for issue by the Board of Directors on February 19, 2014 and are signed on its behalf by:

James Joseph Murren
Chairperson and Executive Director

Pansy Catilina Chiu King Ho
Co-chairperson and Executive Director

Company Statement of Financial Position

At December 31, 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property and equipment	17	506	885
Investment in subsidiaries	16	14,438,398	14,286,509
		14,438,904	14,287,394
CURRENT ASSETS			
Prepayments		3,903	944
Dividends receivable		1,341,433	714,734
Bank balances and cash	24	35,679	8,808
		1,381,015	724,486
CURRENT LIABILITIES			
Other payables and accrued charges	25	2,598	4,604
Amounts due to subsidiaries	37(a)(iii)	157,811	67,744
		160,409	72,348
NET CURRENT ASSETS		1,220,606	652,138
TOTAL ASSETS LESS CURRENT LIABILITIES		15,659,510	14,939,532
NET ASSETS		15,659,510	14,939,532
CAPITAL AND RESERVES			
Share capital	28(a)	3,800,000	3,800,000
Share premium and reserves	28(b)(iii)	11,859,510	11,139,532
SHAREHOLDERS' FUNDS		15,659,510	14,939,532

Consolidated Statement of Changes In Equity

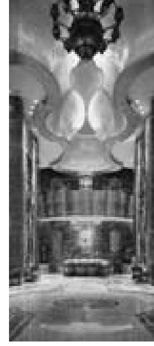
For the year ended December 31, 2013

	Note	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Equity reserve HK$'000 Note 28(b)(ii)	Other reserves HK$'000 Note 28(b)(iii)	Retained earnings HK$'000	Share premium and reserves total HK$'000	Shareholders' funds total HK$'000
At January 1, 2012		3,800,000	10,434,193	—	50,184	293,725	(13,133,305)	2,969,252	614,049	4,414,049
Profit for the year and total comprehensive income		—	—	—	—	—	—	4,530,829	4,530,829	4,530,829
Recognition of share-based payments	29	—	—	—	67,243	—	—	—	67,243	67,243
Dividends paid	14	—	—	—	—	—	—	(3,100,800)	(3,100,800)	(3,100,800)
At December 31, 2012 and January 1, 2013		3,800,000	10,434,193	—	117,427	293,725	(13,133,305)	4,399,281	2,111,321	5,911,321
Profit for the year and total comprehensive income		—	—	—	—	—	—	5,333,528	5,333,528	5,333,528
Exercise of share options	29	2,704	63,817	—	(24,536)	—	—	—	39,281	41,985
Share repurchase and cancellation										
— repurchases of shares	28(b)(i)	(2,704)	(65,134)	—	—	—	—	—	(65,134)	(67,838)
— transfer	28(b)(i)	—	—	2,704	—	—	—	(2,704)	—	—
Forfeiture of share options	29	—	—	—	(1,458)	—	—	1,458	—	—
Recognition of share-based payments	29	—	—	—	34,462	—	—	—	34,462	34,462
Dividends paid	14	—	—	—	—	—	—	(4,750,000)	(4,750,000)	(4,750,000)
At December 31, 2013		3,800,000	10,432,876	2,704	125,895	293,725	(13,133,305)	4,981,563	2,703,458	6,503,458

Consolidated Statement of Cash Flows

For the year ended December 31, 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	5,348,479	4,120,869
Adjustments for:		
Depreciation and amortization	767,670	793,523
Interest expense	207,578	348,879
Loss on disposal/write-off of property and equipment and construction in progress	3,027	17,899
Interest income	(24,529)	(37,979)
(Reversal of) allowance for doubtful debts, net	(55,396)	52,854
Share-based payments	34,462	67,243
Operating cash flows before movements in working capital	6,281,291	5,363,288
Increase in inventories	(12,665)	(6,846)
(Increase)/decrease in trade receivables	(42,859)	17,580
(Increase)/decrease in prepayments, deposits and other receivables	(44,394)	9,319
Increase in amounts due from related companies	(642)	(61)
Increase in payables and accrued charges	1,342,940	582,195
(Decrease)/increase in deposits and advances	(11,698)	166,858
Increase/(decrease) in amounts due to related companies	5,605	(918)
Cash generated from operations	7,517,578	6,131,415
Tax paid	(14,951)	(34,040)
Interest received	25,463	37,303
NET CASH GENERATED BY OPERATING ACTIVITIES	7,528,090	6,134,678
INVESTING ACTIVITIES		
Payments for construction in progress	(1,681,599)	(387,609)
Payment for land use right premium	(115,156)	(436,893)
Payments of developers' fee capitalized to construction in progress	(118,030)	(44,349)
Proceeds from disposal of property and equipment and other assets	1,594	2,207
Purchase of other assets	(9,091)	(12,796)
Purchase of property and equipment	(130,016)	(201,944)
NET CASH USED IN INVESTING ACTIVITIES	(2,052,298)	(1,081,384)



Consolidated Statement of Cash Flows

For the year ended December 31, 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
Bank borrowings raised	—	738,500
Repayment of bank borrowings	—	(738,500)
Interest paid	(196,497)	(161,537)
Dividends paid	(4,750,000)	(3,100,800)
Proceeds from exercise of share options	41,985	—
Repurchase of shares, netting of transaction costs	(67,837)	—
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, represented by bank balances and cash	7,884,805	7,381,362

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

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, Edifício 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.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

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) recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*; and
b) recognized 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. Detailed disclosures are set out in note 32.

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

1 Effective for annual periods beginning on or after January 1, 2014
2 Effective for annual periods beginning on or after July 1, 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions
5 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. Significant Accounting Policies

The consolidated financial statements have been prepared on a historical cost basis and in accordance with IFRSs. Historical cost is generally based on fair value of the consideration given in exchange for goods and services. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out as below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

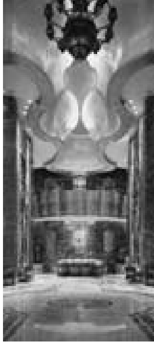
Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions, between members of the Group are eliminated in full on consolidation.

Investment in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.



3. Significant Accounting Policies *(Continued)*

Revenue recognition

Casino revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Revenues are recognized net of sales incentives such as discounts, commissions to casino customers and consideration allocated to award points earned in customer relationship programs.

Other revenue comprises hotel, food and beverage, retail and other operating revenue and is recognized when services are rendered and goods are sold and it is probable that the economic benefits associated with the transaction will flow to the Group. Advanced deposits on rooms are recorded as accrued liabilities before services are provided to customers.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Players' Club Customer Relationship Programs

The Group has established promotional clubs to encourage repeat business from frequent and active slot machine customers and table games patrons. Members earn points primarily based on gaming activity and such points can be redeemed for free play and other free goods and services. The award points are recognized as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the consideration allocated to the award points is measured by reference to the fair value of the awards for which they could be redeemed. The Group recognizes the consideration allocated to award points as revenue when award points are redeemed and it fulfils its obligations to supply awards. The amount of revenue recognized is based on the number of award points that have been redeemed in exchange for awards, relative to the total number expected to be redeemed.

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method.

Property and equipment

Property and equipment including buildings held for use in the production of services, or for administrative purposes (other than art works and paintings), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

3. Significant Accounting Policies *(Continued)*

Property and equipment (Continued)

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and are carried at cost, less recognized impairment loss, if any. Assets in construction in progress are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Art works and paintings are stated at cost less accumulated impairment losses.

Depreciation is recognized so as to write off the cost of items of property and equipment (other than art works and paintings) less their estimated residual values over their estimated useful lives, using the straight-line method.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss in the period in which the item is derecognized.

Impairment of tangible and intangible assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount which would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Significant Accounting Policies *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use right premium" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. Significant Accounting Policies *(Continued)*

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Other assets

Other assets comprise operating equipment such as chips, silverware, chinaware, linen and uniforms which are carried at cost less accumulated amortization and impairment loss and are amortized using the straight-line method over their estimated useful lives.

An item of other assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of other assets, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in profit or loss in the period in which the item is derecognized.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. Significant Accounting Policies *(Continued)*

Financial instruments (Continued)

Financial assets

The Group's financial assets are loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amounts due from related companies and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Loans and receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period of 30 days.

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. Significant Accounting Policies *(Continued)*

Financial instruments (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of the allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

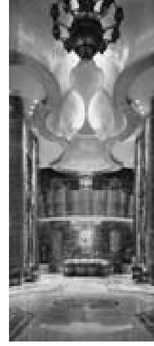
An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of initial recognition. Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, bank borrowings, deposits and advances, land use right payable, construction retention payable, other payables, outstanding chips liabilities, other casino liabilities and amounts due to related companies and subsidiaries) are subsequently measured at amortized cost using the effective interest method.



3. Significant Accounting Policies *(Continued)*

Financial instruments (Continued)

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company not designated at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group and the Company measure the financial guarantee contract at the higher of: (i) the amount of obligation under the contract as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the revenue recognition policy.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to receive cash flows from the asset expire.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations specified in the relevant contract are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Sub-concession premium

Premium payments made for the grant of the sub-concession for the operation of casino games of chance and other casino games in the Macau SAR (the "Sub-Concession Contract") are capitalized, carried at cost less accumulated amortization and accumulated impairment losses, if any, and amortized using the straight-line method over its estimated useful life which is from the date of commencement of gaming operations to the expiry of the Sub-Concession Contract.

3. Significant Accounting Policies *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

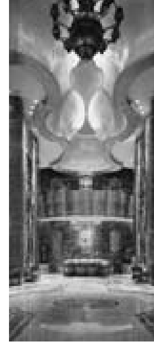
Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Forfeitures of unvested contributions are used to reduce the Group's liability for its contributions payable under the plans.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.



3. Significant Accounting Policies *(Continued)*

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimation, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

Share options granted to consultants of the Group

Share options issued to consultants in exchange for services are measured at the fair values of services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share option granted.

4. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Depreciation of property and equipment

The Group's carrying amounts of property and equipment other than construction in progress and art works and paintings as at December 31, 2013, is HK$4.3 billion (2012: HK$4.7 billion). The Group depreciates the property and equipment over their estimated useful lives, using the straight-line method, commencing from the date the property and equipment are ready for the intended use. The useful lives that the Group estimated for property and equipment reflects the Group management's estimate of the period that the Group intends to derive future economic benefits from the use of the assets. Should there be any changes in such estimates, the depreciation of property and equipment may vary with changes affecting profit or loss in the period of the change.

4. Key Sources of Estimation Uncertainty *(Continued)*

Allowance for doubtful debts

The Group issues markers and credit to approved gaming promoters, casino customers and hotel customers following background checks and investigations of their creditworthiness. An estimated allowance for doubtful accounts is maintained to reduce the Group's receivables to their recoverable amount. The allowance is estimated based on a specific review of customer accounts and an evaluation of the amounts expected to be recovered with reference to past collection experience, current economic and business conditions and other relevant information. When the actual future cash flows are less than expected, a material impairment loss may arise and affect profit or loss in the period of change.

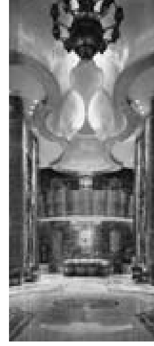
The Group has a concentration of credit risk with the gaming promoters as the Group's trade receivables from gaming promoters were mainly due from a few counterparties, all of which are domiciled in Macau. Any adverse changes in the business environment and financial performance of those gaming promoters 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.

As at December 31, 2013, the carrying amount of trade receivables is HK$577.2 million (2012: HK$479.0 million), net of allowance for doubtful debts of HK$33.7 million (2012: HK$107.1 million), respectively.

5. Casino Revenue

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

	2013 HK$'000	2012 HK$'000
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
	25,412,367	21,454,483



6. Other Revenue

Other revenue comprises:

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

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 HK$'000	2012 HK$'000
Hotel rooms	406,502	376,589
Food and beverages	368,604	322,726
Retail goods and other services	20,919	27,443
	796,025	726,758

7. 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.

8. Special Gaming Tax and Special Levy to the Macau Government

According to the Sub-Concession Contract as described in note 18, MGM Grand Paradise Limited ("MGM Grand Paradise") is required to pay to the Macau Government a special gaming tax, gaming premium and special levies annually. The special gaming tax is assessed at the rate of 35% of the gross gaming revenue (being the aggregate net difference between gaming wins and losses before deducting sales incentives) of MGM Grand Paradise. Gaming premium is composed of (i) a fixed portion in an amount equal to MOP30 million (equivalent to approximately HK$29 million) and (ii) a variable portion that is calculated based on the number of gaming tables and gaming machines, including slot machines, operated by MGM Grand Paradise during the year. The special levies include (i) an amount corresponding to 1.6% of the gross gaming revenue that will be available to a public foundation whose purposes are the promotion, study and development of cultural, social, economic, educative, scientific, academic and philanthropic activities in Macau and (ii) an amount corresponding to 2.4% of the gross gaming revenue for the purposes of urban development, tourism promotion and social security of Macau.

9. Operating and Administrative and Other Expenses

Operating and administrative and other expenses comprise:

	2013 HK$'000	2012 HK$'000
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
	3,706,416	3,138,314

10. Finance Costs

	2013 HK$'000	2012 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	184,959	183,835
Land use right payable wholly repayable within four years	38,497	—
Amortization of debt finance costs on bank borrowings wholly repayable within five years	66,199	165,044
Bank fees and charges	6,325	7,123
Total borrowing costs	295,980	356,002
Less: capitalized interest in construction in progress	(82,077)	—
	213,903	356,002

On January 9, 2013, the award of a land concession contract in respect of a plot of land in the Cotai area in Macau (the "Cotai Land") (the "Cotai Land Concession") to the Group was published in the official gazette of Macau by the Macau Government for a term of 25 years. 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) 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 amount of interest incurred for the period amounting to HK$38.5 million was capitalized in construction in progress as at December 31, 2013.

With the development of another integrated casino, hotel and entertainment complex on the Cotai Land (the "Cotai Complex") commencing on January 9, 2013, additional borrowing costs arising from bank borrowings (see note 26) have been capitalized into construction in progress during the year and are calculated by applying a capitalization rate of 4.10% (2012: nil) per annum to expenditure on qualifying assets.

11. Taxation

	2013 HK$'000	2012 HK$'000
Current tax:		
Macau	(14,951)	(48,819)
Hong Kong	—	—
	(14,951)	(48,819)
Deferred tax:		
Current year	—	—
Reversal of deferred tax liability previously recognized	—	458,779
	(14,951)	409,960

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.

11. Taxation *(Continued)*

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:

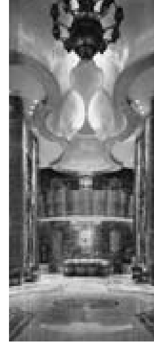
	2013 HK$'000	2012 HK$'000
Profit before taxation	5,348,479	4,120,869
Tax at applicable income tax rate of 12%	(641,817)	(494,504)
Effect of tax exemption granted to MGM Grand Paradise	817,072	655,380
Effect of tax losses not recognized	(166,793)	(147,461)
Effect of expenses not deductible for tax purposes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

11. Taxation *(Continued)*

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.



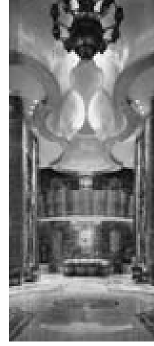
12. Profit for the year

	2013 HK$'000	2012 HK$'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	29,565	34,358
Retirement benefits scheme contributions for other staff	33,908	28,036
Share-based payments for other staff	25,846	52,649
Salaries and other benefits for other staff	1,606,484	1,403,033
	1,695,803	1,518,076
Amortization in respect of:		
— sub-concession premium	126,900	127,248
— land use right premium	19,246	19,300
— other assets	12,207	9,400
Depreciation of property and equipment	609,317	637,575
	767,670	793,523
Loss on disposal/write-off of property and equipment and construction in progress	3,027	17,899
Operating lease rentals in respect of:		
— office equipment	14,287	15,421
— warehouse	7,410	7,326
— leasehold land	4,890	2,844
— office premises	4,039	3,179
Auditor's remuneration	8,576	6,496

13. Directors', Chief Executive's and Employees' Emoluments

The emoluments paid or payable to the directors and the chief executive during the year were as follows:

	Fees HK$'000	Salary and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payments HK$'000	Discretionary and performance related incentive payments (Note) HK$'000	Total HK$'000
Year ended December 31, 2013						
Executive Directors:						
James Joseph Murren	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
Executive Director and Chief Executive:						
Grant R. Bowie	—	10,585	1,008	6,448	9,540	27,581
Non-executive Directors:						
William M. Scott IV	—	—	—	—	—	—
Daniel J. D'Arrigo	—	—	—	—	—	—
Kenneth A. Rosevear	—	—	—	—	—	—
Independent Non-executive Directors:						
Zhe Sun	490	—	—	—	—	490
Tommei Mei Kuen Tong	538	—	—	—	—	538
Sze Wan Patricia Lam	490	—	—	—	—	490
Peter Man Kong Wong	466	—	—	—	—	466
Total emoluments	1,984	10,585	1,008	6,448	9,540	29,565



13. Directors', Chief Executive's and Employees' Emoluments *(Continued)*

	Fees HK$'000	Salary and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payments HK$'000	Discretionary and performance related incentive payments (Note) HK$'000	Total HK$'000
Year ended December 31, 2012						
Executive Directors:						
Pansy Ho	—	—	—	—	—	—
James Joseph Murren	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
Executive Director and Chief Executive:						
Grant R. Bowie	—	10,161	930	11,528	10,303	32,922
Non-executive Directors:						
William M. Scott IV	—	—	—	—	—	—
Daniel J. D'Arrigo	—	—	—	—	—	—
Kenneth A. Rosevear	—	—	—	—	—	—
Independent Non-executive Directors:						
Zhe Sun	465	—	—	—	—	465
Tommei Mei Kuen Tong	466	—	—	—	—	466
Sze Wan Patricia Lam	466	—	—	—	—	466
Peter Man Kong Wong	39	—	—	—	—	39
Total emoluments	1,436	10,161	930	11,528	10,303	34,358

None of the directors and the chief executive has waived any emoluments during the years ended December 31, 2013 and 2012.

No emoluments were paid to any directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2013 and 2012.

Note: The discretionary and performance related incentive payments are determined based on the Group's performance and the individuals' contribution to the Group.

13. Directors', Chief Executive's and Employees' Emoluments *(Continued)*

Of the five individuals with the highest emoluments in the Group, one (2012: one) was a director and the chief executive of the Company whose emoluments are included in the disclosures set out above. The emoluments of the remaining four (2012: four) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	17,461	16,916
Contributions to retirement benefits scheme	165	157
Share-based payments	10,975	19,479
Discretionary and performance related incentive payments (Note)	6,621	7,855
	35,222	44,407

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
HK$6,500,001 to HK$7,000,000	1	—
HK$7,500,001 to HK$8,000,000	1	1
HK$9,000,001 to HK$9,500,000	—	1
HK$9,500,001 to HK$10,000,000	1	—
HK$10,500,001 to HK$11,000,000	1	—
HK$13,000,001 to HK$13,500,000	—	1
HK$14,000,001 to HK$14,500,000	—	1

No emoluments were paid to any of the individuals with the highest emoluments (including directors, the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2013 and 2012.

Note: The discretionary and performance related incentive payments are determined based on the Group's performance and individuals' contribution to the Group.

14. 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.

15. 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 (see note 29).

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

	2013 HK$'000	2012 HK$'000
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**5,333,528**	4,530,829
Weighted average number of shares		
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)	**4,338**	—
Weighted average number of shares for the purpose of diluted earnings per share ('000)	**3,804,445**	3,800,000
Earnings per share — Basic and diluted	**HK$1.40**	HK$1.19

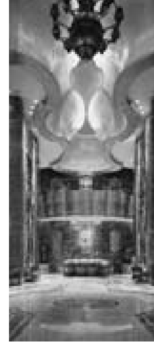
During the year ended December 31, 2012, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for the shares during the year in which they are outstanding.

16. Investment In Subsidiaries

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	14,286,509	14,286,509
Deemed capital contribution arising from share-based payments	151,889	—
	14,438,398	14,286,509

Details of the Company's subsidiaries at December 31, 2013 are set out in note 38.

Deemed capital contribution represents share options of the Company granted to employees as share-based payments for services provided to subsidiaries without recharge of cost.



17. Property and Equipment and Construction In Progress

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Gaming machines and equipment HK$'000	Computer equipment and software HK$'000	Art works and paintings HK$'000	Vehicles HK$'000	Property and equipment total HK$'000	Construction in progress HK$'000	Grand total HK$'000
COST										
At January 1, 2012	4,775,211	1,433,646	473,981	313,232	197,700	65,586	7,954	7,267,310	31,290	7,298,600
Additions	115,652	38,607	41,506	38,503	15,008	343	941	250,560	481,560	732,120
Transfers	149,153	22,738	7,585	2,202	4,918	23	—	186,619	(186,619)	—
Reclassification	(312)	(8)	(134)	(586)	586	1	453	—	—	—
Adjustment upon finalization of costs	(1,609)	(3,521)	(66)	1,672	(47)	—	—	(3,571)	(1,199)	(4,770)
Disposal/write-off	(2,825)	(10,112)	(14,753)	(13,686)	(10,121)	(50)	—	(51,547)	(5,654)	(57,201)
At December 31, 2012 and January 1, 2013	5,035,270	1,481,350	508,119	341,337	208,044	65,903	9,348	7,649,371	319,378	7,968,749
Additions	15,699	52,116	22,215	36,639	29,101	16	3,468	159,254	2,123,163	2,282,417
Transfers	21,065	35,594	6,560	797	45,225	—	—	109,241	(109,241)	—
Reclassification	(869)	—	789	(45)	125	—	—	—	—	—
Adjustment upon finalization of costs	(18,943)	(1,201)	(11)	—	(19)	—	—	(20,174)	—	(20,174)
Disposal/write-off	(1,766)	—	(10,316)	(13,858)	(13,634)	(597)	—	(40,171)	(297)	(40,468)
At December 31, 2013	5,050,456	1,567,859	527,356	364,870	268,842	65,322	12,816	7,857,521	2,333,003	10,190,524
DEPRECIATION										
At January 1, 2012	(958,587)	(634,183)	(341,583)	(200,896)	(160,905)	—	(6,500)	(2,302,654)	—	(2,302,654)
Eliminated on disposal/write-off	577	10,112	11,968	12,114	2,324	—	—	37,095	—	37,095
Charge for the year	(279,263)	(198,206)	(85,098)	(57,723)	(15,489)	—	(1,796)	(637,575)	—	(637,575)
At December 31, 2012 and January 1, 2013	(1,237,273)	(822,277)	(414,713)	(246,505)	(174,070)	—	(8,296)	(2,903,134)	—	(2,903,134)
Eliminated on disposal/write-off	376	—	9,387	12,829	13,268	—	—	35,860	—	35,860
Charge for the year	(302,889)	(207,620)	(33,141)	(35,288)	(29,804)	—	(575)	(609,317)	—	(609,317)
At December 31, 2013	(1,539,786)	(1,029,897)	(438,467)	(268,964)	(190,606)	—	(8,871)	(3,476,591)	—	(3,476,591)
CARRYING AMOUNT										
At December 31, 2013	3,510,670	537,962	88,889	95,906	78,236	65,322	3,945	4,380,930	2,333,003	6,713,933
At December 31, 2012	3,797,997	659,073	93,406	94,832	33,974	65,903	1,052	4,746,237	319,378	5,065,615

17. Property and Equipment and Construction In Progress *(Continued)*

The Group *(Continued)*

The additions during the year mainly include the construction in progress related to renovation work of the casino and hotel complex of the Group located on the Macau peninsula (the "Macau Complex") and costs incurred for the development and site preparation works of the Cotai Complex.

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 and is included in non-current prepayments and deposits as at December 31, 2013. There was no similar advance to construction contractors associated with the Cotai Complex during the year ended December 31, 2012.

At December 31, 2013, borrowing costs of HK$477.9 million (2012: HK$395.8 million) have been capitalized in the Group's property and equipment and construction in progress.

According to the Sub-Concession Contract, certain property and equipment related to the casino have to be returned to the Macau Government at no cost upon the expiry of the Sub-Concession Contract in year 2020.

Other than construction in progress and art works and paintings, property and equipment are depreciated on a straight-line basis as follows:

Buildings — gaming	12.5 years or over the remaining term of the Sub-Concession Contract
Buildings — non-gaming	25 years or over the lease term of the land on which the buildings are located, whichever is shorter
Leasehold improvements	3 to 10 years
Furniture, fixtures and equipment	3 to 7 years
Gaming machines and equipment	3 to 5 years
Computer equipment and software	3 years
Vehicles	5 years

17. Property and Equipment and Construction In Progress *(Continued)*

The Company

	Leasehold Improvements HK$'000	Computer equipment and software HK$'000	Total HK$'000
COST			
At January 1, 2012	—	—	—
Additions	44	1,079	1,123
At December 31, 2012 and January 1, 2013	44	1,079	1,123
Adjustment upon finalization of costs	—	(11)	(11)
At December 31, 2013	44	1,068	1,112
DEPRECIATION			
At January 1, 2012	—	—	—
Charge for the year	(12)	(226)	(238)
At December 31, 2012 and January 1, 2013	(12)	(226)	(238)
Charge for the year	(15)	(353)	(368)
At December 31, 2013	(27)	(579)	(606)
CARRYING AMOUNT			
At December 31, 2013	17	489	506
At December 31, 2012	32	853	885

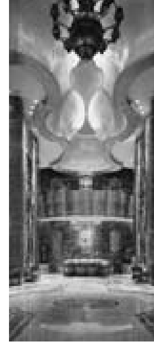
Property and equipment are depreciated on a straight-line basis as follows:

Leasehold improvements	3 years
Computer equipment and software	3 years

18. Sub-Concession Premium

	HK$'000
COST	
At January 1, 2012, December 31, 2012 and December 31, 2013	1,560,000
AMORTIZATION	
At January 1, 2012	(512,852)
Charge for the year	(127,248)
At December 31, 2012 and January 1, 2013	(640,100)
Charge for the year	(126,900)
At December 31, 2013	(767,000)
CARRYING AMOUNT	
At December 31, 2013	793,000
At December 31, 2012	919,900

Pursuant to the agreement dated June 19, 2004 between MGM Grand Paradise and Sociedade de Jogos de Macau ("SJM"), a company in which a close family member of a director of the Company has controlling beneficial interests, a sub-concession premium of US$200 million (equivalent to approximately HK$1.56 billion) was paid by MGM Grand Paradise to SJM for the right to operate casino games of chance and other casino games in the Macau Complex for a period of 15 years commencing on April 20, 2005.



19. Land Use Right Premium

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

19. Land Use Right Premium *(Continued)*

Included in the consolidated statement of financial position as:

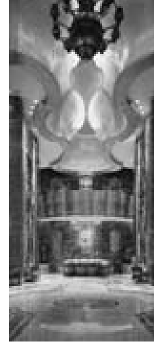
	2013 HK$'000	2012 HK$'000
Current land use right premium	69,406	19,246
Non-current land use right premium	1,468,761	332,404
	1,538,167	351,650

The land use right premium represents payments made for the leasehold interest in land for the Macau Complex and 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.

As described in note 10, 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 HK$'000	2012 HK$'000
Land use right payable — due within 12 months	194,034	—
Land use right payable — due after 12 months	529,156	—
	723,190	—



20. Other Assets

	HK$'000
COST	
At January 1, 2012	85,852
Additions	12,796
At December 31, 2012 and January 1, 2013	98,648
Additions	13,633
Disposal during the year	(41)
At December 31, 2013	112,240
AMORTIZATION	
At January 1, 2012	(78,197)
Charge for the year	(9,400)
At December 31, 2012 and January 1, 2013	(87,597)
Charge for the year	(12,207)
Eliminated on disposal	28
At December 31, 2013	(99,776)
CARRYING AMOUNT	
At December 31, 2013	12,464
At December 31, 2012	11,051

Other assets comprise of operating equipment such as chips, silverware, chinaware, linen and uniforms which are amortized over their estimated useful lives on the straight-line method at a rate of 50% per annum.

21. Inventories

	2013 HK$'000	2012 HK$'000
Retail merchandise	2,623	2,134
Operating supplies	34,573	25,101
Food and beverages	61,414	58,710
	98,610	85,945

22. Trade Receivables

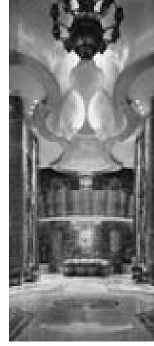
	2013 HK$'000	2012 HK$'000
Trade receivables	610,974	586,122
Less: Allowance for doubtful debts	(33,730)	(107,133)
	577,244	478,989

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 HK$'000	2012 HK$'000
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
	577,244	478,989

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.



22. Trade Receivables *(Continued)*

Certain trade receivables are past due at the end of the reporting period of which the Group has considered not impaired as they have either been subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 53 days as at December 31, 2013 (2012: 49 days). Aging of trade receivables which are past due but not impaired is as follows:

	2013 HK$'000	2012 HK$'000
31-60 days	33,753	21,170
61-90 days	28,732	4,769
91-120 days	27	5
	62,512	25,944

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

	2013 HK$'000	2012 HK$'000
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)
At December 31,	33,730	107,133

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.

23. Prepayments, Deposits and Other Receivables

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

	2013 HK$'000	2012 HK$'000
Prepaid land use right premium (note 19)	—	436,893
Prepaid goods and services	62,334	16,140
Rental and other deposits	31,679	23,853
Advance to a construction contractor (note 17)	366,019	—
Other receivables	8,246	8,834
	468,278	485,720
Current	68,560	37,766
Non-current	399,718	447,954
	468,278	485,720

24. Bank Balances And Cash

The Group and The Company

Bank balances carry interest at prevailing market rates which range from 0.0002% to 3.1% (2012: 0.0006% to 1.9%) per annum.

25. Payables And Accrued Charges

The Group

	2013 HK$'000	2012 HK$'000
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
	6,365,599	4,475,302

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

	2013 HK$'000	2012 HK$'000
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
	84,652	94,554

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

25. Payables and Accrued Charges *(Continued)*

The Company

	2013 HK$'000	2012 HK$'000
Accrued charges	2,598	4,290
Other payables	—	314
	2,598	4,604

26. Bank Borrowings

	2013 HK$'000	2012 HK$'000
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)
	4,049,217	3,983,018
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
	4,049,217	3,983,018
Current	—	—
Non-current	4,049,217	3,983,018
	4,049,217	3,983,018

26. Bank Borrowings *(Continued)*

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.

27. Deposits and Advances

Deposits and advances mainly represent funds deposited by casino customers for gaming purposes, which are unsecured, interest free and repayable on demand.

28. Share Capital, Share Premium And Reserves

(a) Share capital

	Note	Number of shares	Share Capital HK$
Ordinary shares of HK$1 each			
Authorized			
At December 31, 2012 and December 31, 2013		10,000,000,000	10,000,000,000
Issued and fully paid			
At December 31, 2012 and January 1, 2013		3,800,000,001	3,800,000,001
Share options exercised	29	2,704,200	2,704,200
Share repurchase and cancellation	i	(2,704,200)	(2,704,200)
At December 31, 2013		3,800,000,001	3,800,000,001

(i) During the year ended December 31, 2013, 2,704,200 (2012: nil) shares of a nominal value of HK$1.00 were repurchased at a total consideration of HK$67.8 million (see note 28(b)(i) for details).

28. Share Capital, Share Premium And Reserves *(Continued)*

(b) Share premium and reserves

The Group

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

(i) 2,704,200 shares (2012: nil) were repurchased through the Stock Exchange and cancelled during the year ended December 31, 2013. The premium and related expenses of HK$65.1 million paid on the repurchase of the 2,704,200 of shares were charged to the "share premium" account. An amount equivalent to the par value of the shares cancelled of HK$2.7 million was transferred to the "capital redemption reserve" as set out in the consolidated statement of changes in equity.

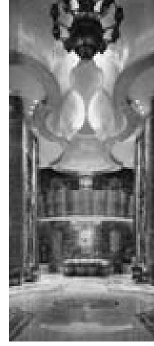
Details of the repurchases during the year ended December 31, 2013 are summarised as follows:

Month of repurchase	Total number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid HK$'000
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

(ii) Equity reserve

Pursuant to the terms of the Instrument of the Unsecured Notes and the Subscription and Shareholders Agreement of MGM Grand Paradise, loans from shareholders in the form of unsecured interest-free loan notes (the "Loan Notes") with a principal amounting to US$135 million (equivalent to approximately HK$1 billion) were obtained in 2006.

In accordance with IAS 39, the interest-free shareholders' Loan Notes classified as financial liabilities are initially measured at fair value and are subsequently measured at amortized cost at the end of each reporting period until full repayment. Management of MGM Grand Paradise has, pursuant to the terms of the relevant agreements and based on certain assumptions estimated the fair value of the Loan Notes using the effective interest method (that is, discounting the future cash flows at the market rate of interest over the estimated repayment dates). As a result, at the initial recognition of these Loan Notes, a fair value adjustment of approximately HK$630 million was made to reduce the principal amount of the interest-free shareholders' Loan Notes with a corresponding reserve of the same amount recognized in equity as a deemed contribution from shareholders. The equity reserve of approximately HK$630 million recognized initially was reduced to approximately HK$294 million due to the early repayment of the loans.



28. Share Capital, Share Premium And Reserves *(Continued)*

(b) Share premium and reserves (Continued)

The Group *(Continued)*

(iii) Other reserves

Included in other reserves is share premium of MGM Grand Paradise amounting HK$778.5 million.

In accordance with the provisions of the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of its capital. The Company's subsidiary met this statutory requirement and continues to maintain the required reserve amount of MOP50 million (equivalent to approximately HK$49 million) in "other reserves". This reserve is not distributable to the shareholders.

On April 13, 2011, the Company and MGM Grand Paradise entered into a contribution and share issuance agreement with Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. as part of a group reorganization to rationalize the structure of the Company, MGM Grand Paradise and its subsidiaries in preparation for the listing of the Company's shares (the "Group Reorganization"). Pursuant to the agreement, Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. contributed their 160,000 Class A shares in MGM Grand Paradise in the manner set out in the section headed "History and Corporate Structure — Reorganization" in the prospectus of the Company dated May 23, 2011 and the Company became the holding company of MGM Grand Paradise and its subsidiaries upon completion of the Group Reorganization. As part of the Group Reorganization, MGM Resorts International Holdings, Ltd. contributed a purchase note with a principal amount of HK$583 million (the "Purchase Note") as partial settlement for the purchase of shares in the Company. The Company also issued an acquisition note with a principal amount of HK$11,830 million to Grand Paradise Macau Limited (the "Acquisition Note") as partial consideration in settlement of the transfer of Class A shares in MGM Grand Paradise to the Company. Immediately following the completion of the global offering, the Company used the entire proceeds it received from the global offering and the Purchase Note to satisfy its obligations under the Acquisition Note. The amount of HK$14,092 million included in the other reserves therefore represents the net amount of the Purchase Note and the Acquisition Note and debit reserve for issuance of share capital arising on the Group Reorganization. Pansy Ho, Grand Paradise Macau Limited and MGM Resorts International Holdings, Ltd. also contributed HK$132 million in cash to the Company to cover certain global offering expenses.

28. Share Capital, Share Premium And Reserves *(Continued)*

(b) *Share premium and reserves (Continued)*

The Company

(iv) Movement in share premium and reserves of the Company is as follows:

	Note	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Other reserves HK$'000	(Deficit)/ retained earnings HK$'000	Share premium and reserves total HK$'000
At January 1, 2012		10,434,193	—	—	132,000	(540,574)	10,025,619
Profit for the year and total comprehensive income		—	—	—	—	4,214,713	4,214,713
Dividends paid	14	—	—	—	—	(3,100,800)	(3,100,800)
At December 31, 2012 and January 1, 2013		10,434,193	—	—	132,000	573,339	11,139,532
Profit for the year and total comprehensive income		—	—	—	—	5,343,942	5,343,942
Exercise of share options	29	63,817	—	(24,536)	—	—	39,281
Share repurchase and cancellation							
— repurchases of shares	28(b)(i)	(65,134)	—	—	—	—	(65,134)
— transfer	28(b)(i)	—	2,704	—	—	(2,704)	—
Forfeiture of share options	29	—	—	(1,458)	—	1,458	—
Recognition of share-based payments	29	—	—	151,889	—	—	151,889
Dividends paid	14	—	—	—	—	(4,750,000)	(4,750,000)
At December 31, 2013		10,432,876	2,704	125,895	132,000	1,166,035	11,859,510

29. Share-Based Payments

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on May 11, 2011 for the purpose of providing incentives and/or rewards to Eligible Persons (as defined in the Scheme, which includes 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. Under the Scheme, the Board of Directors of the Company may grant options to subscribe for shares in the Company.

At December 31, 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 16,915,600 (2012: 19,235,000), representing approximately 0.4% (2012: 0.5%) of the shares of the Company in issue at that date.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of the shareholders' approval of the Scheme. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to any Eligible Persons under the Scheme (including exercised, cancelled and outstanding options) in any twelve month period shall not at the time of grant exceed one percent of the shares in issue. Where any further grant of options to an Eligible Person would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such persons (including exercised, cancelled and outstanding options) in the twelve month period up to and including the date of such further grant representing in aggregate over one percent of the shares in issue, such further grant must be separately approved by shareholders in general meeting with such Eligible Person and his associate abstaining from voting. At any time, the maximum number of shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Scheme shall not exceed 30% of the total number of shares in issue from time to time.

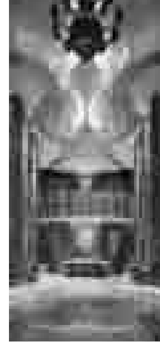
Options granted must be taken up within ten days of the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of options. 25% of the options granted will vest on the first, second, third and fourth anniversary from the date of grant of the share option and may be exercised at any time upto November 15, 2023. The exercise price is determined by the directors of the Company, and shall be the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

29. Share-Based Payments *(Continued)*

A summary of the movements of the outstanding options under the Scheme is as follows:

December 31, 2013

Type of participant	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at January 1, 2013	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at December 31, 2013
Directors	June 3, 2011	June 3, 2011-June 2, 2015	June 2, 2012-May 10, 2021	15.62	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 3, 2011-June 2, 2015	June 2, 2012-May 10, 2021	15.62	12,710,000	—	(2,394,200)	(645,200)	9,670,600
Employees	August 22, 2011	August 22, 2011-August 21, 2015	August 21, 2012-May 10, 2021	15.12	1,080,000	—	(250,000)	—	830,000
Employees	September 1, 2011	September 1, 2011-August 31, 2015	August 31, 2012-May 10, 2021	14.78	830,000	—	(40,000)	—	790,000
Employees	November 15, 2011	November 15, 2011-November 14, 2015	November 14, 2012-May 10, 2021	10.80	160,000	—	(20,000)	—	140,000
Employees	February 23, 2012	February 23, 2012-February 22, 2016	February 22, 2013-May 10, 2021	13.82	80,000	—	—	—	80,000
Consultants	February 23, 2012	February 23, 2012-February 22, 2016	February 22, 2013-May 10, 2021	13.82	875,000	—	—	—	875,000
Employees	February 26, 2013	February 26, 2013-February 25, 2017	February 25, 2014-February 26, 2023	18.74	—	230,000	—	(80,000)	150,000
Employees	May 15, 2013	May 15, 2013-May 14, 2017	May 14, 2014-May 15, 2023	20.35	—	50,000	—	—	50,000
Employees	August 15, 2013	August 15, 2013-August 14, 2017	August 14, 2014-August 15, 2023	22.65	—	80,000	—	—	80,000
Employees	November 15, 2013	November 15, 2013-November 14, 2017	November 14, 2014-November 15, 2023	27.25	—	750,000	—	—	750,000
					19,235,000	1,110,000	(2,704,200)	(725,200)	16,915,600
Weighted average exercise price per share					HK$15.43	HK$24.84	HK$15.53	HK$15.96	HK$16.01
Exercisable at the end of the reporting period									6,484,350



29. Share-Based Payments *(Continued)*

December 31, 2012

					Number of share options				
Type of participant	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Outstanding at January 1, 2012	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at December 31, 2012
Directors	June 3, 2011	June 3, 2011- June 2, 2015	June 2, 2012- May 10, 2021	15.62	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 3, 2011- June 2, 2015	June 2, 2012- May 10, 2021	15.62	13,690,000	—	—	(980,000)	12,710,000
Employees	August 22, 2011	August 22, 2011- August 21, 2015	August 21, 2012- May 10, 2021	15.12	1,080,000	—	—	—	1,080,000
Employees	September 1, 2011	September 1, 2011- August 31, 2015	August 31, 2012- May 10, 2021	14.78	830,000	—	—	—	830,000
Employees	November 15, 2011	November 15, 2011- November 14, 2015	November 14, 2012- May 10, 2021	10.80	160,000	—	—	—	160,000
Employees	February 23, 2012	February 23, 2012- February 22, 2016	February 22, 2013- May 10, 2021	13.82	—	80,000	—	—	80,000
Consultants	February 23, 2012	February 23, 2012- February 22, 2016	February 22, 2013- May 10, 2021	13.82	—	875,000	—	—	875,000
					19,260,000	955,000	—	(980,000)	19,235,000
Weighted average exercise price per share					HK$15.52	HK$13.82	—	HK$15.62	HK$15.43
Exercisable at the end of the reporting period									4,570,000

During the year ended December 31, 2013, options were granted on February 26, 2013, May 15, 2013, August 15, 2013 and November 15, 2013. The estimated weighted average fair values of share options granted on February 26, 2013, May 15, 2013, August 15, 2013 and November 15, 2013 were HK$11.91, HK$12.93, HK$14.39 and HK$9.85 per option respectively. During the year ended December 31, 2012, options were granted on February 23, 2012. The estimated weighted average fair values of share options granted on February 23, 2012 was HK$8.78 per option. The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

29. Share-Based Payments *(Continued)*

The significant inputs into the model are as follows:

Options granted on or before August 15, 2013

Risk-free interest rate	1.98% to 2.12% per annum
Expected dividend yield	0% per annum
Expected life	7.44 to 8.57 years
Expected volatility	60% per annum

Options granted on November 15, 2013

Risk-free interest rate	1.51% to 1.64% per annum
Expected dividend yield	1.76% per annum
Expected life	7.64 to 8.43 years
Expected volatility	39.13% per annum

Expected volatility used in the valuation of options granted on November 15, 2013 was determined by using the historical volatility of the Company's share price while expected volatility used in the valuation of options on or before August 15, 2013 was determined by using the historical volatility of comparable companies with a similar business nature since the Company's shares were listed on the Stock Exchange in June 2011. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the vesting period, exercise period and employee's behavioural considerations.

The Group recognized a total expense of HK$34.5 million (2012: HK$67.2 million) for the year ended December 31, 2013 in relation to share options granted by the Company.

30. Retirement Benefit Plan

Defined contribution plan

The Group operates a retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the plan, which contribution is matched by employees.

Where there are employees who leave the plan prior to vesting fully of the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilized in this manner during the year was HK$5.4 million (2012: HK$6.6 million).

30. Retirement Benefit Plan *(Continued)*

Defined contribution plan (Continued)

The total expenses recognized in the profit or loss of HK$34.9 million (2012: HK$29.0 million) represents contributions paid or payable to the plan by the Group at rates specified in the rules of the plan during year ended December 31, 2013. As at December 31, 2013, contributions of approximately HK$6.8 million (2012: HK$6.1 million) due had not been paid over to the plan. The amounts were paid subsequent to the end of the reporting period.

31. Capital Risk Management

The Group and the Company manages its capital to ensure that entities in the Group and the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's and the Company's overall strategy remained unchanged throughout the year. The capital structure of the Group consists of net debt (borrowings offset by bank balances and cash) and equity of the Group (comprising issued capital and reserves). The capital structure of the Company consists of equity of the Company (comprising issued capital and reserves).

The Group's management reviews the capital structure of the Group and the Company on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each component of the capital structure.

The gearing ratio is a key indication of the Group's capital structure. Debt comprises long term bank borrowings as described in note 26, where equity comprises all capital and reserves of the Group that are managed as capital. As at December 31, 2013, the gearing ratio of the Group is zero (2012: zero).

32. Financial Instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 3 above.

32. Financial Instruments *(Continued)*

Categories of financial instruments

The Group

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables:		
Bank balances and cash	7,884,805	7,381,362
Trade receivables	577,244	478,989
Rental and other deposits	31,679	23,853
Other receivables	8,246	8,834
Amounts due from related companies	987	345
	8,502,961	7,893,383

	2013 HK$'000	2012 HK$'000
Financial liabilities		
Amortized cost:		
Bank borrowings	4,049,217	3,983,018
Outstanding chips liabilities	2,555,951	1,426,233
Other casino liabilities	1,120,843	1,025,143
Land use right payable	723,190	—
Deposits and advances	355,593	367,291
Trade payables	84,652	94,554
Other payables	73,396	57,812
Construction retention payable	62,316	21,135
Amounts due to related companies	12,879	7,274
	9,038,037	6,982,460

32. Financial Instruments *(Continued)*

Categories of financial instruments (Continued)

The Company

	2013 HK$'000	2012 HK$'000
Financial asset		
Loans and receivables:		
Bank balances and cash	35,679	8,808
	35,679	8,808
Financial liabilities		
Amortized cost:		
Amounts due to subsidiaries	157,811	67,744
Other payables	—	314
	157,811	68,058

Financial Assets and Financial Liabilities Subject to Offsetting Enforceable Master Netting Arrangements and Similar Agreements

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position where the Company has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Group currently has a legally enforceable right to set off the trade receivables from gaming promoters and VIP gaming customers against the deposits, commissions and incentives liabilities that are to be settled simultaneously. In addition, the Group intends to settle these balances on a net basis.

32. Financial Instruments *(Continued)*

Financial Assets and Financial Liabilities Subject to Offsetting Enforceable Master Netting Arrangements and Similar Agreements (Continued)

The following table presents the recognized financial assets and financial liabilities that are offset in the consolidated statement of financial position, or subject to enforceable master netting arrangement or other similar agreements during the years ended December 31, 2013 and 2012:

	Gross amounts of recognized financial assets HK$'000	Gross amounts of recognized financial liabilities set off HK$'0.00	Net amounts of financial assets presented HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Cash collateral received HK$'000	Net amount HK$'000
As at December 31, 2013						
Casino receivables (a)	831,281	(270,741)	560,540	—	—	560,540
	831,281	(270,741)	560,540	—	—	560,540

	Gross amounts of recognized financial liabilities HK$'000	Gross amounts of recognized financial assets set off HK$'000	Net amounts of financial liabilities presented HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Cash collateral received HK$'000	Net amount HK$'000
As at December 31, 2013						
Commission and incentives liabilities (b)	1,255,045	(134,202)	1,120,843	—	—	1,120,843
Deposits received from gaming patrons and gaming promoters (c)	478,024	(136,539)	341,485	—	—	341,485
	1,733,069	(270,741)	1,462,328	—	—	1,462,328

32. Financial Instruments *(Continued)*

Financial Assets and Financial Liabilities Subject to Offsetting Enforceable Master Netting Arrangements and Similar Agreements (Continued)

	Gross amounts of recognized financial assets HK$'000	Gross amounts of recognized financial liabilities set off HK$'000	Net amounts of financial assets presented HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Cash collateral received HK$'000	Net amount HK$'000
As at December 31, 2012						
Casino receivables (a)	616,744	(187,070)	429,674	—	—	429,674
	616,744	(187,070)	429,674	—	—	429,674

	Gross amounts of recognized financial liabilities HK$'000	Gross amounts of recognized financial assets set off HK$'000	Net amounts of financial liabilities presented HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Cash collateral received HK$'000	Net amount HK$'000
As at December 31, 2012						
Commission and incentives liabilities (b)	1,138,893	(113,750)	1,025,143	—	—	1,025,143
Deposits received from gaming patrons and gaming promoters (c)	431,496	(73,320)	358,176	—	—	358,176
	1,570,389	(187,070)	1,383,319	—	—	1,383,319

32. Financial Instruments *(Continued)*

Financial Assets and Financial Liabilities Subject to Offsetting Enforceable Master Netting Arrangements and Similar Agreements (Continued)

(a) Amount is the gross casino receivables after netting with allowance for doubtful debts and included in trade receivables of HK$577.2 million (2012: HK$479.0 million) in the consolidated statement of financial position as at December 31, 2013.

(b) Amount is the gross commission and incentives liabilties and included as other casino liabilities in payables and accrued charges of HK$6,365.6 million (2012: HK$4,475.3 million) in the consolidated statement of financial position as at December 31, 2013.

(c) Amount is the gross deposits received from casino customers and gaming promoters and included in deposits and advances of HK$355.6 million (2012: HK$367.3 million) in the consolidated statement of financial position as at December 31, 2013.

Financial risk management objectives

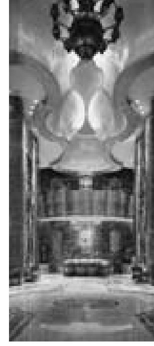
The Group's treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group and the Company. These risks associated with financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's management manages and monitors risks and policies implemented to mitigate risk exposures on a timely and effective manner.

There has been no change to the Group's and the Company's exposure in respect of financial instruments or the manner in which it manages and measures the risks during the years ended December 31, 2013 and 2012.

Market risk

The Group's and the Company's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates.



32. Financial Instruments *(Continued)*

Market risk (Continued)

Foreign currency risk management

The Group

The Group holds bank balances and deposits denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The majority of its foreign currency exposures comprises assets denominated in United States Dollars ("US$"), Taiwan Dollars ("TW$") and Singapore Dollars ("SG$"). The exchange rate of the HK$ is pegged to the US$ and has remained relatively stable. The majority of the receipts of the Group are denominated in HK$. Macau Patacas ("MOP") is pegged to the HK$ at a constant rate of approximately HK$1:MOP1.03. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates. The carrying amounts of the Group's foreign currency denominated monetary assets (including bank balances and cash) at the end of the reporting period are as follows:

	2013 HK$'000	2012 HK$'000
US$	107,911	235,200
TW$	36,219	97,422
SG$	123,541	102,080
MOP	25,784	11,451

Foreign currency sensitivity analysis

The Group

The Group is mainly exposed to the effects of fluctuation in the US$, TW$ and SG$. The following table details the Group's sensitivity to a 1% increase and decrease in the HK$ against the US$, TW$ and SG$. 1% is the sensitivity rate used internally for assessment possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in profit where the HK$ weakens 1% against the US$, TW$ and SG$. For a 1% strengthening of the HK$ against the US$, TW$ and SG$, there would be an equal and opposite impact on the result, and the balance would be negative.

	2013 HK$'000	2012 HK$'000
Sensitivity rate	1%	1%
Profit for the year		
Impact of US$	1,079	2,352
Impact of TW$	362	974
Impact of SG$	1,235	1,021

32. Financial Instruments *(Continued)*

Market risk (Continued)

Foreign currency sensitivity analysis (Continued)

The Company

The Company mainly undertakes transactions in its functional currency, consequently, no exposures to exchange rate fluctuations arise.

Interest rate risk

The Group

The Group's exposure to fair value interest rate risk to fixed-rate borrowings is minimal because the Group has been keeping borrowings at variable rates except for land use right payable which bears interest at 5% per annum.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 26 for details of the bank borrowings). The Group's cash flow interest rate risk on bank balances is considered insignificant due to current low interest rate for bank deposit. The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the floating rate bank borrowings only. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2012: 50 basis point) increase or decrease during the year is used internally for assessment of possible change in interest rates. If interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2013 would decrease/increase by HK$16.4 million (2012: HK$21.2 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Company

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Company's cash flow interest rate risk on bank balances is considered insignificant due to current low interest rate for bank deposit. The Company does not have any interest bearing financial liabilities.

32. Financial Instruments *(Continued)*

Credit risk

The Group

As at December 31, 2013 and 2012, 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 as disclosed in note 33.

As described in note 4, 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. 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.

The Company

As at December 31, 2013 and 2012, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge obligations by the counterparties and financial guarantee provided by the Company is arising from:

- the carrying amount of the respective recognized financial assets as stated in the statement of financial position; and
- the amount of contingent liabilities in relation to a financial guarantee issued by the Company as disclosed in note 33.

The Company's major financial assets are concentrated in bank balances with a bank with high credit standing in Hong Kong, thus the credit risk on liquid funds is limited.

Other than concentration of credit risk on liquid funds which are deposited with a bank with high credit standing, the Company does not have any other significant concentration of credit risk.

32. Financial Instruments *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The Group

The Group relies on bank borrowings and cash flow from operations as a source of liquidity. As at December 31, 2013, the Group has unutilized bank loan facilities of approximately HK$11,310.0 million (2012: approximately HK$11,310.0 million). (See note 26)

The following table details the Group's and the Company's remaining contractual maturity for their financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from an interest rate curve at the end of the reporting period.

The Group

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at December 31, 2013								
Trade payables	—	84,652	—	—	—	—	84,652	84,652
Other payables	—	73,396	—	—	—	—	73,396	73,396
Other casino liabilities	—	1,120,843	—	—	—	—	1,120,843	1,120,843
Outstanding chips liabilities	—	2,555,951	—	—	—	—	2,555,951	2,555,951
Bank borrowings	4.71%	—	27,566	129,209	4,802,183	—	4,958,958	4,049,217
Deposits and advances	—	355,593	—	—	—	—	355,593	355,593
Land use right payable	5%	113,899	—	113,899	569,496	—	797,294	723,190
Construction retention payable	—	—	—	30,066	32,250	—	62,316	62,316
Amounts due to related companies	—	12,879	—	—	—	—	12,879	12,879
Financial guarantee contracts (note 33)	—	300,082	—	—	—	—	300,082	—
		4,617,295	27,566	273,174	5,403,929	—	10,321,964	9,038,037

32. Financial Instruments *(Continued)*

Liquidity risk (Continued)

The Group *(Continued)*

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at December 31, 2012								
Trade payables	—	94,554	—	—	—	—	94,554	94,554
Other payables	—	57,812	—	—	—	—	57,812	57,812
Other casino liabilities	—	1,025,143	—	—	—	—	1,025,143	1,025,143
Outstanding chips liabilities	—	1,426,233	—	—	—	—	1,426,233	1,426,233
Bank borrowings	5.38%	—	39,903	176,621	5,091,643	—	5,308,167	3,983,018
Deposits and advances	—	367,291	—	—	—	—	367,291	367,291
Construction retention payable	—	—	—	21,135	—	—	21,135	21,135
Amounts due to related companies	—	7,274	—	—	—	—	7,274	7,274
Financial guarantee contracts (note 33)	—	300,082	—	—	—	—	300,082	—
		3,278,389	39,903	197,756	5,091,643	—	8,607,691	6,982,460

The Company

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at December 31, 2013								
Amounts due to subsidiaries	—	157,811	—	—	—	—	157,811	157,811
		157,811	—	—	—	—	157,811	157,811

32. Financial Instruments *(Continued)*

Liquidity risk (Continued)

The Company *(Continued)*

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at December 31, 2012								
Other payables	—	314	—	—	—	—	314	314
Amounts due to subsidiaries	—	67,744	—	—	—	—	67,744	67,744
		68,058	—	—	—	—	68,058	68,058

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The Group and the Company

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

33. Contingent Liabilities

At December 31, 2013, the Group has given bank guarantees totalling HK$300.1 million (2012: HK$300.1 million) to certain parties, of which HK$294.6 million (2012: HK$294.6 million) was issued in favor of the Macau Government as required in the Sub-Concession Contract and land-concession contract in respect of the Cotai Complex, HK$2.0 million (2012: HK$2.0 million) was issued in favor of certain vendors and HK$3.5 million (2012: HK$3.5 million) was issued in favor of a service provider, which is a related company as one of the directors of the Company has non-controlling beneficial interests.

34. Operating Lease Commitments

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of the leasehold lands where the Macau Complex and Cotai Complex are located (in addition to the land use right premium), rented office premises, warehouse, equipment, light boxes and advertising booths which fall due as follows:

	2013 HK$'000	2012 HK$'000
Within one year	31,836	28,711
More than one year and not longer than five years	44,156	29,105
More than five years	135,579	37,747
	211,571	95,563

35. Capital Commitments

	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of renovation of the Macau Complex and design and construction of the Cotai Complex that have been		
— authorized but not contracted for	8,318,527	17,206,835
— contracted but not accounted for	9,626,778	1,276,359
	17,945,305	18,483,194

36. Other Commitments

Pursuant to the gaming contract signed with the Macau Government, MGM Grand Paradise has committed to pay an annual premium of HK$29.1 million plus a variable premium calculated on the basis of the number of gaming tables and gaming devices operated by MGM Grand Paradise during the term of the Sub-Concession Contract when the gaming operations commenced business. A premium of HK$126.4 million (2012: HK$123.6 million) was paid to the Macau Government and was recognized in profit or loss and included in special gaming tax and special levy to the Macau Government for the years ended December 31, 2013 and 2012.

37. Related Party Transactions

Apart from the transactions as described in note 33, details of transactions between the Group and other related parties are disclosed below.

The Group

(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 HK$'000	2012 HK$'000
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
	12,879	7,274

The Company

(a)(iii) The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

37. Related Party Transactions *(Continued)*

The Group

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

Related parties	Type of transaction	2013 HK$'000	2012 HK$'000
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

* At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises from related parties of HK$1.6 million (2012: HK$4.4 million) which fall due within the following one year (2012: two years).

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.

37. Related Party Transactions *(Continued)*

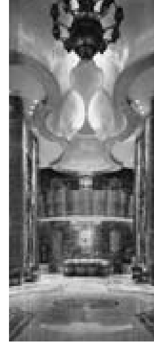
The Group

(c) Compensation to key management personnel

The remuneration of key management is as follows:

	2013 HK$'000	2012 HK$'000
Short term benefits	74,614	79,209
Post-employment benefits	1,947	1,822
Share-based payments	25,720	50,236
	102,281	131,267

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



38. Subsidiaries

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued and fully paid share capital/quota capital	Attributable equity interest of the Group December 31, 2013	Attributable equity interest of the Group December 31, 2012	Principal activities
Alpha Landmark Enterprises Limited	British Virgin Islands February 8, 2005	US$1	100%	100%	Inactive
Alpha Vision Investments Limited	British Virgin Islands February 8, 2005	US$1	100%	100%	Inactive
Apexworth Developments Limited	British Virgin Islands February 8, 2005	US$1	100%	100%	Inactive
Breve, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Golden Rice Bowl Limited	Macau April 24, 2007	MOP25,000	100%	100%	Inactive
MGM Grand Paradise Limited*	Macau June 17, 2004	MOP200,000,000	100%	100%	Operation of casino games of chance and other casino games
MGM Grand Paradise (HK) Limited	Hong Kong October 15, 2004	HK$2	100%	100%	Management and administrative services for a group company
Mingyi Investments Limited	British Virgin Islands/ Macau June 1, 2011	US$1	100%	100%	Administrative services for a group company

38. Subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment/ business	Issued and fully paid share capital/quota capital	Attributable equity interest of the Group December 31, 2013	Attributable equity interest of the Group December 31, 2012	Principal activities
Prime Hotel Management Limited (formerly known as Alfa, S.A.)	Macau August 13, 2004	MOP1,000,000	100%	100%	Hotel management services
Terra C Sub, S.A.	Macau August 13, 2004	MOP1,000,000	100%	100%	Inactive
Yin Gao Limited	British Virgin Islands/ Macau June 10, 2011	US$1	100%	100%	Administrative services for a group company

None of the subsidiaries had issued any debt securities at the end of the reporting period.

* MGM Grand Paradise is directly owned by the Company. As part of the Group Reorganization, the shares of MGM Grand Paradise were divided into two classes of shares, Class A shares and Class B shares, with each share carrying one vote. The Company holds 100% of the Class A shares, which represent 80% of the voting power of the share capital of MGM Grand Paradise. Pansy Ho and MGM Resorts International Holdings, Ltd. each owns one half of the Class B shares (or 10% of the voting power of the share capital of MGM Grand Paradise each) in order to satisfy the requirements of the Sub-Concession Contract and local Macau regulations that at least 10% of MGM Grand Paradise's issued share capital be held by a local managing director of MGM Grand Paradise. On each occasion upon which dividends are paid by MGM Grand Paradise to the holders of Class A shares, each holder of Class B shares will be entitled to receive a portion of such dividends up to an amount of MOP1 only. The Class B shares entitle the holder to voting rights but only de minimis economic rights and therefore the Company has a 100% economic interest in MGM Grand Paradise through its ownership of all of the Class A shares.

39. 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.

Financial Summary

	For the year ended December 31,				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Operating revenue	**25,727,513**	21,773,592	20,293,627	12,434,728	7,727,086
Profit/(loss) before taxation	**5,348,479**	4,120,869	3,737,872	1,566,327	(166,473)
Profit/(loss) for the year and total comprehensive income attributable to owners of the Company	**5,333,528**	4,530,829	3,279,060	1,566,035	(167,131)

	As at December 31,				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**18,087,488**	14,780,577	12,689,055	10,224,166	10,467,651
Total liabilities	**11,584,030**	8,869,256	8,275,006	8,743,317	10,216,306
Net assets	**6,503,458**	5,911,321	4,414,049	1,480,849	251,345

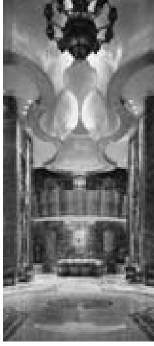
The summary of the consolidated results of the Group for each of the two years ended December 31, 2009 and 2010, and of the consolidated assets and liabilities as at December 31, 2009 and 2010, have been extracted from the Company's IPO Prospectus in connection with the Listing. Such summary was prepared on the merger basis as if the current structure of the Group had been in existence throughout these financial years. The consolidated results of the Group for the years ended December 31, 2011, 2012 and 2013, and the consolidated assets and liabilities as at December 31, 2011, 2012 and 2013, are those set out in the audited consolidated financial statements.

Glossary

Definitions and Glossary Used in this Annual Report

"affiliate"	in relation to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles of Association"	the amended and restated articles of association of the Company, as amended, modified or otherwise supplemented from time to time
"BEH Marketing Agreement"	the marketing agreement dated May 17, 2011 entered into among Bright Elite Holdings Limited, MGM Grand Paradise and our Company
"Board of Directors" or "Board"	the board of Directors of our Company
"Branding Agreement"	the Branding Agreement dated May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
"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 annual report for geogaphical 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

Glossary

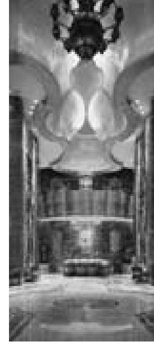


"Current Limousine Services Agreement"	the agreement which was effective from April 1, 2013 entered into between Shun Tak Coach and MGM Grand Paradise, pursuant to which Shun Tak Coach shall provide limousine transportation services to MGM Grand Paradise
"Current Shuttle Bus Agreement"	the agreement which was effective from December 18, 2012 entered into between Shun Tak Coach and MGM Grand Paradise, pursuant to which Shun Tak Coach shall provide shuttle bus transportation services to MGM Grand Paradise
"Deed of Non-compete Undertakings"	the non-competition deed, dated May 17, 2011, entered into among MGM Resorts International, Pansy Ho and our Company
"Development Agreement"	the development agreement dated May 17, 2011 entered into among our Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MRIH and NCE
"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
"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

Glossary

"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
"Historical Limousine Services Agreements"	the agreements which were, between them, effective from April 15, 2010 to April 14, 2013 entered into between Shun Tak Coach and MGM Grand Paradise, pursuant to which Shun Tak Coach provided limousine transportation services to MGM Grand Paradise
"Historical Shuttle Bus Agreement"	the agreement which was effective from November 1, 2007 to October 31, 2012 entered into between Shun Tak Coach and MGM Grand Paradise, pursuant to which Shun Tak Coach provided shuttle bus transportation services to MGM Grand Paradise
"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

Glossary

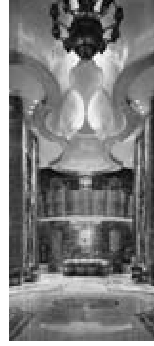


"Independent Third Party(ies)"	parties which are not connected persons of our Company within the meaning of the Listing Rules
"IPO Prospectus"	the IPO Prospectus of the Company published on May 23, 2011 in connection with the Listing
"Las Vegas"	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
"Limousine Services Agreements"	the Historical Limousine Services Agreements and the Current Limousine Services Agreement
"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
"Macau Marketing Agreement"	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Grand Paradise and our Company
"Master Service Agreement"	the master service agreement dated October 8, 2010 entered into between Shun Tak Group Limited and MGM Grand Paradise
"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 Branding"	MGM Branding and Development Holdings, Ltd., a company incorporated in the BVI and jointly wholly-owned, directly or indirectly, by MGM Resorts International and Pansy Ho in equal portions

Glossary

"MGM Grand Paradise"	MGM Grand Paradise Limited, a private company limited by shares ("sociedade anónima") 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 Marketing Agreement"	the marketing agreement dated May 17, 2011 entered into among MGM Resorts International, MGM Resorts International Marketing, Ltd., MGM Grand International Pte, Ltd, MGM Grand Paradise and our Company
"MGM Resorts International"	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NCE"	New Corporate Enterprises Limited, a company incorporated in the British Virgin Islands[is wholly-owned by Ms Pansy Ho
"occupancy rate"	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
"Pansy Ho"	Pansy Catilina Chiu King Ho, 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
"Renewed BEH Marketing Agreement"	the renewed agreement dated December 24, 2013 entered into among BEH, the Company and MGM Grand Paradise
"Renewed Development Agreement"	the renewed agreement dated December 24, 2013 entered into among MGM Branding, MGM Grand Paradise, MGM Resorts International, MRIH, NCE and the Company

Glossary



"Renewed Macau Marketing Agreement"	the renewed agreement dated December 24, 2013 entered into among MGM Resorts International, MGM Grand Paradise and the Company
"Renewed Master Service Agreement"	the renewed agreement dated December 24, 2013 entered into between MGM Grand Paradise and Shun Tak
"Renewed MGM Marketing Agreement"	the renewed agreement dated December 24, 2013 entered into among MGM Resorts International, MGM Resorts International Marketing Ltd., MGM Grand International Pte, Ltd., MGM Grand Paradise and the Company
"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
"Shun Tak"	Shun Tak Holdings Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange (stock code: 0242)
"Shun Tak Group"	Shun Tak and any of its subsidiaries
"Shuttle Bus Agreements"	the Historical Shuttle Bus Agreement and the Current Shuttle Bus Agreement
"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

Glossary

"slot machines"	gaming machines operated by a single player and electronic multiple-player gaming machines
"STCTSM"	Shun Tak — China Travel Ship Management Limited, an indirect subsidiary of Shun Tak Holdings Limited
"STDM"	Sociedade de Turismo e Diversoes de Macau, S.A., one of the controlling shareholders of SJM through STDM-Investments Limited
"Subconcession" or "Subconcession Contract"	the tripartite Subconcession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
"Subconcessionaire(s)"	the holder(s) of a subconcession for the operation of casino games in Macau.
"table games"	typical casino games, including card games such as baccarat, blackjack and sic bo as well as craps and roulette
"turnover"	the sum of all rolling chip wagers which represents wagers won by our relevant subsidiary (non-negotiable chip purchase plus non-negotiable chip exchange minus non-negotiable chip return)
"United States"	the United States of America, its territories and possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of United States
"VIP clients" or "VIP 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

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