



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

2014 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 (*resigned on October 10, 2014*)  
Sze Wan Patricia Lam  
Peter Man Kong Wong  
Russell Francis Banham (*appointed on November 20, 2014*)

## Audit Committee

Russell Francis Banham (*Chairperson*) (*appointed as Audit Committee Chairperson on November 20, 2014*)  
Tommei Mei Kuen Tong (*Chairperson*) (*resigned on October 10, 2014*)  
Kenneth A. Rosevear (*retired as a member of the Audit Committee 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 (*resigned on October 10, 2014*)  
Sze Wan Patricia Lam  
Peter Man Kong Wong  
Russell Francis Banham (*appointed on November 20, 2014*)

## Nomination and Corporate Governance Committee

Sze Wan Patricia Lam (*Chairperson*)  
William M. Scott IV  
Chen Yau Wong  
Tommei Mei Kuen Tong (*resigned on October 10, 2014*)  
Zhe Sun  
Peter Man Kong Wong  
Russell Francis Banham (*appointed on November 20, 2014*)

## Company Secretary

Antonio Jose Menano  
Lam Wai Yan (*resigned on March 21, 2014*)  
Wong Wai Yee, Ella (*appointed on March 21, 2014 and resigned on June 3, 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

## 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, Edificio MGM MACAU  
NAPE, Macau

## Place of Business in Hong Kong Registered Under Part 16 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](http://www.mgmchinaholdings.com)

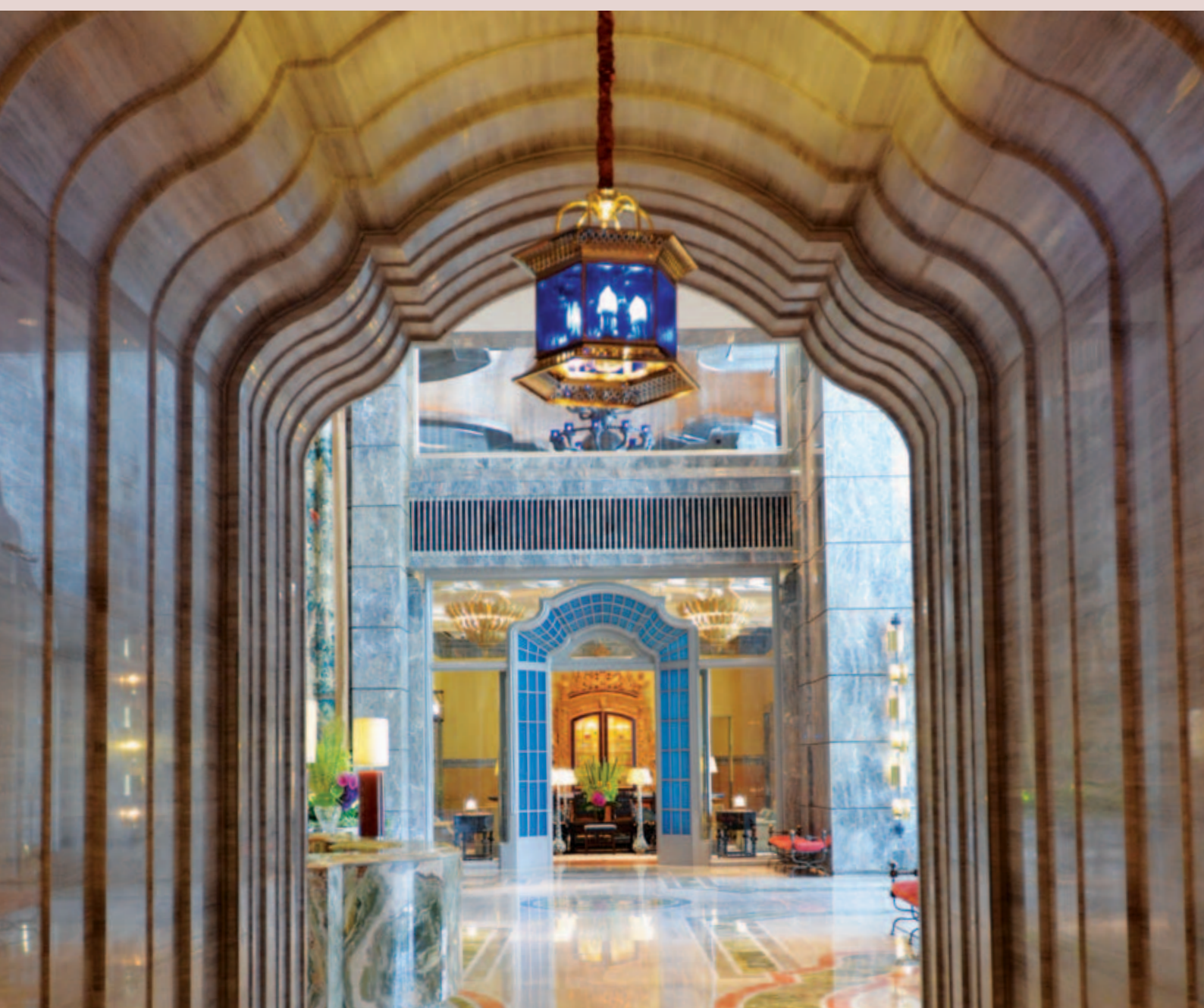
## Stock Code

2282

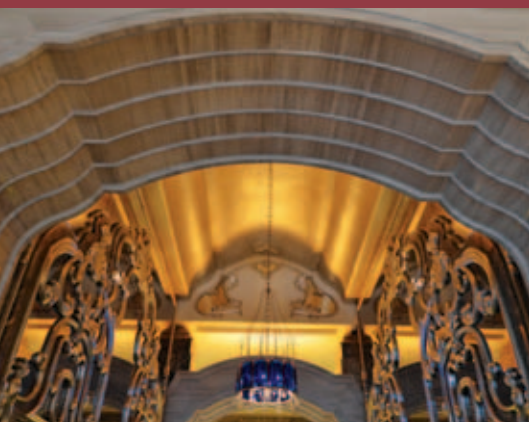


# Financial Highlights

	For the year ended	
	December 31,	
	2014	2013
	HK\$'000	HK\$'000
Casino revenue	25,137,933	25,412,367
Other revenue	316,363	315,146
Total revenue	25,454,296	25,727,513
Adjusted EBITDA before the license fee (unaudited)	6,997,889	6,644,875
Adjusted EBITDA (unaudited)	6,662,879	6,365,573
Profit attributable to owners of the Company	5,706,943	5,333,528
Earnings per Share — basic and diluted	HK\$1.50	HK\$1.40













# *Chairperson's Statement*

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“We are confident that we have robust and responsive strategies that will allow us to seize opportunities for growth and to remain competitive. We will continue to invest in our physical assets, our people and our community to contribute to the diversification of Macau.”

# Chairperson's Statement

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James Joseph Murren  
*Chairperson*





Dear Shareholders,

After nearly a half decade of high growth, the Macau market experienced a challenging environment in 2014 amid a myriad of factors that led to a decline during the second half of the year.

However, despite the unfavorable market conditions, our focus on executional excellence and operating efficiency has paid off. In fact, we achieved record earnings by growing our EBITDA by 5% to HK\$7 billion in 2014.

I am very proud of our team's ability to constantly adapt and respond to the rapidly changing external environment with a focus on improving our customer's experience.

We believe that the recent market correction has laid a foundation for sustainable growth. We remain extremely optimistic for the long term growth of the Macau market, particularly in the mass segment. We expect MGM MACAU to continue to be a leader in this segment due to our dedication to being a high quality operator while continuing to enhance the hospitality and gaming experience for our guests.

For example, at MGM MACAU, we have embarked on a multi-year project of reinvention, which includes redesigning the main floor layout to improve traffic flow and operating efficiencies, and introducing a wide range of attractive retail brands and re-conceptualizing our food and beverage offerings to add capacity and diversity. We are committed to improving and innovating our products and services to create unique and memorable experiences for our customers.

At MGM China, we strongly support the vision of the Macau government for diversification. We have invested in various programs to promote public interest in art and culture and to reinforce Macau's status as an international city where globally influential artworks are appreciated and studied.

In 2014, in collaboration with the Civic and Municipal Affairs Bureau, the Macau Museum of Art, the Consulate General of France in Hong Kong and Macau, and La Biennale des Lions, we sponsored the exhibition of the "Biennial of the Lions", the 10th year of the dynamic fair and its debut in Asia. The exhibition featured 50 different lion sculptures in celebration of the 50th anniversary of the diplomatic relations between China and France. These colorful and unique lion sculptures were the elaborate work by more than 50 French and Chinese artists and were displayed all around MGM MACAU and the landmarks of Macau.

# Chairperson's Statement



At the MGM Art Space, world-class art collections have been on display for local Macau citizens and tourists alike to view. During the year, MGM hosted a spectacular exhibition featuring Florentine Renaissance artist Sandro Botticelli's life, legend and his enduring master piece "Venus". In addition, in the same space, we also held "Red Sandalwood Art Exhibition of Old Beijing Gates" to commemorate the 15th Anniversary of Macau S.A.R. Establishment Day and to promote traditional Chinese culture. The exhibition revived the ancient charm of old Beijing city among the viewers through sublime red sandalwood craftsmanship and fostered cultural exchange between Macau and her motherland.

Over the past couple of years, at MGM MACAU, we have transformed the Grande Praça atrium into a popular attraction for many tourists and locals. Following the live butterfly show in 2013, we have built "MGM Water Aurora", featuring an eight-meter tall aquarium with fish darting among multi-hued corals. In March at Grande Praça, we will showcase a major exhibition of new monumental work by world-renowned Portuguese artist Joana Vasconcelos specifically

created to complement the aquarium. This latest visionary art work reflects on Macau's integral role in the 500 year history of trade between China, Portugal and the rest of the world. It continues in this spirit to promote culturally diverse exchanges that reflect Macau's offer as a cultural destination of world repute.

Confident in Macau's future, we are building MGM Cotai to expand our presence in Macau. MGM Cotai will nearly quadruple our room base and triple our area allowing us to develop impressive amenities for our guests and tourists. The property will feature a state-of-the-art theater offering a variety of shows and performances, which will serve to further position Macau as a world class entertainment provider. Our Cotai development will showcase distinctive and luxurious touches that will propel the MGM experience to new and unmatched levels.

At MGM China, we are fully committed to identifying and developing local talent. More than 80% of the management team are local employees and we are looking to increase





this percentage as our business grows, particularly with the opening of Cotai. As part of our efforts to help local college graduates to launch their career, we have introduced the Management Associate Program (MAP), a pioneering graduate development program that allows Macau graduates to spend one year at MGM Resorts International's properties in Las Vegas to gain valuable leadership and hands-on experience before returning to Macau to assume a managerial role with MGM China. In addition to MAP, in order to promote existing local team members to management positions, we have developed an intensive 15-month training program called MGM PRIDE for high-potential local employees to understand various aspects of the operations. To culminate the program, the participants will also fly to Las Vegas to obtain further operational experience and to gain insights into the diversified business model of destination resorts.

At MGM China, we are also strongly committed to our local community. As a proactive member of the Macau community, supporting and investing in local development is a cornerstone of our business. In 2014, we held 37 different community

activities donating more than 5,100 hours to better our community and support the less fortunate. By donating our time, talents, skills and resources to those in need, we hope to make Macau a better place to work and live.

As I have stated earlier, we are still in the middle of a market evolution. While the start of 2015 has continued to experience the changes started in 2014, we are confident that we have robust and responsive strategies that will allow us to seize opportunities for growth and to remain competitive.

We will continue to invest in our physical assets, our people and our community to contribute to the diversification of Macau.

**James J. Murren**  
*Chairperson*

# Directors and Senior Management



1. Pansy Ho  
2. Jim Murren  
3. Grant Bowie  
4. Russell Banham

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 53, 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 52, 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 61, 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

**William Joseph Hornbuckle**, aged 57, is an Executive Director and a member of the Remuneration Committee of MGM China Holdings Limited. A 36-year veteran of the gaming industry, Mr. Hornbuckle serves as President of MGM Resorts International. In this role, he is the company's primary development officer in charge of global expansion efforts for the Company through its gaming development group and MGM Hospitality. His responsibilities also focus on positioning the MGM Resorts International portfolio of properties, driving profitability, strengthening the M life rewards programs, synergizing efforts and leveraging the Company's world-class assets through its various marketing entities. Mr. Hornbuckle was previously Chief Marketing Officer of MGM Resorts International from 2009 until July 2014. He 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 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 57, 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 sixteen 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 also the executive director and General Manager 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 Greater China. Previously, Mr. Scott served as an Executive Vice President-Corporate Strategy and Special Counsel of MGM Resorts International and various executive positions with that company since August 2009. From 1986 to 2009, Mr. Scott practiced law with firm Sheppard, Mullin, Richter & Hampton, LLP, specializing in financing transactions, being a partner of the firm commencing January 1993. 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 in Banking and Financial Services Law from Boston University in 1986.

**Daniel J. D'Arrigo**, aged 46, 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 65, 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 49, is an Independent Non-executive Director, the Chairperson of the Remuneration Committee, a member of the Audit 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 eighteen 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.

**Sze Wan Patricia Lam**, aged 48, 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.

**Peter Man Kong Wong**, aged 66, 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 forty 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, Far East Consortium International Limited and New Times Energy Corporation Limited. He is a non-executive director of Hong Kong Ferry (Holdings) Company Limited.



**Russell Francis Banham**, aged 61, is an Independent Non-executive Director, the Chairperson of the Audit Committee, a member of the Nomination and Corporate Governance Committee and a member of the Remuneration Committee of MGM China Holdings Limited. Mr. Banham recently retired from Deloitte CIS, Moscow Office, where he had been a partner since 2011. Before that, he worked from 2007 to 2011 at Deloitte CIS in Almaty, Kazakhstan, and from 2002 to 2007 he worked for Ernst and Young in Brisbane, Australia. Mr. Banham started his professional career as an auditor in 1974 working for Andersen and stayed at the Sydney Office, Australia, until 1984, from 1984 to 1985 he worked at the Andersen Los Angeles office, United States of America, and from 1985 to 2002 he worked at the Andersen Brisbane office, Australia. In his professional career in Australia, he was the lead audit partner for several clients in the gaming and hospitality industries and acquired relevant experience in these sectors. He has a Bachelor of Commerce in Accounting degree, from the University of New South Wales, Sydney, Australia and a Fellow of the Institute of Chartered Accountants in Australia.

#### *Senior Management*

**John L. Shigley**, aged 58, is our Chief Operating Officer of Gaming. Mr. Shigley has been with the Company since January 2014. Mr. Shigley oversees our casino operations, casino marketing, VIP marketing and VIP operations for both MGM MACAU and MGM COTAI. Having been with MGM Resorts International since 2002, Mr. Shigley brings with him a wealth of experience and accomplishments. Just prior to joining us here in Macau, he served as President and Chief Operating Officer of MGM Grand Ho Tram Beach in Vietnam. His previous experience with MGM Resorts International includes serving as Executive Vice President — Operations and Executive Vice President/Chief Financial Officer for MGM Grand Las Vegas, and Executive Vice President of New York-New York Hotel and Casino. Before joining MGM Resorts International, Mr. Shigley served as President of both Caesars Palace in Las Vegas and Primm Valley Resorts. He also held executive positions at Caesars World and Caesars Tahoe. Mr. Shigley graduated with a Bachelor of Science in Accountancy from Northern Illinois University and is also a licensed certified public accountant in the state of Nevada, USA.

# Directors and Senior Management

**Peter L.J. Finamore**, aged 59, is our Chief Operating Officer of Hospitality. Mr. Finamore has been with the Company since August 2013. In his extensive career spanning over thirty five 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 six operating hotels as well as five 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 with Boyd Gaming Corporation as Senior Vice President — Operations for Echelon Resorts, Las Vegas and Vice President — Hospitality for Borgata Hotel Casino & Spa in Atlantic City, USA. Mr. Finamore holds a Bachelor of Commerce in Management from Concordia University, Montreal, Canada.

**Zhi Qi (Hubert) Wang**, aged 47, is our Senior Vice President — Finance & Chief Financial Officer. Mr. Wang has been with the Company 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.

**Antonio Jose Menano**, aged 52, is our Company Secretary and Senior Vice President, Legal & General Counsel. Mr. Menano has been with the Company since November 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 ten 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 47, is our Senior Vice President, Human Resources. Ms. Yu has been with our Company since July 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.

*Mel Hansen*, aged 48, is our Senior Vice President of Design, Development and Construction. Mr. Hansen has been with the Company since September 2011. Mr. Hansen oversees the planning and development of our expansion projects with focus on our Cotai project. Mr. Hansen is a seasoned professional with over a decade of senior management experience in casino and resort development. Since joining MGM Grand Las Vegas in 1996, Mr. Hansen was responsible for various opening and expansion projects in Las Vegas, New York and South Africa. From 2004 to 2006, he was posted to Macau as Vice President for MGM Mirage to oversee the development of MGM MACAU. Following that, Mr. Hansen moved to South Africa where he owned and managed several companies including a brewery and an engineering consultancy firm.





# *Management Discussion and Analysis*

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We have adopted strategies to protect and grow our earnings by focusing on customer experience, employee engagement and operating efficiency. 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.

# Management Discussion and Analysis

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## Business Overview

MGM MACAU opened in December 2007 and has a casino floor area of approximately 25,459 square meters, with 1,197 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 and 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.

Significant changes occurred in the Macau gaming market during the year especially related to policy initiatives introduced by the governments of Macau and China. These changes are discussed below and, together with increased competition, created a challenging business environment, especially in the second half of the 2014 financial year. The Group responded to the changing business environment by managing its customer segments, focusing on gaming floor

yields and containing costs. Adjusted EBITDA and profit attributable to owners of the Company increased by 4.7% and 7.0% to HK\$6,662.9 million and HK\$5,706.9 million, respectively, despite a slight decrease in 2014 revenue by 1.1% to HK\$25,454.3 million compared to the prior year.

## *Cotai Development*

Construction continued during 2014 of MGM COTAI, an integrated casino, hotel and entertainment complex on the Cotai Land. When completed, our new property will provide a truly unique MGM experience with about 1,500 hotel rooms, 500 gaming tables and approximately 1,500 slot machines. Construction works are progressing as planned with the basement nearing completion; focus has been given to podium, tower and external works; structural steel and mechanical, electrical and plumbing works are well advanced; and internal design plans are being refined. We have passed through the major structural concrete transfer at level 14 of both the North and South Towers and are quickly approaching level 16 as our next floor installation. We will be commencing façade installation in late March 2015. Our spectacle roof steel is progressing well in fabrication with initial installation on site planned in March 2015. The Group remains on schedule for the planned opening of MGM COTAI in 2016. The expected total development cost is approximately HK\$23 billion, excluding land costs and capitalized interest.





## Macau's Gaming and Tourism Markets

Propelled by the solid economic development in China, the Macau gaming market had enjoyed strong growth since 2010. 2014 was a challenging year for the Macau gaming market as a consequence of changes in Macau Government policies including introduction of smoking restrictions, and shorter duration of stay for mainland travelers entering Macau using transit visas, coupled with slower economic growth in China and certain political initiatives introduced by the China Government. These factors resulted in a decrease in total casino gross win in the Macau market by 2.6% to approximately HK\$341.3 billion in 2014. Not all segments of the gaming market were adversely impacted by these changed circumstances. While casino gross win for VIP gaming operations was down 11.8% in 2014 to approximately HK\$203.8 billion, casino gross win for the mass gaming operations achieved a growth rate of 17.8% in 2014 to approximately HK\$123.5 billion.

The Statistics and Census Service of the Macau Government reported that visitor arrivals reached 31.5 million in 2014 compared to 29.3 million in 2013, an increase of 7.5%. Gaming customers travel to Macau typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. Approximately 90.8% of visitors to Macau in 2014 were from mainland China, Hong Kong and Taiwan. Visitors from mainland China increased 14.1% from the prior year and reached 21.3 million in 2014.

Despite the downward trend in overall Macau gaming revenues during the year, we are optimistic about the long-term prospect of the market due to a combination of factors. These factors include infrastructure improvements such as the expanded Gongbei border gate capacity, completion of the inter-city train from Guangzhou to the Gongbei border gate, and other initiatives 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.

# Management Discussion and Analysis



## Competition

Currently, there are six gaming concessionaires in Macau, each of which have commenced casino operating activities and have expansion plans announced or underway. As at December 31, 2014, there were 35 casinos in Macau. Despite market share migration from Macau Peninsula to Cotai, we were able to maintain our overall market share at 9.7%. Our market share in Macau Peninsula reached 18.7% in 2014 compared to 18.1% in 2013. We expect competition in the Macau market to continue to increase in the future as more capacity is brought on line.

Our competition is not 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.

## Our Competitive Strength and Operating Strategies

Our competitive strength lies principally in our high quality 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 grow our business and earnings by continuously improving customer experience, employee engagement and operational efficiency. We continue to expand and refurbish key gaming areas in our property to provide our high value customers and gaming operators with a first-class facility that embodies luxury, intimacy and inspiration. We also introduce new innovative gaming products to enhance customer experience, and develop technologies to enhance our analytical capability for operations and marketing to help us deliver much more personal and precision marketing efforts. We manage our gaming mix by continuously evaluating table yield, focusing on measuring the number of table open hours in relation to business volume, evaluating the table limits, reallocation of tables while also complying with the Macau Government policy such as the non-smoking regulation, to maximize our table utilization and profitability. We also improve our customer experiences by enhancing our hotel, food and beverage offerings. In addition, we provide regular





professional and service training to our employees with the goal of building a culture of executional excellence. The investment we made in our products and our employees was an indispensable factor that allowed us to achieve the continuous growth particularly in our main floor gaming operations during the year. In the coming years, 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.

### Operational Efficiency

In face of increased competition and the challenging market conditions experienced in 2014, 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”) to various operations within our business. Decisions on hiring, scheduling and staffing are made in accordance to KPI which are linked to our business volume and target productivity. 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.

### Segment Information

The Group currently operates in one operating segment which is the ownership and 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 period prepared under IFRSs for the entire business. Accordingly, the Group does not present separate segment information.

During the current and prior years, all revenue was derived from customers patronising the Group’s Macau property. None of the customers of the Group individually contributed more than 10% of the total revenue during the current and prior years.

# Management Discussion and Analysis

## Discussion of Results of Operations

Financial results for the year ended December 31, 2014 compared to financial results for the year ended December 31, 2013

## Summary Statistics

(in thousands, except for number of gaming tables and slot machines, percentage, and REVPAR)	For the year ended December 31,	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Number of VIP gaming tables	216	233
VIP table games turnover	771,690,352	894,592,686
VIP gross table games win	21,372,592	25,243,772
VIP table games win percentage	2.8%	2.8%
Average daily gross win per VIP gaming table	271.3	296.8
Number of main floor gaming tables	207	189
Main floor table games drop <sup>(1)</sup>	36,188,772	30,732,606
Main floor gross table games win	9,528,227	7,118,699
Adjusted main floor table games win percentage	26.3%	23.2%
Average daily gross win per main floor gaming table	126.4	103.3
Number of slot machines	1,197	1,368
Slot machine handle	45,885,173	44,409,964
Slot machine gross win	2,032,474	2,262,939
Slot hold percentage	4.4%	5.1%
Average daily win per slot	4.7	4.5
Commission and discounts	(7,872,693)	(9,254,411)
Room occupancy rate	98.7%	98.3%
REVPAR <sup>(2)</sup>	2,302	2,078

Notes:

- (1) Main floor table games drop includes estimated cash chips purchased at the casino cage. Main floor table games wagers are conducted by the use of cash chips. In addition to purchasing cash chips at gaming tables, main floor customers may also purchase cash chips at the casino cage. As a result of increased cash chips purchased at the casino cage, we now adjust main floor table games drop to include such purchases in order to more meaningfully reflect main floor table games volume and win percentage.
- (2) 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, 2014 and 2013.

	For the year ended December 31,	
	2014	2013
	HK\$'000	HK\$'000
<b>Casino revenue</b>	<b>25,137,933</b>	<b>25,412,367</b>
VIP gaming operations	13,509,694	15,995,647
Main floor gaming operations	9,596,668	7,162,671
Slot machine gaming operations	2,031,571	2,254,049
<b>Other revenue</b>	<b>316,363</b>	<b>315,146</b>
Hotel rooms	42,112	45,364
Food and beverages	227,537	220,222
Retail and other services	46,714	49,560
<b>Operating revenue</b>	<b>25,454,296</b>	<b>25,727,513</b>

Total operating revenue of HK\$25,454.3 million for the year ended December 31, 2014 was 1.1% lower than the prior year. The small decrease in operating revenue was directly attributable to the changed business conditions in the Macau gaming market that were described previously and which started to impact the Group from the second half of 2014.

### Casino Revenue

Casino revenue remained flat year-over-year at HK\$25,137.9 million and HK\$25,412.4 million for the years ended December 31, 2014 and 2013 respectively. The components of our gaming operations were:

### VIP 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. 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.



# Management Discussion and Analysis



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 Group 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 also to replace the departing ones due to under-performance to maximize our table utilization and profit. 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.

Revenue from VIP gaming operations decreased year-over-year by 15.5% to HK\$13,509.7 million. VIP table games turnover decreased by 13.7% to HK\$771,690.4 million in 2014 and our VIP table games win percentage remained at 2.8% for both years. VIP gaming turnover in 2014 was adversely impacted by political and macroeconomic factors in China which is a major source of our VIP gaming customers. In 2014, MGM MACAU had 216 VIP gaming tables in operation, compared with 233 VIP gaming tables in 2013. We reduced the number of VIP gaming tables which were reallocated to the casino main floor gaming operation to meet increased demand.

Approximately 80% of the commissions paid to gaming promoters are netted against reported casino revenue, which corresponds to the approximate amount of the commission returned to the VIP players by the gaming promoters, and approximately 20% of the commissions are included in operating expenses, which corresponds to the approximate amount ultimately retained by gaming promoters for their compensation. The total amount of commissions netted against casino revenue was HK\$7,872.7 million and HK\$9,254.4 million in 2014 and 2013, respectively.

Operationally, we continue to strive to improve our VIP business volume by maximizing productivity from existing capacity. We continuously work with our current gaming promoters to fully utilize existing space and tables. When appropriate, we reallocate tables to main floor to maximize our yield and profit. 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.

### *Main Floor Gaming Operations*

Main floor gaming operations in the Macau market are also referred to as the "mass gaming operation". Unlike VIP players, main floor players do not receive commissions from the Group. The profit contribution from the main floor business is higher than the VIP operation. The main floor business is the most profitable operations for us as well as for the Macau gaming market as a whole. We also believe that this operation represents the most potential for sustainable growth in the future.



# Management Discussion and Analysis



For the year ended December 31, 2014, revenue from main floor gaming operations significantly increased year-over-year by 34.0% to HK\$9,596.7 million and main floor table games drop increased by 17.8% to HK\$36,188.8 million. The growth was in part attributable to the overall market growth of this operation, but also due to our successful customer segmentation approach with a product and service focus on the mid to premium main floor business. These positive impacts were partly offset by the transit visa restriction and main floor smoking restriction introduced by the Macau Government both of which became effective during 2014. We 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 and reallocating tables from VIP gaming to our main floor gaming areas to maximize our yield and profit. 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. As a result, our average daily gross win per main floor gaming table significantly increased year-over-year by 22.4% from HK\$103.3 thousands to HK\$126.4 thousands in 2014. In

2014, MGM MACAU had 207 main floor gaming tables in operation, compared with 189 main floor gaming tables in 2013. The adjusted main floor table games win percentage increased from 23.2% to 26.3% in 2014.

Going forward, we will continue to re-examine our main floor gaming areas to maximize table utilization, to expand or refurbish our gaming areas, to innovate our gaming products and to invest in technologies and analytical capability to enhance table productivity and customer retention.

## *Slot Machine Gaming Operations*

Our slot handle was HK\$45,885.2 million, a slight increase of 3.3% in 2014, despite the decrease in the number of slot machines in operation from 1,368 in 2013 to 1,197 in 2014. Our average daily win per slot increased year-over-year by 4.4% from HK\$4.5 thousands to HK\$4.7 thousands as well. Both increases were due primarily to our improvement on slot machine product mix, our successful customer and product segmentation strategies, coupled with our focus on superior slot hosts services and building brand awareness



and loyalty. Following the success of the electronic betting terminals of Live Table Games (“LT Games”) gaming area launched in August 2012 on the main floor, we expanded our LT Games as well in April 2014, which were tailored for the high-end segment of the market, and benefitted our handle. However, similar to our main floor gaming operations, the positive impact was partly offset by the transit visa restriction and main floor smoking ban rule, as well as the decrease in our slot machine win percentage from 5.1% to 4.4% in 2014, resulting in decrease of our slot revenue by 9.9% to HK\$2,031.6 million in 2014.

Going forward, we will continue to re-examine the mix of our games in operation to maximize our casino profitability, and we will expand our Supreme Lounge to increase slot capacity and continue to develop 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 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. The following are some of the exhibits and events organized in 2014:

- “MGM Art Space” with a spectacular exhibition featuring Florentine Renaissance artist Sandro Botticelli’s life, legend, legacy and his enduring masterpiece, Venus;
- Art Exhibition in L2 Showcase featuring themed artworks by artists from China, Macau and France;
- “MGM · Biennial of the Lions — Beyond the Roar” unique lion sculptures dressed elaborately by 50 French and Chinese artists which were displayed all around the landmarks of Macau, the Macau Museum of Art and MGM MACAU;
- MGM Water Aurora, featuring an eight-meter-tall water-sky aquarium with fish darting among multi-hued corals located in our Grande Praça;
- “Red Sandalwood Art Exhibition of Old Beijing City Gates” reinventing the ancient charm of old Beijing city through sublime red sandalwood craftsmanship.

These exhibits and events attracted visitors to our property and have created a sense of anticipation among our customers, local communities and tourists, about the activities at MGM MACAU.

# Management Discussion and Analysis

## Other Revenue

Other revenue, which includes hotel rooms, foods and beverages and retail and other services, remained flat at HK\$316.4 million and HK\$315.1 million for the years ended December 31, 2014 and 2013 respectively. 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, 2014 and 2013.

	For the year ended December 31,	
	2014	2013
	HK\$'000	HK\$'000
Special gaming tax and special levies to the Macau Government	13,002,885	13,654,092
Inventories consumed	386,698	359,900
Staff costs	1,943,886	1,695,803
Other expenses and losses	3,552,509	3,706,416
Depreciation and amortization	799,598	767,670
Finance costs	37,893	213,903
Taxation	15,799	14,951

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

Special gaming tax and special levies payable to the Macau Government decreased by 4.8% to HK\$13,002.9 million in 2014. This decrease resulted directly from the decrease in gross casino revenue during the year.

### *Inventories consumed*

Inventories consumed increased by 7.4% to HK\$386.7 million in 2014. This increase was primarily due to increase in consumptions of supplies, including gaming supplies such as cards and other supplies in response to the increase in our business activities during the year, particularly on main floor gaming operations and our food and beverage outlets.

### *Staff costs*

Staff costs increased by 14.6% to HK\$1,943.9 million in 2014. The increase was primarily due to a 5% staff salary increment to line level staff implemented in March 2014 and staff retention strategy under our internal organization restructure in preparation for our opening of MGM COTAI in 2016.

### *Other expenses and losses*

Other expenses and losses decreased by 4.2% to HK\$3,552.5 million in 2014, which mainly resulting from:

*Junket commissions.* Junket commissions decreased by 16.8% from HK\$2,160.6 million in 2013 to HK\$1,798.7 million in 2014. The decrease resulted directly from the lower VIP gross table games win during the year.

*License fee and marketing fees.* License fee and marketing fees due to related companies increased by 20.2% from HK\$297.2 million in 2013 to HK\$357.2 million in 2014. This increase resulted directly from the increase in the annual cap by 20% in 2014, as previously explained.

*Allowance/(reversal of allowance) for doubtful debts, net.* Allowance for doubtful debts, net was HK\$98.2 million debit in 2014 compared to a gain of HK\$55.4 million in 2013. There were no changes in the allowance for doubtful debts policy; last year's gain primarily resulted from recovery of doubtful debts provided for in previous years while the current year's expense was primarily due to the changed business conditions in the Macau gaming market that were described previously and which started to impact the Group from the second half of 2014.

### *Depreciation and amortization*

Depreciation and amortization increased by 4.2% to HK\$799.6 million in 2014 due to some new furniture and equipment placed into service in 2014, and partly offset by the impact of full depreciation of certain assets in 2014.

### *Finance costs*

Finance costs decreased by 82.3% to HK\$37.9 million in 2014. The decrease primarily resulted from a decrease of HK\$21.5 million in interest paid due to lower interest rate applicable to the Group's term loan and an increase of HK\$148.3 million of interest allocated to construction in progress for the COTAI project.

### *Taxation*

Taxation for the year ended December 31, 2014 primarily related to dividend withholding tax for the respective periods granted by the Macau Government in December 2012, while the amount for the year ended December 31, 2013 related to this dividend withholding tax only. 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 7.0% from HK\$5,333.5 million in 2013 to HK\$5,706.9 million in 2014.



# Management Discussion and Analysis

## 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, 2014 and 2013.

	For the year ended December 31,	
	2014	2013
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	5,706,943	5,333,528
Add/(less):		
Depreciation and amortization	799,598	767,670
Interest income	(12,640)	(24,529)
Finance costs	37,893	213,903
Net foreign currency difference	20,725	5,779
Taxation	15,799	14,951
Share-based payments	69,704	34,462
Property charges and others	24,857	19,809
Adjusted EBITDA <sup>(1)</sup> (unaudited)	6,662,879	6,365,573
Adjusted EBITDA before the license fee <sup>(2)</sup> (unaudited)	6,997,889	6,644,875

Notes:

- (1) Adjusted EBITDA is profit before finance costs, taxation, depreciation and amortization, interest income, net foreign currency difference, share-based payments, and property charges and other items which mainly include (gain)/loss on disposal or write-off of property and equipment and construction in progress, pre-opening and other non-recurring expenses. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit as reported under IFRS 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.
- (2) Adjusted EBITDA before the license fee paid to a related company was HK\$6,997.9 million and HK\$6,644.9 million in 2014 and 2013 respectively. Details of the license fee are set out in note 36 to the consolidated financial statements.

## Liquidity and Capital Resources

### *Bank and Cash Balances*

The Group's bank and cash balances as at December 31, 2014 were HK\$4,232.2 million. Working capital, operating expenses and capital expenditures were funded from equity, bank borrowings, and cash generated from operations.

The bank and cash balances are available for operations, new development activities including the COTAI project and enhancement to our existing property. In addition, HK\$11,310.0 million remained undrawn as at December 31, 2014 under the HK\$15.6 billion total banking facilities available to the Group.

### *Group Cash Flows*

The following table presents a summary of the Group's cash flows for the years ended December 31, 2014 and 2013.

	For the year ended December 31,	
	2014 HK\$'000	2013 HK\$'000
Net cash generated by operating activities	5,199,046	7,528,090
Net cash used in investing activities	(2,748,481)	(2,052,298)
Net cash used in financing activities	(6,103,183)	(4,972,349)
Net (decrease)/increase in cash and cash equivalents	(3,652,618)	503,443
Cash and cash equivalents at the beginning of the year	7,884,805	7,381,362
Cash and cash equivalents at the end of the year	4,232,187	7,884,805

### *Gearing Ratio*

The gearing ratio is an indicator of the 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), and equity comprised all capital and reserves of the Group. As at December 31, 2014, the gearing ratio of the Group was zero (2013: zero), as the Group's cash balances exceeded total debt as at December 31, 2014 and 2013.

# Management Discussion and Analysis

## *Net cash generated by operating activities*

Our net cash generated from operating activities was primarily affected by operating income generated by MGM Grand Paradise and changes in working capital. Net cash from operating activities was HK\$5,199.0 million in 2014 compared to HK\$7,528.1 million in 2013. The decrease mainly resulted from the increase in payment for payables and accrued charges during the year.

## *Net cash used in investing activities*

Net cash used in investing activities was HK\$2,748.5 million in 2014 compared to HK\$2,052.3 million in 2013. The major components of the cash flow used in investing activities

related to payments for the design and construction of MGM COTAI and renovation work carried out throughout MGM MACAU, and purchase of property and equipment in total amounting to HK\$2,513.9 million and HK\$1,811.6 million in 2014 and 2013, respectively. Other amounts paid related to land use right premium in both years, and developers' fees paid in 2013.

## *Net cash used in financing activities*

Net cash used in financing activities was HK\$6,103.2 million in 2014 compared to HK\$4,972.3 million in 2013. The increase mainly resulted from HK\$5,928.2 million dividend payments in 2014 compared to the HK\$4,750.0 million dividend payments in 2013.

## *Capital Commitments*

Future commitments in respect of renovation of MGM MACAU and design and construction of the MGM COTAI that are not recorded in the consolidated financial statements herein are as follows:

	As at December 31,	
	2014	2013
	HK\$'000	HK\$'000
Authorized but not contracted for	9,808,188	8,318,527
Contracted but not accounted for	8,814,903	9,626,778
	18,623,091	17,945,305

## *Indebtedness*

As at December 31, 2014 and 2013, the Group had fully drawn down its secured 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, 2014 and 2013.

## *Contingent Liabilities*

As at December 31, 2014, 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 October 22, 2012, the Company and MGM Grand Paradise as co-borrowers entered into an amended and restated credit agreement (the “Amended Credit Facilities”) with certain lenders. As part of such agreement, the credit facilities total 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, for future development opportunities including the COTAI project and general corporate purposes of the Group.

### *Principal and Interest*

The term loan of HK\$4,290.0 million was fully drawn on October 29, 2012 and the HK\$11,310.0 million revolving credit facility was undrawn as at December 31, 2014 and 2013 and is available for utilization up to September 2017. The term loan is repayable on a quarterly basis commencing in July 2016 and will be fully repaid in October 2017 whereas each drawdown under revolving credit facility is to 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, 2014, 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 (the 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 MGM 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 for the years ended December 31, 2014 and 2013.

### *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 result 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, 2014, our leverage ratio was approximately 0.64.

# Management Discussion and Analysis

## *Events of Default*

The Amended Credit Facilities contain certain events of default, and certain insolvency-related proceedings relating to the 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 of the outstanding loan balances.

## *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 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 the Group's foreign currency exposure 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 the Group's primary exposures to market risk is interest rate risk associated with our bank credit facilities that bear interest based on floating rates. Interest rate risk is managed 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 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 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 guarantee issued by the Group

The Group has a concentration of credit risk with a small number of gaming promoters, 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 these gaming promoters, it would have a material effect to the carrying amount of trade receivables.

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

The credit risk on the Group's bank and cash balances is limited because the counterparties are banks with high credit standing in Hong Kong and Macau.

### Off Balance Sheet Arrangements

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

### Other Liquidity Matters

The Group expects to fund its operations and capital expenditure requirements from operating cash flows, cash and cash equivalents and existing credit facilities. 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 MGM MACAU. We have incurred and will continue to incur capital expenditures related to these enhancements and refinements. In addition, we are focusing on the commencement of the COTAI project and will continue to incur capital expenditures for constructing MGM COTAI.

Taking into consideration our financial resources, including the Group's cash and cash equivalents, existing credit facilities and internally generated funds, we believe that we have sufficient available funds meet our financial obligations for the following 12 months.

### Related Party Transactions

Details of related party transactions are set out in note 36 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 the Shareholders as a whole.









# Sustainability

This section of our annual report provides a summary of our Company's approach, progress and performance in implementing our sustainability program.

## Our Approach to Sustainability

Through our Sustainability Vision, *Creating a Better Tomorrow Today*, we are conscious that the decisions we make, or choose not to make today, will affect the society and the environment of tomorrow. We therefore seek to balance our short-term and long-term results by conducting our business in a way that protects the environment and creates lasting value, not only for our business, but also for our communities and the broader society. Responsible gaming, scarcity of natural resources and talent attraction and retention are among many important issues that influence the future of our business. By using a sustainability lens in everything that we do, we confront emerging issues head-on rather than wait for them to catch us unprepared. It is therefore crucial that sustainability is not a tick-the-box, but a part of our DNA and central to everything we do.

Building the right culture is also critical to developing a successful business that will prosper in the long run. Our Core Values, Trust, Integrity and Excellence, define who we are, how we work, what we believe in and what we stand for.

### Sustainability enhances and supports our Core Values.

- To earn **trust**, stakeholders must trust our brand; that we're doing right by them and the environment.
- To have **integrity**, we must show uncompromising respect towards our people, our community and the environment.
- Delivering **excellence** means we must continuously look for better ways of doing what we do. Sustainability is one such value driver that brings many benefits, such as improved risk management, operational efficiencies, employee engagement and enhanced reputation.

## Our Sustainability Framework

To realize our Sustainability Vision, we must embed sustainability considerations into all aspects of our operations. To this end, we have developed a sustainability framework, which governs how we measure, monitor and report on sustainability. It is anchored on three key pillars:

- 1) **Governance and leadership:** how we are ensuring that we have the most effective governance systems and structures in place to best manage our sustainability risks and opportunities, as well how we're including our important stakeholder groups<sup>1</sup> in our journey through regular reporting and engagement initiatives.
- 2) **Environmental stewardship:** how we are continuously reducing our environmental impact by managing our resources (energy, water and waste), our indoor environmental quality (noise, light and air) and by integrating green building techniques into our design and development processes.
- 3) **Social responsibility:** how we are providing our employees with a great place to work and develop, and how we're giving back to our community and investing in its development.



We have identified important impact areas under each of these pillars, which are in turn individually tracked against objectives, targets and key performance indicators.

### *Focusing on What Matters*

Materiality<sup>2</sup> assessment and stakeholder engagement keep us focused on issues, concerns and impacts of importance to our key stakeholders, including our employees, customers, communities, shareholders and business partners. In 2014, we undertook a formal stakeholder engagement exercise, including a number of workshops and interviews, to help us to identify, prioritize and communicate how we are addressing the most material areas to our business. This feedback has been used to strengthen our approach and help shape our sustainability program going forward.

### *Sustainability Management*

Formed in 2012, our Sustainability Committee (“Committee”) is responsible for establishing policies, programs and procedures that help move us towards fulfilling our Sustainability Vision and goals. The Committee includes senior representatives from across our departments, ensuring that a committee member champions each of our important impact areas. This year we have further cemented our commitment to managing sustainability by hiring a dedicated sustainability manager to oversee our sustainability program and Committee.

Department-specific teams support our Committee and help to bring an integrated approach to our effort. Our Technical Green Team champions the resource efficiency of our operations meeting monthly to discuss resource management opportunities. Coordinated by our Human Resources department (“HR”), our Volunteer Team consists of over 400 employees who selflessly donate their time, effort and skills to help us to make a positive difference to our community.

### *Sustainable Procurement*

Sustainable procurement means looking beyond the traditional parameters of price, quality, functionality and availability, to also include choosing competing products and services that have a reduced impact on the environment, human health and society. We might choose those that are more energy and water efficient, or products that include less toxins to reduce health effects, or those that use less packaging or have a provision for packaging take-back.

We realize that to integrate a sustainable approach into our procurement activities, it requires continual attention and training. Our Purchasing department has taken part in third party training on how to identify sustainable alternatives and all of our purchasing managers have been provided with a sustainable purchasing guideline and checklist. We will continue to search for ways to operationalize sustainability through our procurement practices and look forward to collaborating with our suppliers to identify opportunities to improve.

Notes:

<sup>1</sup> We define our stakeholders as groups that have a significant impact on our business and those who are affected by our operations.

<sup>2</sup> We define materiality as the principle of identifying the environmental and social issues that matter most to our business and stakeholders.

# Sustainability

## Social Responsibility

Our Company's success relies on the support of our employees and the communities in which we operate. We strive to nurture their long-term development and support their needs and aspirations.

### *Commitment to Our 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-caliber staff who share our vision and values. It is therefore a priority to support our employees to develop their careers and assist them to reach their potential. We believe in creating a workplace environment that is safe, fair, diverse and one that provides an adequate work-life balance.

### *Our HR Philosophy*

Creating a culture of caring lies at the heart of our HR philosophy. We proactively review and update our HR practices to enhance our attractiveness as an employer and have pioneered in programs to improve employee satisfaction and well-being. This is particularly important in the face of looming worker shortages as Macau continues to develop and demand more labor.

### *Living by Our Core Values*

Our guiding Core Values, Trust, Integrity and Excellence, or T.I.E, shape the culture and define the character of our Company. To ensure our Core Values are consistently aligned across our departments, this year we organized a series of promotional activities, such as the *T.I.E RACE Series*, an inter-departmental, cross function, teambuilding activity for middle management with the objective to build trust, improve communication and cultivate team spirit across different functional areas. These Core Values are further reinforced through our training and recognition programs.

### *Employee Well-being*

We strive to create a harmonious and positive work environment where employees can perform at their best by providing an enriching, satisfying, safe and healthy place to work. A focus on employee well-being helps to retain our employees, lower absenteeism, boost employee morale and create a healthy and positive environment to work in.

### *Health and Safety*

The health and safety of our employees, customers, contractors and communities is of highest priority. Our approach is guided by our *Occupational Health and Safety Policy and Manual*, which is aligned to the *OHSAS 18001 Occupational Health and Safety Standard*, and our performance is managed and monitored on a semi-annual basis by our Risk and Safety Team and the Board-level Risk and Safety Committee. Mandatory health and safety training is provided to all employees and contractors on induction. Depending on the work function of the employee, additional mandatory health and safety training sessions are also provided.

Management plans for critical events and emergency situations such as earthquake, storm, fire, and threat to life and property, are regularly reviewed by the Critical Event Management Committee, and management establishes task forces when needed to respond to situations and to conduct practice drills.

As a food and beverage provider, food safety is of critical importance. Stringent measures have been adopted in the 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.

### *Wellness in the Workplace*

We strive to provide a comfortable and enjoyable working environment for our employees. This year we completed several renovations and refurbishments to enhance our employee experience. We refurbished the Employee Restaurant with new furniture and decor to create a more contemporary and casual feel. We added a new *Internet Cafe* equipped with iPad stations. Furthermore, we added *Quiet Zone* equipped with reclining lounge chairs for employees to have a relaxing rest. Throughout the year we organized health talks where we invited specialists to discuss various health issues.

Wellness in the workplace is also about happiness and sharing fun moments with our fellow team members. We regularly organize social events and gatherings, including themed parties such as Oktoberfest, the Movie Carnival and our annual staff party.

We encourage and support company sports teams for dragon boat, table tennis, cycling, soccer, basketball and badminton. We actively participate in local competitions; this year our bowling team won the championship in the 2014 MGILA Bowling Competition. The same team also took part in the Bank of China Charitable Bowling Competition, where we helped to raise money for the Macau Deaf Association.

### *Employee Assistance Program*

We support our employees during times of personal difficulties through our Employee Assistance Program. As part of the Program, professional counseling services are made available to help our employees and their families to resolve issues such as life stress or family matters. This is offered in conjunction with the Sheng Kung Hui Service Coordination Office and includes a variety of engagement vehicles such as *Let's Meet*, through face-to-face consultation with an onsite counselor; *Let's Chat*, via a dedicated support hotline; and *Let's WeChat* through the popular mobile phone messaging app.

We also regularly organize themed roadshows and workshops on issues such as family relationships, personal finances, responsible gaming and stress management.



# Sustainability

## *Learning and Development*

Our Company's success depends on our employees' skills, knowledge and capabilities. We therefore invest significantly in learning and development programs to help our employees to excel.

All employees are provided with induction training and a series of mandatory training programs that are aligned to their job roles and responsibilities. In addition, we also provide employees with the opportunity to participate in focused training programs that help them develop new skills and progress their careers.

## *MGM Academy*

Established in 2009, the MGM Academy provides an organized and structured learning platform for our employees. Using a competency-based model, a series of mandatory programs have been established to meet the development needs of all team members with different levels of job responsibilities.

Over the years, we have launched many targeted programs to build and enhance skillsets. The MGM Academy provides training opportunities to all staff and it encompasses areas such as Leadership Development, Work & Personal Effectiveness, Language and Information Technology training. Each year the programs are reviewed, with new programs added where required.

## *MGM PRIDE Program*

The MGM PRIDE Program is our signature Management Development initiative that enrolls a selected group of team members to a 15-month career program. The MGM PRIDE Program is intended to nurture high potential staff who have been identified through our yearly talent review process to take on high level management roles.

Each participant will be provided with a minimum of two days per month of management development training with projects that will develop their leadership and technical skills in preparation for their career advancement. They are also provided with regular coaching by their immediate manager as well as a mentor. The program also includes job rotations, educational visits to other industries and an overseas trip to our worldwide headquarters in Las Vegas where they are given wider exposure to the Company's operations and other signature properties.

## *MAP Program*

The Management Associates Program, or the MAP Program, offers newly-hired, local graduates the opportunity to have an in-depth look at our organization by spending twelve months at MGM Resort International's site in Las Vegas. This includes rotating between various departments and attending classroom training before returning to Macau for another five months of training and experience within a chosen area of specialization. Participants on this program are on an accelerated program to grow their careers.

### *Macau Occupational Skills Recognition Program*

We encourage employees to participate in the Macau Occupational Skills Recognition, or MORS, certification programs organized by the Institute for Tourism Studies. Not only do we sponsor fees for enrolment, we also actively support employees to participate in the annual MORS Gold Pin Competition. We are very proud of our 9 MORS finalists and 4 Gold Pin Award winners this year!

### *Education Support Program*

In addition to the variety of training and development programs in place, we actively promote and encourage continual learning and development for all employees through our Education Support Program. This program supports full-time employees who wish to further their formal education or gain professional qualifications. Employees are given educational subsidies of up to a maximum of 80% of the total fee for the tuition or professional qualification.

Further, our Learning Zone provides all employees with access to an in-house library including a collection of over 1,500 books on subjects to help upskilling for career advancement and self-improvement.

### *Performance Review Program*

Our formal Performance Review Program was launched in 2012, providing all full-time employees with a formal opportunity to meet with their manager to discuss their job performance, organizational priorities, and performance goals.

### *Employee recognition*

We aim to cultivate a motivational work environment where team members are recognized and rewarded for their accomplishments. The Golden Lion Award and the Leo Award are recognition programs that celebrate employees who exemplify our Core Values and demonstrate outstanding behavior. In 2014, 120 employees from different departments were awarded the Golden Lion Award and 2,481 employees were awarded the Leo Award.

### *Employee Communication and Engagement*

We believe that effective, two-way communication and engagement promotes a respectful workplace environment that proactively helps resolve issues, enhance staff commitment, loyalty and retention, and reduce turnover.

Significant efforts have been made to communicate to and engage staff in a variety of ways. Our employee communication channels include but are not limited to: hotlines, email announcements, posters, leaflets, notice boards, departmental internal meetings, daily briefings, employee opinion forms and our digital signage system.









# Sustainability

## *Commitment to our Communities*

*Creating a better Macau* is an ethos that we live and work by. As a proactive member of the Macau community, supporting and investing in its development is a cornerstone of our business. We mobilize our teams to reach out to the Macau community through our community programs to benefit those in our society who are less fortunate. By donating our time, talents, skills and resources to those in need, we hope to contribute to making Macau a better place to work, live and raise families.

We take great care and pride in our community programs, and have been recognized as pioneers in our approach.

## *Our Community Programs*

There are many ways in which we give back to the community including volunteering events, sponsorships and donations. Wherever possible, we favor a hands-on approach to community involvement, preferring to work side-by-side with members of our community. Whilst we seek to support the holistic needs of our local community to make it a better place for all, helping vulnerable groups and nurturing our youth are key focus areas of contribution.

In 2014, we held 37 different community activities donating over 5,100 hours to bettering our community.

### A Closer Look at Some of Our Community Initiatives

#### Community Care Campaign

In 2014, a total of 225 volunteers gave over 1,000 hours to our two-week Community Care Campaign. Some of the highlights of the campaign include:

- Organizing the opportunity for 10 elderly couples from Centro de Dia “Brilho da Vida”, that have been married for more than 50 years, to take their very first set of wedding photos at the Grande Praça of MGM MACAU;
- Providing a haircutting service for over 100 elderly from Centro de Dia “Brilho da Vida” and Centro Comunitário de Mong Ha;
- Holding a mini World Cup with the youth from Jardins Dom Versiglia;
- Refurbishing the wall of the dormitory and facilities in S. José Ká-Hó Children and Youth Home; and
- Organizing a summer BBQ for the children from “Helen Liang Children’s Home”.

#### A Day with MGM

Every year we invite local students, aged 13-17 years, to spend a day working at MGM MACAU to help them to broaden their horizons by experiencing a professional environment. In 2014, we welcomed 78 students from different local schools to our property to see what goes on behind the scenes at MGM MACAU.

## A Closer Look at Some of Our Community Initiatives

### Golden Lion Summer Camp

For the third year in a row, we appointed Hong Kong's Young Men's Christian Association ("YMCA") to organize the 3-day Golden Lion Summer Camp for 80 local students. In the spirit of fun and comradery, the camp aims to help develop self-confidence, communications skills, creative thinking and problem solving skills through a range of outdoor activities.

### 2014 Macau Outstanding Teenagers Award

For the third time, in 2014 we partnered with the Macau Social Welfare Bureau and the YMCA of Macau to sponsor the 2014 *Macau Outstanding Teenagers Award*. The Award aims to recognize local teenagers who have gone above and beyond in three categories: personal achievements, personal endeavors, and social participation. The campaign hopes to inspire others to contribute to creating a caring and harmonious community.

### *Volunteer Team*

Established in 2010, our Volunteer Team now has over 400 members. Through our Volunteer Team, we organize a range of events throughout the year such as spring cleaning for the elderly, organizing food drives, and tree planting. We share news and pictures of the positive work done on the Community Canvas located at the staff entrance, as well as through our employee intranet.

### *Achievements and Recognition*

We are proud to report on the following achievements and recognition for our community involvement efforts in 2014:

- For the fourth consecutive year, we were awarded the *Outstanding Corporate for Volunteerism Award* from the Association for Social Service Volunteers of Macau. One of our team members also received the *Macau Top 10 Most Influential Volunteer Award* and three others received the Star Volunteer Award. Further, one of our team members received the *1st Runner-Up of Rainbow Life Volunteer of the Year Award* from the Youth Volunteers Association of Macau.
- As well as in 2013 and 2014 we were awarded the *Enterprise Community Care Award* by The Macao Chamber of Commerce.
- The Macau Trail Hiker initiative recognized us as the highest participating corporate with 192 of our team members joining the event.
- In 2014, we were recognized as a *Family-Friendly Employer* by the Women's General Association of Macau; one of three corporates, and the only gaming operator recognized by the award.
- In sponsorships, we raised MOP500,000 for Macao Daily News' *Walk for a Million* charity walk event.
- We raised a record MOP201,500 in donations for the *ORBIS Eye Care Week & Raffle 2014*, making us the top corporate donor in Macau for the ORBIS Raffle for the sixth consecutive year.



# Sustainability

## *Responsible Gaming*

We believe gaming should always be handled responsibly. That is why our Responsible Gaming Program extends to many aspects of our operations. 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 several years, MGM China has fully supported the *Annual Macau Responsible Gaming Week*, which is collectively organized by the Macau Social Welfare Bureau, the Macau Gaming Inspection and Coordination Bureau and the University of Macau's Institute for the Study of Commercial Gaming. All employees are encouraged to support its annual kick-off ceremony and conference.

Trained staff and representatives are on duty twenty-four hours daily who can offer assistance to players regarding problem gambling issues. Further, in line with Macau legislation, we have a Responsible Gaming Committee, which includes Table Games and Security Management staff. This team is 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 a professional counseling service for our employees and their families. We believe it is vital that assistance is made 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 put together a program of workshops, fun days and roadshows with Sheng Kung Hui to help bring awareness to the impact of problem gaming on the lives of our employees and their families. Responsible gaming is promoted to our guests through information kiosks and other communications throughout the casino.

## Environmental stewardship

### *Our Approach to Environmental Management*

As a developer, owner and operator of premium luxury casino resorts, we are aware of our impacts on the environment through our consumption of natural resources and generation of waste. Our dedication reaches further than compliance with the law, integrating environmental considerations into all operational practices from our supply chain, to our facilities management, to our guest rooms.

We believe an environmentally-responsible business is a better business that brings benefits not only to MGM China but also to the local community through our employees who are supported to adopt environmentally-responsible behavior at work and at home.

Our approach is defined by an ethos of continual improvement and we strive to find innovative ways to minimize our impacts on the environment through: i) the efficient use of resources, ii) green purchasing and iii) green building techniques.

### *Engaging our Employees on Environmental Management*

We proactively engage our employees in our efforts to manage our environmental impacts. Through our internal communication channels (e.g. noticeboards, intranet and email bulletins), we provide information on our environmental initiatives, as well as educational articles on environmental hot topic areas, to help build knowledge and understanding on the imperatives of environmental protection. Our employees are also encouraged to get involved in environmental volunteering activities, such as tree-planting, through our Volunteer Team.

Since we began a focus on sustainability, we have conducted various departmental employee workshops to brainstorm and share ideas on solving specific environmental issues, such as enhanced energy management. Our ultimate aim however is to reach and engage all employees across the full spectrum of environmental issues. To move our program to the next level and to make true, genuine long-term progress, we absolutely must leverage the ideas and enthusiasm of our 6,000 employees. How we engage and get feedback from our employees in the most effective way on our environmental management approach will be front and center of our plans going forward.

# Sustainability

## *Resource Efficiency and Conservation*

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

Our building management system ensures energy and water consumption is closely monitored and energy and water-intensive equipment is effectively calibrated and maintained. Management plans have been developed to enhance operational efficiency and training has been provided to the Facilities Management team.

We actively monitor and review our building's resource efficiency performance and provide regular reports to senior management, as well as the Committee. In addition, we closely monitor the electricity and water consumption of high-intensity areas, such as the kitchens and chiller plants, through the use of sub-meters.

In 2014, we implemented a data management system which allows us to access to real-time energy and water data in a central, web-based system. Through this system, analytical tools allow us to perform complex analyses to help us better understand our impacts and areas for improvement, as well as to enable us to produce automated reports for distribution.

## *Energy*

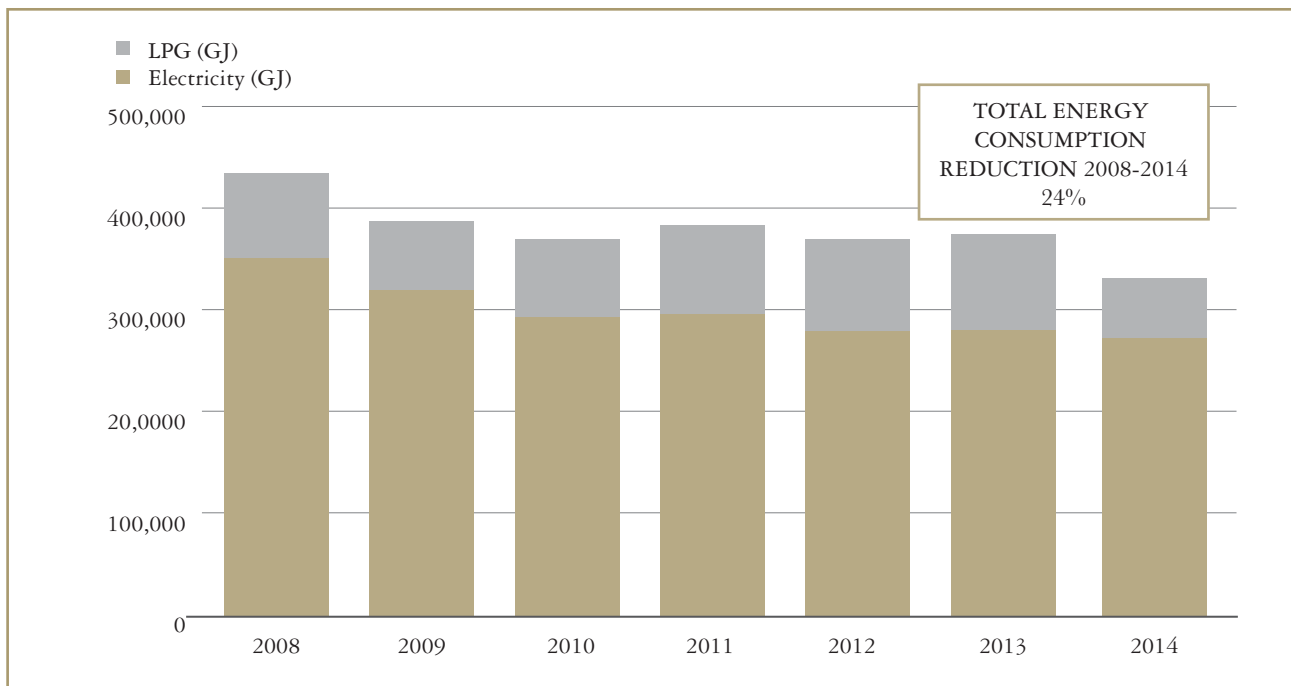
Our energy consumption includes 71% electricity and 29% Liquefied Petroleum Gas ("LPG"). Since 2008, we have reduced our total energy consumption by 24%, despite a growing business, thanks to energy saving initiatives in technical upgrades to our equipment, operational control strategies and enhanced information management.

Key energy reduction projects implemented in 2014 that have helped us to make these savings include:

- Hot water system optimization;
- Cooling tower low flow staging and optimization;
- InComm dynamic system control and DC fan-coil unit implementation;
- Fridge compressor control using the EndoCUBE system;
- T8-LED replacement for BOH offices; and
- Casino air handling unit control reconfiguration.



Figure 1: Absolute Energy Consumption (Electricity and LPG) 2008-2014



For the last three years, we have been recognized for our energy management approaches by the Macao Energy Saving Contest. Co-organized by Companhia de Electricidade de Macau (“CEM”), and the Energy Sector Development Office (“GDSE”), over a period of 6 months, the Contest puts residential groups, public building facilities groups, restaurant groups and hotel groups head-to-head to see who can save the highest percentage of energy. In 2012 and 2013, we were named *Hotels Group C Champion* for our total energy savings, and in 2012 and 2014, we were proud to have received the *Energy-saving Concept Prize Award*, which specifically recognizes our energy saving measures and management techniques.

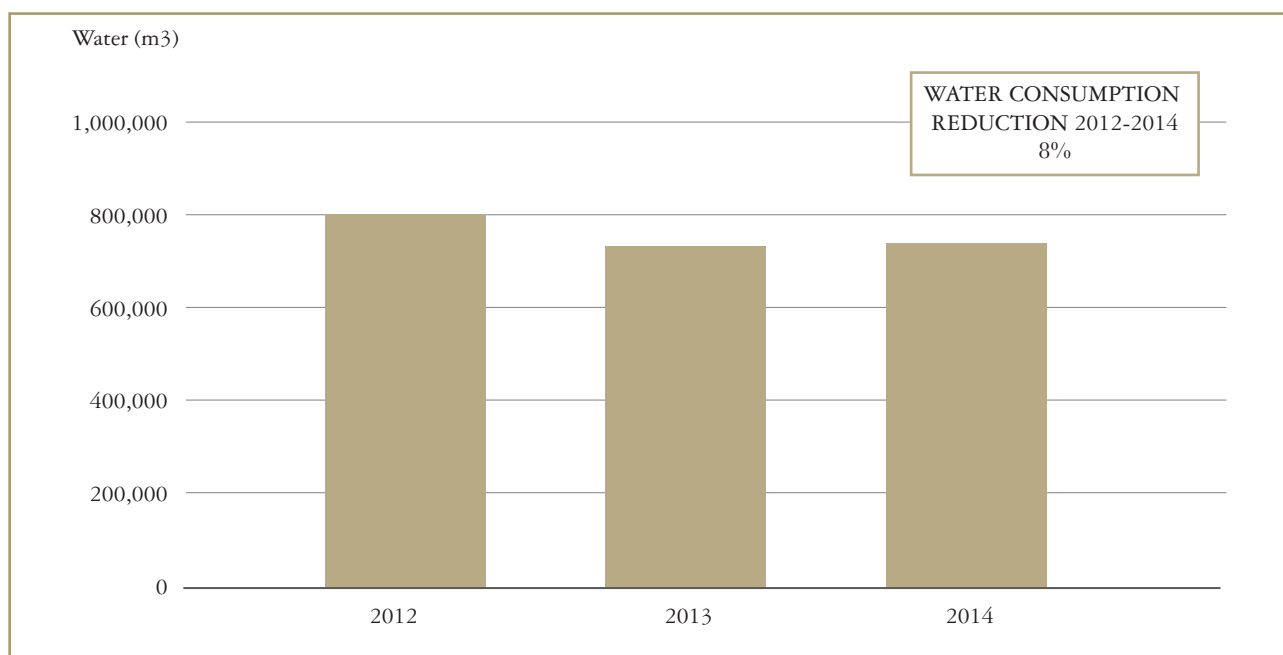
# Sustainability

## Water

In 2014, we continued to reduce our water usage in our hotel by upgrading our fixtures and fittings (e.g. shower heads and faucets) with low-flow alternatives. Towards the end of 2014, we implemented two significant water recycling projects that are helping us to now recycle the condensate from our air handling units, as well as the cooling tower bleed-off, to be reused in the toilets for flushing. We expect these initiatives to markedly reduce our water consumption going forward.

Whilst we have reduced our overall water consumption figures by 8% since 2012, our consumption increased by 2% last year, which can be partially explained by a 1% increase in guest nights. We have installed a metering system in our high-consumption areas, such as the kitchens, to help us to better measure and manage our consumption behaviors. Armed with the data from these meters, we will be conducting a water audit in next year to further identify opportunities for consumption reduction.

Figure 2: Absolute Water Consumption 2012-2014



## Waste management

In waste management, we refer to the 4 'Rs' of waste minimization to remind us of the actions we can take to prevent and minimize waste generation. These are:

1. *Reduce*: Actions taken before waste is generated to either reduce or completely prevent the generation of waste.
2. *Reuse*: Using an object or material again, either for its original purpose or for a similar purpose.
3. *Recycle*: Using waste as an input to manufacture a new product.
4. *Recovery*: After we have reduced, reused and recycled as much as possible, what is left can be used to generate heat and power.

## How We Put The 4 Rs into Practice

### Reduce

- Setting all of our printers' default setting to double-sided printing;
- Replacing water coolers with bottle-less, water filtration coolers;
- Choosing products for which refills are available;
- Using appropriate stock management to minimize the generation of expired products/consumables;
- Encouraging reduction of food waste via signage in our Employee Restaurant;
- Removing unnecessary disposable items such as paper cups, stirrers and straws; and
- Moving towards a paperless office.

### Reuse

- Using reusable containers, cutlery, stirrers and cups both FoH and BoH;
- Reusing packaging materials and office items (e.g. boxes, plastic bags, envelopes);
- Transferring fresh leftover food from our restaurants to our Employee Restaurant; and
- Reusing old bathroom and bedroom linens as cleaning materials.

### Recycle

- Providing recycling facilities in FOH food and beverage outlets for collecting plastic bottles, paper, waste oil, packaging and glass bottles;
- Providing BOH recycling bins for paper provided in our offices;
- Recycling ink and toner cartridges; and
- Donating old computers, electronic appliances, and furniture to charities or via lucky draws to employees.

### Recovery

- We are currently investigating technology that can help us achieve this aim e.g. using an anaerobic digester to break down and convert food waste into other useful materials.



# Sustainability

## Greening our Guest Rooms

This year we implemented several initiatives to help make our guest rooms greener.

### Donating Leftover Soap to Charity

Instead of throwing any leftover soap bars away, we now collect and donate all leftover guest soap to Clean The World (CTW), a charitable organization dedicated to providing hygiene products to people in need. After surplus soap is treated and sanitised, the soap is moulded and recycled into soap bars once again and distributed to causes in need in Macau and around Asia.

### Linen and Towel Re-Use

Many consumers today are conscious of their own environmental impacts, we therefore give our guests the option of not having their towels and linen refreshed if they do not see the need, further helping us to reach our water and energy reduction aims.

### LED Bulb Replacement

Energy efficient light bulbs such as the light-emitting diode (“LED”) use significantly less electricity than traditional bulbs, such as incandescent and T8 fluorescent lighting. Approximately 90% of our guest rooms are fitted with LED lighting and we will continue to replace the remaining.

Receiving feedback on how we’re performing is important to us. We welcome our guests to fill in our in-room comment card which asks our guests for feedback on what we can do to further reduce our environmental impact.

## *Indoor Environmental Quality*

Indoor environmental quality, or IEQ, encompasses aspects of building performance that impact on the health, comfort or well-being of the occupants, as well as aspects of performance that improve quality and functionality e.g. indoor air quality, hygiene, aesthetics, ergonomics, acoustics, lighting, and thermal comfort.

We ensure IEQ consideration through good design, construction, commissioning, and operating and maintenance practices. Regular monitoring and audits are carried out.

### *Green purchasing*

Wherever possible, we seek to favour procuring goods and services that cause minimal adverse environmental impacts. Examples of where we have procured environmentally-conscious alternatives include:

- 100% of our office paper is certified by the Forest Stewardship Council (“FSC”), meaning that our paper is made from responsibly-managed sources;
- We procure energy saving laptops and televisions;
- We have begun replacing our limo vehicles with hybrid vehicles;
- We purchase biodegradable laundry products that have less toxins; and
- We purchase dishwashers and glass washers that consume less water and energy.

### *Green building*

We incorporate green building techniques into our design, development and construction processes using industry-leading green building frameworks. We are currently incorporating best practice and innovative techniques into every step of the design and construction of MGM COTAI to ensure that it is not only luxurious, but also environmentally responsible.

# 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, 2014, the Company has complied with all 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

Under article 102(1) of the Articles of Association, the minimum number of Directors shall not be less than eleven and the maximum number shall not be more than fifteen.

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 12 to 17 of this annual report and on the Company's website.

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). As a result of Ms. Tommei Tong's resignation as independent non-executive Director, chairperson and member of the Audit Committee, member of the Nomination and Corporate Governance Committee and member of the Remuneration Committee on October 10, 2014, (i) the number of independent non-executive Directors fell below one-third of the Board as required under Rule 3.10A of the Listing Rules; (ii) the chairperson of the Audit Committee of the Company fell vacant under Rule 3.21 of the Listing Rules; and (iii) there was no independent non-executive Director on the Board and in the Audit Committee with appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10 and 3.21 of the Listing Rules for a period of approximately 6 weeks. Following the appointment of Mr. Russell Banham for the above referred vacancies on November 20, 2014, the Company is in compliance with Rules 3.10, 3.10A and 3.21 of the Listing Rules.



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, Professor Zhe Sun, Ms. Sze Wan Patricia Lam, Mr. Peter Man Kong Wong and Mr. Russell Francis Banham 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. The Hong Kong Stock Exchange confirmed to the Company on November 19, 2014 that Mr. Russell Francis Banham is independent to act as an independent non-executive Director of the Company and the Company can comply with C.3.2 of the Code of Corporate Governance if Mr. Russell Francis Banham acts as a member of the Company's Audit Committee.

### 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. The representation on the Board by the non-executive and independent non-executive Directors ensures that objective and independent judgment is exercised by the Board and enables their views to carry weight.

The Board's composition ensures experience in commercial, professional, financial, legal and gaming industry matters, 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 and skills in order to discharge its functions effectively and to enhance the quality of its deliberations and decisions. No single individual or group of individuals is able to dominate the decision-making process.

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

### *Chairpersons and Chief Executive Officer*

The Chairperson, Mr. James Joseph Murren, jointly with the Co-Chairperson, Ms. Pansy Catilina Chiu King Ho lead 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, 2014 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 other communication equipment in accordance with the 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 Articles of Association.

# Corporate Governance Report

## 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 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, seminars on topics including anti-corruption regulations applicable to the Group and the latest amendments to the Listing Rules were provided 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. The Directors are regularly informed by the Company Secretary of the availability of appropriate courses, conferences and seminars conducted by external professional bodies and they are encouraged to attend.

The training provided to the Directors are summarized in the following areas:

Directors	Corporate Governance	Legal and Regulatory	Business
<b>Executive Directors</b>			
Mr. James Joseph Murren	√	√	√
Ms. Pansy Catilina Chiu King Ho	√	√	√
Mr. Chen Yau Wong	√	√	√
Mr. William Joseph Hornbuckle	√	√	√
Mr. Grant R. Bowie	√	√	√
<b>Non-executive Directors</b>			
Mr. William M. Scott IV	√	√	√
Mr. Daniel J. D'Arrigo	√	√	√
Mr. Kenneth A. Rosevear	√	√	√
<b>Independent Non-executive Directors</b>			
Mr. Zhe Sun	√	√	√
Ms. Tommei Mei Kuen Tong (resigned on October 10, 2014)	√	√	√
Ms. Sze Wan Patricia Lam	√	√	√
Mr. Peter Man Kong Wong	√	√	√
Mr. Russell Francis Banham (appointed on November 20, 2014)	√	√	√

Mr. Russell Francis Banham also received training on Director's duties & responsibilities, Inside Information, Dealings in shares of the Company, Disclosure of interests in securities and Code of Takeovers and Mergers as part of his induction as a Director.

## Board Meetings

The Board held six meetings during the year ended December 31, 2014. 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, 2014 is summarized in the following table:

Name of Directors	Number of meetings attended/held <sup>a</sup>					Continuous Professional Development <sup>*</sup>
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination and Corporate Governance Committee Meeting	General Meeting	
EXECUTIVE DIRECTORS						
Mr. James Joseph Murren	6/6	—	—	—	1/1	√
Ms. Pansy Catilina Chiu King Ho	6/6	—	3/3	—	1/1	√
Mr. Chen Yau Wong	6/6	—	—	3/3	1/1	√
Mr. William Joseph Hornbuckle	6/6	—	3/3	—	1/1	√
Mr. Grant R. Bowie	6/6	—	—	—	1/1	√
NON-EXECUTIVE DIRECTORS						
Mr. William M. Scott IV	5/6	—	—	3/3	1/1	√
Mr. Daniel J. D'Arrigo (appointed as a member of the Audit Committee on April 1, 2014)	6/6	4/4	—	—	1/1	√
Mr. Kenneth A. Rosevear (retired as a member of the Audit Committee on April 1, 2014)	6/6	2/2	—	—	1/1	√
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Professor Zhe Sun	6/6	6/6	3/3	3/3	1/1	√
Ms. Tommei Mei Kuen Tong (resigned as a member of the Board on October 10, 2014)	4/5	4/5	2/2	2/2	1/1	√
Ms. Sze Wan Patricia Lam	5/6	—	2/3	2/3	1/1	√
Mr. Peter Man Kong Wong	5/6	6/6	3/3	3/3	1/1	√
Mr. Russell Francis Banham (appointed as a member of the Board on November 20, 2014)	1/1	1/1	1/1	—	—	√

<sup>#</sup> the number of meetings held during the year ended December 31, 2014 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



# Corporate Governance Report

## 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 matters for its own approval. These 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: Mr. Russell Francis Banham (Chairperson) (appointed on November 20, 2014, in replacement of Ms. Tommei Mei Kuen Tong), Professor Zhe Sun and Mr. Peter Man Kong Wong, all of whom are independent non-executive Directors, and Mr. Daniel D'Arrigo, (appointed on April 1, 2014, in replacement of Mr. Kenneth A. Rosevear), a non-executive Director. As a result of Ms. Tommei Tong's resignation as chairperson and member of the Audit Committee on October 10, 2014, until the appointment of Mr. Russell Banham for the above referred vacancies on November 20, 2014 the Audit Committee was comprised of two independent non-executive Directors and one non-executive Director, the chairperson of the Audit Committee of the Company fell vacant under Rule 3.21 of the Listing Rules, and there was no independent non-executive Director in the Audit Committee with appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10 and 3.21 of the Listing Rules for a period of approximately 6 weeks.

The Audit Committee held six meetings during the year ended December 31, 2014 supplemented by circulation of written resolutions of all Audit 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, 2014 by the Audit Committee included the following:

- the announcements relating to the Group's final results for the year ended December 31, 2013 and interim results for the six months ended June 30, 2014;
- 2013 annual and 2014 interim reports;

- significant accounting and audit matters arising in respect of the audit of the financial statements for the year ended December 31, 2013, the review of the financial statements for the six months ended June 30, 2014, the management letter prepared by the independent auditor and management's responses;
- declaration of the 2014 interim dividend;
- approval of internal audit plan;
- periodic reports from the Internal Audit Department and progress in resolving any matters identified therein and the progress of the 2014 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, 2014 presented by the 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 the Compliance Committee of MGM Grand Paradise on a quarterly basis;
- matters reported on the Company's integrity hotline and whistle-blowing initiatives;
- adequacy of resources, staff qualifications and experience, training programs and budget for the Group's accounting and financial reporting functions;
- assessment of internal controls over financial reporting of the Company relevant to compliance by MGM Resorts International with SOX;
- update of the annual caps for the years ended December 31, 2014, 2015 and 2016 applicable to certain existing continuing connected transactions agreements; and
- matters separately raised by the independent auditor and head of internal audit in sessions without the presence of management

# Corporate Governance Report

## *Remuneration Committee*

The Remuneration Committee is comprised of six members: Professor Zhe Sun (Chairperson), Ms. Sze Wan Patricia Lam, Mr. Peter Man Kong Wong and Mr. Russell Francis Banham (appointed on November 20, 2014 in replacement of Ms. Tommei Mei Kuen Tong), 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 Remuneration Committee held three meetings during the year ended December 31, 2014 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 the 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, 2014 by the Remuneration Committee included the following:

- Directors' remuneration for the financial year ended 2014 including the adjustment of independent non-executive Director's and Board Committees Chairpersons' fee (No Director took part in any discussion about his or her own remuneration);
- revision of remuneration guidelines;
- reorganization and senior management remuneration plan;
- 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;
- 2014 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, 2014 are set out in note 13 to the consolidated financial statements.

The remuneration of the members of senior management by band for the year ended December 31, 2014 is set out below:

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

#### *Nomination and Corporate Governance Committee*

The Nomination and Corporate Governance Committee is comprised of six members: Ms. Sze Wan Patricia Lam (Chairperson), Professor Zhe Sun, Mr. Peter Man Kong Wong and Mr. Russell Francis Banham (appointed on November 20, 2014 in replacement of Ms. Tommei Mei Kuen Tong who resigned on October 10, 2014), all of whom are independent non-executive Directors, Mr. William M. Scott IV, a non-executive Director and Mr. Chen Yau Wong, an executive Director. The Nomination and Corporate Governance Committee held three meetings during the year ended December 31, 2014 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, 2014 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 2014 annual general meeting and re-election of retiring Directors; and
- appointment of new independent non-executive Director and Chairperson of the Audit Committee



# Corporate Governance Report

## *Disclosure Committee*

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

The Disclosure Committee is delegated by the Board to assess the likely impact of any unexpected and significant event that may impact the Company's share price and/or share trading volume and to decide 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 under 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"), the terms of 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 Directors that they have complied with the required standard as set out in the Code during the period covered by this annual report.

## Financial Reporting

### *Directors' Responsibility*

The Board acknowledges its responsibility for preparing financial statements which will give a true and fair view of the state of affairs of the Company and of the Group. In presenting the interim and annual financial statements of the Company and the Group, the Directors have considered whether suitable accounting policies were applied consistently and that judgments and estimates 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. Management presents to the Board annual and interim business reviews and financial reports comparing the Group's actual performance with the budget and highlights major relevant matters to enable the Board 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, 2014, the remuneration paid and payable to the Company's external auditor, is set out below:

Type of Services	HK\$'000
Audit services	9,471
Non-audit services	305

### *Communication with Shareholders*

The Board recognizes the importance of maintaining clear, timely and effective communications with the Company's shareholders and potential investors. The Group is committed to ensuring the Shareholders and potential investors receive timely information through the publication of annual and interim reports, announcements, circulars and press releases. All Shareholders' communications are 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 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 Articles of Association were set out in the circulars to the Shareholders dated April 16, 2012 and November 6, 2012.

# Corporate Governance Report

## Internal Controls

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Shareholders' investment and the Group's assets. The Group conducts regular reviews of the internal control systems. 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 internal control systems are 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 control systems encompass policies and procedures aiming to:

- respond appropriately to significant business, operational, financial, compliance and other risks in a timely manner with a view to achieving the Group's 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 our 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 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 2014, no material internal control weakness that might have an adverse impact on the financial position or operations of the Group was identified.

In respect of the year ended December 31, 2014, the Board reviewed the scope and quality of management's ongoing monitoring of risks and of the internal control systems, the work of the internal audit function, and through the review and findings of the Audit Committee, considered that (i) the Group's internal control systems were effective and the Group had complied satisfactorily with the provisions on internal controls as set forth in the Corporate Governance Code; and (ii) the resources, staff qualifications and experience, training programs 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 Company Secretary 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, Edificio 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 Company Secretary 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 Company Secretary 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 Company Secretary, 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.



# Corporate Governance Report

## *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, available by telephone or internet, 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 the Group for the year ended December 31, 2014.

## 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 37 to the consolidated financial statements.

## Financial Results and Appropriations

The results of the Group for the year ended December 31, 2014 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 177 of this annual report.

## Dividends

On February 19, 2014, the Board declared a special dividend of HK\$1.02 per Share, amounting to approximately HK\$3,876.1 million in aggregate, which was paid to Shareholders on March 17, 2014.

On May 12, 2014, the Shareholders approved a final dividend of HK\$0.26 per Share, amounting to approximately HK\$988.0 million in aggregate for the year ended December 31, 2013, which was paid to Shareholders on June 3, 2014.

On August 5, 2014, the Board declared an interim dividend of HK\$0.28 per Share, amounting to approximately HK\$1,064.0 million in aggregate, which was paid to the Shareholders on September 1, 2014.

On February 17, 2015, the Board declared a special dividend of HK\$0.816 per Share (the "Special Dividend"), amounting to approximately HK\$3,100.8 million in aggregate, representing approximately 54.3% of the Group's profit attributable to owners of the Company for the year ended December 31, 2014. The Special Dividend is expected to be paid on or about March 19, 2015 (Thursday) to the Shareholders whose names appear on the register of members on March 10, 2015 (Tuesday).

In accordance with the dividend policy announced by the Company on February 28, 2013 the semi-annual dividends may not, in aggregate, exceed more than 35% of the anticipated consolidated annual profits in any one year. The Company may also declare special distributions from time to time in addition to the semi-annual dividends. The Board recommended a final dividend of HK\$0.245 per Share (the "Final Dividend"), amounting to approximately HK\$931.0 million in aggregate for the year ended December 31, 2014. This Final Dividend, together with the interim dividend of HK\$0.28 per Share, amounting to approximately HK\$1,064.0 million in aggregate for the six months ended June 30, 2014 declared on August 5, 2014, totalling approximately 35% of the Group's profit attributable to owners of the Company for the year ended December 31, 2014. 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 8, 2015 (Monday) to the Shareholders whose names appear on the register of members on May 27, 2015 (Wednesday).

# Report of the Directors

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 17, 2015, 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 dividend declarations 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 27 to the consolidated financial statements.

Except as disclosed in note 28 to the consolidated financial statements and the subsection headed "Share Option Scheme" in this report of the Directors, 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 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, 2014, the Company repurchased a total of 987,600 Shares at an aggregate purchase price of HK\$25.6 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 2014	227,500	31.55	30.95	7,147
June 2014	30,800	24.95	24.95	771
September 2014	664,300	24.60	24.25	16,297
December 2014	65,000	20.95	20.95	1,366

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, 2014 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.

Except 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, 2014, the Company's reserves available for distribution to Shareholders were as follows:

	2014 HK\$'000	2013 HK\$'000
Share premium	10,432,828	10,432,876
Retained earnings	860,289	1,166,035
	11,293,117	11,598,911

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.



# Report of the Directors

## Charitable Contributions

During the year ended December 31, 2014, the Group made charitable contributions totaling HK\$8.9 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, 2014.

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, 2014, purchases from our five largest suppliers accounted for less than 30% of the total purchases.

With the exception of MGM Resorts International, (which has an interest in MGM Branding) and Pansy Ho, (who has an indirect interest in Mandarin Oriental, Macau), none of our Directors, their 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 2014. None of our Directors, their 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 2014.

## 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  
Sze Wan Patricia Lam  
Peter Man Kong Wong  
Russell Francis Banham (appointed on November 20, 2014)  
Tommei Mei Kuen Tong (resigned on October 10, 2014)

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

Except as disclosed in note 36 to the consolidated financial statements on pages 172 to 174 of this annual report, there is no contract of significance in relation to the Group's business at the end of the year or at any time during the year ended December 31, 2014 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, 2014 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, 2014.

# Report of the Directors

Except 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, 2014.

## 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, 2014.

## 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, 2014, 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 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 <sup>(1)</sup>	—	662,661,200 <sup>(2)</sup>	1,042,661,200	27.44%
Grant R. Bowie	3,500,000 <sup>(3)</sup>	—	—	3,500,000	0.09%
Grant R. Bowie	3,200,000 <sup>(4)</sup>	—	—	3,200,000	0.08%

### (b) Long Position in the Shares of Associated Corporations — MGM Grand Paradise

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Shares held	Percentage of issued share capital
Pansy Ho	20,000 <sup>(5)</sup>	—	—	20,000	10.00%

(c) *Long Position in the Common Stocks and Underlying Shares of Associated Corporations — MGM Resorts International<sup>(6)</sup>*

Name of Director	Personal Interests	Family Interests	Corporate Interests	Number of Common Stocks and Underlying Shares held	Percentage of issued common stocks
James Joseph Murren	1,559,375 <sup>(7)</sup>	—	—	1,559,375	0.3174%
	65,625 <sup>(8)</sup>	—	—	65,625	0.0134%
	121,874 <sup>(9)</sup>	—	—	121,874	0.0248%
	997,211 <sup>(10)</sup>	—	—	997,211	0.2030%
	50,742 <sup>(11)</sup>	—	—	50,742	0.0103%
	—	175,329 <sup>(12)</sup>	—	175,329	0.0357%
William Joseph Hornbuckle	239,375 <sup>(13)</sup>	—	—	239,375	0.0487%
	28,125 <sup>(14)</sup>	—	—	28,125	0.0057%
	42,858 <sup>(15)</sup>	—	—	42,858	0.0087%
	338,106 <sup>(16)</sup>	—	—	338,106	0.0688%
	20,535 <sup>(17)</sup>	—	—	20,535	0.0042%
William M. Scott IV	242,187 <sup>(18)</sup>	—	—	242,187	0.0493%
	44,099 <sup>(19)</sup>	—	—	44,099	0.0090%
	13,164 <sup>(20)</sup>	—	—	13,164	0.0027%
	68,051 <sup>(21)</sup>	—	—	68,051	0.0139%
	8,044 <sup>(22)</sup>	—	—	8,044	0.0016%
Daniel J. D'Arrigo	363,000 <sup>(23)</sup>	—	—	363,000	0.0739%
	87,500 <sup>(24)</sup>	—	—	87,500	0.0178%
	27,895 <sup>(25)</sup>	—	—	27,895	0.0057%
	241,982 <sup>(26)</sup>	—	—	241,982	0.0493%
	32,820 <sup>(27)</sup>	—	—	32,820	0.0067%
Kenneth A. Rosevear	690,000 <sup>(28)</sup>	—	—	690,000	0.1404%
	65,625 <sup>(29)</sup>	—	—	65,625	0.0134%
	82,410 <sup>(30)</sup>	—	—	82,410	0.0168%
	10,477 <sup>(31)</sup>	—	—	10,477	0.0021%
	4,174 <sup>(32)</sup>	—	—	4,174	0.0008%



# Report of the Directors

(d) *Long Position in the Convertible Senior Notes of Associated Corporations — MGM Resorts International (the “Notes”)*<sup>(33)</sup>

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total
Pansy Ho	—	—	US\$300,000,000 <sup>(34)</sup>	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 28 to the consolidated financial statements.
- (4) This represents 3,200,000 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 28 to the consolidated financial statements.
- (5) 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.
- (6) 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.
- (7) This represents 1,559,375 vested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (8) This represents 65,625 unvested SARs in the common stock of MGM Resorts International granted to James Joseph Murren.
- (9) This represents 121,874 unvested RSUs in the common stock of MGM Resorts International held by James Joseph Murren.
- (10) This represents 623,257 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.
- (11) These represent the common stock of MGM Resorts International held by James Joseph Murren.
- (12) These represent the common stock of MGM Resorts International held by Spousal Limited Access Trusts.
- (13) This represents 239,375 vested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.

- (14) This represents 28,125 unvested SARs in the common stock of MGM Resorts International granted to William Joseph Hornbuckle.
- (15) This represents 42,858 unvested RSUs in the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (16) This represents 211,316 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.
- (17) These represent the common stock of MGM Resorts International held by William Joseph Hornbuckle.
- (18) This represents 242,187 vested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (19) This represents 44,099 unvested SARs in the common stock of MGM Resorts International granted to William M. Scott IV.
- (20) This represents 13,164 unvested RSUs in the common stock of MGM Resorts International held by William M. Scott IV.
- (21) This represents 42,532 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.
- (22) These represent the common stock of MGM Resorts International held by William M. Scott IV.
- (23) This represents 363,000 vested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (24) This represents 87,500 unvested SARs in the common stock of MGM Resorts International granted to Daniel J. D'Arrigo.
- (25) This represents 27,895 unvested RSUs in the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (26) This represents 151,239 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.
- (27) These represent the common stock of MGM Resorts International held by Daniel J. D'Arrigo.
- (28) This represents 690,000 vested employee stock options in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (29) This represents 65,625 vested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (30) This represents 82,410 unvested SARs in the common stock of MGM Resorts International granted to Kenneth A. Rosevear.
- (31) This represents 10,477 unvested RSUs in the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (32) These represent the common stock of MGM Resorts International held by Kenneth A. Rosevear.
- (33) 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.
- (34) Pansy Ho was deemed to be interested in the Notes by virtue of her indirect beneficial interests in the entity which acquired the Notes.

# Report of the Directors

Except as disclosed above, as at December 31, 2014, 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, 2014, 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 <sup>(1)</sup>	Interest of a controlled corporation	1,938,000,001	51.00%
MGM International, LLC <sup>(1)</sup>	Interest of a controlled corporation	1,938,000,001	51.00%
MGM Resorts International Holdings, Ltd. <sup>(1)</sup>	Direct interest	1,938,000,001	51.00%
Pansy Ho <sup>(2)</sup>	Direct interest	380,000,000	10.00%
	Interest of a controlled corporation	662,661,200	17.44%
Grand Paradise Macau Limited <sup>(2)</sup>	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.

Except as disclosed above, the Company had not been notified of any other corporation or person, who, as at December 31, 2014, 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, 2014, MGM Grand Paradise employed 6,101 full-time and part-time employees in Macau and Hong Kong.

The Group's remuneration philosophy is a market-based job compensation grading approach, 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.



# Report of the Directors

## 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 were 25% per year on each of the subsequent four anniversary dates of the date of grant. A summary of the movements of the outstanding options under the scheme during the year ended December 31, 2014 is as follows:

Directors, eligible employees and consultants	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2014	Number of share options			Outstanding at December 31, 2014
					Granted during the year	Exercised during the year	Forfeited during the year	
Grant R. Bowie	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	9,670,600	—	(790,100)	(227,700)	8,652,800
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.12	830,000	—	(125,000)	—	705,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.78	790,000	—	—	—	790,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.80	140,000	—	(60,000)	(40,000)	40,000
Employees	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	80,000	—	—	(80,000)	—
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.74	150,000	—	(12,500)	(37,500)	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.35	50,000	—	—	—	50,000
Employees	August 15, 2013	August 14, 2014 - August 15, 2023	22.65	80,000	—	—	(80,000)	—
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.25	750,000	—	—	—	750,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.25	—	700,000 <sup>(1)</sup>	—	—	700,000
Grant R. Bowie	June 3, 2014	June 2, 2015 - June 2, 2024	26.85	—	3,200,000 <sup>(2)</sup>	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.85	—	14,180,000 <sup>(2)</sup>	—	(325,000)	13,855,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.35	—	690,000 <sup>(3)</sup>	—	—	690,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.12	—	1,150,000 <sup>(4)</sup>	—	—	1,150,000
				16,915,600	19,920,000	(987,600)	(790,200)	35,057,800

Notes:

- (1) The closing price of the Shares immediately before the date of this grant was HK\$32.65 and the estimated weighted average fair value of share options granted on that date was HK\$11.66 per Share.
- (2) The closing price of the Shares immediately before the date of this grant was HK\$27.00 and the estimated weighted average fair value of share options granted on that date was HK\$8.05 per Share.
- (3) The closing price of the Shares immediately before the date of this grant was HK\$26.35 and the estimated weighted average fair value of share options granted on that date was HK\$9.81 per Share.
- (4) The closing price of the Shares immediately before the date of this grant was HK\$24.25 and the estimated weighted average fair value of share options granted on that date was HK\$8.27 per Share.

## Connected Transactions

During the year ended December 31, 2014, 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.

### *Continuing connected transactions*

*Continuing Connected Transactions exempt from circular and Shareholders' Approval Requirements under Rule 14A.76(2) of the Listing Rules*

#### *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. 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.

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.

# Report of the Directors

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 89) 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.31 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 factors including 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 factors including, (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.

For the year ended December 31, 2014, the aggregate total consideration paid to the MGM Group by our Group was HK\$22.2 million which fell within the annual cap of HK\$39.0 million for the calendar year of 2014 as disclosed in the announcement on the Renewal of Continuing Connected Transactions published at the Hong Kong Stock Exchange, dated December 24, 2013.

## 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. 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.

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.

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 89) 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.31 of the Listing Rules.



# Report of the Directors

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 factors including 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 factors including, (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.

For the year ended December 31, 2014, the aggregate total consideration paid to our Group by the MGM Group was HK\$1.2 million which fell within the annual cap of HK\$39.0 million for the calendar year of 2014 as disclosed in the announcement on the Renewal of Continuing Connected Transactions published at the Hong Kong Stock Exchange, dated December 24, 2013.

### 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. 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.

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 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 89) 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.31 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 factors including 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 factors including, (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.

No consideration had been paid by the Company under the Renewed BEH Marketing Agreement for the year ended December 31, 2014 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.

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.

# Report of the Directors

## 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. 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.

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.

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 China, Macau, Hong Kong and Taiwan 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 the expertise of MGM Resorts International and Grand Paradise Macau Limited (a company wholly-owned by Pansy Ho) 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.31 of the Listing Rules.

The development fees payable by the Group, 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 factors including 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 factors including, (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.

For the year ended December 31, 2014, the aggregate total consideration paid for services under the Renewed Development Agreement by the Group to the MGM Branding was HK\$80.54 million (equivalent to approximately US\$10.33 million) which fell within the annual cap of US\$26.62 million for the calendar year of 2014 as disclosed in the announcement on the Renewal of Continuing Connected Transactions published at the Hong Kong Stock Exchange, dated December 24, 2013.

## *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).



# Report of the Directors

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 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.

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.

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.31 of the Listing Rules.

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 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, were set out in the announcement of the Company dated December 24, 2013, 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

On June 30, 2014, the payments made since January 1, 2014 from the Group to the Shun Tak Group pursuant to the Renewed Master Service Agreement amounted to HK\$100,648,000 and, in view of the expected increase in the business volume and the expected increase in the room rate and amount of room purchases by the Company, the aggregate amounts payable by Company to Shun Tak Group under the Renewed Master Service Agreement for the remaining part of the financial year ended December 31, 2014 and for each of the financial years ended December 31, 2015 and 2016 were expected to be higher than the levels envisaged at the time of entering into the Renewed Master Service Agreement and, as such, the amounts of the original annual caps were considered to be insufficient.

The Company set out the revised 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, in the announcement dated July 31, 2014, 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	270,000,000	3,500,000
December 31, 2015	310,000,000	4,000,000
December 31, 2016	460,000,000	4,500,000

# Report of the Directors

The revised annual caps on amounts payable by the Company to 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 three years ended 31 December 2011, 2012 and 2013; (ii) the trend of the business volume with Shun Tak for 2014; (iii) the estimated quantity of ferry tickets sales and the volume of services in respect of travel agency services including accommodation and transportation, transportation services, laundry services, advertising services and property cleaning services which may be required by the Group during each of the three years ended December 31, 2014, 2015 and 2016; and (iv) 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 in respect of the payment from the Shun Tak Group to the Group for the continuing connected transactions under the Renewed Master Service Agreement set out in the announcement of the Company dated December 24, 2013 remained unchanged.

For the year ended December 31, 2014, the aggregate total consideration payable by the Group to the Shun Tak Group after the rebates for discounts on bulk purchases of ferry tickets was HK\$197.5 million which fell within the revised annual cap of HK\$270.0 million for the calendar year 2014 as disclosed in the announcement of our Company dated July 31, 2014 and the aggregate total consideration received by the Group from the Shun Tak Group was HK\$210.0 thousand which fell within the annual cap of HK\$3.5 million for the calendar year 2014 as disclosed in the announcement of our Company dated December 24, 2013.

Our Company's continuing connected transactions with Shun Tak fall under Rule 14A.76(2) of the Listing Rules which are exempt from circular and Shareholders' approval requirements. Our Company will comply with the reporting and announcement requirements set out in Rules 14A.49, 14A.35 and 14A.68, the annual review requirements set out in Rules 14A.55 to 14A.59, 14A.71 and 14A.72 and the requirements set out in Rules 14A.34, 14A.50 to 14A.54 and 14A.68(4) of the Listing Rules.

## 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 a 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.31 of the Listing Rules.



# Report of the Directors

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\$)
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, 2014 since there were no goods or services provided from the parties 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.

*Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements under Rule 14A.35, 14A.60 and 14A.68 of the Listing Rules*

## 7. 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.31 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 was subject to an annual cap of US\$30 million for the calendar year 2012. This annual cap increases 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, 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

# Report of the Directors

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

Note: The above assumes, for illustrative purposes, that the additional property opens in 2016 and has the right to use the Subject Marks for approximately five years under the initial term.

The Branding Agreement shall remain in effect for a term of approximately nine years commencing 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, 2014 amounted to HK\$335.0 million (equivalent to approximately US\$43.2 million) which was within the annual cap of US\$43.2 million for the calendar year of 2014 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.

Except 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 36 to the consolidated financial statements.

Pursuant to Rule 14A.56 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.56 of the Listing Rules, and reported to the Board and confirmed that for the year ended December 31, 2014:

- (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 85 to 99 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 previous announcements dated December 24, 2013 and July 21, 2014 made by the Company in respect of each of the disclosed continuing connected transactions.

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 36 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, 2014 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 favorable 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.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.



# Report of the Directors

## 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, February 17, 2015

# Independent Auditor's Report



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 176, which comprise the consolidated and Company statements of financial position as at December 31, 2014 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, 2014 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 17, 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
OPERATING REVENUE			
Casino revenue	5	25,137,933	25,412,367
Other revenue	6	316,363	315,146
		25,454,296	25,727,513
OPERATING COSTS AND EXPENSES			
Special gaming tax and special levies to the Macau Government	8	(13,002,885)	(13,654,092)
Inventories consumed		(386,698)	(359,900)
Staff costs		(1,943,886)	(1,695,803)
Other expenses and losses	9	(3,552,509)	(3,706,416)
Depreciation and amortization		(799,598)	(767,670)
		(19,685,576)	(20,183,881)
Operating profit		5,768,720	5,543,632
Interest income		12,640	24,529
Finance costs	10	(37,893)	(213,903)
Net foreign currency loss		(20,725)	(5,779)
Profit before taxation		5,722,742	5,348,479
Taxation	11	(15,799)	(14,951)
Profit for the year and total comprehensive income attributable to owners of the Company	12	5,706,943	5,333,528
Earnings per Share — basic and diluted	15	HK\$1.50	HK\$1.40

# Consolidated Statement of Financial Position

At December 31, 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment	17	4,046,370	4,380,930
Construction in progress	17	5,487,615	2,333,003
Sub-concession premium	18	666,100	793,000
Land use right premium	19	1,399,355	1,468,761
Other assets	20	16,241	12,464
Prepayments and deposits	23	304,186	399,718
		11,919,867	9,387,876
<b>CURRENT ASSETS</b>			
Inventories	21	110,407	98,610
Trade receivables	22	427,573	577,244
Prepayments, deposits and other receivables	23	67,318	68,560
Land use right premium	19	69,406	69,406
Amounts due from related companies	36(a)(i)	1,087	987
Bank balances and cash	24	4,232,187	7,884,805
		4,907,978	8,699,612
<b>CURRENT LIABILITIES</b>			
Payables and accrued charges	25	5,579,218	6,721,192
Land use right payable	19	203,857	194,034
Construction retention payable		40,346	30,066
Amounts due to related companies	36(a)(ii)	17,414	12,879
Taxation payable		16,083	15,236
		5,856,918	6,973,407
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(948,940)</b>	<b>1,726,205</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,970,927</b>	<b>11,114,081</b>



	NOTES	2014 HK\$'000	2013 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	26	4,118,182	4,049,217
Payables and accrued charges	25	2,040	—
Land use right payable	19	325,299	529,156
Construction retention payable		183,883	32,250
		4,629,404	4,610,623
<b>NET ASSETS</b>			
		6,341,523	6,503,458
<b>CAPITAL AND RESERVES</b>			
Share capital	27(a)	3,800,000	3,800,000
Share premium and reserves	27(b)	2,541,523	2,703,458
<b>SHAREHOLDERS' FUNDS</b>			
		6,341,523	6,503,458

The consolidated financial statements on pages 103 to 176 were approved and authorized for issue by the Board of Directors on February 17, 2015 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, 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment	17	135	506
Investment in subsidiaries	16	14,508,102	14,438,398
		14,508,237	14,438,904
<b>CURRENT ASSETS</b>			
Prepayments		48	3,903
Dividends receivable		1,067,906	1,341,433
Bank balances and cash	24	26,684	35,679
		1,094,638	1,381,015
<b>CURRENT LIABILITIES</b>			
Accrued charges	25	4,484	2,598
Amounts due to subsidiaries	36(a)(iii)	184,821	157,811
		189,305	160,409
<b>NET CURRENT ASSETS</b>		<b>905,333</b>	<b>1,220,606</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>15,413,570</b>	<b>15,659,510</b>
<b>NET ASSETS</b>		<b>15,413,570</b>	<b>15,659,510</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	27(a)	3,800,000	3,800,000
Share premium and reserves	27(b)(iii)	11,613,570	11,859,510
<b>SHAREHOLDERS' FUNDS</b>		<b>15,413,570</b>	<b>15,659,510</b>

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

		Share capital	Share premium	Capital redemption reserve	Share option reserve	Equity reserve	Other reserves	Retained earnings	Share premium and reserves total	Shareholders' funds total
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					Note 27(b)(ii)	Note 27(b)(iii)				
At 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	28	2,704	63,817	—	(24,536)	—	—	39,281	41,985	
Share repurchase and cancellation										
— repurchases of Shares	27(b)(i)	(2,704)	(65,134)	—	—	—	—	(65,134)	(67,838)	
— transfer	27(b)(i)	—	—	2,704	—	—	(2,704)	—	—	
Forfeiture of share options	28	—	—	—	(1,458)	—	1,458	—	—	
Recognition of share-based payments	28	—	—	—	34,462	—	—	34,462	34,462	
Dividends paid	14	—	—	—	—	—	(4,750,000)	(4,750,000)	(4,750,000)	
At December 31, 2013 and January 1, 2014	3,800,000	10,432,876	2,704	125,895	293,725	(13,133,305)	4,981,563	2,703,458	6,503,458	
Profit for the year and total comprehensive income	—	—	—	—	—	—	5,706,943	5,706,943	5,706,943	
Exercise of share options	28	988	24,545	—	(10,340)	—	—	14,205	15,193	
Share repurchase and cancellation										
— repurchases of Shares	27(b)(i)	(988)	(24,593)	—	—	—	—	(24,593)	(25,581)	
— transfer	27(b)(i)	—	—	988	—	—	(988)	—	—	
Forfeiture of share options	28	—	—	—	(498)	—	498	—	—	
Recognition of share-based payments	28	—	—	—	69,704	—	—	69,704	69,704	
Dividends paid	14	—	—	—	—	—	(5,928,194)	(5,928,194)	(5,928,194)	
At December 31, 2014	3,800,000	10,432,828	3,692	184,761	293,725	(13,133,305)	4,759,822	2,541,523	6,341,523	

# Consolidated Statement of Cash Flows

For the year ended December 31, 2014

	2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	5,722,742	5,348,479
Adjustments for:		
Depreciation and amortization	799,598	767,670
Interest expense	30,979	207,578
Loss on disposal/write-off of property and equipment and construction in progress	11,581	3,027
Interest income	(12,640)	(24,529)
Allowance/(reversal of allowance) for doubtful debts, net	98,232	(55,396)
Share-based payments	69,704	34,462
Operating cash flows before movements in working capital	6,720,196	6,281,291
Increase in inventories	(11,797)	(12,665)
Decrease/(increase) in trade receivables	51,439	(42,859)
Decrease/(increase) in prepayments, deposits and other receivables	4,257	(44,394)
Increase in amounts due from related companies	(100)	(642)
(Decrease)/increase in payables and accrued charges	(1,568,056)	1,331,242
Increase in amounts due to related companies	4,535	5,605
Cash generated from operations	5,200,474	7,517,578
Tax paid	(14,952)	(14,951)
Interest received	13,524	25,463
NET CASH GENERATED BY OPERATING ACTIVITIES	5,199,046	7,528,090
INVESTING ACTIVITIES		
Purchase of property and equipment	(211,747)	(130,016)
Proceeds from disposal of property and equipment and other assets	5,360	1,594
Payments for construction in progress	(2,302,190)	(1,681,599)
Payments of developers' fee capitalized to construction in progress	—	(118,030)
Payment for land use right premium	(227,798)	(115,156)
Purchase of other assets	(12,106)	(9,091)
NET CASH USED IN INVESTING ACTIVITIES	(2,748,481)	(2,052,298)

	2014 HK\$'000	2013 HK\$'000
FINANCING ACTIVITIES		
Interest paid	(166,013)	(196,497)
Dividends paid	(5,928,194)	(4,750,000)
Proceeds from exercise of share options	16,605	41,985
Payments on repurchase of Shares	(25,581)	(67,837)
NET CASH USED IN FINANCING ACTIVITIES	(6,103,183)	(4,972,349)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,652,618)	503,443
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7,884,805	7,381,362
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	4,232,187	7,884,805



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 1. General

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

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also 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:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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)*

### IFRSs in issue not yet adopted

Up to the date of this report, certain new standards and amendments 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 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>6</sup>
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>6</sup>
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants <sup>6</sup>
Amendments to IAS 27	Equity Method in Separate Financial Statements <sup>6</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle <sup>3</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle <sup>6</sup>
Amendments to IAS 1	Disclosure Initiative <sup>6</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception <sup>6</sup>
IFRS 9	Financial Instruments <sup>2</sup>
IFRS 14	Regulatory Deferral Accounts <sup>4</sup>
IFRS 15	Revenue from Contracts with Customers <sup>5</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2018

<sup>3</sup> Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

<sup>4</sup> Effective for first annual IFRS financial statements beginning on or after January 1, 2016

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2017

<sup>6</sup> Effective for annual periods beginning on or after January 1, 2016

The Directors of the Company anticipate that the application of the above standards and amendments will have no material impact on the financial performance and financial position of the Group and the Company.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 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 consolidated financial statements have been prepared on a going concern basis. As at December 31, 2014, the Group had net current liabilities of approximately HK\$948.9 million mainly as a result of funding non-current capital expenditure out of cash from operations. As described in note 26, the Group has credit facilities comprising a HK\$4,290 million term loan and a HK\$11,310 million of the revolving credit facility. As described in note 31, the full amount of HK\$11,310 million revolving credit facility was undrawn and is available to enable the Group, with cash and cash equivalents and cash from operations, to meet its financial obligations as they fall due for the following twelve months. Should the Group draw down on the revolving credit facility, any such amounts will not be required to be repaid until October 2017.

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.

### 3. Significant Accounting Policies *(Continued)*

#### Basis of consolidation *(Continued)*

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.

#### 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 3. Significant Accounting Policies *(Continued)*

### 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 construction in progress, art works and paintings), are stated in the statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

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 construction in progress, 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.



### 3. Significant Accounting Policies *(Continued)*

#### Impairment of tangible and intangible assets (other than financial assets) *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal 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.

#### 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 3. Significant Accounting Policies *(Continued)*

### Taxation *(Continued)*

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.

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.

### 3. Significant Accounting Policies *(Continued)*

#### 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.

#### *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 and 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 3. Significant Accounting Policies *(Continued)*

### Financial instruments *(Continued)*

#### *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.

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.

### 3. Significant Accounting Policies *(Continued)*

#### Financial instruments *(Continued)*

##### *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 for debt instrument.

##### *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.

##### *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 recognized 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.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 3. Significant Accounting Policies *(Continued)*

### Financial instruments *(Continued)*

#### *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, 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.

#### 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.

### 3. Significant Accounting Policies *(Continued)*

#### 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.

##### *Group as a lessee*

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.

##### *Group as a lessor*

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 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, 2014, is HK\$4.0 billion (2013: HK\$4.3 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 a small number of gaming promoters, 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 these gaming promoters, it would have a material effect to the carrying amount of trade receivables.

As at December 31, 2014, the carrying amount of trade receivables is HK\$427.6 million (2013: HK\$577.2 million), net of allowance for doubtful debts of HK\$104.8 million (2013: HK\$33.7 million), respectively.

#### 5. Casino Revenue

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

	2014 HK\$'000	2013 HK\$'000
Casino revenue from		
— VIP gaming operations	13,509,694	15,995,647
— Main floor table gaming operations	9,596,668	7,162,671
— Slot machine operations	2,031,571	2,254,049
	25,137,933	25,412,367

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 6. Other Revenue

Other revenue comprises:

	2014 HK\$'000	2013 HK\$'000
Hotel rooms	42,112	45,364
Food and beverages	227,537	220,222
Retail goods and other services	46,714	49,560
	316,363	315,146

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:

	2014 HK\$'000	2013 HK\$'000
Hotel rooms	457,510	406,502
Food and beverages	373,234	368,604
Retail goods and other services	12,744	20,919
	843,488	796,025

## 7. Segment Information

The Group currently operates in one operating segment which is the ownership and 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. Accordingly, the Group does not present separate segment information.

During the current and prior years, all revenue is derived from customers patronising the Group’s Macau property. None of the customers of the Group individually contributed more than 10% of the total revenue during the current and prior years.



## 8. Special Gaming Tax and Special Levies to the Macau Government

According to the Sub-Concession Contract as described in note 18, MGM Grand Paradise, a controlled entity, 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 of 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 paid 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. Other Expenses and Losses

Other expenses and losses comprise:

	2014 HK\$'000	2013 HK\$'000
Junket commission	1,798,661	2,160,594
Advertising and promotion	783,705	775,472
License fees	335,010	279,302
Utilities and fuel	111,449	120,898
Other support services	107,398	71,564
Allowance/(reversal of allowance) for doubtful debts, net	98,232	(55,396)
Repairs and maintenance	83,593	79,964
Loss on disposal/write-off of property and equipment and construction in progress	11,581	3,027
Other	222,880	270,991
	3,552,509	3,706,416

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 10. Finance Costs

	2014 HK\$'000	2013 HK\$'000
Interest paid/payable on:		
Bank borrowings wholly repayable within five years	163,486	184,959
Land use right payable wholly repayable within four years	28,913	38,497
Amortization of debt finance costs on bank borrowings wholly repayable within five years	68,965	66,199
Bank fees and charges	6,914	6,325
Total borrowing costs	268,278	295,980
Less: capitalized interest allocated to construction in progress	(230,385)	(82,077)
	37,893	213,903

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 year amounting to HK\$28.9 million was capitalized in construction in progress as at December 31, 2014 (2013: HK\$38.5 million).

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) was capitalized into construction in progress during the year by applying a capitalization rate of 5.64% (2013: 4.10%) per annum to expenditure on qualifying assets.

## 11. Taxation

	2014 HK\$'000	2013 HK\$'000
Current taxation expense:		
Macau dividend withholding tax	(14,951)	(14,951)
Hong Kong Profit Tax	(848)	—
	(15,799)	(14,951)

Macau Complementary Tax is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the current and prior years. Pursuant to the approval notice 267/2011 issued by the Macau Government dated September 22, 2011, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for income generated from gaming operations for another 5 years from 2012 to 2016. Accordingly, no liability for Macau Complementary Tax has been recognized by the Group for the years ended December 31, 2014 and 2013.

MGM Grand Paradise's exemption from Macau Complementary Tax does not apply to dividends to be distributed by MGM Grand Paradise. 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 required 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 in lieu of Macau Complementary Tax otherwise payable by the shareholders of MGM Grand Paradise on dividend distributions received by them from gaming profit.

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit for the current and prior years. No provision for Hong Kong Profit Tax has been recognized for year ended December 31, 2013 since the Company's subsidiary did not have estimated assessable profit after netting off available taxation losses brought forward in Hong Kong.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 11. Taxation (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	5,722,742	5,348,479
Tax at applicable income tax rate of 12%	(686,729)	(641,817)
Effect of tax exemption granted to MGM Grand Paradise	858,274	817,072
Effect of tax losses not recognized	(146,852)	(166,793)
Effect of expenses not deductible for tax purposes	(10,359)	(4,740)
Effect of utilization of tax losses previously not recognized	—	484
Effect of utilization of deductible temporary differences previously not recognized	—	10,997
Effect of deductible temporary differences not recognized	(13,702)	(14,197)
Lump sum dividend tax	(14,951)	(14,951)
Others	(1,480)	(1,006)
	(15,799)	(14,951)

As at December 31, 2014, the Group has total unused tax losses (subject to agreement by the relevant tax authorities of Macau and Hong Kong) amounting to approximately HK\$3,864.8 million, of which approximately HK\$1,211.2 million, HK\$1,411.3 million and HK\$1,202.5 million arose from tax losses in Macau in the years of assessment ended December 31, 2014, 2013 and 2012 respectively (2013: total unused tax losses amounting to approximately HK\$3,594.8 million, of which approximately HK\$1,379.6 million, HK\$1,202.5 million and HK\$977.7 million arose from tax losses in Macau in the years of assessment ended December 31, 2013, 2012 and 2011 respectively). The Macau tax losses of approximately HK\$3,825.0 million in aggregate will expire in the years ended December 31, 2017, 2016 and 2015 (2013: approximately HK\$3,559.8 million Macau tax losses in aggregate will expire or had expired in the years ended December 31, 2016, 2015 and 2014). As at December 31, 2014, the Group has other unused tax losses of approximately HK\$39.8 million in Hong Kong (2013: approximately HK\$35.0 million), which may be carried forward indefinitely.

As at December 31, 2014, the Group also has a deductible temporary difference of approximately HK\$1,139.7 million (2013: approximately HK\$1,025.5 million) arising from pre-opening expenses and decelerated tax depreciation.

No deferred tax assets have been recognized as it may not be probable that taxable profits will be available against which unutilized tax losses and deductible temporary differences can be utilized.

## 12. Profit for the Year

	2014 HK\$'000	2013 HK\$'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	39,255	29,565
Retirement benefits scheme contributions for other staff	37,651	33,908
Share-based payments for other staff	53,892	25,846
Salaries and other benefits for other staff	1,813,088	1,606,484
	1,943,886	1,695,803
Amortization in respect of:		
— sub-concession premium	126,900	126,900
— land use right premium	19,246	19,246
— other assets	15,341	12,207
Depreciation of property and equipment	638,111	609,317
	799,598	767,670
Loss on disposal/write-off of property and equipment and construction in progress	11,581	3,027
Operating lease rentals in respect of:		
— equipment	14,681	14,287
— warehouse	7,101	7,410
— leasehold land	4,936	4,890
— office premises	4,135	4,039
Auditor's remuneration	9,471	8,576



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 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 <sup>(1)</sup> HK\$'000	Total HK\$'000
Year ended December 31, 2014						
<i>Executive Directors:</i>						
James Joseph Murren	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	—	11,659	1,117	13,208	11,231	37,215
<i>Non-executive Directors:</i>						
William M. Scott IV	—	—	—	—	—	—
Daniel J. D'Arrigo	—	—	—	—	—	—
Kenneth A. Rosevear	—	—	—	—	—	—
<i>Independent Non-executive Directors:</i>						
Zhe Sun	516	—	—	—	—	516
Tommei Mei Kuen Tong <sup>(2)</sup>	452	—	—	—	—	452
Sze Wan Patricia Lam	516	—	—	—	—	516
Peter Man Kong Wong	476	—	—	—	—	476
Russell Francis Banham <sup>(3)</sup>	80	—	—	—	—	80
Total emoluments	2,040	11,659	1,117	13,208	11,231	39,255

### 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 <sup>(1)</sup> HK\$'000	Total HK\$'000
Year ended December 31, 2013						
<i>Executive Directors:</i>						
James Joseph Murren	—	—	—	—	—	—
Pansy Ho	—	—	—	—	—	—
Chen Yau Wong	—	—	—	—	—	—
William Joseph Hornbuckle	—	—	—	—	—	—
<i>Executive Director and Chief Executive:</i>						
Grant R. Bowie	—	10,585	1,008	6,448	9,540	27,581
<i>Non-executive Directors:</i>						
William M. Scott IV	—	—	—	—	—	—
Daniel J. D'Arrigo	—	—	—	—	—	—
Kenneth A. Rosevear	—	—	—	—	—	—
<i>Independent Non-executive Directors:</i>						
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

Note:

- (1) The discretionary and performance related incentive payments are determined based on the Group's performance and the individual's contribution to the Group.
- (2) Tommei Mei Kuen Tong resigned as an independent non-executive Director effective from October 10, 2014.
- (3) Russell Francis Banham was appointed as an independent non-executive Director effective from November 20, 2014.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

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

None of the Directors and the chief executive has waived any emoluments during the years ended December 31, 2014 and 2013.

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, 2014 and 2013.

Of the five individuals with the highest emoluments in the Group, one (2013: 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 (2013: four) individuals were as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other benefits	17,697	17,461
Contributions to retirement benefits scheme	382	165
Share-based payments	16,862	10,975
Discretionary and performance related incentive payments (Note)	6,341	6,621
	41,282	35,222

Their emoluments were within the following bands:

	2014 No. of employees	2013 No. of employees
HK\$6,500,001 to HK\$7,000,000	—	1
HK\$7,500,001 to HK\$8,000,000	—	1
HK\$8,500,001 to HK\$9,000,000	1	—
HK\$9,000,001 to HK\$9,500,000	1	—
HK\$9,500,001 to HK\$10,000,000	—	1
HK\$10,000,001 to HK\$10,500,000	1	—
HK\$10,500,001 to HK\$11,000,000	—	1
HK\$13,000,001 to HK\$13,500,000	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, 2014 and 2013.

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

## 14. Dividends

On February 20, 2013, a special dividend of HK\$1.02 per Share, amounting to approximately HK\$3,873.8 million in aggregate was declared by the Directors of the Company. This dividend was 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. This dividend was paid to Shareholders on September 2, 2013.

On February 19, 2014, a special dividend of HK\$1.02 per Share, amounting to approximately HK\$3,876.1 million in aggregate was declared by the Directors of the Company. This dividend was paid to Shareholders on March 17, 2014.

On May 12, 2014, a final dividend of HK\$0.26 per Share, amounting to approximately HK\$988.0 million in aggregate for the year ended December 31, 2013 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 3, 2014.

On August 5, 2014, an interim dividend of HK\$0.28 per Share, amounting to approximately HK\$1,064.0 million in aggregate was declared by the Directors of the Company. This dividend was paid to Shareholders on September 1, 2014.

On February 17, 2015, a special dividend of HK\$0.816 per Share, amounting to approximately HK\$3,100.8 million in aggregate, was declared by the Directors of the Company, and a final dividend of HK\$0.245 per Share, amounting to approximately HK\$931.0 million in aggregate for the year ended December 31, 2014, 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 15. Earnings Per Share

The calculation of the basic earnings per Share for the years ended December 31, 2014 and 2013 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 years ended December 31, 2014 and 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 assumed exercise of share options (see note 28).

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

	2014 HK\$'000	2013 HK\$'000
<b>Profit</b>		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per Share	5,706,943	5,333,528
<b>Weighted average number of shares</b>		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	3,800,087	3,800,107
Number of dilutive potential Shares arising from exercise of share options ('000)	5,868	4,338
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	3,805,955	3,804,445
Earnings per Share — basic and diluted	HK\$1.50	HK\$1.40



## 16. Investment in Subsidiaries

	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	14,286,509	14,286,509
Deemed capital contribution arising from share-based payments	221,593	151,889
	14,508,102	14,438,398

Details of the Company's subsidiaries as at December 31, 2014 are set out in note 37.

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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 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
<b>COST</b>										
At 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 and January 1, 2014	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
Additions	—	106,311	55,078	43,051	20,923	1,102	5,437	231,902	3,248,188	3,480,090
Transfers	—	69,190	10,725	1,687	4,366	72	—	86,040	(86,040)	—
Reclassification	2,083	593	(5,892)	3,137	71	8	—	—	—	—
Adjustment upon finalization of costs	47	(1,103)	(1,025)	(73)	(169)	—	—	(2,323)	(409)	(2,732)
Disposal/write-off	(4,176)	(20,377)	(59,705)	(58,426)	(57,271)	(874)	(7,459)	(208,288)	(7,127)	(215,415)
At December 31, 2014	5,048,410	1,722,473	526,537	354,246	236,762	65,630	10,794	7,964,852	5,487,615	13,452,467
<b>DEPRECIATION</b>										
At 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 and January 1, 2014	(1,539,786)	(1,029,897)	(438,467)	(268,964)	(190,606)	—	(8,871)	(3,476,591)	—	(3,476,591)
Eliminated on disposal/write-off	1,214	15,748	58,775	56,679	56,345	—	7,459	196,220	—	196,220
Charge for the year	(303,095)	(217,414)	(36,012)	(42,006)	(37,883)	—	(1,701)	(638,111)	—	(638,111)
At December 31, 2014	(1,841,667)	(1,231,563)	(415,704)	(254,291)	(172,144)	—	(3,113)	(3,918,482)	—	(3,918,482)
<b>CARRYING AMOUNT</b>										
At December 31, 2014	3,206,743	490,910	110,833	99,955	64,618	65,630	7,681	4,046,370	5,487,615	9,533,985
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

## 17. Property and Equipment and Construction in Progress *(Continued)*

### **The Group** *(Continued)*

The additions during the year mainly include acquisition of equipment, 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, site preparation and construction works of the Cotai Complex.

During the year ended December 31, 2014, the Group advanced MOP306.4 million (equivalent to approximately HK\$297.5 million) (2013: MOP377.0 million (equivalent to HK\$366.0 million)) to construction sub-contractors and a construction contractor for mobilization costs associated with the construction of the Cotai Complex respectively. Advance to construction contractor and sub-contractors totalling HK\$393.0 million (2013: NIL) have been capitalized in the Group’s construction in progress with the remaining balance of HK\$271.0 million (2013: HK\$366.0 million) included in non-current prepayments and deposits as at December 31, 2014.

As at December 31, 2014, borrowing costs of HK\$708.3 million (2013: HK\$477.9 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, whichever is shorter
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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 17. Property and Equipment and Construction in Progress *(Continued)*

### The Company

	Leasehold improvements HK\$'000	Computer equipment and software HK\$'000	Total HK\$'000
<b>COST</b>			
At January 1, 2013	44	1,079	1,123
Additions	—	(11)	(11)
At December 31, 2013, January 1, 2014 and December 31, 2014	44	1,068	1,112
<b>DEPRECIATION</b>			
At January 1, 2013	(12)	(226)	(238)
Charge for the year	(15)	(353)	(368)
At December 31, 2013 and January 1, 2014	(27)	(579)	(606)
Charge for the year	(14)	(357)	(371)
At December 31, 2014	(41)	(936)	(977)
<b>CARRYING AMOUNT</b>			
At December 31, 2014	3	132	135
At December 31, 2013	17	489	506

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
<b>COST</b>	
At January 1, 2013, December 31, 2013, January 1, 2014 and December 31, 2014	1,560,000
<b>AMORTIZATION</b>	
At January 1, 2013	(640,100)
Charge for the year	(126,900)
At December 31, 2013 and January 1, 2014	(767,000)
Charge for the year	(126,900)
At December 31, 2014	(893,900)
<b>CARRYING AMOUNT</b>	
At December 31, 2014	666,100
At December 31, 2013	793,000

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.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 19. Land Use Right Premium

	HK\$'000
<b>COST</b>	
At January 1, 2013	481,470
Transfer from prepayments and deposits	436,893
Additions	817,930
At December 31, 2013, January 1, 2014 and December 31, 2014	1,736,293
<b>AMORTIZATION</b>	
At January 1, 2013	(129,820)
Charge for the year	(19,246)
Capitalized in construction in progress	(49,060)
At December 31, 2013 and January 1, 2014	(198,126)
Charge for the year	(19,246)
Capitalized in construction in progress	(50,160)
At December 31, 2014	(267,532)
<b>CARRYING AMOUNT</b>	
At December 31, 2014	1,468,761
At December 31, 2013	1,538,167

## 19. Land Use Right Premium *(Continued)*

Included in the consolidated statement of financial position as:

	2014 HK\$'000	2013 HK\$'000
Current land use right premium	69,406	69,406
Non-current land use right premium	1,399,355	1,468,761
	1,468,761	1,538,167

The land use right premium represents amounts paid and payable on 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:

	2014 HK\$'000	2013 HK\$'000
Current land use right payable	203,857	194,034
Non-current land use right payable	325,299	529,156
	529,156	723,190

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 20. Other Assets

	HK\$'000
<b>COST</b>	
At January 1, 2013	98,648
Additions	13,633
Disposal	(41)
At December 31, 2013 and January 1, 2014	112,240
Additions	19,118
Disposal/write-off	(3,741)
At December 31, 2014	127,617
<b>AMORTIZATION</b>	
At January 1, 2013	(87,597)
Charge for the year	(12,207)
Eliminated on disposal	28
At December 31, 2013 and January 1, 2014	(99,776)
Charge for the year	(15,341)
Eliminated on disposal/write-off	3,741
At December 31, 2014	(111,376)
<b>CARRYING AMOUNT</b>	
At December 31, 2014	16,241
At December 31, 2013	12,464

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

	2014 HK\$'000	2013 HK\$'000
Retail merchandise	1,536	2,623
Operating supplies	42,505	34,573
Food and beverages	66,366	61,414
	110,407	98,610

## 22. Trade Receivables

	2014 HK\$'000	2013 HK\$'000
Trade receivables	532,343	610,974
Less: Allowance for doubtful debts	(104,770)	(33,730)
	427,573	577,244

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:

	2014 HK\$'000	2013 HK\$'000
Within 30 days	259,406	514,732
31 - 60 days	94,929	33,753
61 - 90 days	27,156	28,732
91 - 120 days	46,082	27
	427,573	577,244

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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 22. Trade Receivables (Continued)

Certain trade receivables are past due at the end of the reporting period which the Group considers to be 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 62 days as at December 31, 2014 (2013: 53 days). Aging of trade receivables which are past due but not impaired is as follows:

	2014 HK\$'000	2013 HK\$'000
31 - 60 days	94,929	33,753
61 - 90 days	27,156	28,732
91 - 120 days	46,082	27
	168,167	62,512

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

	2014 HK\$'000	2013 HK\$'000
At January 1	33,730	107,133
Impairment losses recognized on trade receivables	117,824	34,162
Impairment losses reversed upon recovery	(19,592)	(89,558)
Amount written off as uncollectible	(27,192)	(18,007)
At December 31	104,770	33,730

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the relevant counterparties from the date credit was initially granted up to the end of the reporting period. The Group has a concentration of credit risk with a small number of gaming promoters, all of which are domiciled in Macau.

The impairment losses recognized during the years ended December 31, 2014 and 2013 are attributable to casino debtors who defaulted in repayment of their debts and/or their creditworthiness has deteriorated.

## 23. Prepayments, Deposits and Other Receivables

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

	2014 HK\$'000	2013 HK\$'000
Prepaid goods and services	60,125	62,334
Deposits	31,281	31,679
Advances to construction contractor and sub-contractors (note 17)	270,556	366,019
Other receivables	9,542	8,246
	371,504	468,278
Current	67,318	68,560
Non-current	304,186	399,718
	371,504	468,278

## 24. Bank Balances and Cash

The Group and The Company

Bank balances carry interest at prevailing market rates which range from 0.000001% to 4.8% (2013: 0.0002% to 3.1%) per annum.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 25. Payables and Accrued Charges

### The Group

	2014 HK\$'000	2013 HK\$'000
Outstanding chips liabilities	1,718,108	2,555,951
Special gaming tax and special levies payables	970,677	1,316,136
Other casino liabilities	874,988	1,214,224
Accrued construction and renovation costs	796,872	552,002
Deposits and advances	360,008	355,593
Accrued staff costs	359,231	336,619
Other payables and accrued charges	295,502	306,015
Construction payables	115,392	14,294
Trade payables	90,480	70,358
	5,581,258	6,721,192
Current	5,579,218	6,721,192
Non-current	2,040	—
	5,581,258	6,721,192

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

	2014 HK\$'000	2013 HK\$'000
Within 30 days	55,182	47,985
31 - 60 days	26,809	18,165
61 - 90 days	3,202	1,005
91 - 120 days	3,840	2,479
Over 120 days	1,447	724
	90,480	70,358

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

## 25. Payables and Accrued Charges *(Continued)*

### The Company

	2014 HK\$'000	2013 HK\$'000
Accrued charges	4,484	2,598

## 26. Bank Borrowings

	2014 HK\$'000	2013 HK\$'000
Bank borrowings represent:		
Secured term loan facility	4,290,000	4,290,000
Less: Debt finance costs	(171,818)	(240,783)
	4,118,182	4,049,217
Bank borrowings are repayable as follows:		
On demand or within one year	—	—
More than one year, but not exceeding two years	1,072,500	—
More than two years, but not exceeding five years	3,217,500	4,290,000
	4,290,000	4,290,000
Less: Debt finance costs	(171,818)	(240,783)
	4,118,182	4,049,217
Current	—	—
Non-current	4,118,182	4,049,217
	4,118,182	4,049,217

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 26. Bank Borrowings (Continued)

The credit facilities obtained by the Group comprise a HK\$4,290 million term loan facility and a HK\$11,310 million revolving credit facility. These facilities bear interest for the first six months from the effective date of the credit facilities at the 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, 2014, the interest rate under the credit facilities was HIBOR plus 1.75% per annum (2013: HIBOR plus 1.75% per annum). The effective interest rate on the Group's borrowings for the year ended December 31, 2014 was 5.36% (2013: 4.71%). The term loan facility is repayable on a quarterly basis commencing in July 2016 and will be fully repaid in October 2017 whereas each drawdown under the revolving credit facility is to be repaid in full on the last date of the respective term but no later than October 2017. No amounts were drawn under the revolving credit facility as at December 31, 2014 and 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 premium and bank balances and cash of the Group.

## 27. Share Capital, Share Premium and Reserves

### (a) Share capital

	Note	Number of Shares	Share Capital HK\$
Ordinary Shares of HK\$1 each			
Authorized			
At January 1, 2013, December 31, 2013, January 1, 2014 and December 31, 2014		10,000,000,000	10,000,000,000
Issued and fully paid			
At January 1, 2013		3,800,000,001	3,800,000,001
Share options exercised	28	2,704,200	2,704,200
Share repurchase and cancellation	i	(2,704,200)	(2,704,200)
At December 31, 2013 and January 1, 2014		3,800,000,001	3,800,000,001
Share options exercised	28	987,600	987,600
Share repurchase and cancellation	i	(987,600)	(987,600)
At December 31, 2014		3,800,000,001	3,800,000,001

- (i) During the year ended December 31, 2014, 987,600 (2013: 2,704,200) Shares of a nominal value of HK\$1.00 each were repurchased at a total consideration of HK\$25.6 million (2013: HK\$67.8 million) (see note 27(b)(i) for details).

## 27. 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) 987,600 Shares (2013: 2,704,200) were repurchased through the Stock Exchange and cancelled during the year ended December 31, 2014. The premium and related expense of HK\$24.6 million (2013: HK\$65.1 million) paid on the repurchase of the 987,600 Shares (2013: 2,704,200) were charged to the "share premium" account. An amount equivalent to the par value of the Shares cancelled of HK\$987.6 thousands (2013: 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 years ended December 31, 2014 and 2013 are summarized as follows:

#### December 31, 2014

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 2014	227,500	31.55	30.95	7,147
June 2014	30,800	24.95	24.95	771
September 2014	664,300	24.60	24.25	16,297
December 2014	65,000	20.95	20.95	1,366

#### December 31, 2013

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 27. Share Capital, Share Premium and Reserves *(Continued)*

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

#### The Group *(Continued)*

#### *(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.

## 27. 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.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 27. 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	Retained earnings HK\$'000	Share premium and reserves total HK\$'000
At 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	28	63,817	—	(24,536)	—	—	39,281
Share repurchase and cancellation							
— repurchases of Shares	27(b)(i)	(65,134)	—	—	—	—	(65,134)
— transfer	27(b)(i)	—	2,704	—	—	(2,704)	—
Forfeiture of share options	28	—	—	(1,458)	—	1,458	—
Recognition of share-based payments	28	—	—	151,889	—	—	151,889
Dividends paid	14	—	—	—	—	(4,750,000)	(4,750,000)
At December 31, 2013 and January 1, 2014		10,432,876	2,704	125,895	132,000	1,166,035	11,859,510
Profit for the year and total comprehensive income		—	—	—	—	5,622,938	5,622,938
Exercise of share options	28	24,545	—	(10,340)	—	—	14,205
Share repurchase and cancellation							
— repurchases of Shares	27(b)(i)	(24,593)	—	—	—	—	(24,593)
— transfer	27(b)(i)	—	988	—	—	(988)	—
Forfeiture of share options	28	—	—	(498)	—	498	—
Recognition of share-based payments	28	—	—	69,704	—	—	69,704
Dividends paid	14	—	—	—	—	(5,928,194)	(5,928,194)
At December 31, 2014		10,432,828	3,692	184,761	132,000	860,289	11,613,570

## 28. 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.

As at December 31, 2014, the number of Shares in respect of which options had been granted and remained outstanding under the Scheme was 35,057,800 (2013: 16,915,600), representing approximately 0.9% (2013: 0.4%) 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. 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 28. Share-Based Payments *(Continued)*

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

December 31, 2014

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2014	Number of share options			Outstanding at December 31, 2014
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	9,670,600	—	(790,100)	(227,700)	8,652,800
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.12	830,000	—	(125,000)	—	705,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.78	790,000	—	—	—	790,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.80	140,000	—	(60,000)	(40,000)	40,000
Employees	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	80,000	—	—	(80,000)	—
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.74	150,000	—	(12,500)	(37,500)	100,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.35	50,000	—	—	—	50,000
Employees	August 15, 2013	August 14, 2014 - August 15, 2023	22.65	80,000	—	—	(80,000)	—
Employees	November 15, 2013	November 14, 2014 - November 15, 2023	27.25	750,000	—	—	—	750,000
Employees	February 24, 2014	February 23, 2015 - February 24, 2024	32.25	—	700,000	—	—	700,000
Directors	June 3, 2014	June 2, 2015 - June 2, 2024	26.85	—	3,200,000	—	—	3,200,000
Employees	June 3, 2014	June 2, 2015 - June 2, 2024	26.85	—	14,180,000	—	(325,000)	13,855,000
Employees	August 15, 2014	August 15, 2015 - August 14, 2024	26.35	—	690,000	—	—	690,000
Employees	November 17, 2014	November 17, 2015 - November 16, 2024	24.12	—	1,150,000	—	—	1,150,000
				16,915,600	19,920,000	(987,600)	(790,200)	35,057,800
Weighted average exercise price per Share				HK\$16.01	HK\$26.86	HK\$15.38	HK\$20.67	HK\$22.09
Exercisable at end of the reporting period								10,222,800

## 28. Share-Based Payments (Continued)

December 31, 2013

Type of participant	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding at January 1, 2013	Number of share options			Outstanding at December 31, 2013
					Granted during the year	Exercised during the year	Forfeited during the year	
Directors	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	3,500,000	—	—	—	3,500,000
Employees	June 3, 2011	June 2, 2012 - May 10, 2021	15.62	12,710,000	—	(2,394,200)	(645,200)	9,670,600
Employees	August 22, 2011	August 21, 2012 - May 10, 2021	15.12	1,080,000	—	(250,000)	—	830,000
Employees	September 1, 2011	August 31, 2012 - May 10, 2021	14.78	830,000	—	(40,000)	—	790,000
Employees	November 15, 2011	November 14, 2012 - May 10, 2021	10.80	160,000	—	(20,000)	—	140,000
Employees	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	80,000	—	—	—	80,000
Consultants	February 23, 2012	February 22, 2013 - May 10, 2021	13.82	875,000	—	—	—	875,000
Employees	February 26, 2013	February 25, 2014 - February 26, 2023	18.74	—	230,000	—	(80,000)	150,000
Employees	May 15, 2013	May 14, 2014 - May 15, 2023	20.35	—	50,000	—	—	50,000
Employees	August 15, 2013	August 14, 2014 - August 15, 2023	22.65	—	80,000	—	—	80,000
Employees	November 15, 2013	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 end of the reporting period								6,484,350

During the year ended December 31, 2014, options were granted on February 24, 2014, June 3, 2014, August 15, 2014 and November 17, 2014 and their estimated weighted average fair values were HK\$11.66, HK\$8.05, HK\$9.81 and HK\$8.27 per Share, respectively. During the year ended December 31, 2013, options were granted on February 26, 2013, May 15, 2013, August 15, 2013 and November 15, 2013 and their estimated weighted average fair values were HK\$11.91, HK\$12.93, HK\$14.39 and HK\$9.85 per Share, respectively. 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 28. Share-Based Payments *(Continued)*

The significant inputs into the model for the options granted during the years 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 and February 24, 2014*

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

### *Options granted on or after June 3, 2014*

Risk-free interest rate	1.75% to 1.86% per annum
Expected dividend yield	1.64% per annum
Expected life	7.39 to 8.31 years
Expected volatility	38.79% per annum

Expected volatility used in the valuation of options granted during the year was determined by using the historical volatility of the Company's Share price. 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 behavioral considerations.

The Group recognized a total expense of HK\$69.7 million (2013: HK\$34.5 million) for the year ended December 31, 2014 in relation to share options granted by the Company.

## 29. 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\$7.6 million (2013: HK\$5.4 million).

The total expenses recognized in the profit or loss of HK\$38.8 million (2013: HK\$34.9 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, 2014. As at December 31, 2014, contributions of approximately HK\$7.8 million (2013: HK\$6.8 million) due had not been paid over to the plan. The amounts were paid subsequent to the end of the reporting period.

## 30. 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. The gearing ratio is calculated as net debt divided by equity plus net debt. Net debt comprised long-term bank borrowings as described in note 26 (offset by cash and bank balances), and equity comprised all capital and reserves of the Group. As at December 31, 2014, the gearing ratio of the Group is zero (2013: zero).

## 31. 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.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 31. Financial Instruments (Continued)

Significant accounting policies (Continued)

*Categories of financial instruments*

The Group

	2014 HK\$'000	2013 HK\$'000
<b>Financial assets</b>		
<b>Loans and receivables:</b>		
Bank balances and cash	4,232,187	7,884,805
Trade receivables	427,573	577,244
Deposits	31,281	31,679
Other receivables	9,542	8,246
Amounts due from related companies	1,087	987
	4,701,670	8,502,961

	2014 HK\$'000	2013 HK\$'000
<b>Financial liabilities</b>		
<b>Amortized cost:</b>		
Bank borrowings	4,118,182	4,049,217
Outstanding chips liabilities	1,718,108	2,555,951
Other casino liabilities	581,245	1,120,843
Land use right payable	529,156	723,190
Deposits and advances	360,008	355,593
Construction payables	115,392	14,294
Trade payables	90,480	70,358
Other payables	24,874	73,396
Construction retention payable	224,229	62,316
Amounts due to related companies	17,414	12,879
	7,779,088	9,038,037

### 31. Financial Instruments (Continued)

Significant accounting policies (Continued)

*Categories of financial instruments (Continued)*

The Company

	2014 HK\$'000	2013 HK\$'000
<b>Financial asset</b>		
<b>Loans and receivables:</b>		
Bank balances and cash	26,684	35,679
	26,684	35,679
<b>Financial liability</b>		
<b>Amortized cost:</b>		
Amounts due to subsidiaries	184,821	157,811
	184,821	157,811

#### *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 Group 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 31. Financial Instruments (Continued)

Significant accounting policies (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 as at December 31, 2014 and 2013:

	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	Cash collateral received HK\$'000	Net amount HK\$'000
As at December 31, 2014						
Casino receivables (a)	498,879	(121,806)	377,073	—	—	377,073
	498,879	(121,806)	377,073	—	—	377,073

	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	Cash collateral received HK\$'000	Net amount HK\$'000
As at December 31, 2014						
Commission and incentives liabilities (b)	652,031	(70,786)	581,245	—	—	581,245
Deposits received from gaming patrons and gaming promoters (c)	396,026	(51,020)	345,006	—	—	345,006
	1,048,057	(121,806)	926,251	—	—	926,251

### 31. Financial Instruments (Continued)

#### Significant accounting policies (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	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	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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 31. Financial Instruments (Continued)

### Significant accounting policies (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\$427.6 million (2013: HK\$577.2 million) in the consolidated statement of financial position as at December 31, 2014.
- (b) Amount is the gross commission and incentives liabilities and included as other casino liabilities in payables and accrued charges of HK\$5,579.2 million (2013: HK\$6,721.2 million) in the consolidated statement of financial position as at December 31, 2014.
- (c) Amount is the gross deposits received from gaming patrons and gaming promoters and included as deposits and advances in payables and accrued charges of HK\$5,579.2 million (2013: HK\$6,721.2 million) in the consolidated statement of financial position as at December 31, 2014.

### 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, 2014 and 2013.

## 31. Financial Instruments *(Continued)*

### 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.

### *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 exposure 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 majority of the Group's foreign currency denominated monetary assets (including bank balances and cash) and monetary liabilities (including payables) at the end of the reporting period are as follows:

#### *Assets*

	2014 HK\$'000	2013 HK\$'000
US\$	50,497	107,911
TW\$	186,220	36,219
SG\$	153,067	123,541
MOP	1,625	25,784

#### *Liabilities*

	2014 HK\$'000	2013 HK\$'000
MOP	978,728	906,902



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 31. Financial Instruments (Continued)

### Market risk (Continued)

#### 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.

	2014 HK\$'000	2013 HK\$'000
Sensitivity rate	1%	1%
Profit for the year		
Impact of US\$	505	1,079
Impact of TW\$	1,862	362
Impact of SG\$	1,531	1,235

##### 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.

## 31. Financial Instruments *(Continued)*

### Interest rate risk *(Continued)*

#### The Group *(Continued)*

#### *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 (2013: 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 (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2014 would be decreased/increased by HK\$4.3 million (2013: HK\$16.4 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings. This analysis includes the effect of interest capitalized.

#### 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.

### Credit risk

#### The Group

As at December 31, 2014 and 2013, 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 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 guarantee issued by the Group as disclosed in note 32.

As described in note 4, the Group has a concentration of credit risk with a small number of gaming promoters. 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 credit risk on the Group's bank and cash balances is limited because the counterparties are banks with high credit standing in Hong Kong and Macau.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 31. Financial Instruments *(Continued)*

### Credit risk *(Continued)*

#### The Company

As at December 31, 2014 and 2013, 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 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 guarantee issued by the Company as disclosed in note 32.

The Company's major financial assets are concentrated in bank balances. The credit risk on the Company's bank balances is limited because the counterparty is bank with high credit standing in Hong Kong.

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.

### 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 capital expenditure 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 existing credit facilities, cash and cash equivalents and cash flows from operations as sources of liquidity. As at December 31, 2014, the Group has unutilized credit facilities of approximately HK\$11,310.0 million (2013: approximately HK\$11,310.0 million) (See note 26).

## 31. Financial Instruments (Continued)

### Liquidity risk (Continued)

#### The Group (Continued)

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
<b>As at December 31, 2014</b>								
Trade payables	—	90,480	—	—	—	—	90,480	90,480
Construction payables	—	115,392	—	—	—	—	115,392	115,392
Other payables	—	24,874	—	—	—	—	24,874	24,874
Other casino liabilities	—	581,245	—	—	—	—	581,245	581,245
Outstanding chips liabilities	—	1,718,108	—	—	—	—	1,718,108	1,718,108
Bank borrowings	5.36%	—	27,188	140,972	4,677,692	—	4,845,852	4,118,182
Deposits and advances	—	355,466	—	3,065	1,477	—	360,008	360,008
Land use right payable	5%	113,899	—	113,899	341,698	—	569,496	529,156
Construction retention payable	—	—	—	40,346	183,883	—	224,229	224,229
Amounts due to related companies	—	17,414	—	—	—	—	17,414	17,414
Guarantee contracts (note 32)	—	300,082	—	—	—	—	300,082	—
		3,316,960	27,188	298,282	5,204,750	—	8,847,180	7,779,088

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 31. 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, 2013								
Trade payables	—	70,358	—	—	—	—	70,358	70,358
Construction payables	—	14,294	—	—	—	—	14,294	14,294
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
Guarantee contracts (note 32)	—	300,082	—	—	—	—	300,082	—
		4,617,295	27,566	273,174	5,403,929	—	10,321,964	9,038,037

#### 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, 2014								
Amounts due to subsidiaries	—	184,821	—	—	—	—	184,821	184,821
		184,821	—	—	—	—	184,821	184,821

## 31. 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, 2013								
Amounts due to subsidiaries	—	157,811	—	—	—	—	157,811	157,811
		157,811	—	—	—	—	157,811	157,811

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.

## 32. Contingent Liabilities

As at December 31, 2014, the Group has given bank guarantees totalling HK\$300.1 million (2013: HK\$300.1 million) to certain parties, of which HK\$294.6 million (2013: 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 (2013: HK\$2.0 million) was issued in favor of certain vendors and HK\$3.5 million (2013: 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.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 33. Operating Lease Commitments

### The Group as the lessee

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:

	2014 HK\$'000	2013 HK\$'000
Within one year	29,740	31,836
More than one year and not longer than five years	36,308	44,156
More than five years	127,440	135,579
	193,488	211,571

### The Group as the lessor

The Group leases certain of its space at MGM MACAU under operating lease arrangements. The terms of the leases generally contain provisions for minimum rentals plus additional rent based upon the net sales of the retailers. No contingent rental income under operating leases were recorded by the Group during the current and prior years.

At the end of the reporting period, the Group had total future minimum lease receivables, only the minimum lease commitments have been included as the future sales of these retailers cannot be estimated reliably, under non-cancellable operating leases with the retailers which fall due as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	19,442	15,678
More than one year and not longer than five years	21,309	12,911
More than five years	—	—
	40,751	28,589

### 34. Capital Commitments

	2014 HK\$'000	2013 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	9,808,188	8,318,527
— contracted but not accounted for	8,814,903	9,626,778
	18,623,091	17,945,305

### 35. 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\$124.7 million (2013: HK\$126.4 million) was paid to the Macau Government and was recognized in profit or loss and included in special gaming tax and special levies to the Macau Government for the years ended December 31, 2014 and 2013.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 36. Related Party Transactions

Apart from the transactions as described in note 32, details of transactions between the Group and other related parties are disclosed below.

### The Group

- (a)(i) Amounts due from related companies represent 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 to HK\$13.2 million (2013: HK\$6.3 million), and ultimate holding company of the Company amounting to HK\$4.2 million (2013: HK\$6.6 million). The amounts are unsecured, non-interest bearing and repayable on demand.

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

	2014 HK\$'000	2013 HK\$'000
Within 30 days	12,609	10,166
31 — 60 days	4,753	2,713
61 — 90 days	52	—
	17,414	12,879

### The Company

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

## 36. 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	2014 HK\$'000	2013 HK\$'000
Companies in which one of the Directors of the Company has non-controlling beneficial interests	Rental of premises *	3,427	3,204
	Travelling and accommodation, net of discounts	186,292	149,812
Ultimate holding company	Marketing referral fees	22,233	17,908
	Marketing referral income	(1,153)	(827)
Company jointly-owned by Shareholders	Developers' fees capitalized	80,542	118,030
	License fee	335,010	279,302

\* 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\$4.9 million (2013: HK\$1.6 million) which fall due within the following two years (2013: one year).

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 between the Company, MGM Grand Paradise, MGM Branding, MGM Resorts International, MGM Resorts International Holdings, Ltd. and NCE 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, 2014, the annual cap was US\$43.2 million (equivalent to approximately HK\$335.0 million) and for the year ended December 31, 2013, the annual cap was US\$36 million (equivalent to approximately HK\$279 million). The annual cap increases by 20% per annum for each financial year during the term of the Branding Agreement. During the year ended December 31, 2014, a total license fee of HK\$335.0 million (2013: HK\$279.3 million) was recognized in 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 36. Related Party Transactions *(Continued)*

### (c) Compensation to key management personnel

The remuneration of key management is as follows:

	2014 HK\$'000	2013 HK\$'000
Short term benefits	89,892	74,614
Post-employment benefits	2,432	1,947
Share-based payments	53,026	25,720
	145,350	102,281

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

## 37. 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		Principal activities
			December 31, 2014	December 31, 2013	
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



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

## 37. 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		Principal activities
			December 31, 2014	December 31, 2013	
Prime Hotel Management Limited	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.

# Financial Summary

	For the year ended December 31,				
	2014	2013	2012	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Results</b>					
Operating revenue	25,454,296	25,727,513	21,773,592	20,293,627	12,434,728
Profit before taxation	5,722,742	5,348,479	4,120,869	3,737,872	1,566,327
Profit for the year and total comprehensive income attributable to owners of the Company	5,706,943	5,333,528	4,530,829	3,279,060	1,566,035

	As at December 31,				
	2014	2013	2012	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities</b>					
Total assets	16,827,845	18,087,488	14,780,577	12,689,055	10,224,166
Total liabilities	10,486,322	11,584,030	8,869,256	8,275,006	8,743,317
Net assets	6,341,523	6,503,458	5,911,321	4,414,049	1,480,849

The summary of the consolidated results of the Group for the year ended December 31, 2010 and of the consolidated assets and liabilities as at December 31, 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, 2013 and 2014, and the consolidated assets and liabilities as at December 31, 2011, 2012, 2013 and 2014, 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 geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire”	the holder of a concession for the operation of casino games in Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau

“Cotai Land”	a plot of land with an area of 71,833 square meters located in Cotai leased from the Macau Government for an initial term of 25 years since January 9, 2013
“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
“Director(s)”	the director(s) 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
“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 operation) or turnover (in our VIP casino operation) 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
“high value 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
“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
“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



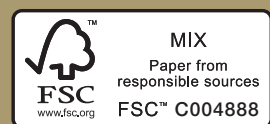
# Glossary

“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
“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 and 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
“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
“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
“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 its subsidiaries/associated companies
“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
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines

# Glossary

“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 players”	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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