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

**MGM CHINA HOLDINGS LIMITED**

**美高梅中國控股有限公司**

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

(Stock Code: 2282)

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

The Board of MGM China Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended December 31, 2015 as follows:—

**FINANCIAL HIGHLIGHTS**

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Casino revenue	<b>16,841,551</b>	25,137,933
Other revenue	<b>328,902</b>	316,363
Total revenue	<b>17,170,453</b>	25,454,296
Adjusted EBITDA (unaudited)	<b>4,668,960</b>	7,104,697
Profit attributable to owners of the Company	<b>3,112,515</b>	5,706,943
Earnings per Share – Basic and Diluted	<b>HK\$0.82</b>	HK\$1.50

## **DIVIDENDS**

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 recommends a final dividend of HK\$0.093 per Share (the “Final Dividend”), amounting to approximately HK\$353.4 million in aggregate for the year ended December 31, 2015, representing approximately 11.4% of the Group’s profit attributable to owners of the Company for the year ended December 31, 2015. The Final Dividend, subject to approval by the Shareholders in the forthcoming annual general meeting, together with the interim dividend of HK\$0.156 per Share, amounting to approximately HK\$592.8 million, approved on August 4, 2015 and paid to Shareholders on August 31, 2015, representing approximately 30.4% of the Group’s profit attributable to owners of the Company for the year ended December 31, 2015.

The Board has recommended the payment of the Final Dividend after reviewing the Group’s financial position as at February 18, 2016, 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 Final Dividend which is subject to Shareholders’ approval, to finance its operations and expansion of its business, including the development of an additional casino and hotel complex in Cotai. The Final Dividend should not be taken as an indication of the level of profit or dividend going forward.

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

		<b>For the year ended</b>	
		<b>December 31,</b>	
		<b>2015</b>	<b>2014</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating Revenue</b>			
Casino revenue	3	<b>16,841,551</b>	25,137,933
Other revenue	4	<b>328,902</b>	316,363
		<u><b>17,170,453</b></u>	<u>25,454,296</u>
<b>Operating Costs and Expenses</b>			
Special gaming tax and special levy to the Macau Government		<b>(8,305,782)</b>	(13,002,885)
Inventories consumed		<b>(324,017)</b>	(386,698)
Staff costs		<b>(1,965,597)</b>	(1,943,886)
Other expenses and losses	6	<b>(2,488,879)</b>	(3,552,509)
Depreciation and amortization		<b>(805,653)</b>	(799,598)
		<u><b>(13,889,928)</b></u>	<u>(19,685,576)</u>
Operating profit		<b>3,280,525</b>	5,768,720
Interest income		<b>12,076</b>	12,640
Finance costs	7	<b>(145,519)</b>	(37,893)
Net foreign currency loss		<b>(17,955)</b>	(20,725)
		<u><b>3,129,127</b></u>	<u>5,722,742</u>
Profit before taxation		<b>3,129,127</b>	5,722,742
Taxation	8	<b>(16,612)</b>	(15,799)
		<u><b>3,112,515</b></u>	<u>5,706,943</u>
<b>Profit for the year and total comprehensive income attributable to owners of the Company</b>			
		<u><b>3,112,515</b></u>	<u>5,706,943</u>
<b>Earnings per Share — Basic and Diluted</b>	<b>10</b>	<u><b>HK\$0.82</b></u>	<u>HK\$1.50</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At December 31	
		2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>NOTES</i>		
<b>NON-CURRENT ASSETS</b>			
Property and equipment		3,701,078	4,046,370
Construction in progress		10,126,453	5,487,615
Sub-concession premium		539,201	666,100
Land use right premium		1,329,759	1,399,355
Other assets		32,070	16,241
Prepayments and deposits		285,047	304,186
		<b>16,013,608</b>	11,919,867
<b>CURRENT ASSETS</b>			
Inventories		108,007	110,407
Trade receivables	<i>11</i>	242,539	427,573
Prepayments, deposits and other receivables		42,342	67,318
Land use right premium		69,596	69,406
Amounts due from related companies		57,626	1,087
Bank balances and cash		5,421,058	4,232,187
		<b>5,941,168</b>	4,907,978
<b>CURRENT LIABILITIES</b>			
Payables and accrued charges	<i>12</i>	4,586,279	5,579,218
Land use right payable		214,178	203,857
Construction retention payable		9,962	40,346
Amounts due to related companies		25,066	17,414
Taxation payable		14,951	16,083
		<b>4,850,436</b>	5,856,918
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>1,090,732</b>	(948,940)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>17,104,340</b>	10,970,927
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	<i>13</i>	11,731,951	4,118,182
Payables and accrued charges	<i>12</i>	2,513	2,040
Land use right payable		111,121	325,299
Construction retention payable		343,704	183,883
		<b>12,189,289</b>	4,629,404
<b>NET ASSETS</b>		<b>4,915,051</b>	6,341,523
<b>CAPITAL AND RESERVES</b>			
Share capital		3,800,000	3,800,000
Share premium and reserves		1,115,051	2,541,523
<b>SHAREHOLDERS' FUNDS</b>		<b>4,915,051</b>	6,341,523

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

MGM China Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on July 2, 2010. The 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. The Company’s Shares were listed on the Hong Kong 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.

### 2. BASIS OF PREPARATION

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 Listing Rules and Hong Kong Companies Ordinance. The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company and its subsidiaries.

#### **Application of new and revised International Financial Reporting Standards (“IFRSs”)**

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

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

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

#### **IFRSs in issue not yet adopted**

Up to the date of this announcement, 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.

### 3. CASINO REVENUE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Casino revenue from		
— VIP gaming operations	7,575,873	13,509,694
— Main floor table gaming operations	7,644,619	9,596,668
— Slot machine operations	1,621,059	2,031,571
	<u>16,841,551</u>	<u>25,137,933</u>

### 4. OTHER REVENUE

Other revenue comprises:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hotel rooms	71,242	42,112
Food and beverage	207,437	227,537
Retail and others	50,223	46,714
	<u>328,902</u>	<u>316,363</u>

From time to time, the Group provides hotel rooms, food and beverage, retail 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hotel rooms	430,378	457,510
Food and beverage	296,309	373,234
Retail and others	9,583	12,744
	<u>736,270</u>	<u>843,488</u>

## 5. 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 patronizing 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.

## 6. OTHER EXPENSES AND LOSSES

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Junket commission	939,161	1,798,661
Advertising and promotion	521,296	783,705
License fees	300,483	335,010
Allowance for doubtful debts, net	186,267	98,232
Utilities and fuel	107,807	111,449
Other support services	107,020	107,398
Repairs and maintenance	82,432	83,593
Loss on disposal/write-off of property and equipment and construction in progress	32,067	11,581
Other	212,346	222,880
	<u>2,488,879</u>	<u>3,552,509</u>

## 7. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	253,176	163,486
Land use right payable wholly repayable within five years	18,845	28,913
Amortization of debt finance costs	162,675	68,965
Loss on modification or early retirement of debt	14,918	—
Bank fees and charges	6,830	6,914
	<hr/>	<hr/>
Total borrowing costs	456,444	268,278
Less: capitalized interest allocated to construction in progress	(310,925)	(230,385)
	<hr/>	<hr/>
	<b>145,519</b>	<b>37,893</b>
	<hr/> <hr/>	<hr/> <hr/>

Interest on land use right payable incurred for the year amounting to HK\$18.8 million (2014: HK\$28.9 million) was capitalized in construction in progress as at December 31, 2015.

For the year ended December 31, 2015, borrowing costs were capitalized by applying a capitalization rate of 4.53% (2014: 5.42%) per annum to expenditure on qualifying assets.

## 8. TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current taxation expense:		
Macau dividend withholding tax	14,951	14,951
Hong Kong Profits Tax	1,673	848
	<hr/>	<hr/>
	16,624	15,799
	<hr/>	<hr/>
Over provision in prior year:		
Hong Kong Profits Tax	(12)	—
	<hr/>	<hr/>
	<b>16,612</b>	<b>15,799</b>
	<hr/> <hr/>	<hr/> <hr/>

Macau Complementary Tax is calculated at progressive rates up to a maximum of 12% of the estimated assessable profit for the current and prior periods. Pursuant to the approval notice 186/2008 issued by the Macau Government dated June 19, 2008, MGM Grand Paradise, the Group's principal operating subsidiary, was exempted from Macau Complementary Tax for income generated from gaming operations for 5 years from 2007 to 2011. This exemption was renewed for another 5 years from 2012 to 2016 pursuant to the approval notice 267/2011 issued by the Macau Government dated September 22, 2011. Accordingly, no liability for Macau Complementary Tax has been recognized by the Group for the years ended December 31, 2015 and 2014.

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 Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior years.

As at December 31, 2015, the Group has total unused tax losses (subject to agreement by the relevant tax authorities of Macau and Hong Kong) amounting to approximately HK\$4,486.9 million, of which approximately HK\$1,609.5 million, HK\$1,403.9 million and HK\$1,411.4 million arose from tax losses in Macau in the years of assessment ended December 31, 2015, 2014 and 2013 respectively (2014: total unused tax losses 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). The Macau tax losses of approximately HK\$4,424.8 million in aggregate will expire in the years ended December 31, 2018, 2017 and 2016 (2014: approximately HK\$3,825.0 million Macau tax losses in aggregate will expire or had expired in the years ended December 31, 2017, 2016 and 2015). As at December 31, 2015, the Group has other unused tax losses of approximately HK\$62.1 million in Hong Kong (2014: approximately HK\$39.8 million), which may be carried forward indefinitely.

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.

## **9. DIVIDENDS**

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. This dividend was paid to Shareholders on March 19, 2015.

On May 14, 2015, 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 was approved by the Shareholders of the Company. This dividend was paid to Shareholders on June 8, 2015.

On August 4, 2015, an interim dividend of HK\$0.156 per Share, amounting to approximately HK\$592.8 million in aggregate was declared by the Directors of the Company. The dividend was paid to Shareholders on August 31, 2015.

On February 18, 2016, a final dividend of HK\$0.093 per Share, amounting to approximately HK\$353.4 million in aggregate for the year ended December 31, 2015 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.

## **10. EARNINGS PER SHARE**

The calculation of the basic earnings per Share for the years ended December 31, 2015 and 2014 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, 2015 and 2014 is based on the consolidated profit attributable to owners of the Company and on the weighted average number of Shares, including the weighted average number of Shares in issue during the year plus the potential Shares arising from exercise of share options.

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Profit</b>		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per Share	<b>3,112,515</b>	5,706,943
<b>Weighted average number of Shares</b>		
Weighted average number of Shares for the purpose of basic earnings per Share ('000)	<b>3,800,003</b>	3,800,087
Number of dilutive potential Shares arising from exercise of share options ('000)	<b>12</b>	5,868
Weighted average number of Shares for the purpose of diluted earnings per Share ('000)	<b>3,800,015</b>	3,805,955
Earnings per Share – Basic and Diluted	<b>HK\$0.82</b>	HK\$1.50

#### 11. TRADE RECEIVABLES

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	<b>311,805</b>	532,343
Less: Allowance for doubtful debts	<b>(69,266)</b>	(104,770)
	<b>242,539</b>	427,573

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:

	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>182,626</b>	259,406
31 – 60 days	<b>22,614</b>	94,929
61 – 90 days	<b>32,098</b>	27,156
91 – 120 days	<b>5,201</b>	46,082
	<u><b>242,539</b></u>	<u>427,573</u>

As at December 31, 2015, casino receivables of HK\$47.0 million (2014: HK\$34.1 million), have been fully provided for. The impairment losses recognized for the years ended December 31, 2015 and 2014 are attributable to casino debtors who defaulted in repayment of their debts and/or their creditworthiness has deteriorated.

## 12. PAYABLES AND ACCRUED CHARGES

	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding chips liabilities	<b>1,629,372</b>	1,718,108
Accrued construction and renovation costs	<b>767,655</b>	796,872
Special gaming tax and special levy payables	<b>557,559</b>	970,677
Other casino liabilities	<b>390,464</b>	874,988
Accrued staff costs	<b>338,140</b>	359,231
Deposits and advances	<b>302,489</b>	360,008
Construction payables	<b>295,720</b>	115,392
Other payables and accrued charges	<b>247,035</b>	295,502
Trade payables	<b>60,358</b>	90,480
	<u><b>4,588,792</b></u>	<u>5,581,258</u>
Current	<b>4,586,279</b>	5,579,218
Non-current	<b>2,513</b>	2,040
	<u><b>4,588,792</b></u>	<u>5,581,258</u>

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	<b>39,800</b>	55,182
31 – 60 days	<b>15,943</b>	26,809
61 – 90 days	<b>2,673</b>	3,202
91 – 120 days	<b>1,456</b>	3,840
Over 120 days	<b>486</b>	1,447
	<u><b>60,358</b></u>	<u>90,480</u>

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

### 13. BANK BORROWINGS

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The secured credit facilities are repayable:		
Between one to two years	<b>604,500</b>	1,072,500
Between two to five years	<b>11,485,500</b>	3,217,500
	<u><b>12,090,000</b></u>	<u>4,290,000</u>
Less: Debt finance costs	<b>(358,049)</b>	(171,818)
	<u><b>11,731,951</b></u>	<u>4,118,182</u>
Current	—	—
Non-current	<u><b>11,731,951</b></u>	<u>4,118,182</u>
	<u><b>11,731,951</b></u>	<u>4,118,182</u>

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. The Amended Credit Facilities included a HK\$4.29 billion term loan facility and a HK\$11.31 billion revolving credit facility. These facilities bore interest at HIBOR plus a margin ranging from 1.75% to 2.5% per annum based on the Group’s leverage ratio and were to be fully repaid in October 2017.

In June 2015, the Company and MGM Grand Paradise as co-borrowers entered into a second amended and restated credit agreement (the “Second Amended Credit Facilities”) which extended the maturity of the Amended Credit Facilities with most of the lenders to April 29, 2019 and expanded the term loan facility set out in the Amended Credit Facilities to HK\$12.09 billion. The aggregate amount of the Second Amended Credit facilities is HK\$23.40 billion, consisting of a HK\$12.09 billion term loan facility and a HK\$11.31 billion revolving credit facility. The Group has recognized a HK\$14.92 million loss on modification or early retirement of debt during the year ended December 31, 2015 (2014: Nil).

As at December 31, 2015, HK\$12.09 billion of term loan facility has been fully drawn, while HK\$11.31 billion of revolving credit facility is undrawn and available for utilization up to March 2019. The term loan facility is repayable on a quarterly basis commencing in October 2017 and will be fully repaid in April 2019. Each drawdown under the revolving credit facility will be repaid in full on the last date of the respective term but no later than April 2019.

The Second Amended Credit Facilities bear interest at HIBOR plus a fixed margin of 1.75% per annum for the first six months and thereafter a variable margin ranging from 1.375% to 2.5% per annum based on the Group’s leverage ratio. As at December 31, 2015, the Group paid interest at HIBOR plus 1.75% per annum (2014: HIBOR plus 1.75% per annum). The weighted average interest rate on the Group’s borrowings for the year ended December 31, 2015 was 4.53% per annum (2014: 5.42% per annum).

Under the Second Amended Credit Facilities, the Company and certain of its subsidiaries were required to maintain a leverage ratio at the end of each quarter while the loans are outstanding. The leverage ratio was 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 was required to maintain an interest coverage ratio of no less than 2.50 to 1.00 at each quarter end.

Furthermore, the Group was not allowed to declare, make or pay any dividends while any default is outstanding or would result from such dividend payment or if the pro forma leverage ratio exceeded 4.00 multiples as result of such dividend payment. To the extent its leverage ratio fell below 4.00 multiples but still exceeded 3.50, the Group might only pay dividends up to US\$300 million, including if any dividends paid during preceding 12-month period.

For the years ended December 31, 2015 and 2014, the Group has complied with the financial covenants contained in the Second Amended Credit Facilities and the Amended Credit Facilities as set forth above.

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.

In February 2016, an amendment to the Second Amended Credit Facilities was executed (the “Third Supplemental Agreement”) to provide the Group with the necessary covenant flexibility while MGM COTAI is in the construction phase.

The leverage ratio under the Third Supplemental Agreement is required to be maintained within 4.50 to 1.00 for quarters ended March 31, 2016 and June 30, 2016. This ratio will be increased to no greater than 6.00 to 1.00 for each quarter ended September 30, 2016 through June 30, 2017 and reduced to no greater than 5.50 to 1.00 and 5.00 to 1.00 for quarters ended September 30, 2017 and December 31, 2017, respectively. The leverage ratio will be reduced to no greater than 4.50 to 1.00 for each quarter thereafter through maturity.

In addition, if the leverage ratio exceeds 4.00 multiples, the Group may only pay dividends up to US\$150 million, including any dividends paid during preceding 12-month period. To the extent the 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 dividends paid during preceding 12-month period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

MGM MACAU opened in December 2007 and has a casino floor area of approximately 25,459 square meters, with 1,174 slot machines, 427 gaming tables and multiple VIP and private gaming areas. The hotel comprises a 35-storey tower with 579 deluxe rooms, including 468 standard guest rooms, 99 luxury suites and 12 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.

Propelled by the solid economic development in China, the Macau gaming market enjoyed strong growth from 2010 until mid-2014. We achieved a good financial performance over this period. However, starting from the second half of 2014, significant changes, as discussed below, occurred in the Macau gaming market especially related to policy initiatives introduced by the governments of Macau and China. These changes, together with increased competition, have created a challenging business environment. The Group is responding to the changing business environment by managing its customer segments, focusing on gaming floor and room yields and containing costs, enhancing and refining MGM MACAU and developing MGM COTAI. Our revenue, adjusted EBITDA and profit attributable to owners of the Company decreased by 32.5%, 34.3% and 45.5% to HK\$17,170.5 million, HK\$4,669.0 million and HK\$3,112.5 million, respectively in 2015 compared to the prior year.

## ***Cotai Development***

Construction progressed at a good pace through 2015 on MGM COTAI, an integrated resort with diversified offerings including casino, hotel and entertainment, situated in the heart of Cotai. When completed, our new resort will provide a truly unique MGM experience with approximately 1,500 hotel rooms, and up to 1,500 slot machines and 500 gaming tables. Through the second half of the year, construction works progressed with substantial completion of structural concrete and structural steel which led to good advances on enclosing the shell of the building. With the progress on podium and tower enclosure (both temporary and permanent), significant areas of the building have been made available to allow commencement of mechanical, electrical and plumbing works rough-in and initial fit-out activities. The majority of all design work has been completed and all work packages have been awarded to fit-out subcontractors. Attention is now focused on coordinating details with the construction efforts on site. We have made a strategic decision based on current market conditions and the timing of other resort openings in the area to move the opening of MGM COTAI. We now expect to celebrate the opening of this iconic building in Macau by the end of the first quarter of 2017. There is no change to the current budget of approximately HK\$24 billion, excluding land costs and capitalized interest.

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

2015 continued to be a challenging time for the Macau gaming market as a result of the changed conditions that began to take effect from mid-2014. Such changes include the introduction of smoking restrictions implemented in October 2014, shorter duration of stay for mainland travelers entering Macau using transit visas implemented in July 2014 until June 2015, certain political initiatives introduced by the China Government, including anti-corruption campaign and currency transfer restrictions, which affected high-end or premium players in each of the Group's gaming operations – VIP, main floor and slot machines, as well as slower economic growth in China which affected the overall Macau gaming market. These factors resulted in a decrease of 34.3% to approximately HK\$224.1 billion in total casino gross win in the Macau market in 2015 compared to the prior year. All components of gaming revenue in the Macau market were adversely impacted by these changed circumstances. Casino gross win for VIP gaming operations was down 45.1% to approximately HK\$111.8 billion, a much higher rate of decrease, as compared to casino gross win for the mass gaming operations which was down 18.3% to approximately HK\$101.0 billion in 2015.

The Statistics and Census Service of the Macau Government reported that visitor arrivals reached 30.7 million in the 2015 compared to 31.5 million in 2014, a decrease of 2.6%. Gaming customers travelling to Macau are typically from nearby regions in Asia including mainland China, Hong Kong, Taiwan, South Korea and Japan. Approximately 90.9% of visitors to Macau in 2015 were from mainland China, Hong Kong and Taiwan. Visitors from mainland China decreased by 4.0% from the prior year and reached 20.4 million in 2015.

The downward trend of overall Macau gaming revenues which began since the second half of 2014 has stabilized in the second half of 2015. In particular, the decline in the main floor gaming revenue has lessened in the second half of 2015. We are optimistic about the long-term prospect of the market due to a combination of factors. These factors include infrastructure improvements such as construction of a new Taipa ferry terminal, Macau Airport expansion, Hong Kong–Zhuhai–Macau bridge, new Zhuhai and Macau border gate with a 24-hour single check point, expansion of Hengqin border gate capacity and other infrastructure developments that are expected to facilitate more convenient travel to Macau; the extension of the duration of stay for mainland travelers entering Macau using transit visas implemented in July 2015; the efforts and investments made by gaming concessionaires to solidify Macau as a destination market with superior and diverse integrated resort products, and to create a world class tourism center.

## **Competition**

Currently, there are six gaming concessionaires in Macau, each of which has commenced casino operating activities and has expansion plans underway. As at December 31, 2015, there were 36 casinos in Macau. Two new Cotai development projects were completed in 2015. Despite market share migration from Macau Peninsula to Cotai, we were able to maintain our overall market share at 9.4%. Our market share in Macau Peninsula reached 19.3% in 2015 compared to 18.7% in 2014. We expect that competition in the Macau market will 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 Vietnam, Korea, Singapore, Philippines, Australia 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 M life customer relationship program, our strong analytical capability, and our very effective strategy execution by the operations 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. We are in the process of introducing 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.

We started our shared service operation in Zhuhai, China in December 2015. The shared service center will consist of finance, human resources, I.T. and hospitality marketing operation units. The center will allow us to mitigate the labor shortage in Macau by tapping into the mainland talent pool.

### **Operational Efficiency**

In face of increased competition and the challenging market conditions experienced since the second half of 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 (“KPIs”) to all operating units within our business. Decisions on hiring, scheduling and staffing are made in accordance to the KPIs which are linked to our business volume and target productivity goals. In 2015, we realized an annualized costs savings on various operating expense items amounting to HK\$271.2 million, on top of an already efficient operation baseline. 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.

## DISCUSSION OF RESULTS OF OPERATIONS

Financial results for the year ended December 31, 2015 compared to financial results for the year ended December 31, 2014

### Summary Statistics

(in thousands, except for number of gaming tables and slot machines, percentage, and REVPAR)	For the year ended	
	December 31,	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Number of VIP gaming tables	176	216
VIP table games turnover	354,321,172	771,690,352
VIP gross table games win	11,737,127	21,372,592
VIP table games win percentage	3.3%	2.8%
Average daily gross win per VIP gaming table	182.2	271.3
Number of main floor gaming tables	245	207
Main floor gross table games win	7,557,392	9,528,227
Average daily gross win per main floor gaming table	84.5	126.4
Number of slot machines	1,174	1,197
Slot machine handle	35,259,469	45,885,173
Slot machine gross win	1,611,711	2,032,474
Slot hold percentage	4.6%	4.4%
Average daily win per slot	3.8	4.7
Commission and discounts	(4,165,791)	(7,872,693)
Room occupancy rate	97.7%	98.7%
REVPAR <sup>(1)</sup>	2,330	2,302

Note:

- <sup>(1)</sup> Revenue per available room, expressed in HK\$, 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, 2015 and 2014.

	For the year ended	
	December 31,	
	2015	2014
	HK\$'000	HK\$'000
<b>Casino revenue</b>	<b>16,841,551</b>	25,137,933
VIP gaming operations	7,575,873	13,509,694
Main floor gaming operations	7,644,619	9,596,668
Slot machine gaming operations	1,621,059	2,031,571
<b>Other revenue</b>	<b>328,902</b>	316,363
Hotel rooms	71,242	42,112
Food and beverage	207,437	227,537
Retail and others	50,223	46,714
<b>Operating revenue</b>	<b>17,170,453</b>	<b>25,454,296</b>

Total operating revenue of HK\$17,170.5 million for the year ended December 31, 2015 was 32.5% lower than the prior year. The 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 decreased by 33.0% to HK\$16,841.6 million in 2015 compared to the prior year. 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 collaborators to bring in the VIP gaming customers.

In exchange for their services, we compensate the gaming promoters in two ways by paying them a commission based on a percentage of the gross table games win or a percentage of the table games turnover they generate. They also receive a complimentary allowance based on a percentage of the table games turnover they generate, which can be applied to hotel rooms, food and beverage and other discretionary customers-related expenses.

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

Revenue from VIP gaming operations decreased year-over-year by 43.9% to HK\$7,575.9 million in 2015. The decrease in revenue was due to a decrease in VIP table games turnover by 54.1% to HK\$354,321.2 million in 2015. Starting from the second half of 2014 and into 2015, VIP gaming turnover continued to be adversely impacted by political and macroeconomic factors in China, which is a major source of our VIP gaming customers. The negative impact was partly offset by the increase in our VIP table games win percentage from 2.8% in 2014 to 3.3% in 2015. As the VIP business volume decreased in 2015, we worked with our gaming promoters to fully optimize the existing space and enhance the table yield. As a result, MGM MACAU reduced the number of VIP gaming tables to 176 in 2015 compared with 216 in 2014. We reallocated the gaming tables to the main floor gaming operation to optimize profit.

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\$4,165.8 million and HK\$7,872.7 million in 2015 and 2014, respectively.

### ***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 margin from the main floor business is higher than the VIP operation. The main floor business is the most profitable operation 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.

For the year ended December 31, 2015, revenue from main floor gaming operations decreased year-over-year by 20.3% to HK\$7,644.6 million. The decrease was directly attributable to the changed business conditions in the Macau gaming market such as the transit visa restriction and main floor smoking restriction introduced by the Macau Government both of which became effective from the second half of 2014. We continued to invest capital to improve the gaming experience of our high value main floor players by renovating the 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. In 2015, MGM MACAU had 245 main floor gaming tables in operation, compared with 207 main floor gaming tables 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***

Revenue from slot machine gaming operations decreased year-over-year by 20.2% to HK\$1,621.1 million in 2015. The decrease in revenue was due to decrease in slot handle by 23.2% to HK\$35,259.5 million in 2015. Similar to our main floor gaming operations, both decreases were due primarily to the changed business conditions in the Macau gaming market such as transit visa restriction and main floor smoking ban rule. The negative impact was partly offset by the increase in our slot hold percentage from 4.4% in 2014 to 4.6% in 2015. In 2015, MGM MACAU had 1,174 slot machines in operation, compared with 1,197 slot machines in 2014.

Operationally, we continue to re-examine the mix of our games in operation to maximize our casino profitability, 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 our business. 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 2015:

- Art Exhibition in L2 Showcase featuring themed artworks by artists from Macau;
- MGM Water Aurora, featuring an eight-meter-tall water-sky aquarium with fish darting among multi-hued corals located in our Grande Praça;
- monumental installation Valkyrie Octopus created by the world-renowned contemporary Portuguese artist Joana Vasconcelos specifically created to complement the aquarium; and
- “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.

### **Other Revenue**

Other revenue, which includes hotel rooms, food and beverage and retail and others, increased by 4.0% to HK\$328.9 million in 2015. The increase was primarily due to increase in hotel rooms revenue, which excludes promotional allowances in our consolidated statement of profit or loss and other comprehensive income, from our hotel guests. 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, 2015 and 2014.

	For the year ended	
	December 31,	
	2015	2014
	HK\$'000	HK\$'000
Special gaming tax and special levy to the Macau Government	8,305,782	13,002,885
Inventories consumed	324,017	386,698
Staff costs	1,965,597	1,943,886
Other expenses and losses	2,488,879	3,552,509
Depreciation and amortization	805,653	799,598
Finance costs	145,519	37,893
Taxation	16,612	15,799

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

Special gaming tax and special levy to the Macau Government decreased year-over-year by 36.1% to HK\$8,305.8 million in 2015. This decrease resulted directly from the decrease in gross casino revenue during the current year.

### *Inventories consumed*

Inventories consumed decreased by 16.2% to HK\$324.0 million in 2015. This decrease was primarily due to decrease in consumptions of supplies, including gaming supplies such as cards and other supplies in response to the decrease in our business activities during the current year.

### *Staff costs*

Staff costs increased slightly by 1.1% to HK\$1,965.6 million in 2015. The increase was primarily due to a 5% staff salary increment to line level staff implemented in March 2015 which was partly offset by a decrease in the number of full-time equivalent (FTE) during the current year.

### ***Other expenses and losses***

Other expenses and losses decreased by 29.9% to HK\$2,488.9 million in 2015, which mainly result from:

*Junket commissions.* Junket commissions decreased by 47.8% from HK\$1,798.7 million in 2014 to HK\$939.2 million in 2015. The decrease resulted directly from the lower VIP gross table games win during the current year.

*Advertising and promotion expense.* Advertising and promotion expense decreased by 33.5% from HK\$783.7 million in 2014 to HK\$521.3 million in 2015. The decrease resulted from less marketing activities being organized during the current year in response to the decrease in our business activities.

*License fee and marketing fees.* License fee and marketing fees due to related companies decreased by 11.2% from HK\$357.2 million in 2014 to HK\$317.1 million in 2015. The decrease resulted directly from the decrease in revenue during the current year.

*Allowance for doubtful debts, net.* Allowance for doubtful debts, net, increased by 89.6% from HK\$98.2 million in 2014 to HK\$186.3 million in 2015. There were no changes in the allowance for doubtful debts policy; the increase in provision primarily resulted from the changed business conditions in the Macau gaming market that were described previously which started to impact the Group from the second half of 2014, as a result, more casino debtors defaulted in repayment of their debts and/or their creditworthiness has deteriorated during the current year.

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

Depreciation and amortization remained flat at HK\$805.7 million and HK\$799.6 million in 2015 and 2014 respectively, which was primarily due to some new furniture and equipment placed into service and offset by the impact of full depreciation of certain assets during the current year.

### ***Finance costs***

Finance costs increased by 284.0% from HK\$37.9 million in 2014 to HK\$145.5 million in 2015. Total borrowing costs increased by HK\$188.2 million during the current year mainly due to HK\$93.7 million increase in amortization of debt finance costs incurred in modification of the Amended Credit Facilities in June 2015 and HK\$89.7 million increase in interest incurred for additional bank borrowings under the Second Amended Credit Facilities because of funding requirements for MGM COTAI development. HK\$310.9 million of total borrowing costs was capitalized to construction in progress in 2015 (2014: HK\$230.4 million).

## ***Taxation***

Taxation in 2015 and 2014 primarily related to dividend withholding tax for the respective periods granted by the Macau Government in December 2012. Details of taxation are set out in note 8 to the consolidated financial statements.

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

Profit attributable to owners of the Company decreased by 45.5% from HK\$5,706.9 million in 2014 to HK\$3,112.5 million in 2015.

## **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, 2015 and 2014.

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Profit attributable to owners of the Company	<b>3,112,515</b>	5,706,943
Add/(less):		
Depreciation and amortization	<b>805,653</b>	799,598
Interest income	<b>(12,076)</b>	(12,640)
Finance costs	<b>145,519</b>	37,893
Net foreign currency difference	<b>17,955</b>	20,725
Taxation	<b>16,612</b>	15,799
Share-based payments	<b>85,541</b>	69,704
Corporate expenses	<b>411,628</b>	441,816
Pre-opening costs	<b>53,546</b>	13,276
Property charges and other	<b>32,067</b>	11,583
Adjusted EBITDA <sup>(1)</sup> (unaudited)	<b>4,668,960</b>	7,104,697

*Note:*

- <sup>(1)</sup> Adjusted EBITDA is profit before finance costs, taxation, depreciation and amortization, interest income, net foreign currency difference, share-based payments, pre-opening costs, corporate expenses which mainly include administrative expenses of the corporate office and license fee paid to a related company, and property charges 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. During the current period, management included the corporate expenses as one of the reconciliation items and a corresponding adjustment was made to the 2014 comparative amount. 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.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Capital Resources**

We funded our working capital, operating expenses and capital expenditures from equity, bank borrowings, and cash generated from our operations. As at December 31, 2015, our bank and cash balances were HK\$5,421.1 million. Such balance is available for operations, new development activities including MGM COTAI and enhancement to our existing property. In addition, as at December 31, 2015, HK\$12.09 billion of term loan facility has been fully drawn, while HK\$11.31 billion of revolving credit facility is undrawn and available for utilization up to March 2019, and may be used for proper corporate purposes of the Group and future development opportunities including MGM COTAI.

### **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 bank borrowings, net of debt finance costs, less bank balances and cash. Equity comprised all capital and reserves of the Group. The following table presents the calculation of the Group's gearing ratio as at December 31, 2015 and 2014.

	As at	
	December 31,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings, net of debt finance costs	11,731,951	4,118,182
Less: bank balances and cash	<u>(5,421,058)</u>	<u>(4,232,187)</u>
Net debt	6,310,893	(114,005)
Total equity	<u>4,915,051</u>	<u>6,341,523</u>
<b>Total capital</b>	<b>11,225,944</b>	<b>6,227,518</b>
<b>Gearing ratio</b>	<b>56.2%</b>	—

Our gearing ratio increased as at December 31, 2015 primarily due to increased indebtedness from additional drawdown of HK\$7.8 billion of term loan facility during the current year.

### Group Cash Flows

The following table presents a summary of the Group's cash flows for the years ended December 31, 2015 and 2014.

	For the year ended	
	December 31,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	3,209,865	5,199,046
Net cash used in investing activities	(4,581,216)	(2,748,481)
Net cash generated from/(used in) financing activities	<u>2,560,222</u>	<u>(6,103,183)</u>
Net increase/(decrease) in cash and cash equivalents	1,188,871	(3,652,618)
Cash and cash equivalents at the beginning of the year	<u>4,232,187</u>	<u>7,884,805</u>
Cash and cash equivalents at the end of the year	<u><u>5,421,058</u></u>	<u><u>4,232,187</u></u>

### Net cash generated from operating activities

Our net cash generated from operating activities was primarily affected by decreased operating income generated by MGM Grand Paradise and changes in working capital. Net cash from operating activities was HK\$3,209.9 million in 2015 compared to HK\$5,199.0 million in 2014. The decrease mainly resulted from the decrease in profit attributable to owners of the Company as a result of lower gaming revenue and slower repayment from the casino debtors as described previously during the current year.

### Net cash used in investing activities

Net cash used in investing activities was HK\$4,581.2 million in 2015 compared to HK\$2,748.5 million in 2014. 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\$4,259.7 million and HK\$2,513.9 million in 2015 and 2014, respectively. Other amounts paid related to land use right premium in both years and HK\$81.4 million of developers' fees paid in 2015.

### Net cash generated from/(used in) financing activities

Net cash generated from financing activities was HK\$2,560.2 million in 2015 compared to net cash used in financing activities of HK\$6,103.2 million in 2014. The increase in cash from financing activities was due to HK\$7.8 billion of Second Amended Credit Facilities drawn and was partly offset by the HK\$4,624.6 million dividend payments in 2015 compared to the HK\$5,928.2 million dividend payments in 2014.

### Capital Commitments

Future commitments in respect of property and equipment that are not recorded in the consolidated financial statements herein are as follows:

	As at December 31,	
	2015	2014
	HK\$'000	HK\$'000
Authorized but not contracted for	8,643,338	9,808,188
Contracted but not accounted for	6,164,810	8,814,903
	<u>14,808,148</u>	<u>18,623,091</u>

## **Indebtedness**

As at December 31, 2015 and 2014, the Group had drawn down its Second Amended Credit Facilities and Amended Credit Facilities in amounts of HK\$12.09 billion and HK\$4.29 billion respectively. The Group had HK\$11.31 billion available to draw under the MGM Grand Paradise credit facilities as at December 31, 2015 and 2014.

## **Contingent Liabilities**

As at December 31, 2015 and 2014, the Group had given bank guarantees totaling HK\$300.1 million in relation to our 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. The Amended Credit Facilities included a HK\$4.29 billion term loan facility and a HK\$11.31 billion revolving credit facility.

On June 9, 2015, the Company and MGM Grand Paradise as co-borrowers entered into a second amended and restated credit agreement (the “Second Amended Credit Facilities”) with certain lenders. The Second Amended Credit Facilities were effective on June 12, 2015, which extended the maturity of the Amended Credit Facilities to April 29, 2019 and expanded the term loan facility set out in the Amended Credit Facilities to HK\$12.09 billion. The aggregate amount of the Second Amended Credit facilities is HK\$23.40 billion, consisting of a HK\$12.09 billion term loan facility and a HK\$11.31 billion revolving credit facility. Borrowings under the Second Amended Credit Facilities may be used for proper corporate purposes of the Group and future development opportunities including MGM COTAI.

As at December 31, 2015, the Group incurred and paid miscellaneous charges and bank fees of approximately HK\$363.8 million in relation to the Second Amended Credit Facilities.

In February 2016, an amendment to the Second Amended Credit Facilities was executed (the “Third Supplemental Agreement”) to provide the Group with the necessary covenant flexibility while MGM COTAI is in the construction phase as discussed below.

### ***Principal and Interest***

As at December 31, 2015, HK\$12.09 billion of the term loan facility has been fully drawn, while HK\$11.31 billion of revolving credit facility is undrawn and available for utilization up to March 2019. The term loan facility is repayable on a quarterly basis commencing in October 2017 and will be fully repaid in April 2019. Each drawdown under the revolving credit facility will be repaid in full on the last date of the respective term but no later than April 2019.

The Second Amended Credit Facilities bear interest at HIBOR plus a fixed margin of 1.75% per annum for the first six months and thereafter a variable margin that may increase to a maximum of 2.5% per annum or decrease to a minimum of 1.375% per annum based on the Group's leverage ratio. As at December 31, 2015, the Group paid interest at HIBOR plus a margin of 1.75% per annum.

### ***General Covenants***

The Second 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***

Under the Second Amended Credit Facilities, the Restricted Group was required to maintain a leverage ratio at the end of each quarter while the loans are outstanding. The leverage ratio was 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 was required to maintain an interest coverage ratio of no less than 2.50 to 1.00 at each quarter end.

The leverage ratio under the Third Supplemental Agreement is required to be maintained within 4.50 to 1.00 for quarters ended March 31, 2016 and June 30, 2016. This ratio will be increased to no greater than 6.00 to 1.00 for each quarter ended September 30, 2016 through June 30, 2017 and reduced to no greater than 5.50 to 1.00 and 5.00 to 1.00 for quarters ended September 30, 2017 and December 31, 2017, respectively. The leverage ratio will be reduced to no greater than 4.50 to 1.00 for each quarter thereafter through maturity.

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 Second Amended Credit Facilities and the Amended Credit Facilities as set forth above for the years ended December 31, 2015 and 2014.

### ***Mandatory Prepayments***

The Second 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***

Under the Second Amended Credit Facilities, the Group was not allowed to declare, make or pay any dividends while any default is outstanding or would result from such dividend payment or if the pro forma leverage ratio exceeded 4.00 multiples as result of such dividend payment. To the extent its leverage ratio fell below 4.00 multiples but still exceeded 3.50, the Group might only pay dividends up to US\$300 million, including if any dividends paid during preceding 12-month period.

As at December 31, 2015, our leverage ratio was approximately 2.84.

Under the Third Supplemental Agreement if the leverage ratio exceeds 4.00 multiples, the Group may only pay dividends up to US\$150 million, including any dividends paid during preceding 12-month period. To the extent the 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 dividends paid during preceding 12-month period.

### ***Events of Default***

The Second Amended Credit Facilities contain certain events of default, and certain insolvency-related proceedings relating to the Group. Pursuant to the Second 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 operating expenses and capital expenditures 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 balances and cash 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**

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 development of MGM COTAI and will continue to incur capital expenditures for constructing this property.

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at December 31, 2015, MGM Grand Paradise employed 5,937 full-time and part-time employees in Macau, Hong Kong and Zhuhai.

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 local 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 local 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.

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

MGM Grand Paradise, our subsidiary and the holder of our gaming Subconcession, will file its statutory consolidated financial statements in accordance with Financial Reporting Standards of Macau Special Administrative Region, the People's Republic of China ("MFRS") for the year ended December 31, 2015 ("MFRS Consolidated Financial Statements") to the Gaming Inspection and Coordination Bureau of Macau on or about February 29, 2016. This is a statutory filing requirement mandated by Macau law. In addition, MGM MACAU expects to publish its MFRS Condensed Financial Statements in the Macau Official Gazette and local newspapers in Macau by the end of April 2016. The MFRS Consolidated Financial Statements and the MFRS Condensed

Financial Statements may not be directly comparable with our Company's financial results disclosed herein, which are prepared under IFRS.

## **ANNUAL GENERAL MEETING**

Notice of annual general meeting of the Company, including details on closure of register of members for the purpose of ascertaining the members who are entitled to the Final Dividend, will be published and dispatched to the Company's shareholders in the manner required by the Listing Rules in due course.

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

During the year ended December 31, 2015, the Company repurchased a total of 20,000 Shares at an aggregate purchase price of HK\$236.9 thousand on the Hong Kong Stock Exchange. Particulars of the repurchases are as follows:

<b>Month of repurchase</b>	<b>Total number of Shares repurchases</b>	<b>Highest price paid per Share</b> <i>HK\$</i>	<b>Lowest price paid per Share</b> <i>HK\$</i>	<b>Aggregate consideration paid</b> <i>HK\$'000</i>
September 2015	20,000	11.80	11.80	237

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, 2015 in accordance with Rule 10.06 of the Listing Rules, and all the repurchased Shares were subsequently cancelled. The total issued share capital of the Company remains the same. The Board considered that such repurchases were made for the benefit of the Company and its Shareholders as a whole with a view of maintaining the same total issued share capital and enhancing stability of the Company's share capital and hence the net value of the Company and its assets and/or earnings per Share.

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

## **CORPORATE GOVERNANCE REPORT**

### **Corporate Governance Practices**

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

During the year ended December 31, 2015, the Company has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules. The Company has adopted a revised terms of reference of the Audit Committee by a resolution of the Board on November 5, 2015 in anticipation to the changes to the Corporate Governance Code which will apply with respect to accounting periods beginning on or after January 1, 2016.

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

The Company has made specific inquiries and has received confirmations from all the Directors that they have complied with the required standard as set out in the Code for the year ended December 31, 2015.

### **Audit Committee**

The Audit Committee is currently comprised of three independent non-executive Directors and one non-executive Director. The major duties of the Audit Committee under its terms of reference adopted by a resolution of the Board passed on February 16, 2012 and amended by a resolution of the Board passed on November 5, 2015 include overseeing the relationship between the Company and its external auditors, monitoring the integrity of the financial statements, annual and interim reports, quarterly reports and reviewing significant financial reporting judgment contained therein, monitoring compliance with statutory and the Listing Rules requirements in relation to financial reporting, reviewing the Group's financial controls, internal controls and risk management systems. The Audit Committee has reviewed the Group's annual results for the year ended December 31, 2015.

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

This announcement is published on the Company's and the Hong Kong Stock Exchange's websites. The Company's annual report for the year ended December 31, 2015 in accordance with the relevant requirements of the Listing Rules will be dispatched to the Shareholders and published on the Company's and the Hong Kong Stock Exchange's websites in due course.

## **DEFINITIONS AND GLOSSARY USED IN THIS ANNOUNCEMENT**

“Board”	the board of Directors of our Company
“casino”	a gaming facility that provides casino games consisting of table games, slot machines and other electronic games and other games of chance
“casino revenue”	revenue from casino gaming activities (gross table games win and gross slot win), calculated net of commissions and discounts and in accordance with IFRS
“China” or “mainland China”	the People's Republic of China excluding, for the purpose of this announcement for geographical and statistical references only and except where the context otherwise requires, Hong Kong, Macau and Taiwan
“chips”	tokens, usually in the form of plastic discs issued by a casino to patrons in exchange for cash or credit, which may be used (in lieu of cash) to place bets on gaming tables
“Company” or “MGM China”	MGM China Holdings Limited, a company incorporated in the Cayman Islands on July 2, 2010 as an exempted company with limited liability
“Concessionaire”	the holder of a concession for the operation of casino games in Macau
“Cotai”	an area of reclaimed land located between the islands of Taipa and Coloane in Macau

“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
“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
“gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions and discounts
“gross slot win”	the amount of slot handle that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of a portion of commissions and discounts
“gross table games win”	the amount of drop (in our main floor casino 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
“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
“Las Vegas”	the Las Vegas gaming market as defined by the Nevada Gaming Control Board
“Listing”	the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on June 3, 2011

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of The People’s Republic of China
“Macau Government”	the local government of Macau
“main floor”	consists of the full range of our gaming products offered to our mass market players
“main floor players”	non-rolling chip players or cash chip players
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“MGM COTAI”	our another integrated casino, hotel and entertainment complex on the Cotai Land
“MGM Grand Paradise”	MGM Grand Paradise Limited, a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macau, one of three Subconcessionaires and one of our subsidiaries
“MGM MACAU” or “our property”	our sole resort and casino property in Macau owned by MGM Grand Paradise
“MGM Resorts International”	MGM Resorts International, a company incorporated in Delaware and listed on the New York Stock Exchange under the ticker symbol MGM, and our controlling Shareholder
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“occupancy rate”	the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available
“Pataca” or “MOP”	Macau Pataca, the lawful currency of Macau

“rolling chip”	a physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and individual VIP players
“Share(s)”	ordinary share(s) with a nominal value of HK\$1 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	Sociedade de Jogos de Macau, S.A., one of three Concessionaires
“slot handle”	the total value of slot machine credits wagered resulting from coins and bank notes in the drop box, plus the value of any electronic money transfers made to the slot machine through the use of a cashless wagering system
“slot machines”	gaming machines operated by a single player and electronic multiple-player gaming machines
“Subconcession” or “Subconcession Contract”	the tripartite Subconcession Contract for the Exploitation of Games of Fortune and Chance or Other Games in Casino in the Special Administrative Region of Macau entered into among SJM, MGM Grand Paradise and the Macau Government on April 19, 2005
“Subconcessionaire(s)”	the holder(s) of a subconcession for the operation of casino games in Macau
“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

By Order of the Board

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

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

Hong Kong, February 18, 2016

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