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Genting Hong Kong Limited

(Continued into Bermuda with limited liability)

(Stock Code: 678)

ANNOUNCEMENT OF CONSOLIDATED FINANCIAL RESULTS OF TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

This announcement is made by Genting Hong Kong Limited (“Genting HK”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Genting HK has been informed by Travellers International Hotel Group, Inc. (“Travellers” or the “Company”) that it has submitted an annual report to The Philippine Stock Exchange, Inc. and the Securities and Exchange Commission on 16 March 2016 reporting on its consolidated financial results as at and for the year ended 31 December 2015 (“2015”) which are prepared in accordance with the Philippine Financial Reporting Standards. Set out below is the financial information extracted from the consolidated results of Travellers for 2015:

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TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013 (Amounts in Philippine Pesos)

	2015	2014	2013
NET REVENUES			
Gaming	24,216,681,861	28,376,733,234	30,003,598,507
Non-gaming			
Hotel, food, beverage and others	2,468,610,922	2,264,169,550	2,502,498,641
Other operating income	1,034,396,124	922,373,692	875,560,158
	27,719,688,907	31,563,276,476	33,381,657,306
Less: Promotional allowance	3,117,567,390	2,502,976,854	2,533,628,373
	24,602,121,517	29,060,299,622	30,848,028,933
DIRECT COSTS	10,490,666,045	10,755,169,639	12,107,719,504
GROSS PROFIT	14,111,455,472	18,305,129,983	18,740,309,429
GENERAL AND ADMINISTRATIVE EXPENSES	9,352,463,240	11,907,758,971	14,123,148,656
OPERATING PROFIT	4,758,992,232	6,397,371,012	4,617,160,773

	2015	2014	2013
OTHER INCOME (CHARGES)			
Finance costs	(775,371,564)	(1,026,706,225)	(2,036,794,564)
Finance income	116,287,960	190,144,735	225,815,470
Share in net loss of an associate	(32,929,706)	(40,168,131)	-
	(692,013,310)	(876,729,621)	(1,810,979,094)
PROFIT BEFORE TAX	4,066,978,922	5,520,641,391	2,806,181,679
TAX EXPENSE	49,370,190	75,568,162	66,665,186
NET PROFIT FOR THE YEAR	4,017,608,732	5,445,073,229	2,739,516,493
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss			
Actuarial gain (loss) on remeasurement of retirement benefit obligation	21,946,326	(5,687,010)	49,336,099
Tax income (expense)	(3,454,432)	1,532,871	(13,362,162)
	18,491,894	(4,154,139)	35,973,937
Item that will be reclassified subsequently to profit or loss			
Net unrealized fair value gains (losses) on available-for-sale financial assets	1,992,730	(3,220,000)	242,000
	20,484,624	(7,374,139)	36,215,937
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,038,093,356	5,437,699,090	2,775,732,430
Earnings Per Share:			
Basic	0.26	0.35	0.31
Diluted	0.26	0.35	0.19

DISCUSSION AND ANALYSIS OF OPERATIONS

(Results of operations for the year ended December 31, 2015 and 2014)

<i>In Million Pesos</i>	For the year ended	
	2015	2014
NET REVENUES	24,602.1	29,060.3
Gaming	24,216.7	28,376.7
Hotel, F&B	2,468.6	2,264.2
Other Income	1,034.4	922.4
Promo Allowance	(3,117.6)	(2,503.0)
GROSS PROFIT	14,111.5	18,305.1
OPERATING PROFIT	4,759.0	6,397.4
NET PROFIT	4,017.6	5,445.1
EBITDA	6,161.9	7,914.1

The Company focused on building a base in 2015, particularly in the Mass and Premium Mass segments. Operating costs were controlled as the Company remained profitable even as revenues declined.

Net Revenues

Net Revenues is at P24,602.1 million with a higher contribution from Hotel, and F&B of P2,468.6 million.

Gaming Revenues

Gross Gaming Revenue for the full year 2015 is at P24,216.7 million, from P28,376.7 million it registered for the same period in 2014.

Drops volume for the Company's mass segment fell by 2.7% while the VIP segment contracted by 31.7%.

The Company's win rate improved with a blended rate of 4.8% compared to the 4.2% registered in 2014. The VIP segment improved to 2.8% in 2015 from 2.5% last year.

Hotel, Food, Beverage & Others

Revenue from hotel, food, beverage and others increased by 9.0% from P2,264.2 million in 2014 to P2,468.6 million in 2015 as the Company expands its non-gaming facilities and services to support its gaming business.

All hotels registered high occupancy rates in 2015. Maxims at 86% (vs 89% in 2014), Remington at 90% (vs 91% in 2014) and Marriott at 78% (vs 83% in 2014).

Complimentary and promo rooms for Maxims account for 64% of 2015 occupancy versus 62% in 2014. For Remington, complimentary and promo rooms account for 39% of occupancy in 2015 compared to 52% in 2014.

Food and Beverage covers increased by 1.0% reaching P6.0 million in 2015. Paying headcount accounted for 43% of total covers.

Other Operating Income

Other Operating income in 2015 grew to P1,034.4 million or by 12.1% compared to P922.4 million in 2014. Other Operating income primarily consists of income from Newport Performing Arts Theater, rental income for the mall and commercial office space rentals, income from cinema, laundry, spa and others.

The retail and F&B tenant space remain at 90, with 100% occupancy.

Promotional Allowances

Promotional Allowances in 2015 is at P3,117.6 million from P2,503.0 million in 2014, an increase of 24.6%, due to some revenue sharing arrangements with junkets in the second half. Promotional allowance refers to the relative fair value of points earned by loyalty card members, revenue share and prize money for tournaments.

Gross Profit

Gross Profit is at P14,111.5 million for the period ended December 31, 2015.

Direct Costs

Directs Costs decreased by 2.5% ending the year at P10,490.7 million from P10,755.2 million in 2014. Direct Costs consist of costs associated directly with gaming revenues and costs directly associated with hotel, food, beverage and others such as depreciation.

The improvement in Direct Costs came primarily from lower Gaming license fee as a result of lower Gross Gaming Revenue and the operating efficiency gains from the various cost management initiatives instituted by the Company since 2013.

Gaming License fees which is 25% or 15% of Gross Gaming Revenue in accordance with the Provisional License Agreement is at P5,308.8 million for the year ended December 31, 2015 from P6,203.2 million the previous year.

General & Administrative Expenses

General and Administrative expenses is at P9,352.5 million for the year ended December 31, 2015, representing a decline of P2,555.3 million or 21.5% from P11,907.8 million recorded in 2014.

General Marketing for the year ended December 31, 2015 is at P4,170.3 million, lower by 37.0% or P2,449.0 million compared to the year ended December 31, 2014. General Marketing expenses include commissions paid to gaming promoters and rebates paid to VIP patrons.

Salaries, wages and benefits of shared employees is at P1,047.3 million for period ended December 31, 2015 from P1,083.8 million in the same period in 2014.

Operating Profit

Operating Profit is at P4,759.0 million.

Finance Costs & Finance Income

The Company booked a total of P775.4 million in Finance cost for the year ended December 31, 2015, a decline of P251.3 million or 24.5% versus similar period in 2014.

Finance cost incurred in 2015 is mostly for the outstanding Company issued Bonds amounting to USD300.0 million.

Profit Before Tax

Profit before tax for year ended December 31, 2015 is P4,067.0 million from P5,520.6 million it registered during the same period in 2014.

Net Profit

Net Profit for the year ended December 31, 2015 is at P4,017.6 million.

Unrealized foreign exchange losses due to the outstanding bonds amount to P764.7 million.

EBITDA

Travellers posted an EBITDA of P6,161.9 million for the period ending December 31, 2015. Depreciation is at P1,402.9 million which is lower by P113.8 million due to the sale of asset in 2014.

<i>In million Pesos</i>	2015	2014
Operating Profit	4,759.0	6,397.4
Depreciation	1,402.9	1,516.7
EBITDA	6,161.9	7,914.1

Tax Related Matters

The Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with Philippine Amusement and Gaming Corporation ("PAGCOR"). In April 2013, however, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In May 2014, PAGCOR issued Guidelines for a 10% Income Tax Allocation (ITA) measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues.

The ITA measure ceases to be effective and the license fees shall automatically revert to the 25% and 15% rates indicated in the Provisional License Agreement should any of the following circumstances occur:

- (a) The BIR ceases to impose income tax on the licensees, or deletes the provision of RMC 33-2013 which imposes income tax on licensees;
- (b) A court restrains or enjoins the BIR from implementing the provisions of RMC 33-2013 which imposes income tax on licensees, during the effectivity of such restraining order or injunction. In the event the court withdraws the temporary restraining order (TRO), or if the TRO expires and is not extended, the 10% ITA shall automatically be reinstated;
- (c) A court, by final and executory judgment, nullifies the provision of RMC 33-2013 which imposes income tax on the licensees;
- (d) The Philippine Congress amends or revokes the imposition of corporate income tax on PAGCOR and its licensees; or
- (e) Recognition of Entertainment City as a special economic and/or tourism zone with special fiscal incentives for its locators resulting in the same effect as paragraph (d) above.

The 10% ITA measure is in keeping with the true spirit and intent of the terms of the Provisional License Agreement insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues, while preserving at the same time the financial benefits of the Provisional License Agreement for the Philippine Government.

In December 2014, the Supreme Court (“SC”) issued a Decision in the case of *PAGCOR v. BIR*, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under Presidential Decree (P.D.) No. 1869, as amended, otherwise known as the PAGCOR Charter. The BIR’s Motion for Reconsideration of the foregoing pronouncement was denied with finality in a resolution issued by the SC dated March 10, 2015.

Management is of the opinion that the similar case pending with the SC will result to a positive outcome, considering the unequivocal SC declaration in the *PAGCOR v. BIR* case that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. More so as, on May 11, 2015, the Court of Tax Appeals (CTA) issued a decision in the case of *Perception Gaming, Inc. v. Commissioner of Internal Revenue*, CTA Case No. 8509, ruling that the tax exempt status of PAGCOR under its Charter extends to other entities with whom PAGCOR or the operators has any contractual relationship in connection with the operations of the casinos authorized to be conducted under PAGCOR’s Charter, thus including licensees. The CTA En Banc echoed the aforesaid ruling on November 5, 2015 in its decision in the case of *Hon. Herbert Bautista v. PAGCOR*, CTA EB No. 1159, further ruling that the silence of the SC with respect to the extension of PAGCOR’s tax privilege to third parties with whom it has contractual relationships in connection with the operation of casinos is merely because the resolution of the petition was limited to clarifying the tax treatment of PAGCOR’s income by the BIR and because PAGCOR’s contractees and licensees were not parties to the suit, capping off its statement by stating that it believed the tax exemption of PAGCOR extends to its agents, contractees and licensees. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with paragraphs (b) and/or (c) of the ITA measure above.

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Shareholders of Genting HK should note that the above consolidated financial results pertain only to Travellers and not to Genting HK itself.

Travellers is a limited liability company incorporated in the Republic of the Philippines and following its initial listing of common shares on the Main Board of The Philippine Stock Exchange, Inc. on 5 November 2013 and the exercise of the Over-allotment Option, Genting HK's effective interest in the common shares of Travellers has been diluted from 50 per cent to 44.9 per cent. After listing, Travellers becomes an associate of Genting HK. Genting HK's effective interest in the Preferred B shares of Travellers remains unchanged at 50 per cent following the listing.

By Order of the Board
TAN SRI LIM KOK THAY
Chairman and Chief Executive Officer

Hong Kong, 16 March 2016

As at the date of this announcement, the Board of Directors of Genting HK comprises two Executive Directors, namely Tan Sri Lim Kok Thay and Mr. Lim Keong Hui and three Independent Non-executive Directors, namely Mr. Alan Howard Smith, Mr. Lam Wai Hon, Ambrose and Mr. Justin Tan Wah Joo.