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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 2014**

**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. on 19 March 2015 reporting on its consolidated financial results as at and for the year ended 31 December 2014 (“2014”) 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 2014:

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#### **TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012** (Amounts in Philippine Pesos)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>NET REVENUES</b>			
Gaming	<b>28,376,733,234</b>	30,003,598,507	28,058,258,093
Non-gaming			
Hotel, food, beverage and others	<b>2,264,169,550</b>	2,502,498,641	2,138,225,200
Other operating income	<b>922,373,692</b>	875,560,158	880,710,104
	<b>31,563,276,476</b>	33,381,657,306	31,077,193,397
Less: Promotional allowance	<b>2,502,976,854</b>	2,533,628,373	1,687,446,005
	<b>29,060,299,622</b>	30,848,028,933	29,389,747,392
<b>DIRECT COSTS</b>	<b>10,755,169,639</b>	12,107,719,504	10,111,138,294
<b>GROSS PROFIT</b>	<b>18,305,129,983</b>	18,740,309,429	19,278,609,098
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>11,907,758,971</b>	14,123,148,656	11,818,861,493
<b>OPERATING PROFIT</b>	<b>6,397,371,012</b>	4,617,160,773	7,459,747,605

	2014	2013	2012
<b>OTHER INCOME (CHARGES)</b>			
Finance costs	(1,026,706,225)	(2,036,794,564)	(1,430,118,362)
Finance income	190,144,735	225,815,470	772,741,044
Share in net loss of an associate	(40,168,131)	-	-
	(876,729,621)	(1,810,979,094)	(657,377,318)
<b>PROFIT BEFORE TAX</b>	<b>5,520,641,391</b>	<b>2,806,181,679</b>	<b>6,802,370,287</b>
<b>TAX EXPENSE</b>	<b>75,568,162</b>	<b>66,665,186</b>	<b>68,154,087</b>
<b>NET PROFIT FOR THE YEAR</b>	<b>5,445,073,229</b>	<b>2,739,516,493</b>	<b>6,734,216,200</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Item that will not be reclassified subsequently to profit or loss</b>			
Actuarial gain (loss) on remeasurement of retirement benefit obligation	(5,687,010)	49,336,099	-
Tax income (expense)	1,532,871	(13,362,162)	-
	(4,154,139)	35,973,937	-
<b>Item that will be reclassified subsequently to profit or loss</b>			
Net unrealized fair value gains (losses) on available-for-sale financial assets	(3,220,000)	242,000	12,390,000
	(7,374,139)	36,215,937	12,390,000
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>5,437,699,090</b>	<b>2,775,732,430</b>	<b>6,746,606,200</b>
<b>Earnings Per Share:</b>			
<b>Basic</b>	<b>0.35</b>	<b>0.31</b>	<b>6.73</b>
<b>Diluted</b>	<b>0.35</b>	<b>0.19</b>	<b>6.73</b>

## DISCUSSION AND ANALYSIS OF OPERATIONS

*(Results of operations for the year ended December 31, 2014 and 2013)*

<i>In million Pesos</i>	For the year ended	
	2014	2013
<b>NET REVENUES</b>	P 29,060.3	P 30,848.0
Gaming	28,376.7	30,003.6
Hotel, F&B	2,264.2	2,502.5
Other Income	922.4	875.6
Promotional Allowance	(2,503.0)	(2,533.6)
<b>GROSS PROFIT</b>	18,305.1	18,740.3
<b>OPERATING PROFIT</b>	6,397.4	4,617.2
<b>NET PROFIT</b>	5,445.1	2,739.5
<b>EBITDA</b>	7,914.1	6,717.7

The Company focused on growing core markets in 2014, particularly in the segments of Mass, and locally developed VIP market for the domestic and overseas market. This included a deliberate move to reduce the number of tournaments. This was coupled with operating efficiencies which had the costs in check. In the end, even with a slight decline in Revenues, the Company ended with a very healthy growth in both the EBITDA and Net income numbers.

### **Net Revenues**

Net Revenues declined by 5.8% as a result of lower Gross Gaming Revenue and lower contribution from Hotel, and F&B.

### **Gaming Revenues**

Gross Gaming Revenue for the full year 2014 is at P28,376.7 million, 5.4% behind the P30,003.6 million it registered for the same period in 2013. The decline in gaming revenue is a function of the decline in volume, particularly in the VIP segment as there was a deliberate move in holding less tournaments and focus on growing the core customer base.

This was evident in the Drops volume for the Company's mass segment which expanded by 5.1% or P6,914.6 million more than 2013 while the VIP segment contracted by 7.4%.

On the other hand, the Company's win rate improved towards the second half of the year, with a blended rate of 4.5% compared to the 3.9% registered in the first half of 2014. The VIP segment improved to 2.9% in the second half 2014 from 2.2% in the first half.

### **Hotel, Food, Beverage & Others**

Revenue from hotel, food, beverage and others is down by 9.5% from P2,502.5 million in 2013 to P2,264.2 million in 2014 as the Company made use its facilities and services to support its gaming business.

All hotels registered higher occupancy in 2014 with occupancy rate of Maxims at 89% (vs 78% in 2013), Remington at 91% (vs 65% in 2013) and Marriott at 83% (vs 81% in 2013).

Similarly, Food and Beverage covers increased by 3.7% from P5.78 million in 2013 to P5.99 million in 2014.

### **Other Operating Income**

Other Operating income in 2014 grew to P922.4 million or by 5.4% compared to P875.6 million in 2013. 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 now number 90, with 100% occupancy.

### **Promotional Allowances**

Promotional Allowances in 2014 is at P2,503.0 million, relatively flat from P2,533.6 million in 2013. 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 for the period ending December 31, 2014 is at P18,305.1 million.

## **Direct Costs**

Directs Costs improved by P1,352.5 million or 11.2% to P10,755.2 million for the year ended December 31, 2014 from P12,107.7 million for the same period in 2013. 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 the second half of 2013.

Gaming License fees which is 25% or 15% of Gross Gaming Revenue in accordance with the Provisional License is at P6,203.2mil for the year ended 2014 from P6,506.2mil for year ended 2013. *(With the PAGCOR issued Guidelines for a 10% Income Tax Allocation (ITA) measure effective April 1, 2014, up to 10% of the Gross Gaming Revenue is allocated for corporate income tax purposes which amounts to PhP 2,113 million. Management is of the opinion that with the December 2014 Supreme Court (SC) Decision in the case of PAGCOR v. BIR, G.R. No. 215427, unequivocally 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 SC will positively resolve a similar case filed on behalf of a PAGCOR licensee pending with the SC. 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 pars. (b) and/or (c) of the ITA measure.)*

Labor cost related to the delivery of services is at P2,114.2 million for year ended December 31, 2014 which is relatively flat compared to the P2,115.7 million it registered during the same period in 2013.

Other Direct Costs such as Depreciation, Entertainment and Miscellaneous are at P1,431.0 million in 2014 or 42.2% lower compared to 2013.

## **General & Administrative Expenses**

Due to initiatives capitalizing on operating leverages, General and Administrative expenses is at P11,907.8 million for the year ended December 31, 2014, representing a decline of P2,215.4 million or 15.7% from P14,123.1 million for the year ended December 31, 2013.

General Marketing for the year ended December 31, 2014 is at P6,619.3 million, lower by 17.8% or P1,431.7 million compared to the year ended December 31, 2013. General Marketing expenses include commissions paid to gaming promoters and rebates paid to VIP patrons which stands at P5,796.2 million in 2014 compared to P6,638.9 million in 2013.

Salaries, wages and benefits of Shared employees is at P1,083.8 million for year ended December 31, 2014 or 20.8% lower compared to same period in 2013.

## **Operating Profit**

Operating Profit grew to P6,397.4 million or 38.6% as a result of lower General and Administrative expenses.

## **Finance Costs & Finance Income**

The Company booked a total of P1,026.7 million in Finance cost for the year ended December 31, 2014, a decline of P1,010.1 million or 49.6% versus similar period in 2013.

The decline is primarily due to the payment of interest bearing loans amounting to P4,354.8 million during the first half of 2014 with the finance cost incurred in 2014 mostly for the outstanding Company issued Bonds amounting to USD300.0 million.

## **Profit Before Tax**

Profit before tax for year ended December 31, 2014 is P5,520.6 million from P2,806.2 million it registered during the same period in 2013.

## Net Profit

Net Profit for the year ended December 31, 2014 is at P5,445.1 million, a growth of P2,705.6 million or 98.8% over the same period in 2013.

## EBITDA

Travellers posted an EBITDA of P7,914.1 million for the period ending December 31, 2014, on a like-for-like treatment of tax in 2013 at 25%/15%, or an improvement of P1,196.4 million or 17.8% over the same period in 2013. (See Notes on Direct Cost and Tax Related Matters) Depreciation is at P1,516.7 million which is lower by P583.8 million compared to December 31, 2013 due to the change in the useful life of certain assets in 2014.

<i>In million Pesos</i>	<b>2014</b>	<b>2013</b>
Operating Profit	6,397.4	4,617.2
Depreciation	1,516.7	2,100.5
EBITDA	7,914.1	6,717.7

## 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*. A similar case filed on behalf of a PAGCOR licensee is pending with the SC as of the audit report date.

Management is of the opinion that the similar case pending with the SC will result to a positive outcome, considering the unequivocal Supreme Court declaration in the PAGCOR v. BIR case that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. 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 pars. (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 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, 19 March 2015

*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, two Independent Non-executive Directors, namely Mr. Alan Howard Smith and Mr. Lam Wai Hon, Ambrose and one Non-executive Director, namely Mr. Justin Tan Wah Joo.*