

OVERVIEW

We are one of the leading owners of entertainment and casino gaming facilities in Macau. We own the largest entertainment and leisure complex in the Macau Peninsula in terms of site area and, as at 31 December 2012, we were the second largest gaming service provider, in terms of the total number of gaming tables in our properties, among the casinos operating under service agreements in Macau⁽¹⁾. In terms of net win per table per day, the casino gaming facilities in The Landmark Macau were also one of the highest performing casinos in Macau in 2010 and 2011, and were above the industry average in 2012⁽¹⁾.

We have two major properties, The Landmark Macau, an award-winning integrated hotel, casino and luxury shopping complex, featuring a five-star hotel and Macau's first themed casino, located in the heart of the Macau Peninsula, and Macau Fisherman's Wharf, a waterfront integrated gaming, hotel, convention and entertainment complex located on the outer harbor of the Macau Peninsula. As well as operating our hotel and non-gaming entertainment properties, we provide Gaming Services to SJM at the two major casinos located on our properties that are operated by it, namely Pharaoh's Palace Casino in The Landmark Macau and Babylon Casino at Macau Fisherman's Wharf. These casinos cater to a variety of patrons, from mass market patrons seeking a general entertainment and leisure experience to VIP patrons seeking a high-stakes rolling chip gaming experience. In relation to the Casinos, and in accordance with the SJM Concession Contract, SJM is responsible for the day-to-day operation of the gaming facilities in the Casinos. Our duties and obligations in relation to the Casinos are set out in the Service Agreement, pursuant to which David Chow has been appointed as the president of the Casinos and is responsible for and accountable to SJM and Hong Hock for the day-to-day management of the Casinos. His duties include, among other things, directing the planning and policy making committees of the Casinos, developing and implementing strategies to grow the Casinos' revenue, ensuring a high level of customer service in the Casinos and cost-effective use of the Casinos' resources, developing the human resources policy of the Casinos, and directing and coordinating the employment, compensation and benefits of casino employees. David Chow also has the power to directly hire, promote and terminate the gaming operations employees, upon consultation with SJM.

As part of our Gaming Services, we also design and supervise the fitting out of the Casinos and are responsible for certain aspects of administration of, and security in, the Casinos. Among other things, we, through the gaming operations employees, supervise and direct the organization of the Casinos by determining the number of gaming tables and games available to gaming patrons and the betting limits and opening hours of each gaming table. We, through the gaming operations employees, supervise the daily operations of the cages on the gaming floors of the Casinos and assist SJM with complying with all statutory and SJM's internal regulations in respect of the Casinos.

Our properties are promoted with a particular focus on the Macau gaming market, which has been the world's largest gaming market in terms of gross gaming revenues since 2008. In 2010, 2011 and 2012, Macau generated gaming revenue of approximately US\$23.5 billion, US\$33.4 billion and US\$37.9 billion, respectively, according to the DICJ, as compared with

Note:

(1) See "Industry Overview — Concessionaires, Subconcessionaires and Gaming Service Providers."

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approximately US\$5.8 billion, US\$6.1 billion and US\$6.2 billion, respectively, of gaming revenue (excluding sports book and race book), generated in Las Vegas, according to the Nevada Gaming Control Board. We believe Macau will continue to be one of the largest gaming destinations in the world. Macau is currently the only market in Greater China, and one of the few in Asia, to offer legalized casino gaming. We will continue to focus on attracting gaming patrons from Asia, particularly from Greater China, to our properties.

Our major properties are:

The Landmark Macau. The Landmark Macau features one of the largest, award-winning, five-star hotels in the Macau Peninsula, offering 439 rooms and suites, as well as casino and gaming areas, recreational and dining space, retail shops, commercial and office premises, and residential apartments. The gaming areas of Pharaoh's Palace Casino in The Landmark Macau comprise mass market gaming facilities, VIP rooms and a slot machine hall, and occupies a total of approximately 17,644 square meters in gross floor area with 60 mass market gaming tables, 63 VIP gaming tables and 212 slot machines in operation as at 31 December 2012.

Macau Fisherman's Wharf. Macau Fisherman's Wharf is the largest entertainment and leisure complex in the Macau Peninsula in terms of site area. It has an operating site area of 109,495 square meters, and features Babylon Casino, a convention and exhibition center, a boutique hotel offering 72 rooms, a marina, an amusement arcade and shopping, dining and entertainment areas, and 16,239 square meters of car park space. Babylon Casino, located in Macau Fisherman's Wharf, features a gaming hall with 23 mass market gaming tables and 78 slot machines as at 31 December 2012, as well as VIP and private gaming areas and food and beverage services.

We are currently planning the redevelopment of Macau Fisherman's Wharf. We envision the MFW Redevelopment Project as a redevelopment of existing facilities as well as the addition of new facilities, including the Prague Harbor View Hotel, the Palace Hotel, the Legendale Hotel Macau, a general entertainment and cultural facility, a canopied open-air shopping, dining and entertainment colonnade, a yacht club at the Marina and other attractions. These and other facilities identified for redevelopment and construction are currently in various stages of design, capital commitment planning, budgeting, land acquisition or construction. See "— Our Development Projects — The MFW Redevelopment Project." The features of the MFW Redevelopment Project described in this prospectus may be subject to change.

Our revenue for the years ended 31 December 2010, 2011 and 2012 was HK\$1,095.3 million, HK\$1,345.9 million and HK\$1,501.1 million, respectively. Revenue from Gaming Services for the years ended 31 December 2010, 2011 and 2012 was HK\$867.3 million, HK\$1,068.2 million and HK\$1,111.4 million, respectively, accounting for 79.2%, 79.4% and 74.0% of our total revenue, respectively.

OUR COMPETITIVE STRENGTHS

We believe that we have a number of key strengths including the following:

Strategically located properties targeting a wide range of customers

We offer a diversified portfolio of gaming and leisure activities through our strategically located properties on the Macau Peninsula. Our properties are centrally located with convenient access to current and future transportation networks.

We own The Landmark Macau, an award-winning integrated hotel, casino and luxury shopping complex and one of the largest five-star hotels in the Macau Peninsula, which is strategically located along the Amizade strip in the vicinity of the Nam Van entertainment district. Our approximately 80,137 square meter property (gross floor area) is approximately a five-minute walk from Wynn Macau, Casino L'Arc Macau, Galaxy StarWorld, the Grand Lisboa and the Hotel Lisboa, and is in close proximity to other popular attractions, such as Macau Fisherman's Wharf, the Macau Science Center and the Grand Prix Museum. The Landmark Macau is also an approximately five to ten-minute drive from the Macau Ferry Terminal and an approximately 15 to 20 minute drive from the Macau International Airport.

The Landmark Macau offers luxury hotel accommodation, casino and gaming areas, banquet facilities and dining areas, commercial and office premises, residential apartments and car park facilities. The gaming areas of Pharaoh's Palace Casino in The Landmark Macau's consisting of mass market gaming facilities, VIP rooms and a slot machine hall, with 60 mass market gaming tables, 63 VIP gaming tables and 212 slot machines in operation as at 31 December 2012, cater to different market segments and offer a full range of games, 24 hours daily. The Landmark Macau's non-gaming facilities include a shopping mall which features retail stores for internationally recognized luxury brands. See "— Our Properties and Projects — The Landmark Macau."

We also own Macau Fisherman's Wharf, a waterfront integrated gaming, hotel, convention and entertainment complex, which is strategically located along the outer harbor beside the Macau Ferry Terminal and is adjacent to the Sands Casino. We believe it is currently the only major waterfront mixed development entertainment complex in Macau and is often the first major attraction seen by visitors arriving in Macau by ferry or helicopter to the Macau Ferry Terminal. Connectivity to Macau Fisherman's Wharf is also expected to increase due to a number of infrastructure projects. Construction of the Lotus Square light rail station, which is adjacent to the property, is expected to be completed by 2014. Macau Fisherman's Wharf is in close proximity to the planned Hong Kong-Zhuhai-Macau Bridge, construction of which is expected to be completed around 2016. We believe that these transportation links will allow greater accessibility to our properties and, in turn, increase the number of visitors to our properties.

Macau Fisherman's Wharf currently offers gaming areas, hotel accommodation, food and beverage outlets, a convention center and a wide range of retail space and entertainment venues, targeting a wide range of customers. See "— Our Properties and Projects — Macau Fisherman's Wharf."

A number of properties in the immediate vicinity of The Landmark Macau and Macau Fisherman's Wharf, such as the Jai Alai Palace complex, are in the process of being enhanced and redeveloped by SJM and are expected to be completed by 2014. We believe the modernization of these hotel and gaming facilities as a result of such redevelopment plans will attract more visitors to the area and, in turn, increase the number of visitors to our properties.

Largest leisure and entertainment complex in the Macau Peninsula

Macau Fisherman's Wharf is the largest entertainment and leisure complex in the Macau Peninsula in terms of site area, with a current operating site area of 109,495 square meters. It currently has 22 retail stores, 18 food and beverage outlets, a boutique hotel, Rocks Hotel, and entertainment venues, such as The Underground Amusement Arcade. The convention center at Macau Fisherman's Wharf has a 4,040 square meter main hall and is the largest in the Macau Peninsula. The convention center is a leading banquet and exhibition venue featuring audio and visual facilities that can be tailored to suit different types of functions. In 2012, our survey showed that Macau Fisherman's Wharf had approximately 3.5 million visitors, making it one of the leading attractions in Macau. Visitors to Macau Fisherman's Wharf come for a variety of entertainment and leisure reasons, including but not limited to gaming at Babylon Casino. Based on a survey we conducted for the months of April to June in 2012, approximately 60% of the visitors to Macau Fisherman's Wharf came to tour the retail stores and entertainment venues, while approximately 17% of the visitors came to dine at the various food and beverage outlets. Approximately 11% of the visitors came to visit Babylon Casino.

We are in the process of redeveloping Macau Fisherman's Wharf. We plan to redevelop existing facilities as well as add new facilities, such as additional gaming areas, hotel accommodation, food and beverage outlets, retail space and entertainment venues. We currently expect this redevelopment to include the Prague Harbor View Hotel, the Palace Hotel, the Legendale Hotel Macau, a general entertainment and cultural facility, a canopied open-air shopping, dining and entertainment colonnade, a yacht club at the Marina and other attractions. See "— Our Development Projects — The MFW Redevelopment Project." Upon completion of the redevelopment of Macau Fisherman's Wharf, our upgraded and newly added facilities will increase our offerings and allow us to target a wider range of customers.

Strong customer knowledge and relationships

We currently provide Gaming Services to two gaming facilities located in our properties, namely Pharaoh's Palace Casino in The Landmark Macau and Babylon Casino in Macau Fisherman's Wharf. Our Gaming Services include marketing and promotion of the Casinos to mass market and VIP patrons. All patrons of the mass market gaming facilities at Pharaoh's Palace Casino are required to register and become members. We believe the mandatory membership system for the mass market gaming facilities at Pharaoh's Palace Casino creates a sense of exclusivity and privacy for gaming patrons. While we do not have a similar mandatory membership system at Babylon Casino, gaming patrons at Babylon Casino whose bets exceed HK\$5,000 on average are typically identified by our membership staff and invited to become members of Babylon Club. Knowledge of such gaming patrons enables us to direct our marketing efforts more efficiently and helps us assist SJM in complying with anti-money laundering laws and its policies and procedures associated with high-value transactions and suspicious transactions.

We believe our reputation, experience in providing gaming services and our strong customer knowledge and relations have helped us attract and retain VIP and premium mass market patrons, which provide us with the majority of our revenues. A significant proportion of VIP and premium mass market patrons are repeat gaming patrons. As part of our Gaming Services, we market and advertise the Casinos to premium mass market patrons through targeted marketing efforts, such as sending them traditional Chinese pastries and snacks during Chinese festivals and celebrations and tickets to special events and performances we may host at our properties.

In addition to our strong customer knowledge, we have a close understanding of VIP patrons derived in part from the extensive experience of David Chow and Lam Fong Ngo in the gaming industry, which has resulted in long-standing relationships with many VIP patrons. We work closely with the designated gaming promoters to maintain relationships with VIP patrons. We continue to expand and cultivate our own direct relationships with VIP patrons and intend to establish our own gaming promotion business following Listing.

Industry-leading returns with one of the highest net win per table per day in both the VIP segment and the mass market segment at Pharaoh's Palace Casino

Pharaoh's Palace Casino has industry-leading returns, with one of the highest net win per table per day for both VIP tables and mass market tables in Macau in 2010 and 2011, and exceeded the industry average in 2012. The average net win per table per day in Pharaoh's Palace Casino in 2010, 2011 and 2012 was HK\$147,600, HK\$191,700 and HK\$164,100, respectively, as compared to an industry average of HK\$99,200, HK\$131,400 and HK\$142,100 for the same periods, respectively, according to Union Gaming.

The VIP segment of Pharaoh's Palace Casino achieved an average net win per table per day of HK\$293,600, HK\$367,300 and HK\$267,900 and in 2010, 2011 and 2012, respectively, which was significantly higher than that of other casinos operating under service agreements. The net win per table per day for the VIP segment of Pharaoh's Palace Casino declined by 27.1% in 2012 compared to 2011 due to the decrease in overall spending of VIP patrons as a result of slower economic growth in China and decreased patronage and popularity of some of the VIP rooms that were undergoing renovations in 2012. According to Union Gaming, VIP tables in casinos operated by SJM under service agreements achieved an average net win per table per day of HK\$200,100, HK\$202,100 and HK\$171,000 in 2010, 2011 and 2012, respectively, while VIP tables in the casinos operated by Galaxy under service agreements achieved an average net win per table per day of HK\$160,100, HK\$152,000 and HK\$107,900 in 2010, 2011 and 2012, respectively. The Macau industry average net win per table per day was HK\$194,300, HK\$239,800 and HK\$244,800 in 2010, 2011 and 2012, respectively.

Pharaoh's Palace Casino's mass market segment achieved an average net win per table per day of HK\$56,900, HK\$69,300 and HK\$71,000 in 2010, 2011 and 2012, respectively, which was also higher than that of other casinos operating under service agreements. According to Union Gaming, mass market tables in casinos operated by SJM under service agreements achieved an average net win per table per day of HK\$39,600, HK\$52,200 and HK\$59,600 in 2010, 2011 and 2012, respectively, while mass market tables in the casinos operated by Galaxy under service

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agreements achieved an average net win per table per day of HK\$19,700, HK\$33,200 and HK\$51,600 for 2010, 2011 and 2012, respectively. The Macau industry average net win per table per day was HK\$39,600, HK\$53,200 and HK\$67,500 in 2010, 2011 and 2012, respectively.

We believe the Casinos are able to generate such a high level net win per table per day for mass market tables because we have been able to attract a higher proportion of premium mass market patrons than that of many other casinos in Macau, resulting in higher bet sizes across the mass market segment compared to many other casinos in Macau. Our mandatory membership system at Pharaoh's Palace Casino has allowed us to efficiently monitor the betting profiles of gaming patrons and effectively direct our marketing efforts at high-betting gaming patrons. Our membership staff is able to quickly identify and invite high-betting gaming patrons to play at the premium mass market tables, increasing the net win of these premium mass market tables. We believe that our vigorous marketing and promotional efforts targeting premium mass market players have led to the Casinos having a higher proportion of premium mass market patrons than many of the other casinos in Macau.

For the years ended 31 December 2010, 2011 and 2012, VIP gaming revenue accounted for 10.1%, 11.5% and 10.0% of our revenue from Gaming Services, while premium and mass market gaming revenue accounted for 87.0%, 86.0% and 88.6% of our revenue from Gaming Services. As a result, we are less exposed to changes in the number of VIP patrons in Macau, which experiences a higher degree of fluctuation compared to the number of mass market gaming patrons in Macau.

Experienced and seasoned management team

We benefit from the wealth of experience in the gaming and hotel industries of David Chow, our co-chairman, executive Director and chief executive officer. David Chow began his career in the gaming industry as a gaming promoter in 1982 and was instrumental in the establishment of The Landmark Macau in 1997, overseeing the opening of Pharaoh's Palace Casino and the hotel in The Landmark Macau in 2003. David Chow also played a key supervisory role in the construction and development of the Legendale Hotel in Beijing, an award-winning five-star luxury hotel, in 2008. David Chow's experience and contribution to Macau's hotel and tourism industry were recognized by the China Industry and Commerce Federation and the Macau Government when they, respectively, awarded David Chow with the title of Top Ten Talent (Construction) in China (中國十大建設英才) in 2006 and the Order of Merit for Tourism (旅遊功績勳章) in 2007. His contribution to Macau and the PRC was further recognized by his appointment as a member of the 12th National Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆全國委員會) in February 2013. We believe that David Chow's background and experience as an elected legislator and his established network of contacts in the Macau gaming industry and other related industries have assisted in the growth and conduct of our gaming services business. David Chow is instrumental in driving our business strategies and in identifying our growth opportunities in Macau.

In addition to David Chow, we have an experienced management team in gaming, hotel, convention and leisure promotion, facility management and business administration, with a proven track record in Macau and internationally. A number of our Shareholders and Directors are well-recognized public figures and hold key positions in public office in Macau and include

current and former elected members of the Legislative Council of Macau. Madam Lam Fong Ngo, one of our executive Directors, has around 30 years of experience in the Macau gaming industry and has worked for STDM since the 1980s. Further, Mr. Tong Ka Wing, Carl, our co-chairman and our non-executive Director, has over 10 years of experience in the accounting and finance industries, and 20 years of experience in management consulting, advising companies on matters such as corporate strategy and restructuring. We believe that our seasoned management team is important to the continuing success of our business.

We work closely with SJM in the management of casino gaming facilities at The Landmark Macau and Macau Fisherman's Wharf. Pursuant to the Service Agreement, SJM has appointed David Chow as the president of the Casinos, who is responsible for and accountable to SJM and Hong Hock for the day-to-day management of the Casinos. Our Service Agreement with SJM, which has been recognized by the Macau Government, gives us access to SJM's expertise, including SJM's operating and marketing experience.

OUR STRATEGIES

Our objective is to maintain our position as one of the leading owners of entertainment and casino gaming facilities in Macau and to become a leading provider of gaming, leisure and entertainment services, capitalizing on the expected future growth opportunities in Macau. To achieve our objective, we have developed the following core business strategies:

Growth through the development of centrally located and integrated property offerings to cater to different market segments

We believe that using differentiated hotel properties creates a competitive advantage by enabling us to develop a closer relationship with our customers and allowing clear market segmentation that appeals to our hotel customers, including gaming patrons. We seek to expand our business through the operation of targeted and clearly segmented hotel properties under our own management, with each hotel property targeting a clear market segment and offering aspirational levels of luxury and sophistication through distinctive designs and themes. We currently operate two hotel properties in Macau.

As part of the MFW Redevelopment Project, we plan to develop: the Prague Harbor View Hotel, targeting business and leisure travelers who demand more affordable luxury services; the Palace Hotel, targeting affluent discerning guests who demand the greatest range of luxury services; and the Legendale Hotel Macau, targeting affluent families. The Prague Harbor View Hotel, the Palace Hotel and the Legendale Hotel Macau are expected to be completed by the fourth quarter of 2014, the third quarter of 2015 and third quarter of 2016, respectively, subject to conditions such as receipt of financing, necessary government approvals and progress of construction. For further information, see "— Our Development Projects — The MFW Redevelopment Project."

Capitalize on the prime location of Macau Fisherman's Wharf and expand our business through re-development of Macau Fisherman's Wharf

Macau Fisherman's Wharf occupies a prime location along the outer harbor beside the Macau Ferry Terminal. We believe that it is currently the only major waterfront entertainment complex in Macau. Macau Fisherman's Wharf is often the first major attraction seen by visitors arriving in Macau by ferry or helicopter to the Macau Ferry Terminal. Connectivity to Macau Fisherman's Wharf is expected to increase due to a number of infrastructure projects. Construction of the Lotus Square light rail station, which is adjacent to the property, is expected to be completed by 2014. Macau Fisherman's Wharf is also in close proximity to the planned Hong Kong-Zhuhai-Macau Bridge, construction of which is expected to be completed around 2016. We believe that these transportation links will allow greater accessibility to our properties and, in turn, increase the number of visitors to our properties. In 2010, 2011 and 2012, Macau Fisherman's Wharf had approximately 4.4 million, 4.0 million and 3.5 million visitors, respectively, making it one of the leading attractions in Macau.

We plan to expand our business through the MFW Redevelopment Project, which is expected to offer, among other things, additional gaming areas, hotel accommodation, food and beverage outlets, retail space and entertainment venues on Macau Fisherman's Wharf. We currently expect the MFW Redevelopment Project to include the Prague Harbor View Hotel, the Palace Hotel, the Legendale Hotel Macau, a general entertainment and cultural facility, a canopied open-air shopping, dining and entertainment colonnade, a yacht club at the Marina and other attractions. We intend to include in the Marina a mooring area for private yachts, thereby allowing affluent individuals to berth their yachts at one of the most central locations in Macau. We have been and are currently working with the Macau Government to promote yachting in Macau and the Macau Maritime Administration to provide customs and immigration clearance for yacht owners who berth their yachts at the Marina. We plan to offer harbor cruises departing from the pier adjacent to the Marina to the public, which we believe will increase mass market traffic and lead to an increase in the number of mass market gaming patrons at Macau Fisherman's Wharf. We also intend to construct most of the new buildings and structures in Macau Fisherman's Wharf in 17th and 18th century European-style architecture to complement the existing historical architecture on the Macau Peninsula and to ensure that Macau Fisherman's Wharf keeps in line with the historical multi-cultural tradition of Macau. We plan for the redevelopment to evoke the luxurious and relaxed setting of the French Riviera and for the new facilities to allow our guests and patrons to experience a wide range of services and conveniences.

We believe the MFW Redevelopment Project is the only major leisure-related development currently planned for the Macau Peninsula. The MFW Redevelopment Project is significant to us because we believe that our upgraded and new gaming and leisure facilities will allow us to attract more premium mass market patrons, continue providing luxurious amenities and a high level of service to VIP patrons, and increase revenues from the mass market segment as well as from non-gaming activities. Following completion of the MFW Redevelopment Project, we expect Macau Fisherman's Wharf to attract a greater amount of foot traffic, in addition to increasing the time and money spent by visitors. We also expect to attract a greater number of Macau residents to visit Macau Fisherman's Wharf as we believe that it is the only major

waterfront entertainment complex in Macau that is accessible to Macau residents. As a waterfront property, Macau Fisherman's Wharf also has the potential for further development through land reclamation.

Continue to upgrade The Landmark Macau, and its services and facilities to maintain and enhance our yield

We seek to continually expand and enhance our gaming and leisure facilities. We have recently created new VIP rooms on the 20th to 22nd floors of The Landmark Macau with 19 gaming tables. Two of these VIP rooms with 13 gaming tables are located on the same level as our hotel rooms which enables VIP patrons who are staying in our hotel rooms on these two floors to have seamless access to these VIP rooms. We intend to expand leisure offerings in The Landmark Macau through the introduction of an approximately 3,150 square meter sauna and spa facility to be operated by a tenant and to expand and enhance our retail offering. We have also applied to the Macau Government for additional gaming tables and slot machines on an incremental basis in line with the expansion of our gaming services business at The Landmark Macau and Macau Fisherman's Wharf.

Grow our revenue from Gaming Services by increasing the number of gaming tables in our properties

We seek to grow our revenue from our provision of Gaming Services to SJM by increasing the number of gaming tables at the Casinos. We have applied to the Macau Government for additional gaming tables on an incremental basis in line with our expansion plan for The Landmark Macau and Macau Fisherman's Wharf, in particular as the MFW Redevelopment Project progresses. Our preliminary plans for the expansion of the gaming facilities at the Casinos would require the allotment of an aggregate of approximately 350 additional gaming tables across our properties.

In response to the 2012 Additional Gaming Tables Application, the DICJ advised us and SJM in writing on 7 December 2012 that the measures taken by the Macau Government to limit the number of gaming tables in September 2011 will not be an obstacle to the request made under the 2012 Additional Gaming Tables Application for operating up to 500 gaming tables in total in gaming premises within our properties. Accordingly, the DICJ may, in addition to the existing gaming tables in the Casinos, consider granting new gaming tables to be operated in the gaming premises within our properties in stages in accordance with the market studies presented to the Macau Government in support of the 2012 Additional Gaming Tables Application. While it is our current plan to allocate tables across the existing and new casinos at Macau Fisherman's Wharf, the actual table allocation to each property and the split in actual tables between mass, premium mass and VIP segments will depend on several factors including final building designs and conditions in the Macau gaming market.

We believe that increasing the number of gaming tables in operation at our properties and strategically reallocating gaming tables between mass market tables and VIP tables will result in an increase in revenue from the Casinos and, in turn, our revenue from Gaming Services, and maintain or increase the per table revenue of the Casinos.

Indirectly participate in the gaming promotion business of VIP tables in our properties to diversify our Gaming Services so as to receive a higher percentage of gross gaming income generated by such VIP tables

Historically, we focused our resources in providing Gaming Services to the Casinos. Since entering into the 2009 Amendment to the Service Agreement, we had relied on existing licensed gaming promoters to operate the VIP rooms located in the Casinos, instead of committing resources to participate in the gaming promotion business for such VIP rooms. We seek to diversify our gaming services by indirectly participating in the gaming promotion business of certain VIP rooms in our properties through a new licensed gaming promoter to be established by Mr. Yip Wing Fat, Frederick, an independent third party and a member of our senior management team, and to receive a higher percentage of gross gaming income generated by the gaming tables in these VIP rooms.

For the years ended 31 December 2010, 2011 and 2012, revenue derived from VIP baccarat gaming in Macau amounted to approximately HK\$131,697 million, HK\$190,414 million and HK\$204,709 million, respectively, signifying a CAGR of 24.7% from 2010 to 2012. Such revenue amounted to approximately 72.0%, 73.2% and 69.3% of the gross revenue from casino operations in Macau for the respective periods. We believe that the demand for VIP gaming will continue to increase due to, among others, the increase in regional wealth, leading to a large and growing middle- and upper middle-class in China with more disposable income, and we intend to capitalize on the overall growth in VIP gaming in Macau by engaging in the gaming promotion business.

The gross gaming revenue from VIP rooms in The Landmark Macau was HK\$4,393.7 million, HK\$6,167.1 million and HK\$5,540.5 million for 2010, 2011 and 2012, respectively, out of which we received 2% as revenue. As a result, over the same periods, our revenue derived from the provision of Gaming Services in the VIP rooms was HK\$87.9 million, HK\$123.3 million and HK\$110.8 million, respectively, which represented 8.0%, 9.2% and 7.4% of our total revenue, respectively. Indirect participation in the gaming promotion business would allow us to increase our share of the VIP business from VIP tables that we promote (from 2% to 57%, in respect of the new gaming promoter), which could, in turn, increase revenue contribution from VIP tables and our total revenue.

According to the DICJ, as at 17 January 2013, there were 235 licensed gaming promoters. In 2010, 2011 and 2012, the net win of the VIP tables at The Landmark Macau accounted for 3.3%, 3.2% and 2.7% of the aggregate net win of all the VIP tables in Macau, respectively. Accordingly, we believe expansion into gaming promotion will not result in any significant competition with the existing gaming promoters, as the VIP segment in Macau is sufficiently large and each of the gaming promoters sources and markets to its own gaming patrons.

As at the Latest Practicable Date, New Legend VIP Club Limited, a company established by Mr. Yip Wing Fat, Frederick, is currently in the process of applying for a gaming promotion license. Our plans provide for New Legend to enter into (i) a Cooperation Agreement with Hong Hock; (ii) a Gaming Promotion Agreement with SJM; and (iii) a Tri-Party Agreement with SJM

and Hong Hock, for it to operate one or more VIP rooms in the gaming areas in the Casinos once it obtains its gaming promotion license, on terms which will be similar to those in the equivalent agreements entered into between Hong Hock, SJM and TCL.

Subsequently, we intend to enter into a further agreement with New Legend to increase the proportion of our share in the profits and losses generated by New Legend in respect of the VIP rooms in the Casinos operated by it and consolidate such profits and losses, subject to receiving approvals from the relevant Macau gaming and governmental authorities. We will comply with all applicable laws and regulations in connection with this proposed arrangement and will publish an announcement in the event there are any material changes to this proposed arrangement after Listing.

Our Macau legal advisor advised us that as at the Latest Practicable Date, there was no legal impediment for us to indirectly participate in the gaming promotion business of a new gaming promoter to be established by Mr. Yip, provided that Mr. Yip obtains from the DICJ the requisite gaming promotion license and we present all the necessary application and supporting documents to the satisfaction of the DICJ for approval of our proposed indirect participation in accordance with the applicable laws in Macau. We are currently conducting the necessary feasibility studies for our indirect participation in the gaming promotion business. As at the Latest Practicable Date, Mr. Yip had not obtained the requisite gaming promoter license and we had not obtained the requisite regulatory approvals for our indirect participation into gaming promotion business. To safeguard the interests of the Group in the event Mr. Yip, leaves the Group after obtaining the gaming promoter license and other requisite regulatory approvals, subject to approval from the DICJ, we intend to enter into contractual arrangements with him, requiring him to transfer his holdings and management position in the company holding the gaming promoter license to another individual nominated by us when Mr. Yip leaves the employment of the Group. See “Risk Factors — The success of our intended gaming promotion business depends on our ability to secure regulatory approvals to indirectly participate in the gaming promotion business through a licensed gaming promoter” and “Business — Gaming — Gaming Promotion Business.”

OUR PROPERTIES AND PROJECTS

The Landmark Macau

The Landmark Macau, a 28-story complex including three basement levels, features one of the largest award-winning five-star hotels in the Macau Peninsula, as well as casino and gaming areas, commercial and office premises, residential apartments and car park facilities.

The hotel in The Landmark Macau offers 439 rooms and suites equipped with a wide range of facilities and luxurious amenities. In addition, The Landmark Macau houses 72 offices and 45 residential apartments, all of which are owned by third parties who pay management fees to us. The Landmark Macau was awarded “Macau’s Leading Hotel” by the World Travel Awards in 2007 and “Most Liked Hotel by Consumers” by several organizations including the HK 5-S Association and the Association of Restaurant Managers in 2011. The hotel in The Landmark Macau opened to the public on 4 November 2003 as the official hotel of the 50th Macau Grand Prix Golden Jubilee.

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The Egyptian-themed Pharaoh's Palace Casino was the first themed casino in Macau. The gaming areas of Pharaoh's Palace Casino in The Landmark Macau are located on the second to fifth floors and the 20th to 22nd floors and consist of mass market gaming facilities, VIP rooms and a slot machine hall, with a total gross floor area of approximately 17,644 square meters. The mass market gaming facilities, spanning 5,733 square meters, are located on the third floor of The Landmark Macau, and the 1,963 square meter slot machine hall is located on the second floor of The Landmark Macau. Pharaoh's Palace Casino has industry-leading returns, with one of the highest net win per table per day for both VIP tables and mass market tables in 2010 and 2011, and above industry average net win per table per day for both VIP tables and mass market tables in 2012.

The Landmark Macau also features recreational and dining spaces, such as a convertible multi-functional area for private functions and gatherings, a fitness center, swimming pool facilities and 10 bars and restaurants.

The Landmark Macau also houses our shopping mall which features retail stores for internationally recognized luxury brands. We offer free shuttle bus services which operate during designated hours, departing approximately every 15 minutes, between The Landmark Macau, Macau Fisherman's Wharf and the Macau Ferry Terminal, as well as between The Landmark Macau, Macau Fisherman's Wharf and the Macau-Zhuhai border in Macau.

The Landmark Macau is currently undergoing renovations which are expected to cost approximately HK\$430.0 million. Highlights of The Landmark Macau are described in greater detail below.

Casino and Gaming

Under the Service Agreement, SJM operates the gaming facilities in the Casinos and we provide Gaming Services, including marketing and promotion of the Casinos to mass market and VIP patrons, to SJM. Gaming tables and slot machines are allocated in the Casinos based upon a number of factors, including the popularity of particular games, statistical gaming results and feedback and suggestions from designated gaming promoters and their affiliated VIP sales representatives with respect to the preferences of VIP patrons. The number of gaming tables and slot machines in operation in The Landmark Macau are set forth below for the periods indicated.

	Year Ended 31 December		
	2010	2011	2012
VIP tables	42	50	63 ⁽¹⁾
Mass market tables	66	66	60
Slot machines	304	304	212

Note:

(1) The number of VIP tables includes the six additional VIP tables for which SJM has authorized us to provide Gaming Services, pursuant to the 2012 Amendments to the Service Agreement.

Pharaoh's Palace Casino

Pharaoh's Palace Casino consists of mass market gaming facilities, VIP rooms and a slot machine hall, with a total gross floor area of approximately 17,644 square meters, located on the second to fifth floors and the 20th to 22nd floors of The Landmark Macau. The mass market gaming facilities of the Pharaoh's Palace Casino are open to members only, caters to mass market gaming patrons and offers a full range of games, 24 hours daily. The mass market gaming facilities were recently renovated in 2011 to expand the premium mass market rooms located within the casino. The layout of the gaming floor is organized using the different market segments we target, namely the mass market segment and the premium mass market segment.

A variety of table games such as baccarat, blackjack, cusec, poker and roulette are available to members at Pharaoh's Palace Casino. Baccarat is the most popular game among these gaming patrons measured by the number of Baccarat tables in Pharaoh's Palace Casino.

VIP Rooms

There are a total of eight VIP rooms located on various floors in The Landmark Macau. As at the Latest Practicable Date, six VIP rooms were operated by designated gaming promoters. We are currently in negotiations with two other gaming promoters with a view for them to operate the remaining two VIP rooms. See "— Gaming — Gaming Promoters." There is one VIP room on the second floor, two VIP rooms on the fourth floor, another two VIP rooms on the fifth floor. In addition, there are three VIP rooms located on the same level as our hotel rooms and suites on the 20th to 22nd floors. This enables VIP patrons who are staying in our hotel rooms on the 20th to 22nd floors to have seamless access to the VIP room located on the same floor.

Each of the VIP rooms offers privacy and features five to 13 gaming tables, a separate cage and access to a lounge and entertainment area and a wide array of luxury amenities and services. The VIP rooms feature further enhancements such as a private dining area and free access to wireless broadband internet.

As at 31 December 2012, there were a total of 123 gaming tables in operation at The Landmark Macau, consisting of 60 mass market tables and 63 VIP tables.

Slot Machine Hall

We have created a separate area on the second floor of The Landmark Macau for slot machines, as well as other electronic gaming machines. As at 31 December 2012, Pharaoh's Palace Casino had a combination of 212 slot machines, as well as other electronic gaming machines in operation at the slot machine hall. Since 10 February 2013, all of our slot machines on the third floor of The Landmark Macau have been provided and operated by Weike, a third party slot machine vendor and operator, pursuant to the Slot Hall Agreement. We plan to move a number of the slot machines on the second floor of The Landmark Macau to Babylon Casino.

Five-star Luxury Hotel

The 23-story hotel at The Landmark Macau houses 439 rooms and suites located from the seventh through the 22nd floor. The hotel has 52 standard rooms, 92 superior rooms, 168 deluxe rooms, 28 grand deluxe rooms, 16 junior suites, 28 superior suites and 12 deluxe suites. For our more discerning guests, we have 11 Noble superior rooms, 23 Noble deluxe rooms, two Noble grand deluxe rooms, two Noble superior suites, three Noble deluxe suites and two presidential suites. All of the hotel rooms and suites at The Landmark Macau have access to broadband internet, cable television and room service options, and are equipped with bath and shower facilities, IDD telephones, a mini-bar and an in-room personal safe.

For the years ended 31 December 2010, 2011 and 2012, occupancy rates at The Landmark Macau were 73.6%, 85.3% and 85.3%, respectively, ADR was HK\$1,151, HK\$1,132 and HK\$1,120, respectively, and REVPAR was HK\$847, HK\$965 and HK\$955, respectively.

Highlights of our hotel rooms and suites in The Landmark Macau include the following:

Standard, Superior, Deluxe and Grand Deluxe Rooms

Our standard, superior, deluxe and grand deluxe rooms are each approximately 28 to 32, 35 to 46, 35 to 48 and 60 square meters, respectively. The design of these rooms and the amenities available were chosen to be responsive to the needs of gaming patrons as well as regional leisure and business travelers. Each room is fitted with European-style furniture, soothing in-room lighting, an in-room personal safe and electronic equipment, such as televisions, temperature controls and a computerized door lock system. Guests also have access to broadband internet. Our standard, superior and deluxe rooms occupy floors seven to 22 of the east and west wings of The Landmark Macau.

Suites

Our 61 suites are located on floors seven to 22 of the east and west wings of The Landmark Macau and range from approximately 72 to 87 square meters. We have 48 one-bedroom suites and 13 two-bedroom suites, which could be converted to 13 one-bedroom suites and 13 deluxe rooms or 26 deluxe rooms, and two presidential suites. All suites feature separate living rooms, guest toilets in the living room and dining areas, whilst the presidential suite also includes a study room, kitchen, jacuzzi, full bar set-up and separate quarters for domestic help. In addition to all the amenities offered in our standard rooms, our suites are equipped with fax machines.

Noble Club Floors

We have 41 rooms and five suites located on floors 19 to 22 of The Landmark Macau, our Noble Club Floors. Rooms on our Noble Club Floors range from approximately 28 to 87 square meters. Our Noble Club Floor guests enjoy welcome drinks and fruit upon arrival as well as an extensive range of complimentary offers including daily newspapers and pressing service. Guests on our Noble Club Floors can also enjoy late check-out at 3:00 p.m. Guests who pay the higher room rates for rooms on our Noble Club Floors, or who are our preferred guests, can enjoy the above amenities and benefits.

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In addition, we have VIP rooms located on the same level as our hotel rooms on the 20th to 22nd floors. This enables VIP patrons who are staying in rooms on these three Noble Club Floors to have seamless access to VIP rooms.

Other Facilities

Restaurants/Bars/Lounges

The Landmark Macau features several restaurants catering to a broad range of international tastes. The Landmark Macau's restaurants and bars include, among others, a contemporary casual dining restaurant, a Cantonese restaurant, a Shanghainese restaurant and a karaoke bar and lounge, some of which have commenced renovations since 2012.

Convention, Meeting and Reception Facilities

The Landmark Macau features approximately 693 square meters of convention, meeting and reception space, which includes a business center and a 10-person conference room on the sixth floor and a convertible multi-functional area for private functions and gatherings on level one of the basement. Our business center is fully equipped to meet the needs of our business travelers. A wide range of services such as typing, translation or interpretation, courier and office equipment rental are available to our guests. The convertible multi-functional area features a function room and three flexible breakout sections, A, B and C, that can be occupied by section or altogether. The function room and sections A, B and C are approximately 55, 215, 104 and 319 square meters in total floor area, respectively. The function room can seat up to 40 guests. Sections A, B and C can be combined to form a large venue of approximately 638 square meters and seat up to 550 guests, and can also be combined with the function room for a total area of approximately 693 square meters seating up to 590 guests. Section A also includes its own built-in stage and can hold conferences or presentations. For the year ended 31 December 2012, we hosted 135 events, including 62 wedding banquets and 73 other corporate and entertainment events. The events hosted in The Landmark Macau include a dinner banquet with the President of Benin and the Prime Minister of Cape Verde held in July 2012 and an eating competition hosted by the Nippon Television Network Corporation held in August 2012.

Spa, Fitness, Pool and Recreation

New Macau Landmark owns and operates a spa and fitness center in The Landmark Macau available to hotel guests. The fitness center, a complimentary facility for hotel guests, is equipped with a wide range of fitness equipment and a jacuzzi. A variety of massage and spa treatments, a hot and cool pool, and a sauna and steam room are available to our hotel guests at a fee. Our guests can also enjoy an indoor swimming pool and a poolside bar. Complimentary wireless broadband internet access is available at our poolside bar and pool area. We plan to create a new 3,150 square meter sauna and spa facility on the second floor, which are expected to be completed in the first quarter of 2014 and open to hotel guests and the public.

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Commercial, Office and Residential Premises

Shops

Our shopping arcade, with a total gross floor area of approximately 7,280 square meters, is located on the ground floor to the 3rd floor of The Landmark Macau. Our shopping mall features a wide range of brand-name retail shops, including 16 major luxury watch retailers such as Patek Philippe, Cartier, Piaget, Breguet, Omega, Blancpain, Girard-Perregaux and A Lange & Söhne.

Offices

There are 72 offices located on floors seven to 24 of the main tower of The Landmark Macau. In aggregate, the 72 offices measure approximately 18,285 square meters in total floor area. All of the offices in The Landmark Macau are owned by third parties, and we receive monthly management fees in amounts that are separately negotiated with each tenant.

Residential Apartments

There are 45 residential apartments, ranging from approximately 191 to 562 square meters, located on floors seven through 22 of the east wing of The Landmark Macau. All of the residential apartments are owned by third parties. We receive approximately HK\$1.10 per square foot on average in management fees from the third party owners of these residential apartments.

Parking Spaces

We have a two-story basement parking lot on levels B2 and B3 of The Landmark Macau, measuring approximately 12,610 square meters in gross floor area, consisting of parking spaces for cars and motorcycles. We leased out 358 car park spaces and 79 motorcycle spaces as at 31 December 2012.

Macau Fisherman's Wharf

Macau Fisherman's Wharf is an entertainment complex located on the outer harbor of the Macau Peninsula and is approximately a five-minute walk from the Macau Ferry Terminal and occupies a site area of 109,495 square meters, including 16,239 square meters of carpark space. We provide complimentary shuttle bus transportation between Macau Fisherman's Wharf, The Landmark Macau and the Macau Ferry Terminal, as well as between Macau Fisherman's Wharf, The Landmark Macau and the Macau-Zhuhai border in Macau.

Macau Fisherman's Wharf features Babylon Casino, a convention and exhibition center, a boutique hotel, marina, dining, shopping, theme park and entertainment facilities. Macau Fisherman's Wharf brings together a collection of themes to create a unique and multicultural experience that appeals to a broad spectrum of visitors from Asia. Macau Fisherman's Wharf was awarded "Most Popular Hong Kong and Macau Brands" by China Media Network in 2009 and "Best Theme Park" by Travel Weekly Asia Industry Awards in 2008.

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Highlights of Macau Fisherman’s Wharf are described in greater detail below.

Babylon Casino

Babylon Casino occupies over 10,000 square meters in gross floor area, inclusive of retail space, in a three-story building. Established in December 2006, Babylon Casino features stone pillars carved with mythical beasts such as the lion-eagle griffin, as well as other Babylonian-inspired art and architecture.

A variety of table games such as baccarat, blackjack and cussec are currently available at Babylon Casino, 24 hours daily. Unlike Pharaoh’s Palace Casino, mass market gaming patrons are not currently required to register and become members of Babylon Casino. Gaming patrons at Babylon Casino whose bets exceed HK\$5,000 on average are generally invited by our membership staff to become members of Babylon Club, providing them with privileges such as free hotel accommodation, transportation and food and beverage items.

Babylon Casino also offers a wide variety of slot machines, which employ an electronic coupon payment system. The ticket-in ticket-out system is one of the most convenient systems used in slot operations. When a customer wants to collect cash from a slot machine, he or she will receive a ticket with the cash amount printed out from the slot machine, which he or she can then redeem at the cage or use as cash and continue to play by inserting the ticket into other slot machines. The ticket is typically valid for 30 days. The ticket-in ticket-out system is a highly accurate, cost-saving and efficient system that reduces the need for gaming floor staff to serve customers and simplifies cage operations.

A three-tiered membership program is also available to slot machine patrons through the Diamond Club. The Diamond Club is a slot machine club at Babylon Casino through which members can earn points to redeem prizes and shopping discounts. See “— Gaming — Our Gaming Services — Advertising and Marketing the Casinos — Loyalty Programs.”

Baccarat is the most popular game among gaming patrons at Babylon Casino as measured by the number of Baccarat tables in Babylon Casino. As at 31 December 2012, there were 23 gaming tables and 78 slot machines and other electronic gaming machines in operation at Babylon Casino.

The number of gaming tables and slot machines in operation at Macau Fisherman’s Wharf are set forth below for the periods indicated.

	Year Ended 31 December		
	2010	2011	2012
VIP tables	—	—	—
Mass market tables	23	23	23
Slot machines	106	78	78

Babylon Casino has a cafe and a restaurant and has significant space for expansion, including upper floors that are currently unused and have been designated to house additional gaming tables, subject to DICJ approval.

The Convention and Exhibition Center

The convention and exhibition center at Macau Fisherman's Wharf occupies a gross floor area of approximately 35,843 square meters inclusive of retail space and car parking space, and contains an approximately 120 square meter built-in stage as well as a shopping arcade with retail shops and food kiosks.

We have a multi-function main hall that can accommodate up to 168 round tables or approximately 2,800 standing guests. Our venue can be subdivided into three sections with separate entrances to accommodate the needs of our customers. Our guests can host a 2,000-person banquet, a 3,000-person conference or a 2,800-guest cocktail party. We also offer a selection of catering menus and in-house catering services. For exhibition events, the main hall can hold over 100 exhibition booths.

In addition to our main hall, we have two specially designed function rooms that offer guests direct and private access to the car park. We also offer customizable themed dinners and banquets with outdoor catering at the French Terrace, the Fisherman's Pier, the Tulips Terrace and the Marco Polo Plaza. Events such as the receptions for the Olympic Torch Relay and the Macau International Yacht Import and Export Fair were held at our convention and exhibition center in 2008 and 2011, respectively. We hosted the Macau-Thailand Chamber of Commerce's cocktail reception, Macau Hotelier Association's gala dinner and Industrial and Commercial Bank of China's spring dinner at our convention and exhibition center in 2010, 2011 and 2012, respectively, and approximately 363,000, 433,000 and 476,000 participants, respectively, attended these events over the same periods.

We obtain revenue from both the rental fees collected for the use of the convention rooms and from service fees for the use of our in-house catering staff that services the parties who book the convention rooms. We charge on a per table or per head basis for banquet or convention bookings.

Rocks Hotel

The five-story Rocks Hotel is a three-star boutique hotel modeled on Victorian-era architecture and design. Rocks Hotel has 72 rooms, designed to provide guests with modern comforts surrounded by Victorian elegance, such as French doors leading to balconies with views of the surrounding sea. There are 20 deluxe rooms ranging from approximately 42 to 45 square meters, 40 premier rooms ranging from approximately 42 to 45 square meters, 6 grand premier rooms ranging from approximately 65 square meters and 6 premier suites ranging from approximately 104 square meters. All guest accommodations have access to complimentary broadband internet (and complimentary wireless broadband internet is available in certain public areas of the hotel), IDD telephone, flat screen cable television, spacious bathroom providing both bath and shower facilities, mini-bar and the hotel's full complement of room service options.

The Rocks Hotel has a cafe located in the lobby of the hotel and a bar, located on the rooftop of the hotel.

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We also have a fitness center on the rooftop of the hotel for the convenience of our guests. Business travelers have access to comprehensive secretarial services in our business center. A 12-person meeting room is also available for private meetings or business occasions.

For the years ended 31 December 2010, 2011 and 2012, occupancy rates at Rocks Hotel were 70.5%, 82.2% and 75.1%, respectively, ADR was HK\$1,244, HK\$1,438 and HK\$1,392, respectively, and REVPAR was HK\$877, HK\$1,182 and HK\$1,046, respectively.

Marina

The popularity of yachting has surged in Asia in recent years. According to a report by Maine International Trade Center, China imported over US\$80 million worth of yachts and recreational vessels in 2010, representing a 138% increase over the value of imported yachts and recreational vessels in 2009. We are currently working with the Macau Government to promote yachting in Macau. We opened the Marina at Macau Fisherman's Wharf between 27 and 30 October 2011 to host the Macau International Yacht Import and Export Fair, pursuant to a temporary operating license. The Marina currently includes a mooring area for up to 20 luxury yachts and a separate immigration clearance facility, which is intended to provide affluent individuals the convenience of berthing their yachts at one of the most central locations in Macau and clearing immigration without the discomfort of line-ups that are typically experienced at the Macau Ferry Terminal. We are in the process of renovating the Marina and applying for a permanent license to operate the Marina and an immigration clearance facility. Through the renovation, we plan to increase the size of the Marina's mooring area to accommodate 43 luxury yachts and to offer harbor cruises departing from the pier adjacent to the Marina to the public. We also plan to further develop the Marina to include a yacht club and leisure facilities for private yacht owners. See "— Our Development Projects — The MFW Redevelopment Project — Expansion and redevelopment highlights — Yacht Club and Public Pier for Harbor Cruises."

Other Facilities

Shopping Center and Entertainment Facilities

Macau Fisherman's Wharf offers approximately 43,000 square meters of retail and food and beverage space and features a variety of stores, catering to tourists as well as residents of Macau. Macau Fisherman's Wharf also houses a car park area that measures approximately 16,239 square meters in gross floor area, comprising of approximately 400 car park spaces and 80 motorcycle spaces. We leased out 156 car park spaces and 118 motorcycle spaces as at 31 December 2012 to our tenants and our staff working at Macau Fisherman's Wharf. The Tang Dynasty complex, a replica of a castle from the Tang dynasty era, and Vulcania, a volcano replica which erupts and houses two rollercoaster rides, ceased operations in 2008 and 2007, respectively, and will be demolished in connection with the MFW Redevelopment Project. As at 31 December 2012, we had 17,135 square meters of retail and food and beverage space available for lease.

Restaurants and Bars

There are currently 18 restaurants and bars at Macau Fisherman's Wharf. In addition to the restaurants and bars located in Babylon Casino and Rocks Hotel, Macau Fisherman's Wharf features several restaurants catering to a broad range of tastes, including, among others, the AfriKana Barbeque Restaurant, an African-themed sports bar, the Camões Portuguese Restaurant, featuring authentic Portuguese food, the Lai Tou Hin, serving a range of traditional and contemporary Cantonese dishes, and the Japan Hokkaido Food Complex, offering Japanese cuisine.

OUR DEVELOPMENT PROJECTS

We continually seek new opportunities for additional gaming, entertainment or property-related businesses in Macau in order to maximize the revenue generating potential of our properties. Our current projects include the renovation of The Landmark Macau and the MFW Redevelopment Project, further details of which are set out below. We have hired additional employees and intend to make internal transfers and promotions of our existing employees to oversee, manage and work on these projects and will continue to hire additional personnel as may be required from time to time. For example, we engaged Mr. Meacock, Peter John, our current executive vice president, as head of projects on 1 July 2012. Mr. Meacock has been responsible for property development projects of our Company including the renovation of The Landmark Macau and the MFW Redevelopment Project. In the event we are unable to complete these projects, whether due to a lack of sufficient funding, an inability to obtain the requisite governmental approvals, or otherwise, our Directors will assess the situation and consider all available options at that time, including but not limited to a re-design or modification of the projects in order to address the relevant obstacles encountered by us.

Renovation of The Landmark Macau

Our renovation of The Landmark Macau is ongoing.

Completed work

We have completed part of the renovation of The Landmark Macau, including the refurbishment of the gaming areas of Pharaoh's Palace Casino, including the VIP rooms and the slot machine hall, and the addition of a VIP room on the 20th floor of the hotel.

Ongoing and planned work

Our renovation plans also contemplate expanding the lobby, adding retail space, refurbishing all of the hotel rooms, remodeling restaurants, redesigning and installing exterior lighting and signage and other miscellaneous renovation work. We have completed the design work for the hotel rooms in The Macau Landmark and have commenced on their refurbishment. We have also commenced work to remodel restaurants. However, our design and construction plans for the remaining work, including the addition of new retail stores, are still in progress subject to a number of factors, including considerations as to minimizing disturbance to day-to-day hotel operations as well as the receipt of necessary government approvals and permits.

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In addition, we plan to open the largest sauna and spa facility in Macau, which is expected to occupy approximately 3,150 square meters in The Landmark Macau to be operated by a tenant. The operation, decoration and display standards of the sauna and spa facility are to conform to requirements stipulated by us. We estimate that the sauna and spa facility will be in operation by the first quarter of 2014.

After completion of the renovation, we expect the hotel portion of The Landmark Macau to house a total of 439 rooms over 42,604 square meters, with room sizes ranging from 28 square meters to 350 square meters.

Pending approvals and permits

As at the Latest Practicable Date, the key approvals and permits pending from the Macau Government for the remaining renovation work for The Landmark Macau included:

Renovation items	Pending approvals and permits
Lobby expansion, hotel area renovation and addition of retail space	Construction license and occupation permit to be issued by Public Works Department
Installation and placement of exterior lighting and signage	License to be issued by the Institute for Civic and Municipal Affairs
The commencement of operation of the spa, sauna and fitness facility . .	License to be issued by the Institute for Civic and Municipal Affairs

Estimated costs and completion schedule

The estimated costs and expected completion schedule for the renovation of The Landmark Macau are set out as follows:

Renovation item	Actual/expected completion date	Expenditure ⁽¹⁾
<i>Completed work</i>		<i>Incurred expenditure</i>
Refurbishment of gaming areas.	Q4 2012	HK\$79 million
<i>Work to be completed</i>		<i>Projected expenditure</i>
Hotel room refurbishment.	Q4 2013	HK\$184 million
Lobby expansion, hotel area renovation and addition of retail space	Q4 2013	HK\$38 million
Remodeling of restaurants	Q4 2013	HK\$34 million
Redesigning and installation of exterior lighting and signage	Q4 2013	HK\$75 million
Miscellaneous work including security system and guest lifts upgrade	Q4 2013	HK\$20 million
Total expenditure		<u>HK\$430 million</u>

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Note:

- (1) Consisting primarily of construction, fit-out costs and design and consultation fees.

The MFW Redevelopment Project

The operations of Macau Fisherman's Wharf had been loss-incurring in the past as result of insufficient visitation. The MFW Redevelopment Project involves the redevelopment of existing facilities as well as the addition of new facilities, such as additional gaming areas, hotel accommodations, food and beverage outlets, retail space and entertainment venues. We currently expect this redevelopment to include the Prague Harbor View Hotel, the Palace Hotel, the Legendale Hotel Macau, a general entertainment and cultural facility, a canopied open-air shopping, dining and entertainment colonnade, a yacht club at the Marina, and other attractions. Upon completion of the MFW Redevelopment Project, Macau Fisherman's Wharf is expected to have approximately 1,344 rooms and 373 gaming tables. We expect the operations of Macau Fisherman's Wharf to generate positive earnings when we complete development and commence operations of the new hotels and entertainment facilities under the MFW Redevelopment Project.

Estimated costs and completion schedule

The preliminary estimated costs and expected completion schedule for the MFW Redevelopment Project are set out as follows:

<u>Redevelopment item</u>	<u>Preliminary expected completion date</u>	<u>Projected expenditure⁽¹⁾</u>
Yacht Club and Public Pier for Harbor Cruises . . .	Q4 2014	HK\$70 million
The Prague Harbor View Hotel	Q4 2014	HK\$1,591 million
Covered Open-Air Shopping, Dining and Entertainment Colonnade	Q4 2014	HK\$42 million
Redevelopment of Existing Facilities ⁽²⁾	Q3 2014	HK\$156 million
The Palace Hotel	Q3 2015	HK\$2,064 million
General Entertainment and Cultural Facility	Q4 2015	HK\$647 million
The Legendale Hotel Macau	Q3 2016	<u>HK\$2,060 million</u>
Preliminary total projected expenditure⁽¹⁾		<u>HK\$6,630 million⁽³⁾</u>

Notes:

- (1) Consisting primarily of design and construction cost, which is expected to be funded by a substantial portion of the net proceeds from the Global Offering, cash generated from our operating activities and equity and/or debt financing.
- (2) Include the refurbishment of existing buildings including Babylon Casino and Rocks Hotel, landscaping works, construction of new utility structures, multifunctional areas, parking facilities, restaurants and pedestrian walkways and demolition of certain existing structures. See "— Our Development Projects — MFW Redevelopment Project — Expansion and redevelopment highlights — Redevelopment of Existing Facilities."
- (3) The projected expenditure does not include any land premium payable in connection with the Macau Fisherman's Wharf.

While we entered into some design consultancy contracts, we have not finalized design, schedule or budget plans for the MFW Redevelopment Project. We commenced construction of the MFW Redevelopment Project in the second quarter of 2013 and we do not expect to complete the MFW Redevelopment Project until the third quarter of 2016 at the earliest. Such preliminary plans remain subject to receipt of necessary approvals and permits, availability of funds and a number of other conditions. While we have received some governmental approvals, including construction approval for the Prague Harbor View Hotel, pending finalization of design plans we have yet to apply for most of the necessary approvals and permits for other buildings within the development. See "Risk Factors — Risks Relating to Our Business and Operations — The redevelopment and expansion of Macau Fisherman's Wharf may not proceed according to design, schedule or budget. We could encounter significant delays and cost increases in our redevelopment of Macau Fisherman's Wharf" and "— Our Development Projects — The MFW Redevelopment Project — Pending approvals and permits."

Addition of gaming tables to Macau Fisherman's Wharf

Upon completion of the MFW Redevelopment Project, Macau Fisherman's Wharf is expected to have approximately 373 gaming tables. In response to the 2012 Additional Gaming Tables Application, the DICJ advised us and SJM in writing on 7 December 2012 that the measures taken by the Macau Government to limit the number of gaming tables in September 2011 will not be an obstacle to the request made under the 2012 Additional Gaming Tables Application for operating up to 500 gaming tables in total in the gaming premises within our properties. Accordingly, the DICJ may, in addition to the existing gaming tables in the Casinos, consider granting new gaming tables to be operated in the gaming premises within our properties in stages in accordance with the investment plan and market studies presented to the Macau Government in support of the 2012 Additional Gaming Tables Application. Upon approval of the 2012 Additional Gaming Tables Application, these additional tables are expected to be allocated across our properties in Macau Fisherman's Wharf. While it is our current plan to allocate tables across the existing and new casinos at Macau Fisherman's Wharf, the actual table allocation to each property and the split in actual tables between the mass, premium mass and VIP segments will depend on several factors including final building designs and conditions in the Macau gaming market. With respect to the 2012 Additional Gaming Tables Application, we have been advised by our Macau legal advisor that:

- (i) the applicable laws in Macau do not prohibit Hong Hock from applying for the grant of gaming tables for the benefit of SJM and Hong Hock for operation in the Casinos;
- (ii) the reply letter from the DICJ on 7 December 2012 is akin to a letter of comfort explaining its current interpretation of the relevant policies adopted by the Macau Government and not a binding commitment or guarantee in respect of the grant of any gaming table to SJM for use in our properties and the DICJ retains full discretion in granting any or all of the gaming tables applied for in such application; and
- (iii) there are no legal impediments for the 2012 Additional Gaming Tables Application and the requested approval by the DICJ in respect thereof provided that (1) we present such investment plan (including detailed plans regarding the MFW Redevelopment Project) and market studies to the satisfaction of the DICJ (which

retains the full discretion to approve all or any of the gaming tables applied for under the 2012 Additional Gaming Tables Application) to demonstrate the financial feasibility of the MFW Redevelopment Project and proceed with the MFW Redevelopment Project in accordance with such plan and studies; and (2) the relevant policies and laws in Macau do not change in respect of the number of gaming tables and casinos that the Macau Government may authorize.

As it is a pre-condition that we proceed with the MFW Redevelopment Project for the DICJ to consider the 2012 Additional Gaming Tables Application, our investment and commitment to the MFW Redevelopment Project will not be affected if we fail to obtain the requested approvals from the DICJ, except to the extent that any planned additional gaming areas under the MFW Redevelopment Project may be adjusted for other entertainment use accordingly.

Expansion and redevelopment highlights

Following the completion of the MFW Redevelopment Project, the operating site area of Macau Fisherman's Wharf is expected to increase to approximately 133,038 square meters from approximately 109,495 square meters, and total gross floor area is expected to increase to approximately 342,509 square meters from approximately 108,015 square meters.

Although we have determined the overall scope and general design of the MFW Redevelopment Project, we will continue to evaluate and modify the project design in relation to the construction schedule, availability of additional financing, government policies and the demands of the Macau tourism and gaming industry. As we are continuously reviewing and developing our project plans, the description of our development projects is subject to further revision and change. Highlights of the MFW Redevelopment Project are described below.

- ***The Prague Harbor View Hotel.*** The Prague Harbor View Hotel is expected to be a four-star hotel modeled after the 18th century architecture of Prague and will be designed to attract international travelers and target the mass market segment of gaming patrons. The hotel is expected to occupy a gross floor area of approximately 68,300 square meters and 11 stories and house 402 rooms and 42 suites, along with bars, restaurants, a fitness center with a swimming pool and sauna, a business center and a basement car park. We plan to link the Prague Harbor View Hotel to Babylon Casino via walkways, providing hotel guests with convenient access to the mass market gaming facilities at Babylon Casino. The designs for the hotel have been finalized and we have received the necessary construction license for the development of the hotel. We had commenced construction of the Prague Harbor View Hotel as at the Latest Practicable Date and we are targeting completion by the fourth quarter of 2014, subject to the availability of funds and a number of other construction conditions.
- ***The Palace Hotel.*** The Palace Hotel will replace the existing Tang Dynasty complex and Vulcania, both of which have ceased operations and will be demolished. This proposed five-star deluxe medieval Persian-themed hotel will be designed to cater to more affluent visitors and target the premium mass market and VIP segments of gaming patrons. The hotel is expected to occupy a gross floor area of approximately 77,000 square meters over low rise complex and an eight storey tower and is expected to include approximately 219 rooms and nine villa garden suites, a business center and high-end gaming, retail,

entertainment and leisure facilities, such as an internationally themed sauna. Each villa is expected to feature a private garden and swimming pool. We plan to have the casino areas of the hotel occupy approximately 20,500 square meters of gross floor area and approximately 117 gaming tables, with approximately 70 mass market and premium mass market tables in distinct gaming areas, and approximately 47 VIP tables located in VIP rooms featuring high-end equipment and luxurious furnishings. The hotel is expected to offer fine dining options, a cigar lounge and a wine bar, a fitness center, swimming pool and spa facilities. We have not completed the final designs for the Palace Hotel. We are in the process of preparing to demolish the Tang Dynasty complex and Vulcania. We have received approvals for the demolition of Tang Dynasty complex and are awaiting approvals for the demolition of Vulcania which is expected to be received in June 2013. We do not expect to begin any demolition work until the third quarter of 2013. Construction of the Palace Hotel is not expected to commence until the first quarter of 2014 and is subject to receipt of necessary approvals and permits, availability of funds and a number of other conditions. Assuming construction begins in the first quarter of 2014, completion of the hotel is not expected until the third quarter of 2015.

- ***The Legendale Hotel Macau.*** The Legendale Hotel Macau is expected to become the flagship hotel of Macau Fisherman's Wharf with a five-star deluxe rating. It will be modeled after the Neo-Renaissance style of architecture of mid-17th century Vienna, Austria. The hotel is expected to be over 30 stories tall and house approximately 600 "family-style" guestrooms, each designed with a semi-segregated area to accommodate children while allowing for adult supervision. The facilities in this family-oriented hotel are expected to include play rooms, movie screening rooms, entertainment facilities intended to attract and accommodate families travelling with children of all ages and additional banquet and function room facilities of approximately 1,690 square meters. It is also expected to feature approximately 117 gaming tables, with approximately 70 mass market and premium mass market tables and approximately 47 VIP tables located in distinctive gaming areas, respectively. We are in the preliminary planning stage for the Legendale Hotel Macau and have not finalized any design plans. According to our preliminary plans, construction of the hotel is scheduled to commence in first quarter of 2014 with estimated completion in third quarter of 2016, subject to receipt of necessary approvals and permits, availability of funds and a number of other conditions.
- ***General Entertainment and Cultural Facility.*** We plan to build a general entertainment and cultural facility to reinforce Macau Fisherman's Wharf as the largest leisure and entertainment complex in the Macau Peninsula which may include, among others, a dinosaur museum of gross floor area of approximately 26,000 square meter that, subject to the approval of the State Council of the PRC, displays dinosaur fossils on loan from the China Fossils Preservations Foundation, indoor and outdoor thematic exhibition halls and a indoor theatre to provide an interactive movie theatre experience with a seating capacity of approximately 200. In addition, the existing Amphitheatre will be enclosed and developed into an indoor entertainment facility for live shows, opera, concerts, lecture and seminar facility with approximately 1,500 seats. Such a facility is expected to be the first and only facility of its kind in Macau and is intended that the proposed facility will be constructed on top and adjacent to the existing convention and exhibition center. We do not expect to finalize design plans for such facility or to obtain the necessary approvals and

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consents for construction prior to the fourth quarter of 2013. In addition, we have yet to enter into definitive arrangements with any fossil foundation. We are targeting commencement of construction in the second quarter of 2014 and completion by the fourth quarter of 2015, subject to receipt of necessary approvals and permits, availability of funds and a number of other conditions.

- ***Yacht Club and Public Pier for Harbor Cruises.*** We contemplate further development of the Marina to increase the size of its mooring area and to include a 650 square meter yacht club that will feature a range of facilities catering to the increasing number of affluent yacht owners in Asia. We plan to increase the Marina's mooring area to accommodate 43 luxury yachts. The yacht club on the Marina which is expected to include numerous facilities such as dining areas, bar and lounge areas, meeting and function rooms, marine retail outlets and a large outdoor terrace with an outdoor restaurant and bar. The yacht club is expected to provide chandlery services and food and beverage catering services, allowing members to enjoy gourmet meals on their yachts. We also expect to establish immigration facilities at the Marina. The yacht club, together with its proximity to our planned deluxe hotels, is expected to offer its members the convenience of berthing their yachts adjacent to our high-end gaming, retail, entertainment and leisure offerings. To protect yachts berthed at the Marina from waves caused by ferries operating in the vicinity of the outer harbor, we are going to construct a wave breaker off the Marina. We are in negotiations with a design and construction company with respect to a design and build contract for the wave breaker and the yacht mooring area. Development of the wave breaker, the yacht club and other facilities at the Marina is expected to commence in the third quarter of 2013 with an estimated completion date in the fourth quarter of 2014.
- ***Covered Open-Air Shopping, Dining and Entertainment Colonnade.*** We plan to construct a canopied open-air shopping, dining and entertainment colonnade of approximately 400 meters stretching from the convention and exhibition center to Babylon Casino, linking up most properties at Macau Fisherman's Wharf and providing all weather access to gaming facilities at Babylon Casino and the planned Legendale Hotel Macau. Similar to the "Fremont Street Experience" in Las Vegas, we plan to have a variety of retail and al fresco dining options along the colonnade and to provide entertainment, including stage shows and overhead light shows. Upon completion, the covered colonnade will enable visitors to Macau Fisherman's Wharf to stroll along open-air walkways and move freely between our facilities under shelter and natural light. We have not finalized design plans for the covered colonnade. We expect to submit plans and apply to the Macau Government in the third quarter of 2013 for construction of the canopies. Subject to receipt of necessary approvals and permits, availability of funds and a number of other conditions, we plan to begin construction in the fourth quarter of 2013 and complete construction in the fourth quarter of 2014.
- ***Redevelopment of Existing Facilities.*** We plan on refurbishing and adding facilities certain existing buildings, including Babylon Casino and Rocks Hotel, carrying out landscaping work and constructing new utility structures including a liquified petroleum storage facility, new convertible multi-functional areas and parking facilities for shuttle buses and coaches. Additional fine dining and family style restaurants may also be added

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to offer visitors more popular culinary choices. Following completion of the Macau light rail system, which is expected to be ready for use by 2015 and will include a station adjacent to Macau Fisherman's Wharf, we are considering building a pedestrian walkway that links to the nearby light rail station so that visitors can more easily access public transportation. We may also demolish certain existing structures to facilitate the redevelopment. Upon completion of refurbishment, Babylon Casino is expected to feature 139 gaming tables, with approximately 92 mass market and premium mass market tables and approximately 47 VIP tables located in distinctive gaming areas within Babylon Casino, respectively. We plan to commence construction of the refurbishment work in the fourth quarter of 2013 and complete the refurbishment work by the third quarter of 2014, subject to receipt of any necessary approvals and permits, availability of funds and a number of other conditions.

Operational expansion

We believe the MFW Redevelopment Project is beneficial to the Shareholders taking into consideration our historical return of equity as well as the expected increase in the Group's earnings upon completion of the MFW Redevelopment Project. The MFW Redevelopment Project envisions additional hotel rooms and gaming areas to our properties will significantly increase our revenue and earnings generated from the Group's gaming and non-gaming businesses. The following table summarizes our operational expansion plans to complement our operations of Macau Fisherman's Wharf, upon completion of the MFW Redevelopment Project:

	Gaming related	Non-gaming related
Expansion of key revenue generators . . .	<ul style="list-style-type: none"> ● Addition of approximately 350 gaming tables, with approximately 209 mass market and premium mass market tables and approximately 141 VIP tables located in distinctive gaming areas within Babylon Casino, the Legendale Hotel Macau and the Palace Hotel 	<ul style="list-style-type: none"> ● Addition of 1,272 hotel rooms in three new hotels
Addition of complementary facilities	<ul style="list-style-type: none"> ● N/A 	<ul style="list-style-type: none"> ● Addition of entertainment facilities including the Yacht Club and Public Pier, theatre and museum, retail shops, restaurants and bars ● Expansion of convention and exhibition facilities

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	Gaming related	Non-gaming related
Addition of staff.	<ul style="list-style-type: none"> ● Approximately 8 to 10 staff members (including gaming operation employees) for each additional gaming table 	<ul style="list-style-type: none"> ● Approximately 2 to 3 staff members for each additional hotel room

We have not finalized design, schedule or budget plans for the MFW Redevelopment Project and our plans as indicated are subject to adjustment and finalization.

As set forth in the table above, the Group is not embarking on any new business segments as a result of the MFW Redevelopment Project. The redevelopment allows the Group to expand its gaming and non-gaming business which the Group had already been excelling in over the Track Record Period. As a result, the additional staff planned to be hired by us are expected to have qualification and experience profiles of those existing staff members of the Group operating the gaming and non-gaming businesses. For the years ended 31 December 2010, 2011 and 2012, our staff costs (including share-based payments and costs of the gaming operations employees) accounted for approximately 55%, 51% and 46%, respectively, of our total costs. Before commencing our own gaming promotion business, our total staff costs are expected to account for approximately 50% of our total cost upon completion of the MFW Redevelopment Project. On such basis, we believe our staff structure after the completion of the MFW Redevelopment Project is largely similar to our current staff structure. We believe our senior management has sufficient experience in the industry to oversee the additional gaming and non-gaming businesses and manage the additional staff members to be hired following the completion of the MFW Redevelopment Project.

We expect to increase the number of hotel rooms (including those in The Landmark Macau and Rocks Hotel) we operate from 511 to 1,783, representing an increase of approximately 249%; and to increase the number of gaming tables operating in our properties to 500 (subject to approval from the DICJ), representing an increase of approximately 242%. As our gaming and non-gaming business are expected to expand at a similar rate as result of the MFW Redevelopment Project, we do not expect any significant change to the proportion of the revenue from our gaming and non-gaming businesses upon completion of the MFW Redevelopment Project.

Furthermore, as there will be no significant change to the nature of our operations and the proportion of our revenue from gaming and non-gaming business, we are of the view that expansion in non-gaming business through the MFW Redevelopment Project will not result in any significant change to our business model and risk profile, as we are already indirectly involved in and exposed to these businesses. Our senior management, who had been managing similar operations over the Track Record Period, are well equipped to manage and operate the expanded business in Macau Fisherman's Wharf upon completion of the MFW Redevelopment Project.

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Investment risks

Although we expect no significant change to the proportion of revenue, risk profile and business model upon completion of the MFW Redevelopment Project, our investment and capital expenditure to such redevelopment and expansion plans are subject to a number of risks. The following table highlight the major risks involve in our MFW Redevelopment Project.

- lack of sufficient, or delays in availability of, financing;
- shortages of, and price increases in, energy, materials and skilled and unskilled labor, and inflation in key supply markets;
- delays in obtaining or inability to obtain necessary permits, licenses and approvals, including any necessary Macau Government approvals not yet obtained;
- changes in laws and regulations, or in the interpretation and enforcement of laws and regulations, applicable to gaming, leisure, residential, real estate development or construction projects; and
- inability to attract a sufficient number of customers, including mass market players and other visitors to Macau Fisherman’s Wharf, in order to achieve performance goals upon completion of the MFW Redevelopment Project.

See “Risk Factors — Risks Relating to Our Business and Operations — The redevelopment and expansion of Macau Fisherman’s Wharf may not proceed according to design, schedule or budget. We could encounter significant delays and cost increases in our redevelopment of Macau Fisherman’s Wharf” and “Risk Factors — Risks Relating to Our Business and Operations — MFW Investment was loss-making during the Track Record Period and we may not fully realize anticipated benefits from redevelopment and expansion”

Pending approvals and permits

As at the Latest Practicable Date, the key approvals and permits pending from the Macau Government for the MFW Redevelopment Project included:

<u>Redevelopment items</u>	<u>Pending approvals and permits</u>
The construction of Prague Harbor View Hotel, the Palace Hotel, the Legendale Hotel Macau, a general entertainment and cultural facility, the wave breaker, the Yacht Club and the canopy for the covered open-air shopping, dining and entertainment colonnade.	With respect to Prague Harbor View Hotel, occupation permit to be issued upon construction completion; with respect to the Legendale Hotel macau, the approval of any necessary revision to the land concession contract and the demolition of certain existing structures and construction license and occupation permit to be issued by Public Works Department; and with respect to the rest, construction license and occupation permit to be issued by Public Works Department

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Redevelopment items

Pending approvals and permits

The expansion work for the Marina. .

The refurbishment work for existing facilities.

The commencement of operation of the Yacht Club and harbor cruises .

License to be issued by Macau Maritime Administration

The 2012 Additional Gaming Tables Application

Prior authorization for new casinos and authorization of additional gaming tables to be granted by the DICJ

The commencement of operation of the Prague Harbor View Hotel, the Palace Hotel and the Legendale Hotel Macau

Hotel license to be issued by Macau Government Tourism Office

The commencement of operation of new restaurant, bars and lounges .

License to be issued by Macau Government Tourism Office to the respective operators of such restaurant, bars and lounges

PROPERTIES

We develop and manage our properties in accordance with the terms and conditions of land concession contracts and management agreements, as the case may be.

The Landmark Macau

The Landmark Macau is located on a land parcel in central Macau with a site area of approximately 7,295 square meters. Under the current land concession, it comprises a complex development with hotel, residential, office and car park uses. We own the hotel and car park portions with a total gross floor area of approximately 80,137 square meters.

Macau Fisherman's Wharf

On 7 January 2004, the Macau Government approved the application submitted by MFW Investment for the lease of 109,495 square meters to be reclaimed from the sea, for the purpose of developing a tourism and entertainment complex. Accordingly, MFW Investment was awarded a concession, by lease, on the land to be reclaimed. This lease is valid for a period of 25 years from 14 January 2004, the date of publication of the dispatch approving the original land concession contract in the Macau Official Gazette, and renewable for subsequent 10-year periods at the request of any interested party. MFW Investment was granted a period of 48 months to develop the project, with various facilities having gross construction areas and permitted uses as provided for in the land concession contract.

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The concession premium was set at MOP95.6 million, of which MOP59.3 million was deposited prior to the execution of the land concession contract and the remainder, amounting to MOP36.3 million, was paid in kind through MFW Investment's contributions to public infrastructure, such as reclaiming plots of land, and reserving a plot of land for open air parking and access ways to Macau Fisherman's Wharf.

On 11 May 2012, we received a letter from the Macau Land Commission notifying us of the terms and conditions of the revised land concession contract for Macau Fisherman's Wharf, pursuant to which six pieces of land with a total area of 2,656 square meters that were formerly approved areas of Macau Fisherman's Wharf will be returned to and become private land of the Macau Government for street alignment purposes. An additional three pieces of land with a total area of 26,199 square meters have been conditionally granted to us by the Macau Government for the development of Macau Fisherman's Wharf.

The revised concession premium is set at MOP208.7 million, of which MOP70.0 million is to be paid upon acceptance of the concession contract and MOP138.7 million, which will accrue interest at an annual rate of 5%, is to be paid in six biannual payments of MOP25.2 million each, with the first payment due six months after the publication of the dispatch approving the revised land concession contract in the Macau Official Gazette. We paid a security deposit of MOP782,850 in relation to the additional three pieces of land on 27 June 2012, and settled the land premium of MOP70.0 million on 10 August 2012. The revised land concession contract took effect after the formal notice was published in the Macau Official Gazette on 26 September 2012. On 22 March 2013, we made the first payment of MOP25.2 million. As at the Latest Practicable Date, a total land premium of MOP125.9 million remained to be payable.

With effect from 26 September 2012, Macau Fisherman's Wharf has a total site area at 133,038 square meters. The duration of the lease remains the same. The following table sets forth the revised gross construction areas and permitted uses.

Commercial	46,984 square meters
Conference Hall and Ancillary Facilities	10,995 square meters
Entertainment and Ancillary Facilities	1,320 square meters
3-star Hotel	6,354 square meters
Administrative Area	1,419 square meters
Storage	3,028 square meters
Car Park	17,466 square meters
Outdoor Area	67,432 square meters
Four-Star hotel, comprising the following use	
Commercial	2,300 square meters
4-star Hotel	45,905 square meters
Car Park for the 4-star Hotel	12,005 square meters
Outdoor Area	19,439 square meters

However, the areas and uses indicated above may be subject to further amendment by the Macau Government.

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Pursuant to the revised land concession contract, the construction work pertaining to these areas must be completed within 48 months from the date of the publication of the dispatch approving the revised land concession contract in the Macau Official Gazette. For each day of delay, we will be penalized with a fine unless we provide adequate justification for such delay or prove that circumstances beyond our control caused such delay.

Leased Properties

As of 31 March 2013, we leased 19 properties of which 18 properties are located in Macau and one property is located in Hong Kong. Our leased properties include offices, a warehouse, staff dormitories and a travel services center and their areas range from approximately 39 square meters to 2,830 square meters. The term of most of our leases ranges from 12 months to three years. The term of two of our leases for office premises are renewed on a month-to-month basis. Our Directors confirmed that none of these leased properties is material to our operations and may be readily replaced with properties available in the market should we fail to renew any of these leases. In addition, as advised by our Macau legal advisor, none of our leases in Macau is required to be registered to be legal, valid and enforceable.

GAMING

Our Gaming Services

We do not hold a concession or subconcession as required by the Macau Government to operate casino games and other games of chance in Macau. We provide Gaming Services to SJM in respect of the Casinos, which include marketing, promotion, publicity, customer development and introduction, coordination of activities and other services, as agreed from time to time, pursuant to the Service Agreement. For example, we market and advertise the Casinos extensively on billboards, the internet and various other media platforms. We also organize and host various promotional activities for our patrons, such as golf tournaments with professional golfers from China and annual spring dinners held over the Chinese New Year in Beijing. Our focus on customer development has led us provide transportation services to our patrons who travel to Macau from all parts of the Guangdong Province, one of China's wealthiest and most urbanized provinces in 2011.

As a result of the Gaming Services provided by the Group, membership of both the mass market patrons and premium mass market patrons in the Casinos' loyalty programs continue to grow. Membership of the Casinos, including mass market patrons and premium mass market patrons, increased from approximately 1,560,000 in December 2011 to approximately 1,670,000 in December 2012.

As part of our Gaming Services, we also design and supervise the fitting out of the Casinos and are responsible for certain aspects of marketing and administration of, and security in, the Casinos. Among other things, we supervise and direct the organization of the Casinos by determining the number of gaming tables and games available to gaming patrons and the betting limits and opening hours of each gaming table. We, through the gaming operations employees, supervise the daily operations of the cages on the gaming floors of the Casinos and assist SJM with complying with all statutory and SJM's internal regulations. We work with gaming promoters designated by us to attract VIP patrons to the Casinos.

As consideration for our provision of Gaming Services, we receive from SJM a monthly compensation equivalent to a certain percentage of gross gaming income generated by the mass market tables, VIP tables and slot machines. We have in the past relied on, and expect to continue to rely on, gaming service income generated through our largest customer, SJM, for a significant portion of our revenue. For the years ended 31 December 2010, 2011 and 2012, our revenue from Gaming Services accounted for 71.2%, 70.2% and 66.7%, respectively, of our total revenue for the same periods.

Advertising and Marketing the Casinos

We seek to attract gaming patrons to the Casinos and to grow our customer base over time by undertaking several types of advertising and marketing activities and plans. We utilize local and regional media, such as magazines and travel guides, to publicize the Casinos, in addition to customer referrals. We have a public relations and advertising team, headed by Eddie Chan, who has over 20 years of experience in the Macau gaming industry, comprising six administrative and marketing officers, 30 membership officers and 41 customer relations officers. Each of the key members of the team has over ten years of experience in the Macau gaming industry. Our public relations and advertising team cultivates media relationships, promotes our brands and the Casinos and directly liaises with customers within Greater China in order to explore media opportunities in various markets. Our advertising activities use a variety of media platforms that include print, online and billboards (as permitted by Macau, PRC and other regional laws).

Pursuant to the Service Agreement, we hold various promotions and special events, operate loyalty programs, maintain a database of gaming customers and have developed a series of incentive-based programs for gaming patrons, in order to be more competitive in the Macau gaming environment. Our direct marketing efforts target premium mass market patrons. These efforts include sending them traditional Chinese pastries and snacks during Chinese festivals and celebrations and tickets to special events we may host at our properties or to events that may be held outside Macau. We also generally provide complimentary gifts and services, such as ferry and helicopter tickets, limousine services, use of the recreational facilities and spa services in The Landmark Macau, food and beverage refreshments and hotel accommodation, to premium mass market patrons, whose average bets exceed HK\$8,000 and HK\$6,000 at Pharaoh's Palace Casino and Babylon Casino, respectively.

Loyalty Programs

We operate loyalty programs at Pharaoh's Palace Casino and Babylon Casino to increase repeat patronage from our premium mass market patrons.

Gaming patrons who visit Pharaoh's Palace Casino are required to become members of the casino before gaining access to the gaming facilities and complimentary refreshments, such as drinks, snacks and meals. Gaming patrons who visit Pharaoh's Palace Casino for the first time must complete membership application forms at membership counters located at the entrances of the casino and the casino staff will scan the gaming patron's identity card or passport and take a photograph of the gaming patron for our record. We believe our mandatory membership

system has created a sense of exclusivity and privacy for gaming patrons at Pharaoh's Palace Casino and has allowed us to efficiently monitor the betting profiles of these gaming patrons and, in particular, effectively direct our marketing efforts at high-betting gaming patrons.

In addition to our mandatory membership system at Pharaoh's Palace Casino, we also operate loyalty programs in Pharaoh's Palace Casino and Babylon Casino for gaming patrons whose average bets exceed HK\$8,000 and HK\$6,000, respectively. Such gaming patrons are identified by our gaming services employees and invited to join the respective casino's loyalty program as premium mass market players. As part of our marketing efforts directed at high-betting gaming patrons, we also require these gaming patrons to complete membership application forms and the casino staff also scan their identity cards or passports and take their photograph for our record. Premium mass market players play at the Casinos' premium mass market tables and have access to various complementary gifts and services, such as ferry and helicopter tickets, limousine services, and food and beverage refreshments. We also host gala dinners and golf tournaments for selected premium mass market patrons from time to time. As in the case of our mandatory membership system at Pharaoh's Palace Casino, such loyalty programs for our premium mass market patrons have allowed us to efficiently monitor their betting profiles and effectively direct our marketing efforts at them. As at 31 December 2012, we had approximately 1,670,000 members, of which approximately 20,000 were premium mass market patrons.

We also offer loyalty programs to encourage repeat patronage from slot machine patrons. We have three membership tiers for patrons of our slot machine halls in The Landmark Macau and Babylon Casino. Gaming patrons can apply for membership free of charge at our membership counters by completing relevant application forms, after which they become third tier members. The membership application procedure for our slot machine halls is similar to the procedure used in the mandatory membership system at Pharaoh's Palace Casino and the loyalty programs for premium mass market patrons. Once the gaming patron becomes our member, he or she can use the membership card to gain and accumulate bonus points by inserting the card into the gaming machines. The Group tracks the bonus points accumulated by each of the members in the Casinos in its membership system and offers them rewards in the form of items and gifts from its facilities depending on the number of bonus points which they have accumulated. Members are upgraded to the next tier of membership if they manage to accumulate a certain number of bonus points within a predetermined time period. Second tier members are entitled to certain food and beverage items for free and are able to redeem the same items and gifts available to third tier members by using less bonus points. First tier members are entitled to, among other things, free hotel accommodation, transportation and food and beverage items. We have been advised by our Macau legal advisor that such issuance and usage of membership cards is not regulated under Macau law and, as such, do not contravene any Macau law.

Mass Market Players

Mass market players are non-VIP players who come to our properties for a variety of reasons, for example, as a result of our direct marketing efforts, brand recognition, the quality and comfort of our mass market gaming floors and our non-gaming offerings. Mass market players are further classified as general mass market players and premium mass market players.

Premium mass market players in the Casinos are mass market gaming patrons who have been specially identified by our membership staff based on the average size of their wagers. Mass market patrons whose average bets exceed HK\$8,000 and HK\$6,000 at Pharaoh's Palace Casino and Babylon Casino, respectively, are typically invited to become premium mass market players in the respective Casinos and to play at the premium mass market tables in the respective Casinos. Premium mass market patrons are entitled to special privileges, such as free hotel accommodation, transportation and food and beverage items.

VIP Players

VIP players at the Casinos are gaming patrons who play with rolling chips in VIP rooms and are mainly sourced by gaming promoters. A VIP player may visit the Casinos because of a direct relationship with the designated gaming promoters or SJM or simply because of the player's preference for the Casinos.

VIP players are sourced by designated gaming promoters through direct marketing efforts and relationships. We work closely with the designated gaming promoters to maintain relationships with VIP players. We have a close understanding of VIP players derived in part from David Chow's and Lam Fong Ngo's extensive experience in the gaming industry, which has resulted in long-standing relationships with many VIP players. VIP players can earn a variety of rebates and in-kind benefits from us through the designated gaming promoters, such as hotel accommodation, food and beverage and other complimentary products or services. The designated gaming promoters reimburse us for the costs we incur on such rebates and in-kind benefits. The designated gaming promoters may extend credit, typically in the form of non-negotiable chips, to select VIP patrons.

Other Gaming Services

In addition to advertising and marketing the Casinos, the Gaming Services that we provide include administration of, and security in, the Casinos. We direct the organization of the Casinos and, through the gaming operations employees, supervise the daily operations of the cages on the gaming floors of the Casinos, and are responsible for the general administration of the Casinos, including staffing, security, and cleaning and maintenance of the premises.

David Chow, as president of the Casinos, is also responsible for developing the human resources policy of the Casinos, and directing and coordinating the employment of casino employees. As president of the Casinos, he also has the power to directly hire, promote and terminate the gaming operations employees, upon consultation with SJM. See "Gaming Services Model — The Service Agreement."

We have our own security and surveillance teams who work with SJM's security team and surveillance department to manage security and surveillance in the Casinos. Our security team manages the security of the properties in which the Casinos are located and our surveillance team monitors and reviews activity in our properties through our surveillance system, consisting of fixed and movable cameras located throughout our properties. We work closely with SJM's security team and surveillance department to assist in the prevention of cheating or any other illegal activities in the Casinos.

Gaming Operations

As Macau Gaming Law permits only concessionaires and subconcessionaires to operate casino games and other games of chance in Macau, SJM conducts the gaming operations in the Casinos, including gaming floor, cage and treasury operations as well as security and surveillance operations.

Gaming Floor Operations

Each of the gaming floors at Pharaoh's Palace Casino and Babylon Casino is organized into multiple gaming pits, each consisting of a configuration of several gaming tables. Inside each gaming pit are playing cards and computer terminals used by pit managers. As at 31 December 2012, there were 1,431 casino employees working in the Casinos, 1,244 of which were gaming operations employees who were employed by SJM. The 1,244 gaming operations employees of SJM are generally allocated to work at the gaming tables and cages of the Casinos as dealers and gaming managers (including supervisors, pit managers and shift managers) and on the gaming floors of the Casinos as security staff, while the remaining 187 gaming services employees employed by us are generally allocated to work on the gaming floors as technicians, administrative, marketing and security staff. See "— Employees." All of the casino employees (including those gaming operations employees employed by SJM) work in the Casinos or VIP rooms and are required to report to us, which enables us to monitor their performance. In the event of any misconduct by the gaming operations employees, David Chow, as the president of the Casinos, has the authority to dismiss them, upon consultation with SJM.

Dealers are responsible for conducting and facilitating various table games (such as baccarat, blackjack and roulette), handling chip exchanges occurring at their tables and assisting in chip counts. While most gaming tables have one dealer during operating hours, some table games, such as craps, require more than one dealer to operate. The gaming operations employees are trained in accordance with policies and procedures established by SJM. Each of the dealers is trained to identify high-value transactions and suspicious transactions occurring at his gaming table and is required to report any such transaction to his supervisor for immediate and appropriate action.

Gaming managers are primarily responsible for the supervision of gaming operations in the Casinos. In particular, gaming managers monitor performance to ensure that all gaming floor operations are conducted properly and in accordance with SJM's internal rules and regulations as well as with applicable laws and regulations imposed by the Macau Government. Gaming managers and gaming supervisors also monitor, through either the electronic surveillance system or direct on-site supervision, the gaming activities of patrons with a view to ensuring that no illegal or fraudulent activities are conducted in the Casinos.

Gaming managers conduct chip counts and certify the amount and value of all chips contained in each gaming table's chip tray on a regular basis. This process, which is captured by SJM's video surveillance system, is completed in the presence of dealers and supervisors.

The chips contained in a gaming table's chip tray represent the initial daily capital for each gaming table. Upon the closing of a gaming table, the gaming supervisor in charge of the gaming table counts and certifies the amount and value of all chips in that gaming table's chip

tray. The chips are jointly counted by us and SJM at the cage and daily totals are tabulated. The drop boxes are collected by SJM's staff for centralized handling, and the total gross table games win is tabulated and certified by the DICJ. The process of counting and tabulation of table games win is also witnessed by members of our staff.

Cage, Audit and Treasury Operations

Key responsibilities carried out by the gaming operations employees assigned to cage, audit and treasury operations include:

- verifying and reconciling results;
- computing, verifying and recording win of each gaming table;
- collecting drop boxes from gaming tables and preparing drop box collection reports under the supervision of the DICJ and SJM; and
- auditing and ensuring compliance with anti-money laundering laws and SJM's policies and procedures associated with high-value transactions and suspicious transactions.

Security and Surveillance

The Casinos are divided into different security patrol sections that are patrolled by casino employees responsible for security. Each patrol section consists of a specified area of the gaming floor and generally includes several gaming tables, cash counters and slot machines. Casino employees responsible for security are also assigned to cash counters and VIP rooms in the Casinos and positioned in key areas of the gaming floor, such as at the public entrances and exits, gaming areas, and cages of the Casinos.

Casino employees work closely with SJM's surveillance department to monitor and review high-value losses on table games to determine if any suspicious cheating or illegal activity has occurred. The Casinos have CCTV surveillance systems, with a direct feed to a central surveillance system at SJM, which is used by both our surveillance team and SJM's surveillance department. This surveillance system consists of fixed and movable cameras that enable our staff, as well as SJM's surveillance staff, to monitor and record all activities in the Casinos as well as elsewhere on our properties. This system is designed to assist security officers in maintaining the highest levels of patron and employee security in the Casinos. We and SJM monitor large betting activities, large deviating losses, and other irregular activities reported by casino employees and security officers.

SJM is obligated to ensure that images from the surveillance system remain confidential and do not leak out to the public. As a result, all the gaming area cameras are relayed to SJM's video surveillance room and monitored by surveillance teams based at SJM's video surveillance room on a 24-hour basis. In the event that our casino employees need to review any recorded video footage, we make a request to SJM for such footage. SJM's video surveillance room will then re-play the requested video footage over a fiber-optic link to the Casinos.

Quality Assurance, Internal Controls and Government Oversight

As we are not a concessionaire or subconcessionaire and have no obligation under the applicable Macau laws and regulations to devise our own separate and independent set of internal control policies or procedures in respect of the Casinos, we assist SJM in employing their internal controls and procedures aimed at ensuring that the gaming operations in the Casinos are conducted in a professional manner and cooperate with SJM so that it may monitor and ensure compliance with the internal control requirements issued by the DICJ as set forth in its instructions on anti-money laundering and anti-corruption, and any applicable laws and regulations in Macau. SJM maintains an internal audit department that performs operational and compliance audits on a regular basis. SJM's internal audit department also performs a yearly review of the effectiveness of the internal control system of SJM's businesses with respect to its business processes, practices and procedures, which cover all material controls, including financial, operational and compliance controls and risk management functions. Furthermore, like all casinos in Macau, the Casinos are subject to on-site government oversight by the DICJ and the Macau Judiciary Police. See "Regulations."

Internal Controls on Gaming Operations in the Casinos

Gaming operations in the Casinos are subject to risk of loss resulting from employee or patron dishonesty or fraud by the designated gaming promoters. Minimizing these risks requires the development of authorization, accountability and safekeeping procedures in relation to the handling of gaming chips, cash and gaming equipment. SJM has implemented a system designed to detect cheating and fraud scams in table and slot games, which includes a comprehensive surveillance system and experienced surveillance monitoring and security enforcement teams. Prevention and investigation of fraud and cheating in the Casinos are primarily carried out by gaming operations employees with the cooperation of our finance and security departments which work closely with SJM's surveillance department.

In addition, the Casinos employ advanced technology and techniques to prevent and detect potential fraud, cheating or counterfeiting activities. These methods include the use of cards and chips with embedded authentication features such as holograms in chips and barcodes on cards, infrared readers, money note scanners, electronic card readers and a 24-hour CCTV system. All gaming equipment inventory and card sorting and storage are under 24-hour closed circuit television surveillance. Scanning technology has also been installed on the currency sorters in the soft count rooms and cages of the Casinos to facilitate detection of counterfeit currency notes.

Casino employees and surveillance personnel are also trained in fraud prevention techniques. SJM's surveillance department conducts periodic reviews and checks on gaming equipment independent of gaming floor staff to help ensure that game integrity has not been compromised and to help prevent collusion.

Dealers, gaming supervisors, other senior gaming managers, cashiers, cash and chip counters, security, counting, and surveillance personnel are subject to a randomized rotation plan in order to mitigate the risk of collusion. In addition, routine checks are performed on gaming floor staff to detect any fraud or cheating.

We and SJM also cooperate with officers of the Macau Judiciary Police, who are available 24-hours a day, seven days a week to respond to situations in the Casinos. If suspicious activity which may constitute a crime is detected, our security department or SJM's surveillance department will report such activity to the responsible officers for further investigation. In addition, our security department maintains a permanent presence on the gaming floor to ensure that Macau Government blacklisted persons, money launderers, pickpockets, prostitutes and other criminal elements are not present in the Casinos.

Internal Control Measures Relating to Chips and Cards

The playing cards used in the Casinos are exclusively manufactured for the Casinos and are provided to us by SJM at our cost. All gaming activities at gaming tables are conducted exclusively through the use of gaming chips. All players either purchase gaming chips at designated counters or at the gaming tables prior to gaming. All table game transactions are monitored and recorded in accordance with SJM's internal accounting security and surveillance procedures. All transactions processed at the pits and the cages are conducted in accordance with departmental standard operating procedures (SOPs), recorded by the surveillance CCTV with footage retained by SJM and subsequently audited by casino gaming audits.

The Casinos use plastic-compound, high-quality and injection-molded chips. SJM, as the Concessionaire, has absolute discretion as to the type of chips used. All chips used in the Casinos are provided by SJM. The placement and the type of authentication markings in each series of chips are different. Each series of chips has different denominations and the appearance of each denomination is also different. These chips allow SJM to both protect gaming integrity and monitor drop and turnover. The Casinos have also implemented various measures to prevent the use of counterfeit chips, including:

- scans of the chips and inventory checks prepared by the table games department in accordance with departmental SOPs; and
- storage of chips not in use in secure locations.

The Casinos employ stringent internal control measures on the creation, issuance and redemption of chips, including the following measures:

- the DICJ governs the issuance of new chips. Before issuing any new chips, SJM must submit to the DICJ photos of the new chips to be used and other details, including the intended location(s) of the new chips to be used and the number of new chips to be issued in such location(s), for record-keeping purposes;
- chips that are not yet in circulation are stored in secure locations; and
- electronic security systems and surveillance cameras have been installed in all sensitive cash and chip handling areas.

SJM has established recording and control systems with respect to the chips in inventory and in circulation. It maintains inventory accounts for gaming chips and reports the inventory of chips to the DICJ. SJM periodically inspects the chips and retires chips which are worn or damaged. It informs the DICJ before destroying issued chips or taking chips permanently out of circulation.

Overall Internal Control Compliance

We generally report any detected instances of illegal or material fraudulent activity to the Macau Judiciary Police or the DICJ, or both, as applicable. In the event any failure is identified, we will seek to identify where the system failed, promptly rectify such failings and write off any losses resulting from such failings. For example, we identified one incident of fraud during the Track Record Period, which occurred in January 2011 that involved a group of gaming patrons cashing in a total of 109 fake chips, each denominated in HK\$5,000, for a total of HK\$545,000. We reported the incident to the Macau Judiciary Police, the DICJ and SJM. We and SJM shared the loss resulting from this incident equally. Subsequently, SJM enhanced the equipment used to authenticate the chips as well as increased training for gaming operations employees who work in the casino cages. In addition, new operating procedures have been put in place to more thoroughly examine the chips collected using special laser pens. Apart from this incident, to the best of the Directors' knowledge, there have not been any other incidents involving fake chips or other forms of cheating in the Casinos during the Track Record Period.

As the gaming service provider of the Casinos under the Service Agreement with SJM, we maintain regular contact with SJM in order to stay abreast of current issues in the area of casino security and potential fraudulent activity.

Internal Controls on Money Laundering

As a concessionaire and the licensed operator of the Casinos, SJM is required to comply with certain anti-money laundering regulations under Macau law. We are not a concessionaire or subconcessionaire and have no obligation under the applicable Macau laws and regulations to devise our own anti-money laundering policies and related procedures. Under the Service Agreement, we cooperate with SJM so that it may comply with all its applicable anti-money laundering regulations relating to the operation of the Casinos. Pursuant to a joint undertaking made by SJM and Hong Hock to the Macau Government, the Group is jointly responsible with SJM for compliance with all laws and regulations in relation to anti-money laundering procedures of SJM in the Casinos. We have complied in all material respects with the relevant laws and regulations as required by the Service Agreement. The DICJ has completed several routine audits of the Casinos' operations and SJM's anti-money laundering procedures have been found to be compliant with applicable laws and regulations upon each audit occasion. See "Regulations — Macau Gaming Regulations — Anti-Money Laundering and Anti-Terrorism Financing Regulations."

As required under the SJM Concession Contract and Macau Gaming Law, SJM has developed an anti-money laundering policy and related procedures, which we assist SJM to comply with pursuant to the Service Agreement.

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SJM's anti-money laundering policies require:

- full compliance with all Macau anti-money laundering laws and regulations;
- regular assessment of the risks of money laundering in SJM's operations and indicators of suspicious activity;
- a system of procedures and controls designed to detect and report suspicious activity in gaming operations through the various operational departments in the Casinos;
- background checks, to, among others, identify suspicious activity, known criminals, money launderers, terrorists and sanctioned individuals and organizations;
- strict controls over the issuance of cheques, requiring identification of patrons, verification of winnings and background checks for anti-money laundering purposes;
- a system to monitor the activities of the gaming promoters, on an on-going basis, for potential money laundering activities, and to report to the Macau Financial Services Bureau any detected suspicious activity on the part of the gaming promoters;
- its anti-money laundering committee to compile and analyze all relevant anti-money laundering reports and data and fulfil regulatory obligations;
- all concerned staff to receive comprehensive training on its anti-money laundering mission, policy, procedures and controls and job specific information on indicators of suspicious activity; and
- an annual review regarding implementation and effectiveness of the anti-money laundering compliance program conducted by its internal audit department.

The anti-money laundering processes in the Casinos are overseen by SJM's group compliance officer, as well as by Mr. Yip Wing Fat, Frederick, our head of casino operations. The policy and related procedures are reviewed and updated by SJM whenever there are changes in the anti-money laundering laws and regulations. Any regulatory uncertainties are raised and discussed with SJM, the DICJ or other applicable authorities to achieve a common understanding and interpretation of the applicable regulatory requirements. SJM is responsible for reviewing issues related to both credit and anti-money laundering and meets monthly. SJM's internal audit department also conducts regular audit procedures to determine compliance with applicable Macau laws and regulations and the adequacy and effectiveness of its established anti-money laundering internal controls.

SJM has training programs in place to ensure that all relevant employees understand the anti-money laundering regulations and the relevant anti-money laundering responsibilities of their respective positions. Any new casino employees who may come into contact with cash or cash equivalent transactions are provided with anti-money laundering training during their orientation. Refresher anti-money laundering training is provided annually to all existing casino employees, in addition to annual tests on anti-money laundering compliance requirements. In addition, all our and SJM's employees receive an employee handbook and code of conduct. The

gaming operations employees are required to comply with SJM's internal controls and procedures aimed and ensuring that the gaming operations in the Casinos are conducted in a professional manner and in compliance with the internal control requirements issued by the DICJ, set forth in its instructions on anti-money laundering, and any applicable laws and regulations in Macau.

SJM tracks and reports high-value transactions and suspicious transactions through its established anti-money laundering tracking procedures and renews these reports along with the details of each case to determine the appropriate course of action, including submission to the Financial Intelligence Bureau of the Macau Government, if required. SJM also receives and monitors significant transaction reports from designated gaming promoters and their customers. In addition, SJM maintains information on designated gaming promoters, including such matters as responsible persons, commission schemes and license numbers.

Our Role in Internal Controls on Money Laundering

To assist SJM in employing the aforesaid internal controls and procedures, our Group's compliance officer, who we require to be familiar with the anti-money laundering procedures and controls in the gaming industry, together with our gaming services employees, adopt the following measures:

- Screening prospective gaming promoters and conducting periodic review of gaming promoters to ensure that the gaming promoters meet suitability standards and are in compliance with applicable Macau legal and regulatory requirements;
- Providing on-going training to gaming operations employees and related gaming services employees in respect of internal control and anti-money laundering compliance and procedures with the assistance of SJM;
- Attending monthly meetings and any special meetings (if necessary) hosted by SJM in respect of internal control and anti-money laundering;
- Selecting gaming operations employees on a random basis to attend an annual compliance examination to enhance anti-money laundering awareness;
- Monitoring the operations of the Casinos to ensure compliance with SJM's internal control and anti-money laundering policies;
- Conducting internal audit with respect to the daily operations conducted by the gaming operations employees and the gaming promoters and ensure the gaming staff and the gaming promoters strictly follows the guideline issued;
- Reporting, through SJM, suspicious activities to the Financial Intelligence Bureau of the Macau Government within two Business Days upon detection;
- Assisting the gaming operations employees who record information, including details of the relevant gaming patrons, with respect to large sum transactions, such as wagering of bets amounting to or in excess of MOP500,000, cash-in transactions, such

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as purchasing of chips in excess of MOP200,000, and suspicious transactions, such as minimal gaming with large sum transactions and large currency exchanges, in our computer system and reporting to senior management and SJM on regular basis in respect of these transactions and maintaining and making certain of these records available for review by relevant government authorities; and

- Requiring all gaming operations employees and related gaming services employees to review and acknowledge understanding of the SJM's anti-money laundering training manual.

In addition, the gaming operations employees conduct cash counts and reports on gross and net gaming income/loss on a daily and a monthly basis and report the same to our Group's accounting and finance department who will review and reconcile such records and with those provided by SJM on a monthly basis.

As advised by SJM, its anti-money laundering procedures (including those employed at its casinos operating under service agreements) are subject to an annual audit by the DICJ to ensure compliance with Macau law and regulation. In the event that there is a breach of any anti-money laundering law or regulation, SJM will be informed by the DICJ and SJM will remedy the breach and make the necessary disclosures if needed. In the event that the breach relates to the Casinos, the Group will be informed of such breach by SJM or, the Group will notify SJM and/or the relevant Macau governmental authorities as appropriate in the event the Group is made aware of such breach first, and the Group will coordinate with SJM to make the necessary remedy and disclosure and adopt any additional internal control measures that SJM may implement so as to avoid future occurrences.

We obtained a certificate from the DICJ on 19 April 2013 stating that since the commencement of the operation of the Casinos, the gaming operations at the Casinos had not been the subject of any investigation or proceeding for defaulting on any contractual undertakings by SJM and the Group, in connection with the Service Agreement, and any violation of applicable gaming promotion and credit for gaming rules and regulations or any laws relating to anti-money laundering and the prevention of financing of terrorism activities applicable and in force in Macau. SJM will provide us with confirmation on an annual basis during the term of the Service Agreement that SJM's anti-money laundering policies and procedures implemented in the Casinos are in full compliance with the applicable legal and regulatory requirements of the Macau government. In the unlikely event that SJM cannot provide us with the confirmation, we will seek a similar confirmation from the DICJ. Such confirmation, whether from SJM or the DICJ, will be disclosed in our annual reports.

Government Oversight

The gaming operations in the Casinos are closely monitored by the DICJ. As is customary for all casinos in Macau, the DICJ maintains an office inside both Pharaoh's Palace Casino and Babylon Casino where officials are stationed 24-hours a day, seven days a week. We and SJM are in continuous and close contact with the DICJ regarding compliance with applicable Macau laws relating to gaming operations in the Casinos. Inspectors from the DICJ are involved in inspecting

and monitoring key processes, such as the issuance of chips, table fills and credits, drop box collections and the counting of cash and chips, on a daily basis. Weekly revenues from slot machines and daily revenues from gaming tables are verified by the DICJ.

Monthly financial reports in respect of our share of the gaming income of the Casinos are prepared by our accounting department, reconciled with the financial reports SJM prepares for the Casinos as a whole, reviewed by our management. We assist SJM with preparing its periodic reports on the Casinos which are required to be submitted to the DICJ, including, but are not limited to:

- monthly trial balances;
- monthly cash count reports;
- monthly bank account reconciliations;
- annual reporting of lists of fixed assets;
- audited annual consolidated and unconsolidated financial statements; and
- monthly reporting of gaming tax payment schedules.

An officer from the DICJ also performs periodic site audits. In addition, the Macau Judiciary Police maintains an office inside both Pharaoh's Palace Casino and Babylon Casino.

Gaming Promoters

Pursuant to the Service Agreement, as at the Latest Practicable Date, we had six designated gaming promoters with which we and SJM had entered into arrangements allowing them to extend credit to VIP patrons in the VIP rooms in The Landmark Macau to promote the VIP rooms. These arrangements with designated gaming promoters arise from and reflect the importance of the VIP segment in the overall Macau gaming market, gaming promoters' knowledge of and experience within the Macau gaming market, in particular, with sourcing and attracting VIP patrons and arranging for their transportation and accommodation, and the extensive VIP patron network of gaming promoters and collaborators. Most of the gaming promoters (and their collaborators and VIP sales representatives) that we work with have experience in the gaming industry. As at the Latest Practicable Date, five of the six gaming promoters responsible for gaming promotion for the VIP rooms in The Landmark Macau worked exclusively with us. We provide these designated gaming promoters with access to one or more VIP rooms and support from the casino employees. We intend to indirectly participate in the gaming promotion business of the VIP rooms in our properties through a new licensed gaming promoter to be established by Mr. Yip Wing Fat, Frederick, an independent third party and a member of our senior management team, following Listing, subject to approval by the DICJ. See "Risk Factors — The success of our intended gaming promotion business depends on our ability to secure regulatory approvals to indirectly participate in the gaming promotion business through a licensed gaming promoter" and "Business — Gaming — Gaming Promotion Business."

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Pursuant to the Gaming Promoters Regulation, SJM is liable with the designated gaming promoters for their activities and activities of their respective directors and affiliated gaming promoters and VIP sales representatives within the Casinos. Pursuant to the Gaming Promotion Agreements, the designated gaming promoters are required to comply with all of SJM's requirements in respect of internal controls and anti-money laundering controls as well as all relevant regulatory and legal requirements. If the gaming promoters discover any suspicious activities within their operations, they are required to report them to SJM or the relevant authorities in Macau. Pursuant to the Tri-Party Agreements, we provided a guarantee to SJM against any amount outstanding to SJM (including the respective gaming promoters' share of any gross gaming losses) and any other losses incurred by SJM resulting from a breach of the Gaming Promotion Agreements by any of the designated gaming promoters. To the best of the Directors' knowledge and according to Union Gaming, certain gaming service providers, in certain instances, will provide similar guarantees to the concessionaire or subconcessionaire to whom they provide gaming-related services. Our Directors are of the view that the credit risks arising therefrom are inherent to the business of the provision of gaming services to the concessionaires and subconcessionaires and the cooperation with gaming promoters.

We do not provide guarantees or advances to any of the other gaming promoters apart from advances to TCL, which is a connected person of the Company. The Company provided advances to TCL as and when TCL required additional working capital for its daily operations in relation to the VIP room which it operates during the Track Record Period. We have been advised by our Macau legal advisor that such advances made to TCL are legal and in compliance with Macau Gaming Law and regulations. The total amount of advances from the Group to TCL as at 31 December 2010, 2011 and 2012 were HK\$130.0 million, HK\$90.0 million and HK\$50.0 million respectively. As at 5 June 2013, the Company had settled all outstanding amounts with TCL and will settle all other outstanding amounts with TCL prior to the Listing. During the Track Record Period, to the best of the Directors' knowledge, the Company did not engage any related or independent third parties to enforce the repayment of advances before any legal proceedings.

If any of the gaming promoters fails to make the necessary payments to SJM which results in a breach of the relevant Gaming Promotion Agreements, and SJM calls on the guarantee provided by the Group, this would result in the Group being liable to SJM for any losses which it may incur as a result of such defaults by any of the gaming promoters.

In the event the gaming promoters liquidate, materially default on any payment to SJM so as to cause the Company to be liable pursuant to its guarantee to SJM or cease to perform their duties in a manner which results in a material adverse impact on the operations of the respective VIP rooms, the Company could terminate its relationship with the relevant gaming promoter and look for another gaming promoter to replace it in relation to the operation of the respective VIP room. Also, the Company can withhold accrued but unpaid commissions payable to the gaming promoters or enforce the HK\$20 million deposit provided to the Company by the gaming promoters as indemnity for the losses the Group may suffer. The HK\$20 million deposit may not be sufficient to cover such losses. See "Risk Factors — Risks Relating to Our Business and Operations — We are indirectly exposed to credit risk on credit extended to VIP patrons by gaming promoters operating in the gaming areas of The Landmark Macau."

Internal Control Measures Relating to Our Cooperation with Gaming Promoters

We have been advised by our Macau legal advisor that there is no specific eligibility and financial requirements for applying for a gaming promoter license as stipulated in the applicable Macau laws and regulations. Nonetheless, each applicant, its shareholders holding 5% or more in the share capital of an applicant which is a legal entity, and its senior management are subject to suitability verification. It is the role of the DICJ to assess the suitability of the applicants based on the information submitted by them in Annexes I — III to the Gaming Promoters Regulation and may in its discretion request for a credit risk report to be provided in respect of the applicant, shareholders holding 5% or more in the share capital of the applicant and/or the directors of the applicant, and other information otherwise obtained by the DICJ.

To mitigate and monitor the business risks arising from our cooperation with gaming promoters, including the credit risks arising from the aforementioned guarantee arrangements under the Tri-Party Agreements, we have adopted the following internal control measures:

Screening and periodic review of prospective gaming promoters

- we only designate gaming promoters that are duly licensed by the DICJ, have a minimum of three years of experience in gaming promotion or casino operations, and a minimum net worth of HK\$50 million (excluding the HK\$20 million deposit provided to us, which we monitor on an annual basis);
- David Chow and Mr. Yip Wing Fat, Frederick, our head of casino operations, conduct background checks through publicly available information and market intelligence sources, such as third-party risk intelligence search service providers, with respect to the designated gaming promoters, their shareholders and directors, and to ensure the gaming promoters designated by the Group each possess a gaming promoter license duly issued by the DICJ and are in compliance with applicable Macau legal and regulatory requirements. The background checks conducted by David Chow and/or Mr. Yip Wing Fat, Frederick on the designated gaming promoters also involve interviews with the individuals who manage and/or own the relevant gaming promoter companies and are designed to ensure that the Group is comfortable and familiar with their respective backgrounds and operations;
- we conduct litigation, liquidation, bankruptcy and other background searches on each gaming promoter through a third-party risk intelligence search service provider which maintains a database of heightened risk individuals and organizations, to ensure the designated gaming promoters, their shareholders and directors are solvent and not the subject of any liquidation and bankruptcy proceedings, and do not have any criminal history. We provide SJM with the names of the gaming promoters and their shareholders, who will conduct database checks on the shareholders of a gaming promoter upon receipt of information as to their identity and SJM would then notify us if the results of such database checks are unsatisfactory;
- we work closely with the DICJ and SJM to share information on the designated gaming promoters and prospective gaming promoters, so as to allow us to benefit from their industry knowledge and the databases to which they have access; and

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- we conduct periodic reviews of the activities of each gaming promoter and its employees and collaborators for possible non-compliance with Macau legal and regulatory requirements. Such reviews include investigations into compliance with applicable money-laundering laws and regulations and ensuring such gaming promoters' licenses are duly renewed by the DICJ as required by the applicable Macau laws.

On-site monitoring

- we oversee the gaming operations employees that are assigned to each of the VIP rooms and who provide gaming operations services in such VIP rooms to monitor the performance of the gaming promoters for the respective VIP rooms;
- we constantly monitor each of the VIP rooms for any irregularity in gaming procedures or unusual incidents, such as the occurrence of unusually large losses, generally gross gaming losses of HK\$10 million per day for each VIP room, at VIP tables, to ensure there is no cheating or other criminal activity within the VIP rooms and report any suspicious activity to the Financial Intelligence Bureau of the Macau Government on the part of the gaming promoters;
- we promptly inform SJM and the Financial Intelligence Bureau of the Macau Government in the event any gaming promoter informs us of any suspicious activity in their gaming promotion operations; and
- our employees, along with representatives of the DICJ, attend the daily cash counts for each of the VIP rooms conducted by the gaming operations employees.

Financial and operations reporting

- we duly record (i) the monthly gaming revenue contributed or gaming loss incurred in respect of each VIP room; and (ii) the rolling chip volume generated for each VIP table for every month, and reconcile these records with similar reports prepared by SJM, recording its share of the gross gaming income or loss.

Back-to-back guarantee, due payment and security

- each of the gaming promoters has provided to us a back-to-back guarantee with respect to our guarantee to SJM under the respective Cooperation Agreements pursuant to which each of these gaming promoters agreed to indemnify us for up to 55% of the gross gaming losses incurred by their respective VIP rooms, for advances made to them by SJM that they have failed to repay and for losses incurred by SJM resulting from their breach of the Gaming Promotion Agreements (other than advances made by SJM to the gaming promoters, we have no exposure to the gaming promoters' credit exposure);
- we require the gaming promoters to make requests for advances from SJM through us, whereby we assess the individual gaming promoter's ability to repay SJM for the advance by reviewing, among other things, any accrued but unpaid commissions due

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to the gaming promoter from SJM before advising SJM to make such advances. The amount of accrued but unpaid commissions due to the gaming promoters are tracked on a daily basis, as we oversee the gaming operations employees assigned to the VIP rooms to monitor the performance of the gaming promoters throughout the day and we also attend the daily cash counts for each of the VIP rooms conducted by the gaming operations employees. SJM ensures that the amount of advances it makes to each gaming promoter (apart from TCL) is less than any accrued but unpaid commissions due to the gaming promoter at the point these advances are made. As the gaming promoter's share in the losses of the VIP tables could increase after it receives an advance, the balance of accrued but unpaid commissions due to the gaming promoter may subsequently fall below the advances that were made to it. To control its credit risk and exposure under any such advances, the Company requires the gaming promoters to repay all amounts owing at the end of every month and will enforce the HK\$20 million deposit provided as security if such amounts are not repaid;

- we require the gaming promoters to fully repay all such outstanding payments (if any) owed to us by the end of the following month; and
- we require each of the gaming promoters to provide us, in cash and/or by check, a HK\$20 million deposit as security for its obligation to share in the gross gaming losses incurred in the respective VIP rooms and to repay SJM for losses incurred by SJM resulting from any breach of the respective Gaming Promotion Agreements. We do not require the gaming promoters to pledge other assets to the Group. As at the Latest Practicable Date, each of the gaming promoters had provided us with a deposit of HK\$20 million, in the form of check and/or cash, with the checks drawn against a bank in Macau or Hong Kong. Although this has not occurred before the Latest Practicable Date, in the event the amount in default by a gaming promoter exceeds the HK\$20 million deposit and the gaming promoter is unable to fully repay outstanding payments owed to us by the end of the relevant following month, we will negotiate a repayment plan with the gaming promoter to ensure that the gaming promoter repays amounts owing to us within an agreed period of time. We will consider all our available options in the event we are unable to negotiate a repayment plan with the gaming promoter, including but not limited to commencing legal proceedings against the gaming promoter.

According to Article 32(3) of the Gaming Promoters Regulation, gaming promoters are subject to audit by the DICJ and the Macau Financial Services Bureau and are required to submit books and accounting records to these two government departments upon request. Gaming promoters, and their shareholders, directors, key employees and collaborators are subject to a secrecy duty in respect of all facts and information which they have accessed through their activities, except in relation to the authorities and bodies of criminal police, police and judicial authorities, the DICJ and taxation authorities, under their authority.

Our Directors are of the view that the supervision and audit of the gaming promoters' operations are the responsibility of the Macau Government and the above measures, together with the strict licensing process of gaming promoters regulated by the DICJ, are adequate to ensure that the gaming promoters designated by us are in compliance with applicable rules and

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regulations and provide sufficient safeguards against the credit risks arising from our guarantee arrangements under the Tri-Party Agreements. A breach of the Gaming Promoters Regulation by a gaming promoter could result in, among other things, SJM being fined, in which case we may be liable to indemnify SJM pursuant to our guarantee to SJM, and/or the gaming promoter having its gaming promotion license revoked and not be permitted to promote the Group's VIP rooms, in which case we will lose all future gaming revenue which could have been generated by such gaming promoter in the Casinos. In the case of any material breach of any applicable rules and regulations by a gaming promoter, the Group may terminate its Cooperation Agreement with such gaming promoter and seek to recover from it any loss that we may be liable to (including but not limited to any amounts liable to SJM) that may result from such non-compliance by the gaming promoter. During the Track Record Period, the gaming promoters were able to fully repay any outstanding payments owed to us by the end of the relevant following month and we were not required to enforce the HK\$20 million deposit.

Our Directors further confirmed that during the Track Record Period and as at the Latest Practicable Date, we had not been required to reimburse or indemnify SJM for any breaches or defaults by the gaming promoters or for any gaming losses incurred in respect of the VIP rooms which are not reimbursed to us by the respective gaming promoters.

TCL was the sole designated gaming promoter for the VIP rooms in The Landmark Macau between August 2009 and October 2012 during which we entered into various transactions and agreements with or in respect of TCL's obligations. The following table summarizes our transactions and agreements with TCL during the Track Record Period:

Cooperation Agreement in respect of the VIP rooms operated by TCL	In the event of a gross gaming win: <ul style="list-style-type: none"> (i) we were entitled to receive 2% of the 42% gross gaming income of the VIP rooms operated by TCL; and (ii) TCL was entitled to be reimbursed by SJM through us for their expenses in connection with the gaming promotion services they provide to SJM in respect of the VIP rooms up to an amount equivalent to 15% of the gross gaming income of the VIP rooms. <p style="margin-top: 20px;">In the event of a gross gaming loss, we were liable for 2% of the 42% gross gaming loss.</p>
Guarantee to SJM in relation to TCL's Gaming Promotion Agreement with SJM	We provided a guarantee to SJM against any amount outstanding to SJM (including TCL's borrowings of HK\$300 million from SJM, which is expected to be settled prior to the Listing, and TCL's share of the gross gaming loss) and any other losses incurred by SJM resulting from a breach of the Gaming Promotion Agreements by TCL.

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- Advances to TCL We provided advances to TCL as and when TCL required additional working capital for its daily operations in relation to the VIP room which it operated during the Track Record Period. As at 5 June 2013, the Company had settled all outstanding amounts with TCL and will settle all other outstanding amounts with TCL prior to the Listing.
- Ancillary services We supplied property management services in respect of the VIP rooms operated by TCL and hotel and transportation services, car parking space and food and beverages to clients of TCL for and on its account.

Following the 2011 Amendment to the Service Agreement, we designated an additional seven gaming promoters for the VIP rooms in The Landmark Macau. As at the Latest Practicable Date, there were six gaming promoters responsible for gaming promotion for these VIP rooms. Except for TCL, all of these gaming promoters are independent third parties. To reduce the Group's transactions with connected persons, especially in relation to our core revenue generating operations after Listing, we intend to terminate our relationship with TCL in relation to the VIP rooms which TCL currently operates prior to Listing. We expect that the operation of the VIP room currently handled by TCL will be taken over either by existing or new gaming promoters, and there will not be any termination or compensation fee involved in the termination of our arrangement with TCL. All of the gaming promoters are Macau incorporated companies and are not required to work exclusively with SJM or at the VIP rooms in the Casinos. For the years ended 31 December 2010, 2011 and 2012, revenue from VIP tables promoted by these gaming promoters represented 8.0%, 9.2% and 7.4% of our total revenue, respectively, and there were no material disputes regarding amounts paid to and received from the gaming promoters and SJM.

Gaming promotion business

Subject to approval by the DICJ, we intend to diversify our business and indirectly participate in the gaming promotion business following Listing, which would allow us to have greater control over the management and marketing of the VIP rooms in the Casinos, as well as enhance our market footprint and increase our share of the VIP business from VIP tables that we promote (from 2% to 57% in respect of the new gaming promoter). See "— Our Strategies — Indirectly participate in the gaming promotion business of VIP tables in our properties to diversify our gaming services so as to receive a higher percentage of gross gaming income generated by such VIP tables." We plan to indirectly participate in the gaming promotion business of certain VIP rooms in our properties through a new licensed gaming promoter to be established by Mr. Yip Wing Fat, Frederick, an independent third party and a member of our senior management team.

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As at the Latest Practicable Date, New Legend VIP Club Limited (“**New Legend**”), a company established by Mr. Yip Wing Fat, Frederick, is currently in the process of applying for a gaming promotion license. It is intended that New Legend will enter into (i) a Cooperation Agreement with Hong Hock; (ii) a Gaming Promotion Agreement with SJM; and (iii) a Tri-Party Agreement with SJM and Hong Hock, for New Legend to operate one or more VIP rooms in the gaming areas in the Casinos once it obtains its gaming promotion license, on terms which will be similar to those in the equivalent agreements entered into between Hong Hock, SJM and TCL, including:

- Hong Hock’s designation of New Legend as a gaming promoter to operate such VIP room(s);
- Hong Hock’s entitlement to receive 42% of the gross gaming income of such VIP room(s) (which New Legend will receive 40% and the Company will receive 2%), and Hong Hock’s liability to SJM for 57% of any gross gaming losses of such VIP room(s) (which New Legend is liable for 55% and Hong Hock is liable for 2%);
- New Legend’s entitlement to a reimbursement from SJM through Hong Hock for its expenses in connection with the gaming promotion services it will provide to SJM in respect of such VIP room(s) up to an amount equivalent to 15% of the gross gaming income of such VIP room(s);
- a guarantee from Hong Hock to SJM against any amounts outstanding to SJM (including in respect of any loans from SJM to New Legend) and any other losses incurred by SJM resulting from a breach of the Gaming Promotion Agreement by New Legend; and
- advances which Hong Hock may make to New Legend as additional working capital for its daily operations in relation to such VIP room(s) from time to time.

Subsequently, we intend to enter into a further agreement with New Legend to, among other rights to be conferred upon us, (i) bear all the operating expenses, including commissions to collaborators (if any), utilities and food and beverage expenses, in respect of the VIP room(s) in the Casinos operated by it; (ii) increase the proportion of our share in the profits and losses generated by New Legend in respect of such VIP room(s) to (A) 42% (and up to 15% for reimbursement of expenses) of the gross gaming income; and (B) 57% of any gross gaming losses; and (iii) consolidate such profits and losses, subject to approvals from the relevant Macau gaming and governmental authorities.

It is intended that we will settle directly with SJM the gross gaming income and losses of the VIP room(s) to be operated by the new licensed gaming promoter pursuant to the Service Agreement and our arrangements with such gaming promoter. These arrangements would safeguard the economic interests of the Group in its indirect participation of the gaming promotion business to be operated under the new licensed gaming promoter, as the Group will receive its share of gross gaming income directly from SJM. To safeguard the interests of the Group in the event that Mr. Yip Wing Fat, Frederick leaves the Group after obtaining the gaming promoter license and other requisite regulatory approvals, subject to approval from the

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DICJ, we intend to enter into written agreements with him requiring him to transfer his holdings and management position in the company holding the gaming promoter license to another individual nominated by us when Mr. Yip leaves the employment of the Group.

Our Macau legal advisor has advised us that although approvals from the relevant Macau gaming and governmental authorities would be required for us to indirectly participate in the gaming promotion business through a new licensed gaming promoter to be established by Mr. Yip Wing Fat, Frederick, there are currently no prescribed forms or procedures for application for such approvals. Accordingly, we intend to obtain such approvals by presenting a written request made jointly by Hong Hock and Mr. Yip Wing Fat, Frederick to the relevant Macau gaming and governmental authorities for approval to enter into arrangements whereby the Group will be permitted to indirectly participate in the gaming promotion business through the new licensed gaming promoter. Our Macau legal advisor is of the view that the Company would be able to present the written request and all other necessary documentation to obtain the required approvals from the relevant Macau gaming and governmental authorities and there are no legal impediments for the DICJ to approve such arrangements.

We anticipate that the risks arising from our operation of the new gaming promotion business, which would result in a change in the risk profile for our business, relate mainly to increased volatility in our VIP revenue and results and direct exposure to credit risks in relation to VIP patrons.

In relation to increased volatility in its VIP revenue and results, as it is intended that the Group will receive 57% of the gross gaming income of the new gaming promoter and share in any gross gaming losses in the same proportion (compared to 2% which is currently the case for the other gaming promoters), the Group's VIP revenue and results may be subject to increased volatility as a result. This is a business risk which is inherent in the gaming industry. See "Risk Factors — Risks Relating to Our Business and Operations — Our revenues are based primarily on gaming, which inherently involves elements of chance that are beyond our control. As a result, our revenues may be volatile."

In relation to direct exposure to credit risks in relation to VIP patrons, if any of the VIP patrons defaults on credit which has been extended to them by the new gaming promoter and the new gaming promoter is unable to collect on these debts, we will be directly exposed to such losses incurred by the new gaming promoter. As the Group is indirectly exposed to credit risks faced by the designated gaming promoters through the guarantees it has made to SJM, the maximum credit exposure faced by the Group with respect to the new gaming promotion business will be the same as the maximum credit exposure faced by the Group with respect to the designated gaming promoters. We intend to continue adopting the stringent risks control measures we have in place in relation to the other designated gaming promoters and extending such measures to the new gaming promoter. See "Risk Factors — Risks Relating to Our Business and Operations — We are indirectly exposed to credit risk on credit extended to VIP patrons by gaming promoters operating in the gaming areas of The Landmark Macau."

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We also intend to ensure that the new gaming promoter adopts stringent internal controls over its gaming promotion operations. As plans for the gaming promotion business are still in a preliminary stage, the internal control measures to be adopted by the new gaming promoter have not been finalized and may be revised when the new gaming promotion business becomes operational. We currently intend to ensure that the new gaming promoter (i) will be duly licensed by the DICJ to carry on the gaming promotion business and will renew its license as and when necessary; (ii) will comply with all applicable rules and regulations; and (iii) conduct various background and credit checks and on-going compliance reviews on its potential VIP patrons (“PVIPs”). To do so, we intend to:

- require the new gaming promoter to enter into a Gaming Promotion Agreement with SJM (which will only enter into promotion agreements with licensed gaming promoters) prior to entering into Cooperation Agreements and/or other agreements with us and confirm with SJM on the licensing status of such gaming promoter if needed;
- conduct searches on the website of the DICJ to ensure the new gaming promoter is duly licensed prior to entering into any Cooperation Agreements and/or other agreements with such gaming promoter;
- require the new gaming promoter to provide us with the originals of its current gaming promoter license before we sign up any agreements with such gaming promoter and indirectly participate in the gaming promoter business, and keep the originals of such license (together with any renewed gaming promoter licenses) at our Compliance Department at all times during our cooperation with such gaming promoter;
- actively follow up with and collect all necessary documents from the new gaming promoter to prepare for and submit applications to the DICJ on the gaming promoter’s behalf to renew its gaming promoter license prior to the expiry of such license, and require the new gaming promoter to provide us with originals of the new gaming promoter license once it is obtained. In the event the new gaming promoter is unable to renew its gaming promoter license upon expiry of its existing gaming promotion license, we will terminate our relationship with such gaming promoter and seek a suitable replacement as appropriate;
- require the new gaming promoter to confirm in writing its compliance with all applicable laws and regulations in Macau and the Company’s general directives and internal control measures, and that it has fulfilled all duties and the obligations imposed on it by the DICJ under all applicable rules and regulations;
- obtain background information of the PVIP by completing a Know Your Customer (“KYC”) checklist and verify the PVIP’s identity as provided in the KYC checklist, by using reliable, independently sourced documents or information, before the PVIP becomes a customer;

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- check the identity of the PVIP against databases of third-party risk intelligence search service providers and documenting the results before the PVIP becomes a customer, and reject the PVIP if the checks against these databases indicate, among other things, that the PVIP is involved in organized crime or drug trafficking, or if the PVIP has been identified to be a terrorist or a person connected to terrorists;
- conduct ongoing surveillance of the VIP patrons during the period of time they are customers, whereby the gaming promoter, with the assistance of gaming services and operations employees, will monitor the day-to-day operation of the VIP rooms and the performance of the VIP patrons to ensure they obey the Company's gaming guidelines; and
- evaluate VIP patrons before extending any credit to them based on all available personal, business and gaming information relating to a VIP patron, whereby the Company and the new gaming promoter will conduct background checks and searches on all credit applicants with respect to their gaming history, bank reference information, and criminal background through databases of third-party risk intelligence search service providers.

As we do not expect the staffing needs of the new gaming promoter to be high, we intend to make internal transfers and promotions of our existing employees to oversee, manage and work on our new gaming promotion business and will hire additional personnel when the need arises. Subject to the finalization of our plans, David Chow, our co-chairman and executive Director, or his delegation will be designated to oversee the Group's indirect participation in gaming promotion business and the implementation of the necessary internal control procedures to ensure the implementation of such business will be compliant with all relevant rules and regulations. He will be assisted by independent third party internal control advisor(s) to be engaged by the Company if necessary. See "Directors and Senior Management" in this prospectus for details relating to the experience of David Chow. We also intend to provide additional training to our employees to the extent required in order to equip them with the necessary skills to conduct the relevant operations in its new gaming promotion business once it is established. Such additional training will cover, among other things, the recording of large amount transactions, the detection and reporting of suspicious activities of gaming patrons and regular updates on changes in anti-money laundering related rules and regulations and in SJM's anti-money laundering training manual. We will also require all additional employees to review and acknowledge understanding of SJM's anti-money laundering training manual.

As of the date of this prospectus, we had not finalized our plans in relation to our indirect participation in the gaming promotion business and have not received the necessary approvals by the DICJ. The Company will publish an announcement as soon as practicable when the form and structure of our proposed indirect participation in the gaming promotion business are finalized to disclose the key features of such indirect participation, the terms of any proposed agreements and arrangements to be entered into, the relevant restrictions under Macau laws, our Macau legal advisor's views on the legality of such arrangements and how such arrangements and terms of agreements will be in line with the principles set out in Listing Decision HKEx-LD43-3. The Company will publish an announcement on an annual basis to provide updates to Shareholders until the proposed gaming promotion business is set up.

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Furthermore, we will treat Mr. Yip Wing Fat, Frederick or any person in his role as a connected person and will comply with Chapter 14A of the Listing Rules in respect of any transactions between the Group, Mr. Yip and New Legend upon commencement of the Group's indirect participation in the gaming promotion business through the consolidation of New Legend's profits and losses.

ADVERTISING AND MARKETING OUR PROPERTIES

In addition to our advertising and marketing activities performed for the Casinos, we seek to attract customers to our other properties and grow our customer base over time by undertaking several types of advertising and marketing activities and plans. We utilize local and regional media, such as newspapers, magazines and travel guides, to publicize our projects and operations, in addition to client referrals. Our public relations and advertising team that cultivates media relationships, promotes our brands and directly liaises with customers within Greater China in order to explore media opportunities in various markets. Our advertising activities use a variety of media platforms that include print, online and billboards (as permitted by Macau, PRC and other regional laws).

INFORMATION TECHNOLOGY

We operate an advanced information technology system. Our information technology team is responsible for ensuring all systems and applications are running at their optimal levels. Our information technology team works closely with the operation team to understand the operational needs and respond accordingly. The responsibilities of our information technology team include system support and maintenance, project support and solving day-to-day operation of our properties and gaming areas. Our information technology infrastructure includes firewalls, virus protection, intrusion protection and monitoring in conjunction with redundant servers for all major applications. In line with our strategic goal of improving the cost-effectiveness of our operations, we continue to develop these systems to provide further operational efficiencies. We expect to continue to upgrade our compliance systems and infrastructure, with a goal of maintaining systems that meet international information technology compliance standards. Our goal is to provide a stable and reliable platform that will allow employees and guests to more readily access our integrated resort offerings and options for gaming and leisure.

EMPLOYEES

There were 2,796 employees as at 31 December 2012, 1,244 of which were gaming operations employees who were employed and paid by SJM but over whom we have oversight in accordance with the Service Agreement. We reimburse SJM in full for the salaries and other benefits, including any discretionary bonuses, of the gaming operations employees and retain control over the hiring process of such gaming operations employees pursuant to the Service Agreement. All of the casino employees (including those gaming operations employees employed by SJM) work in the Casinos or VIP rooms and are required to report to us, which enables us to monitor their performance. In the event of any misconduct by the gaming operations employees under general policies adopted by SJM, David Chow, as the president of the Casinos, has the authority to dismiss them, for and on behalf of SJM. Gaming operations employees enjoy certain benefits provided under SJM's employee policies in addition to our

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employee benefits, including medical, insurance, pension and other social benefits. We are responsible for the salaries of all casino employees. The following table sets forth the number of employees categorized by the areas of operations as at 31 December 2010, 2011 and 2012.

	As at 31 December		
	2010	2011	2012
Management and Administrative.	63	56	58
Casino			
Gaming Services ⁽¹⁾	219	196	187
Gaming Operations ⁽²⁾	1,331	1,242	1,244
Hotel	202	196	200
Food and Beverage	651	611	638
Property Operations	91	83	90
Marketing	10	11	12
Others.	408	360	367
Total	<u>2,975</u>	<u>2,755</u>	<u>2,796</u>

Notes:

- (1) The gaming services employees employed by us are generally allocated to work on the gaming floors as technicians and administrative, marketing and security staff.
- (2) The gaming operations employees employed by SJM are generally allocated to work at the gaming tables and cages of the Casinos as dealers and gaming managers (including supervisors, pit managers and shift managers) and on the gaming floors of the Casinos as security staff.

We are not a party to any collective bargaining or similar agreement with our employees. We believe that our relationship with our employees (including gaming operations employees) is generally positive.

INTELLECTUAL PROPERTY

We have registered the trademarks “The Landmark Macau” and “Macau Fisherman’s Wharf” with the Macau Intellectual Property Department for a number of services and uses. We have also registered trademarks in Macau certain Macau Fisherman’s Wharf logos as pictured in Appendix V to this prospectus. However, see “— Compliance and Legal Proceedings” and “Risk Factors — Risks Relating to Our Business and Operations — Any challenges to our registered trademarks, as well as other trademarks we use, could adversely affect our ability to use such trademarks.”

INTERNAL CONTROLS

Pursuant to the Service Agreement, we assist SJM in employing internal controls and procedures aimed at ensuring that the gaming operations in the Casinos are conducted in a professional manner and in compliance with the internal control requirements issued by the DICJ set forth in its instructions on anti-money laundering and anti-corruption, any applicable laws and regulations in Macau. See “— Gaming — Gaming Operations — Quality Assurance, Internal Controls and Government Oversight.”

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We employ internal controls and procedures aimed at ensuring that our non-gaming operations are conducted in a professional manner and in compliance with any applicable laws and regulations in Macau as well as the requirements set forth by SJM pursuant to the Service Agreement. The general managers of our subsidiaries are typically responsible for internal compliance matters. We have engaged Mazars CPA Limited and Mazars Corporate Recovery & Forensic Services Limited, who are independent third parties, to oversee and ensure our compliance with internal controls as a whole.

SUPPLIERS

We depend on our suppliers to provide us with products and services such as casino equipment, and food and beverage. In 2010, 2011 and 2012, our five largest suppliers accounted for approximately 55.9%, 56.1% and 46.1%, respectively, of our total products and services purchases. In 2010, 2011 and 2012, our single largest supplier accounted for approximately 44.7%, 43.5% and 34.1%, respectively, of our total products and services purchases. In general, suppliers grant us credit periods of 30 to 90 days.

Apart from Royal Garden and Ou Kei Cleaning Services Limited, which is an associate of David Chow and Melinda Chan, none of our Directors, their respective associates or any of our Shareholders had any interests in any of our top five suppliers during the Track Record Period.

CUSTOMERS

Our customers include SJM, tenants at our properties, guests at our hotel properties, travel agents and TCL.

In 2010, 2011 and 2012, our five largest customers accounted for approximately 81.2%, 81.4% and 74.8% of our total revenue, respectively. During the same periods, SJM, our single largest customer accounted for approximately 71.2%, 70.2% and 66.7% of our total revenue, respectively.

Apart from TCL, which is a connected person, none of our Directors, their respective associates or any of our Shareholders had any interests in any of our top five customers during the Track Record Period. We intend to terminate our relationship with TCL in relation to the VIP room which TCL currently operates prior to Listing. See "Gaming Services Model — Gaming Promoters" for details.

COMPETITION

Gaming

We believe that the gaming market in Macau is and will continue to be intensely competitive. We do not directly compete with other gaming service providers with respect to the provision of gaming services as we own the properties in which we provide our gaming services. Since a majority of our revenue is derived from the gaming operations in the Casinos, we believe that our main competitors in Macau and elsewhere in Asia include all the current

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concessionaires and subconcessionaires and many of the world's largest hotel casino resort operators, with whom we compete for customers to the Casinos. Some of these competitors are larger than us and have significantly longer track records.

Gaming in Macau is administered through government-sanctioned concessions awarded to three different concessionaires, namely: (1) SJM, which operates a number of casinos, including Pharaoh's Palace Casino and Babylon Casino and with whom we have entered into the Service Agreement; (2) Wynn Macau, a subsidiary of Wynn Resorts Ltd.; and (3) Galaxy, a consortium of Hong Kong and Macau businessmen. SJM has granted a subconcession to MGM Grand Paradise, which was originally formed as a joint venture by MGM-Mirage and Pansy Ho, the daughter of Stanley Ho. Galaxy has granted a subconcession to VML, a subsidiary of Las Vegas Sands Corporation, the developer of Sands Macao and Venetian Macao. Wynn Macau has granted a subconcession to Melco Crown Gaming, a subsidiary of Melco Crown Entertainment Limited and the developer of the City of Dreams Macau.

SJM, together with its other gaming service providers, currently operates a number of casinos throughout Macau. SJM has extensive experience in operating in the Macau market and long-established relationships in Macau. SJM has announced an intention to develop a new casino in Cotai. Wynn Macau currently operates the Wynn Casino Macau on the Macau Peninsula. It opened an extension to Wynn Casino Macau called Encore in 2010 and announced an intention to develop a new casino in Cotai. Galaxy currently operates multiple casinos in Macau, including StarWorld, a hotel and casino resort in Macau's central business and tourism district. Its newest development, Galaxy Macau, opened in Cotai in May 2011. VML currently operates Sands Macao, together with The Venetian Macao and the Plaza Casino at The Four Seasons Hotel Macao, which are both located in Cotai. In April 2012, VML opened Sands Cotai Central. MGM Grand Paradise currently operates the MGM Grand Macau, which is located next to Wynn Macau on the Macau Peninsula. MGM Grand Paradise has announced an intention to develop a new casino in Cotai. Melco Crown Gaming currently operates the City of Dreams Macau, located opposite The Venetian Macao in Cotai.

As at the Latest Practicable Date, there was a total of 35 casinos operating in Macau, 19 of which are operated and managed pursuant to various service agreements entered into between gaming service providers and gaming operators. See "Industry Overview — Concessionaires, Subconcessionaires and Gaming Service Providers."

The existing Concessions and Subconcessions do not place any limit on the number of gaming facilities that may be operated by the concessionaires and subconcessionaires respectively. In addition to facing competition from existing operations of the concessionaires and subconcessionaires, we will face increased competition when any of them constructs new, or renovates pre-existing, casinos in Macau or enters into leasing, services or other arrangements with hotel owners, developers or other parties for the operation of casinos and gaming activities in new or renovated properties, as SJM and Galaxy have done. See "Risk Factors — Risks Relating to Our Business and Operations — We face intense competition in Macau and elsewhere in Asia."

Further, the Macau Government has announced a policy capping the number of gaming tables operating in Macau at 5,500 until the end of the first quarter of 2013, and may not lift the cap thereafter. According to the DICJ, the number of gaming tables in Macau as at 31 December 2012 was 5,485. In September 2011, the Macau Government announced that for a period of 10 years from 2014, the total number of gaming tables to be authorized in Macau will be limited to an annual increase of 3%. In response to the 2012 Additional Gaming Tables Application, the DICJ advised us and SJM in writing on 7 December 2012 that the measures taken by the Macau Government to limit the number of gaming tables in September 2011 will not be an obstacle to the request made under the 2012 Additional Gaming Tables Application to operate up to 500 tables in total on the gaming premises located within The Landmark Macau and Macau Fisherman's Wharf. Accordingly, the DICJ may, in addition to the existing gaming tables in the Casinos, consider granting new gaming tables to be operated on the gaming premises within our properties in stages in accordance with the investment plan and market studies presented to the Macau Government in support of the 2012 Additional Gaming Tables Application. While it is our current plan to allocate tables across the existing and new casinos at Macau Fisherman's Wharf, the actual table allocation to each property and the split in actual tables between the mass, premium mass and VIP segments will depend on several factors including final building designs and conditions in the Macau gaming market.

However, the policies and laws of the Macau Government could change and permit the Macau Government to grant additional gaming Concessions or Subconcessions, or to change the number of gaming tables and casinos that the Government is prepared to authorize.

We may also face competition from casinos and gaming resorts located in other Asian destinations as well as cruise ships. There are major gaming facilities in Australia located in Melbourne, Perth, Sydney and the Gold Coast. Genting Highlands is a popular international gaming resort in Malaysia, approximately a one-hour drive from Kuala Lumpur. South Korea has allowed gaming for some time, but these offerings are available primarily to foreign visitors. There are also casinos in the Philippines, Vietnam and Cambodia, although they are relatively small compared to those in Macau.

Singapore legalized casino gaming in 2006. Genting Singapore PLC opened its resort in Sentosa, Singapore in February 2010 and Las Vegas Sands Corporation opened its casino in Marina Bay, Singapore in April 2010. Despite these openings, Macau has continued to show healthy growth. In addition, several other Asian countries are considering or are in the process of legalizing gambling and establishing casino-based entertainment complexes.

Hotel and Non-Gaming Entertainment Facilities

We believe that the market for hotel and non-gaming entertainment facilities in Macau is also becoming more competitive. For example, casino resorts such as Galaxy Macau Resort and Sands Cotai Central, which opened in May 2011 and April 2012, added approximately 2,200 and 5,800 hotel rooms in Macau, respectively. According to the Macau Government Tourism Office, there are over 60 hotels in Macau, and according to the DSEC, total available hotel and guesthouse rooms in Macau increased from 20,091 rooms in 2010 to 22,356 rooms in 2011 and to 26,069 rooms in 2012. In addition to rooms, many hotel developments in Macau also offer non-gaming entertainment facilities.

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Our hotel and non-gaming entertainment facilities in The Landmark Macau and Macau Fisherman's Wharf compete with casino resorts and other hotels in Macau for customers and many of these competitors are larger than us and have significantly longer track records. In addition, regionally, countries such as Singapore have opened attractive hotel properties, such as the Marina Bay Sands, and non-gaming entertainment facilities, such as Universal Studios and Resorts World Sentosa, which have added to the overall competitive landscape for hotel and non-gaming entertainment facilities. We compete to some extent with these new destinations.

INSURANCE

We currently maintain an insurance program that includes, but is not limited to, property interruption, public and product liability, employee compensation, motor vehicle, directors and officers insurance, and other coverage to meet identified risks and exposures of our Company.

We believe that our insurance coverage is consistent with industry and regional practice and adequate and appropriate for our current operations and we expect to adjust our coverage going forward as identified risks and exposures change. See "Risk Factors — Risks Relating to Our Business and Operations — Our insurance coverage may not be adequate to cover all potential losses that we could suffer, and our insurance costs could increase."

COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

The operation of business in Macau is subject to a number of environmental laws and regulations. See "Regulations — Environmental Regulations." Our Directors confirmed that there were no material environmental incidents during the Track Record Period. All required permits and environmental approvals for construction were obtained and there was no administrative penalty imposed upon our Group as a result of any violation of environmental rules and regulations. We did not incur or recognize any material expenses for the purpose of compliance with environmental rules and regulations and do not expect to incur or recognize any such expenses after Listing.

COMPLIANCE AND LEGAL PROCEEDINGS

As advised by our Macau legal advisor, our business and operations during the Track Record Period complied in all material respects with all applicable laws and regulations in Macau, and guidelines and instructions from the Macau Government and the DICJ.

Claims by MFW Investment against Celebrate Macau Corporation Limited for unpaid rent

In December 2009, we commenced legal proceedings in Macau against Celebrate Macau Corporation Limited, which was one of MFW Investment's tenants at that time, for unpaid rent and interest amounting to approximately MOP25 million. Celebrate Macau Corporation made a counterclaim against us for approximately MOP90.1 million for the latter's alleged breach of undertakings pursuant to a memorandum of understanding dated 19 October 2006 and an escrow undertaking letter dated 5 September 2008, and for compensation for amounts it spent on improvements to MFW Investment's premises. MFW Investment presented its defense against this counterclaim on 23 November 2010 and increased its original claim to approximately MOP89 million. On 29 April 2013, the Macau Courts granted MFW Investment's claims for an amount of

MOP67,150,598.96 plus accrued interests up to the date of actual payment and dismissed all the counterclaims made by Celebrate Macau Corporation Limited against MFW Investment. Celebrate Macau Corporation appealed the decision on 16 May 2013. In the event the defendant succeeds in appealing the decision awarded on 29 April 2013 to the Court of Second Instance and MFW Investment fails to appeal successfully against such decision to the Court of Final Appeal, MFW Investment may be liable for approximately MOP90.1 million in relation to this legal proceeding. In the event MFW Investment successfully wins the appeal to the Court of Final Instance but MFW Investment is unsuccessful in enforcing the judgment against Celebrate Macau Corporation, MFW Investment will be unable to recover up to approximately MOP89.0 million.

Claim by HC Hobbs in relation to construction work undertaken at MFW Investment

In January 2008, HC Hobbs Construction and Engineering Company Limited (“**HC Hobbs**”) commenced legal proceedings against us for MOP23.7 million for alleged outstanding payments and losses incurred as a result of variation of orders by MFW Investment in connection with certain construction work undertaken by HC Hobbs at Macau Fisherman’s Wharf. We made a counterclaim for MOP14.5 million due to losses incurred from defective construction work and vexatious litigation by HC Hobbs. On 14 April 2010, the Macau Courts dismissed all the claims made by HC Hobbs and partially granted our counterclaim for an amount of MOP462,023 plus accrued interest from the date of notification of the counterclaim. On 27 May 2010, HC Hobbs filed an appeal against the abovementioned judgment and MFW Investment filed a cross-appeal on 9 June 2010. As at the Latest Practicable Date, this legal proceeding remained pending before the Macau Second Instance Court. In the event we are unsuccessful in both appeals, we will be liable for approximately MOP23.7 million in relation to the plaintiff’s claim and be unable to recover up to approximately MOP14.5 million in respect of our counterclaim in relation to this legal proceeding.

Claims by us and Hongkong Land in relation to various trademarks

The “MACAU LANDMARK/OU MUN CHI TEI KUONG CHEONG/澳門置地廣場” trademark

In July 2003, we filed an application at the Macau Intellectual Property Department for the business name and emblem “MACAU LANDMARK/OU MUN CHI TEI KUONG CHEONG/澳門置地廣場”. Although this application was opposed by Hongkong Land in 2003, the trademark was awarded to us in March 2004. Hongkong Land appealed this award in May 2004 to the Court of First Instance. We presented our arguments against their appeal and Macau’s Court of First Instance awarded the business name and emblem to us in November 2009. In January 2010, Hongkong Land appealed the decision of Macau’s Court of First Instance and this case is currently pending decision by Macau’s Court of Second Instance. In the event the court decides to deny our right to use this name and emblem, our ability to prevent third parties from using the same trade name and emblem may be hindered and we may have to take further legal action against any such third parties to prevent them from using this trade name and emblem if they try to do so.

The “香港置地” trademark for Classes 35 and 42

In November 2004, Hongkong Land also applied for the registration of two trademarks, being “香港置地” in Class 35, for trademarks relating to hotel management services and convention services, and Class 42, a generic catch-all classification for services not specifically attributed to another class, for hospitality services and food and beverage. In March 2005, we filed an application to oppose Hongkong Land’s application for the registration of these two trademarks. As at the Latest Practicable Date, the proceedings for Class 35 remained pending in Macau’s Court of Second Instance and the opposition presented against Hongkong Land’s application for Class 42 was awarded in favor of the Group. In the event the Court of Second Instance approves Hongkong Land’s application for Class 35, we may be prevented from continuing to use that trademark unrestrictedly or at all.

The “置地” and “Landmark” trademark for Class 35

In September 2003, Hongkong Land applied for the registration of the “置地” and “Landmark” trademarks under Class 35. In February 2004, we filed an application to oppose Hongkong Land’s application for the registration of these two trademarks. In 2008, the trademark “置地” in Class 35 was conclusively denied to Hongkong Land by Macau’s Court of Second Instance. Proceedings for Hongkong Land’s trademark applications for “Landmark” in Class 35 have been stayed until the Court of Second Instance’s decisions for certain other trademark related proceedings we are party to have been resolved. As at the Latest Practicable Date, our opposition to Hongkong Land’s application for the “Landmark” trademark under Class 35 remained pending in Macau’s Court of Second Instance. In the event the Court of Second Instance approves Hongkong Land’s applications for the “Landmark” trademarks under Class 35, we may be prevented from continuing to use it unrestrictedly or at all.

The “置地” and “Landmark” trademark for Class 36

In September 2003, Hongkong Land applied for the registration of the “置地” and “Landmark” trademarks under Class 36, relating to property development, finance and management. In February 2004, we filed an application to oppose Hongkong Land’s application for the registration of these two trademarks. In 2008, the trademark “置地” in Class 36 was denied to Hongkong Land by Macau’s Court of First Instance. Hongkong Land appealed the decision and both proceedings for Hongkong Land’s trademark applications for “置地” and “Landmark” in Classes 36 have been stayed until the Court of Second Instance’s decisions for certain other trademark related proceedings we are party to have been resolved. As at the Latest Practicable Date, these proceedings remained pending in Macau’s Court of Second Instance. In the event the Court of Second Instance approves Hongkong Land’s application for the “Landmark” trademark or appeal for the “置地” trademark under Class 36, we may be prevented from continuing to use it unrestrictedly or at all.

The “置地” and “Landmark” trademark for Class 42

In September 2003, Hongkong Land applied for the registration of the “置地” and “Landmark” trademarks under Class 42. In February 2004, we filed an application to oppose Hongkong Land’s application for the registration of these two trademarks. In May 2008, the trademark “Landmark” in Class 42 was awarded to Hongkong Land by Macau’s Court of Second

Instance and registered under its name. In March 2012, we applied to the Macau Intellectual Property Department for the cancellation of the "Landmark" trademark under Class 42 awarded to Hongkong Land on the grounds of non-usage. Hongkong Land appealed to Macau's Court of First Instance against our application for cancellation of their trademark registration in September 2012. In November 2012, we presented our arguments against Hongkong Land's appeal against our application for cancellation of their trademark registration. Proceedings for Hongkong Land's trademark applications for "置地" in Classes 42 have been stayed until the Court of Second Instance's decisions for certain other trademark related proceedings we are party to have been resolved. As at the Latest Practicable Date, these proceedings remained pending in Macau's Court of Second Instance. In the event the Court of Second Instance approves Hongkong Land's applications for the "置地" trademarks under Class 42, we may be prevented from continuing to use it unrestrictedly or at all.

MACAU LANDMARK/OU MUN CHI TEI KUONG CHEONG/澳門置地廣場, MACAU LANDMARK and LANDMARK trademarks for Class 43

In March 2012, we submitted applications to register three trademarks, namely (i) MACAU LANDMARK/OU MUN CHI TEI KUONG CHEONG/澳門置地廣場, (ii) MACAU LANDMARK and (iii) LANDMARK, in Class 43, relating to hospitality services. Hongkong Land filed its opposition to all three of our trademark registration applications in December 2012. In January 2013, we presented our arguments against Hongkong Land's opposition to our all three of our trademark registration applications. As at the Latest Practicable Date, these proceedings remained pending in the Macau Intellectual Property Department. In the event the courts decide to deny us the right to these trademarks, our ability to prevent third parties from using the same trademarks may be hindered and we may have to take further legal action against any such third-parties to prevent them from using these trademarks if they try to do so. In the event Hongkong Land obtains the right to these trademarks, we may be prevented from using them unrestrictedly or at all.

In addition, as at the Latest Practicable Date, we were also involved in three other trademark related legal proceedings in Macau with Hongkong Land, in the ordinary course of our business, where we opposed their other trademark applications. These three trademarks related legal proceedings are for the "香港置地" trademark in Classes 19, 36 and 37, which are for trademarks in the categories of (i) construction materials, (ii) property development, finance and management, and (iii) construction work, respectively. Our Directors consider these legal proceedings to be insignificant to us, both individually and in aggregate, as these trademark categories are not related to the hospitality business.

The other aforementioned trademarks for which legal proceedings are ongoing are significant to us. For example, the "MACAU LANDMARK", "澳門置地廣場", "Landmark" and "置地" trademarks are displayed on the facade of The Landmark Macau, and the "澳門置地廣場" trademark is also used to promote the shopping mall and the food and beverage facilities within The Landmark Macau. To the extent we are unsuccessful in defending our rights to the trademarks that are significant to us or are deemed to infringe these trademarks which are found to belong to third parties, we may be required to cease using such marks in Macau or in

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other countries and pay substantial damages. See “Risk Factors — Risks Relating to Our Business and Operations — Any challenges to our registered trademarks, as well as other trademarks we use, could adversely affect our ability to use such trademarks.”

As at the Latest Practicable Date, we did not make provisions for any of the above trademarks related legal proceedings as none of them involves monetary claims against us.

Going forward, we intend to strengthen our control measures by, among others, securing additional deposits and retention monies at the outset for any contractual arrangements we enter into with our counterparties, and continuing to register all the trademarks and actively oppose trademarks registered by third parties that are important to us at the earliest practicable opportunity, so as to minimize the risks of a recurrence of similar legal proceedings in the future.