You should read the following discussion and analysis in conjunction with our consolidated financial information, including the accompanying notes thereto and Note 43 on the financial information of MFW Investment, in the accountants' report in Appendix I to this prospectus. Our consolidated financial information has been prepared in conformity with HKFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions, including the United States. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from our historical results or those anticipated in these forward-looking statements due to various factors, including those set forth in "Forward-Looking Statements" and "Risk Factors."

We completed the acquisition of MFW Investment on 18 May 2012. References to MFW Investment in this section mean Macau Fisherman's Wharf International Investment Limited and its subsidiaries as a group, unless the context otherwise requires. For the purpose of this section, unless the context otherwise requires, references to 2010, 2011 and 2012 refer to our financial year ended 31 December of such year.

OVERVIEW

We are one of the leading owners of entertainment and casino gaming facilities in Macau. We are the owner of 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(2).

Our business was established by David Chow in 1997 with the opening of The Landmark Macau. Pharaoh's Palace Casino and the hotel in The Landmark Macau commenced operations in 2003. Between 1997 and 2002, The Landmark Macau mainly comprised commercial and office premises, residential apartments and car park facilities. We were incorporated under the laws of the Cayman Islands in 2006 to operate the business of The Landmark Macau and to provide Gaming Services at Pharaoh's Palace Casino. In May 2012, we acquired 100% of the issued share capital of MFW Investment, which operates Macau Fisherman's Wharf, a waterfront integrated gaming, hotel, convention and entertainment complex located on the outer harbor of the Macau Peninsula.

Note:

(1) According to the DICJ, as at 31 December 2012, there were 5,485 gaming tables in Macau. According to Union Gaming, 1,174 gaming tables were allocated to casinos operating under service agreements, of which 146 gaming tables were in operation in the Casinos as at 31 December 2012.

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

We have two major properties, The Landmark Macau, in the heart of the Macau Peninsula, and Macau Fisherman's Wharf, located along the outer harbor beside the Macau Ferry Terminal. We provide Gaming Services to SJM at the two major casinos located in our properties and operated by SJM, a licensed gaming operator, 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. We seek to attract gaming patrons from Asia, particularly from Greater China.

We focus on the Macau gaming market, which has been the world's largest and fastest growing gaming market in terms of gross gaming revenues since 2008 and which we believe will continue to be one of the largest gaming destinations in the world. 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 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. In addition, Macau is currently the only market in Greater China, and one of the few in Asia, to offer legalized casino gaming.

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 same periods 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. Revenue from non-gaming operations for the same periods was HK$228.0 million, HK$277.7 million and HK$389.6 million, respectively, accounting for 20.8%, 20.6% and 26.0% of our total revenue for the same periods, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Growth of Gaming and Leisure Market in Macau

Our business is and will continue to be significantly influenced by the growth of the gaming and leisure market in Macau. Rapid growth in the Macau gaming market commenced with the decision to grant new gaming concessions by the Macau Government in late 2001, and this growth has been facilitated by a number of drivers and initiatives which include, among others, favorable population demographics and economic growth across each of our Asian tourism source markets, substantial capital investment made by concessionaires and subconcessionaires in the development of branded and diversified destination resort properties, and the commitment by central and local governments to improve or develop infrastructure connecting Macau with Greater China.

We expect that the local government will continue to focus on promoting the future development of Macau as a popular international destination for gaming patrons, other customers of leisure and hospitality services and MICE attendees, with the stated intention of increasing the potential universe of visitors to Macau to diversify the offer of tourism related services and to extend the average length of visitor stay. Our business performance is expected to be impacted by changes to visitation patterns in Macau.

One of the primary drivers of Macau's growth in both gaming and non-gaming revenues has been China's rapid economic growth and the rapid expansion of a middle class exhibiting high savings rates and low personal debt with the opportunity to travel overseas. The total number of visitors to Macau increased at a CAGR of 0.79% from 2007 to 2012, based on data from the DSEC. In 2010, 2011 and 2012, there were approximately 25.0 million, 28.0 million and 28.1 million visitors to Macau, respectively, according to the DSEC. A majority of these visitors come from Greater China. Continued and stable progress in the economic expansion of the domestic economy in China and further development of policy measures designed to advance economic cooperation between the Pearl River Delta, Hong Kong and Macau are key to the future development of our business opportunities.

From 2007 to 2012, gross casino revenues in Macau increased at a CAGR of 29.7%, the number of hotel guests staying in Macau increased at a CAGR of 10.7% and the total number of MICE events held in Macau decreased at a CAGR of 2.8%, based on information from the DICJ and the DSEC. In 2010, 2011 and 2012, gross casino revenues in Macau reached US$23.5 billion, US$33.4 billion and US$38.0 billion, respectively, according to the DICJ. In 2010, 2011 and 2012, the total number of hotel guests staying in Macau was approximately 7.8 million, 8.6 million and 9.5 million, respectively, according to the DSEC. Approximately 1,399, 1,045 and 1,022 MICE events were held in Macau in 2010, 2011 and 2012, respectively, according to the DSEC.

Current Economic and Operating Environment

Economic conditions have a significant impact on our business. Beginning in the second half of 2008 and continuing into 2009, a number of factors, including a slowdown in the global economy, contracting credit markets, reduced consumer spending, visa restrictions on travel to Macau imposed by China and fears of H1N1 influenza, negatively impacted visitation to Macau. According to the DSEC, visitation to Macau decreased from 27.0 million visitors in 2007 to 22.9 million visitors in 2008 and further to 21.8 million visitors in 2009. Since the second half of 2009, the economic environment has improved and visa restrictions imposed by China have eased, with gaming win, visitation, revenue growth and other key performance measures gaining strength. Visitation to Macau increased 14.8% in 2010 to 25.0 million visitors, 12.2% in 2011 to 28.0 million visitors and 0.3% in 2012 to 28.1 million visitors, according to the DSEC. Gross casino revenues in Macau increased 57.8% in 2010, 42.2% in 2011 and 13.5% in 2012, according to the DICJ. Our operating results have generally improved in line with the economic recovery although we cannot assure you that this trend will continue to remain the case. See "Risk Factors — Risks Relating to Our Business and Operations — Our business is sensitive to downturns in the economy, economic uncertainty and other factors affecting discretionary consumer spending."

Relationship with SJM

Our revenue consists of income derived from gaming services and non-gaming operations. All of our revenue from gaming services is derived from the gross gaming income of SJM, which contributed approximately 79%, 79% and 74% of the total revenue of our Group in 2010, 2011 and 2012, respectively, and approximately 37%, 41% and 54% of the total revenue of MFW Investment in each of 2010, 2011 and for the period from 1 January to 18 May 2012.

As consideration for our provision of Gaming Services, we generally receive from SJM a monthly compensation, equivalent to 40% of the gross gaming income generated by the mass market tables, generally 42% of the gross gaming income generated by the VIP tables (which the gaming promoters receive 40% and we receive 2%) and 40% of the gross gaming income generated by the slot machines. Subsequent to the execution of the Slot Hall Agreement, Weike, a third party slot machine vendor and operator, receives 70% of our share of the gross slot win (being 28% of the gross gaming income) and we retain the remaining 30% (being 12% of the gross gaming income) generated from the slot machines at The Landmark Macau, subject to a guarantee from Weike to us of a minimum monthly gross slot win of HK$700,000. We guarantee SJM that it receives a minimum daily gross slot win of HK$110 for each slot machine in The Landmark Macau in connection with promotional and marketing expenses for the slot machines in The Landmark Macau. Weike has agreed to be responsible for this guarantee and will account to SJM for any shortfall from such guaranteed minimum daily gross slot win. In respect of the mass market tables in the Casinos, we are entitled to receive from SJM up to an amount equivalent to 15% of the gross gaming income generated by the mass market tables on a monthly basis for the operational and investment costs and expenses attributable to the mass market tables in the Casinos, which include, among other things, the amount we reimburse SJM for the salaries and benefits (including any discretionary bonuses) of the gaming operations employees. In respect of the VIP tables in our properties, SJM reimburses the gaming promoters, through us, for their expenses in connection with the gaming promotion services they provide to SJM up to an amount equivalent to 15% of the gross gaming income of the respective VIP rooms. We are entitled to deduct from such reimbursement any utility expenses, including water and power consumption that we incurred in respect of the respective VIP rooms, fees for the use of hotel rooms and consumption of food and beverage by gaming patrons of the respective VIP rooms, as well as all the salaries and benefits(1) of the gaming operations employees assigned to the respective VIP rooms. Under the Cooperation Agreements, the gaming promoters are ultimately responsible for such operational and investment costs and expenses related to the VIP tables.

Although we are a gaming service provider to SJM, at the same time we also indirectly assume the business risk of an operator such that in the event of a gross gaming loss, we share with SJM a monthly amount equivalent to 55% of such gross gaming loss incurred by the mass market tables, generally 57% of such gross gaming loss incurred by the VIP tables (which the gaming promoters are liable for 55% and we are liable for 2%) and 40% of such gross gaming loss suffered by the operation of the slot machines (which, for the slot machines at The Landmark Macau, Weike is liable for the entire 40%).

Furthermore, pursuant to the 2012 Amendments to the Service Agreement, for the six additional VIP tables in The Landmark Macau, in addition to the profit sharing arrangement, we provide to SJM a guaranteed minimum monthly revenue and a monthly premium fee payment. If there is a shortfall in the minimum monthly revenue for SJM, we will top it up; if there is a surplus over the minimum monthly revenue, we will keep the surplus, in addition to the gross gaming revenue that we will share with SJM. For details of the arrangement regarding this

Note:

(1) Such reimbursement of salaries and benefits excludes discretionary bonuses we paid to the gaming operations employees assigned to respective VIP rooms except in respect of the VIP rooms of which TCL is responsible for gaming promotion.

additional six tables, see "Gaming Services Model — The Service Agreement." For further details of our relationship with SJM, see "Gaming Services Model" and "Risk Factors — Risks Relating to Our Business and Operations — We provide Gaming Services under the Service Agreement and rely on SJM for all of our income from Gaming Services."

Relationships with Gaming Promoters and Gaming Collaborators

Gaming promoters and gaming collaborators have historically played a critical role in the Macau gaming market and are important to the revenues of the gaming business. Gaming promoters introduce high-spending VIP players to our properties and often assist their clients with their travel and entertainment arrangements. In exchange for their services, the gaming promoters receive certain incentive commission based on the rolling chip volume of their relevant clients in the VIP rooms. We have had and continue to maintain strong relationships with our gaming promoters and their gaming collaborators for the VIP rooms. We depend on them to generate gross gaming income from VIP rooms, out of which we receive 2% of such income as service income on a monthly basis. In addition, we pass on the 15% of gross gaming income we receive from SJM for budgeted operating costs and expenses to the gaming promoters or their gaming collaborators operating those VIP rooms, after deducting amounts for reimbursement of expenses actually incurred by us based on monthly VIP room receipts.

Gaming promoters often extend credit to their players in the form of rolling chips and borrow from gaming operators in order to do so. We may from time to time guarantee the debts of designated gaming promoters who borrow from SJM. For example, we have provided a guarantee to SJM under a revolving credit facility agreement dated 16 December 2011 for borrowings of up to HK$300 million by TCL. 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."

Competition

The market for hotel, gaming and other entertainment facilities in Macau is rapidly evolving and increasingly competitive. At present, there are a total of six licensed gaming operators under Concessions and Subconcessions in Macau, including SJM, one of the three Concessionaires, with whom we have a Service Agreement. The existing Concessions and Subconcessions do not place any limit on the number of gaming facilities that may be operated under each Concession or Subconcession. Each of the current six operators has commenced casino operating activities and several have expansion plans announced or underway. As at 31 December 2012, there were 35 casinos and slot machine halls in Macau, including 20 operated by SJM. Many of the gaming facilities that have recently been opened or are scheduled to open in the next several years are or will be concentrated in Cotai, which is expected to feature a cluster of new casino resorts that are being designed on a larger scale and in the style of casino resorts located on the Las Vegas Strip. For example, Galaxy opened Galaxy Macau Resort in Cotai in May 2011 and Sands China Ltd., a subsidiary of Las Vegas Sands Corporation, opened Sands Cotai Central in Cotai in April 2012. According to the DSEC, there are over 60 hotels in Macau, and the 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, regionally, countries such as Singapore have opened gaming and non-gaming entertainment facilities, which has added to the overall competitive landscape. We compete to some extent with these new destinations. See "Risk Factors — Risks Relating to Our Business and Operations — We face intense competition in Macau and elsewhere in Asia."

Number and Mix of Gaming Tables and Slot Machines

Our results of operations are also affected by changes in the number and mix of VIP tables, mass market tables and slot machines. While there is significant VIP business in the Casinos, we seek to promote the less volatile and higher margin premium mass market segment. As different market segments and operating formats have different revenue generation and cost structures, changes in the mix of gaming tables and slot machines may impact the service income we receive from SJM or our costs and expenses, and thus our operating margins. We may continue to alter the number and mix of VIP tables, mass market tables and slot machines in order to capture wider and/or the more profitable segments of our target customer base, or to balance the volatility and return of our operations.

Mix of Shops and Attractions at Macau Fisherman's Wharf

Visitation to Macau Fisherman's Wharf is impacted by the types of events that are organized there as well as the mix of shops, restaurants and attractions. In 2010, 2011 and 2012, a total of approximately 4.4 million, 4.0 million and 3.5 million visitors, respectively, frequented Macau Fisherman's Wharf, based on aggregated reports from our security guards stationed at six sentry points around Macau Fisherman's Wharf who clock in visitors entering through these sentry points. If there are not enough shops of the right product mix or not enough special events and attractions to extend the length of visitor stay, we may not be able to increase foot traffic and capitalize on profit-generating opportunities at Macau Fisherman's Wharf, which would affect our results of operations. In addition, Macau Fisherman's Wharf competes with new attractions on the Cotai strip for visitors. Although overall visitation to Macau Fisherman's Wharf decreased in 2011 as compared with 2010, revenue generated by MFW Investment increased in 2011, primarily due to more MICE events held at Macau Fisherman's Wharf during 2011, which contributed to increased visitation to Babylon Casino and increased occupancy at Rocks Hotel.

The 2012 MFW Acquisition and the MFW Redevelopment Project

We completed the acquisition of MFW Investment on 18 May 2012 and since then have consolidated the results of MFW Investment with those of our Group. During the Track Record Period, MFW Investment operated at a loss. From 19 May to 31 December 2012, a net loss of HK$87.3 million from the operations of MFW Investment was included in our profit for 2012. For 2012, our profit was HK$535.3 million, a 17.4% decrease from HK$648.4 million for 2011, and our profit margin was 35.7% compared to 48.2% for 2011. Excluding the net loss of MFW Investment, our profit would have decreased by 4.0% to HK$622.6 million and our profit margin would be 48.1% for 2012. From 19 May to 31 December 2012, MFW Investment contributed to our results as follows: revenue of HK$207.6 million; cost of sales and services of HK$227.2 million; losses from other income, gains and losses of HK$2.1 million; marketing and promotional expenses of HK$12.7 million; operating and administrative expenses of HK$57.0 million; finance costs of approximately HK$24,000; and tax credit of HK$4.1 million. Our cost of sales and services as a percentage of revenue was 44.3% for 2012 compared to 31.1% for 2011.

Excluding the results of MFW Investment, our cost of sales and services as a percentage of revenue would have been 33.8% for 2012. We expect that the operations at Macau Fisherman's Wharf may become profitable in 2013.

In addition, our results of operations could be significantly impacted by the development and opening of properties at Macau Fisherman's Wharf as part of the MFW Redevelopment Project. We expect the commencement of operations of these future properties could positively affect our results of operations, while the construction and development costs of the MFW Redevelopment Project, which will be funded by the proceeds from the Global Offering and cash generated from our operating activities and equity and/or debt financing, may negatively affect our liquidity in the foreseeable future.

Finance Costs

We are a growing company with significant financial needs. We expect to have significant capital expenditures in the future as we continue to develop our properties, in particular in connection with the MFW Redevelopment Project and renovation of The Landmark Macau, which will be funded by the net proceeds from the Global Offering, cash generated from our operating activities and equity and/or debt financing. We have relied and will continue to rely on our operating cash flow and various forms of debt and equity funding to meet our financing needs. We have incurred and may incur significant debt to finance development projects. See "— Indebtedness — Description of Material Indebtedness" and "— Indebtedness of MFW Investment — Description of Material Indebtedness of MFW Investment."

Operating Costs

Operating costs, particularly staff costs, form a significant part of our total expenses. We receive from SJM 15% of the gross gaming income generated from the mass market tables to cover costs and expenses in connection with providing gaming facilities and related services related to the mass market tables. If our gaming services costs increase at a faster rate than gross gaming income, or if we are unable to keep gaming services costs low relative to gross gaming income, our results of operations and profit margins may be negatively impacted. In addition, both our gaming and non-gaming operation costs have increased and will increase as a result of the 2012 MFW Acquisition. During the Track Record Period, the cost of sales and services and operating and administrative expenses of MFW Investment exceeded its revenue. From 19 May to 31 December 2012, cost of sales and services and operating and administrative expenses of MFW Investment amounting to HK$227.2 million and HK$57.0 million, respectively, were included in our consolidated results of operations, exceeding revenue from the operations of MFW Investment of HK$207.6 million.

BASIS OF PRESENTATION

We completed the acquisition of MFW Investment on 18 May 2012. See "History, Reorganization and Corporate Structure." The results of MFW Investment have been included in our consolidated statement of comprehensive income since the completion of the acquisition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial information. Our consolidated financial information was prepared in conformity with HKFRS. Certain of our accounting policies require that management apply significant judgment in defining the appropriate assumptions integral to financial estimates. On an ongoing basis, management evaluates those estimates, including those relating to the estimated lives of depreciable assets, asset impairment, fair value of restricted shares and shares options granted, allowances for doubtful accounts, accruals for customer loyalty rewards, revenue recognition, income tax and fair value of derivative instruments and hedging activities. Judgments are based on historical experience, terms of existing contracts, industry trends and information available from outside sources, as appropriate. However, by their nature, judgments are subject to an inherent degree of uncertainty, and therefore actual results could differ from our estimates.

We believe that the critical accounting policies discussed below affect our more significant judgments and estimates used in the preparation of our consolidated financial information.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts. Revenue from hotel operations, food and beverage and building management services are recognized when the services are rendered and goods are sold and it is probable that the economic benefits associated with the transaction will flow to us. Revenue arising from provision of gaming related facilities and gaming services is recognized when the gaming facilities are provided and relevant services have been rendered and we are entitled to our share of the net gaming wins of the Casinos. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to us and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment Properties

Investment properties are properties held to earn rentals or for capital appreciation or both. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their lease term using the straight-line method. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognized.

Property and Equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress includes property and equipment in the course of construction for production, supply or administrative purposes and is carried at cost, less recognized impairment loss, if any. Construction in progress is classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of items of property and equipment less their residual values over (i) in the case of gaming machinery, their estimated useful lives, or, where appropriate, a shorter period of the remaining term of the Service Agreement and (ii) in the case of other property and equipment, their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

We depreciate our property and equipment (other than construction in progress) and investment properties over their estimated useful lives, or, where appropriate, a shorter period of the remaining terms of the Service Agreement for gaming machinery, using the straight-line method commencing from the date of property and equipment (other than construction in progress) and investment properties are ready for the intended use. The estimated useful lives reflect our Directors' estimates of the periods that we intend to derive future economic benefits from the use of our property and equipment (other than construction in progress) and investment properties. The depreciation charges are adjusted on a prospective basis if there are significant changes from previous estimates.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Our carrying amounts of property and equipment (other than construction in progress) and investment properties as at 31 December 2010, 2011 and 2012 were HK$754.2 million, HK$813.6 million and HK$2,496.4 million, respectively.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leases. All other leases are classified as operating leases.

When we are the lessor, licensing income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term. Contingent licensing income arising under operating leases are recognized as income in the period in which they are earned.

When we are the lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method.

Impairment of Tangible Assets

At the end of the reporting period, we review the carrying amounts of our tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to us, liabilities incurred by our Group to the former owners of the acquiree and the equity interests issued by our Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that: deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with Hong Kong Accounting Standards ("HKAS") 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively; liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of our Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-Based Payments* at the acquisition date (see the accounting policy below); and assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Share Options and Shares Granted to Directors

The fair value of services received determined by reference to the fair value of share options or shares granted at the grant date is expensed on a straight-line basis over the vesting period or recognized as an expense in full at the grant date when the share options or shares granted vest immediately, with a corresponding increase in equity (share options reserve and share premium for share options and shares granted respectively).

When share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when we become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Our financial assets are classified into loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from directors, shareholders and related companies, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include our past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by us are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities, including trade and other payables, accrued expenses amounts due to a director, related companies and subsidiaries and bank borrowings, are subsequently measured at amortized cost, using the effective interest method.

An equity instrument is any contract that evidences a residual interest in our assets after deducting all of our liabilities. Equity instruments issued by us are recorded at the proceeds received, net of direct issue costs.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Derecognition

We derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when we transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

We derecognize financial liabilities when, and only when, our obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of goodwill

The carrying amount of our goodwill as at 31 December 2012 was HK$682.0 million, which arose from the acquisition of MFW Investment and its subsidiaries. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit ("CGU") to which goodwill has been allocated. The value in use calculation requires us to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill had been allocated to the business relating to provision of gaming related facilities and gaming related general management services carried out by MFW Investment and its subsidiaries. Our management considered it as a single CGU for the purpose of impairment testing of the goodwill.

The recoverable amount of this CGU is determined based on value in use calculations. The key assumptions for the value in use calculations include discount rates, growth rates and expected changes to revenue and direct costs during the period. Our management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are estimated by reference to the industry growth forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

The value in use calculations has taken into the account of the capital expenditure and the future anticipated benefits generated from the MFW Redevelopment Project as disclosed in "Business — Our Development Projects — The MFW Redevelopment Project." For example, the value in use calculations have taken into account the additional gaming tables to be allocated to Macau Fisherman's Wharf which we expect would positively affect the results of operations after the completion of the MFW Redevelopment Project. Furthermore, expected capital expenditure to be incurred for the MFW Redevelopment Project has been incorporated into the value in use calculations. Having taken into the account of the above factors, our management expect MFW Investment will generate sufficient profits upon the completion of the MFW Redevelopment Project to recover our investment cost in MFW Investment and its subsidiaries.

We prepared cash flows forecasts derived from the most recent financial budgets approved by our management for the next five years. Cash flows beyond five years are extrapolated using a steady 2% growth rate for the CGU. This growth rate does not exceed the average long-term growth rate for the relevant industry. The rate used to discount the forecast cash flows for the CGU is 12% per annum. In the opinion of our Directors, no impairment loss is required for the year ended 31 December 2012. Our management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF OUR GROUP

Summary Consolidated Statements of Comprehensive Income:

	Year Ended 31 December		
	2010	2011	2012
	(in thousands of HK$, except per share data)		
Revenue	1,095,295	1,345,930	1,501,088
Costs of sales and services	(417,156)	(418,712)	(664,672)
	678,139	927,218	836,416
Other income, gains and losses	2,650	3,401	36,057
Marketing and promotional expenses	(28,472)	(31,472)	(45,587)
Operating and administrative expenses	(137,150)	(200,696)	(232,788)
Finance costs	(17,995)	(50,009)	(62,862)
Profit before taxation	497,172	648,442	531,236
Taxation	—	—	4,105
Profit and total comprehensive income for the year, attributable to owners of the Company	497,172	648,442	535,341
Basic earnings per share (HK cents)	14.7	19.2	11.8
Adjusted EBITDA[1]	578,182	809,188	750,305

Note:

(1) Adjusted EBITDA is earnings before finance costs, income taxes, depreciation, release of prepaid lease payments, loss on disposal of property and equipment, share-based payments and one-off costs incurred associated with the Listing. Adjusted EBITDA is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. Our Directors use Adjusted EBITDA as a measure of our operating performance and to compare our operating performance with that of our competitors. However, Adjusted EBITDA should not be considered an alternative to operating profit as an indicator of our performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure determined in accordance with HKFRS. Unlike net profit, Adjusted EBITDA does not include depreciation or finance costs and therefore does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using Adjusted EBITDA as only one of several comparative tools, together with HKFRS measurements, to assist in the evaluation of our operating performance. Also, our calculation of Adjusted EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited. For a quantitative reconciliation of Adjusted EBITDA to its most directly comparable HKFRS measurement, operating profit for the years ended 31 December 2010, 2011 and 2012, see "Financial Information — Description of Certain Line Items of The Consolidated Statements of Comprehensive Income of Our Group — Adjusted EBITDA."

Summary Consolidated Statements of Financial Position:

	As at 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Non-current assets			
Investment properties	137,364	133,523	265,062
Property and equipment	633,376	684,786	2,283,953
Prepaid lease payments	459,268	447,534	1,778,366
Goodwill	—	—	681,986
Deposits paid for acquisition of property and equipment	—	—	5,031
Investment deposit	200,000	200,000	—
Pledged bank deposit	50,000	—	—
	1,480,008	1,465,843	5,014,398
Current assets			
Inventories	5,441	5,491	27,732
Prepaid lease payments	11,734	11,734	49,969
Trade and other receivables	355,841	415,315	466,590
Amounts due from directors	330,000	819,510	1,971,753
Amounts due from shareholders	—	238,265	238,265
Amounts due from related companies	313,543	333,962	19,903
Pledged bank deposits	—	—	20,581
Bank balances and cash	31,107	71,671	112,117
	1,047,666	1,895,948	2,906,910
Current liabilities			
Trade and other payables	139,895	249,041	541,227
Amount due to a director	7,863	2,100	3,556
Amounts due to related companies	58,715	105,648	105,562
Bank borrowings — due within one year	171,432	272,423	333,802
Other financial liabilities	3,033,409	—	10,052
	3,411,314	629,212	994,199
Net current (liabilities) assets	(2,363,648)	1,266,736	1,912,711
Total assets less current liabilities	(883,640)	2,732,579	6,927,109
Non-current liabilities			
Bank borrowings — due after one year	557,130	1,456,226	1,404,525
Deferred tax liability	—	—	198,094
	557,130	1,456,226	1,602,619
Net (liabilities) assets	(1,440,770)	1,276,353	5,324,490
Capital and reserves			
Share capital	337,917	339,185	522,672
Reserves	(1,778,687)	937,168	4,801,818
Equity attributable to owners of the Company	(1,440,770)	1,276,353	5,324,490

DESCRIPTION OF CERTAIN LINE ITEMS OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF OUR GROUP

Revenue

We generate revenue from gaming services and non-gaming operations. The following table sets out a breakdown of our revenue by segment and type for the periods indicated.

	Year Ended 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Gaming Services:			
— Mass market tables	754,530	918,259	984,461
— VIP rooms	87,873	123,343	110,810
— Slot machines	24,866	26,633	16,171
	867,269	1,068,235	1,111,442
Non-gaming operations:			
— Income from hotel rooms	87,391	123,458	135,093
— Licensing income from investment properties	28,243	33,949	48,948
— Income from building management services	34,330	36,413	42,928
— Food and beverage	71,366	76,139	132,692
— Sales of merchandise	—	—	22,506
— Others	6,696	7,736	7,479
	228,026	277,695	389,646
	1,095,295	1,345,930	1,501,088

Gaming Services

Revenue from gaming services amounted to HK$867.3 million, HK$1,068.2 million and HK$1,111.4 million for 2010, 2011 and 2012, respectively, or 79.2%, 79.4% and 74.0% of our total revenue for the same periods. Revenue from gaming services consists of service income received from SJM for services and facilities we provide in connection with mass market tables, VIP rooms and slot machines. In addition, we receive from SJM up to 15% of the gross gaming income generated by mass market tables in Pharaoh's Palace Casino for budgeted operational and investment costs and expenses. Such reimbursement is recorded as our revenue.

Mass market tables. Gross gaming income from mass market tables is the total amount of drop in the Casinos that is retained as win. We receive and recognize 40% of the gross gaming income from mass market tables in the Casinos as revenue. We also receive up to 15% of the gross gaming income from mass market tables in the casinos to reimburse our operational and investment costs and expenses attributable to the mass market tables which we also recognize as revenue.

VIP rooms. Gross gaming income from VIP rooms is the total amount of turnover in the VIP rooms that is retained as win. We receive and recognize 2% of gross gaming income from VIP rooms as revenue.

Slot machines. Gross gaming income from slot machines is based on the amount of slot handle. We receive and recognize 40% of the gross gaming income from slot machines as revenue.

Non-Gaming Operations

Revenue from non-gaming operations amounted to HK$228.0 million, HK$277.7 million and HK$389.6 million for 2010, 2011 and 2012, respectively, or 20.8%, 20.6% and 26.0% of our total revenue for the same periods. Revenue from non-gaming operations consists of income from hotel rooms, food and beverage income, licensing income from investment properties, building management services income and other income.

Income from hotel rooms. Income from hotel rooms primarily consists of rental of hotel rooms. Hotel rooms revenue is recognized when rooms are occupied.

Food and beverage. Food and beverage income is derived from food and beverage sales in our restaurants and bars and is recognized when the goods are sold.

Licensing and building management services. Licensing and building management services income consist of both licensing income from investment properties and income from building management services. Licensing income from investment properties consists of lease income from retail stores, as well as licensing income from VIP rooms in The Landmark Macau. Income from building management services consists of management fees from retail stores, residential apartments and offices.

Others. Other income is derived from rental of banquet halls and other convention and exhibition areas, catering services, transportation and other miscellaneous services offered at our properties. Since 19 May 2012 when we acquired MFW Investment, other income also includes income from sales of merchandise generated by the retail operations of its subsidiary, Grand Merit, as well as income from theme park entertainment facilities and ticket sales for shows and exhibitions hosted at Macau Fisherman's Wharf.

Costs of Sales and Services

Costs of sales and services consist of costs related to gaming services and non-gaming operations.

Costs related to gaming services primarily consist of payroll expenses of gaming floor staff, as well as gaming equipment costs, energy costs, depreciation and others.

Costs related to non-gaming operations include expenses related to provision of hotel rooms, food and beverage, licensing and building management services and other miscellaneous services, such as payroll expenses of hotel and other non-gaming staff, as well as costs related to sales of merchandise and ticket sales for shows and exhibitions.

The following table sets out a breakdown of our cost of sales and services by segment for the periods indicated.

	Year Ended 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Gaming services:			
— Mass market tables	207,248	195,971	252,359
— VIP rooms	14,669	16,260	24,067
— Slot machines	13,181	12,206	13,154
	235,098	224,437	289,580
Non-gaming operations	182,058	194,275	375,092
Total cost of sales and services	417,156	418,712	664,672

The following table sets out a breakdown of our cost of sales and services by nature for the periods indicated.

	Year ended 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Gaming services:			
— Staff salaries and related costs(1)	193,527	183,362	238,231
— Gaming operating costs(2)	16,976	16,281	21,381
— Loss arising from the guaranteed monthly income from six additional VIP tables	—	—	5,729
— Energy costs	3,673	3,918	7,173
— Depreciation	20,922	20,876	17,066
	235,098	224,437	289,580
Non-gaming operations:			
— Staff salaries and related costs	52,888	54,138	107,870
— Energy costs	35,349	38,682	58,120
— Depreciation and amortization	38,126	34,759	105,536
— Food and beverage costs	27,166	31,780	48,318
— Retail costs	—	—	17,736
— Others	28,529	34,916	37,512
	182,058	194,275	375,092
Total cost of sales and services	417,156	418,712	664,672

Notes:

(1) The amount includes staff salaries and related costs for those gaming staff employed by SJM which are incurred by SJM and reimbursed from us.

(2) The amount being operating costs, including gaming equipment costs, incurred by SJM and reimbursed from us.

Gross profit and Gross profit margin

The following table sets forth our gross profit and gross profit margin for 2010, 2011 and 2012.

	Year Ended 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Gross profit			
Gaming services	632,171	843,798	821,862
Non-gaming operations	45,968	83,420	14,554
Total	678,139	927,218	836,416
Gross profit margin			
Gaming services	73%	79%	74%
Non-gaming operations	20%	30%	4%
Overall	62%	69%	56%

The increase in overall gross profit margin from 2010 to 2011 was due to increases in gross profit margins of both gaming and non-gaming segments. In particular, the increase in the gaming services gross margin was mainly attributable to the increased gaming services revenue, which in turn was mainly due to increase in gaming patrons visiting our facilities in 2011 compared to 2010. The increase in the non-gaming operations gross profit was mainly attributable to the increased non-gaming operations revenue, which in turn was mainly due to increase in hotel room occupancies in 2011 compared to 2010.

The decrease in overall gross profit margin from 2011 to 2012 was mainly due to the consolidation of MFW Investment's results from 19 May to 31 December 2012 and decrease in the gross profit margin of the non-gaming operations. In particular, MFW Investment's gaming operations had a lower gross profit margin compared to the overall Group's gaming operations, while its non-gaming operations was loss-making during the period. The decrease in the gross profit margin of the non-gaming operations was mainly due to the decrease in income from hotel rooms and food and beverage at The Landmark Macau in 2012, which in turn was caused by the renovation of The Landmark Macau and increased competition from new hotels that were built and commenced operations in 2012.

Other Income, Gains and Losses

Other income, gains and losses consist of income from bank interest, credit card commissions for credit card transactions processed within our premises, management fees, net foreign exchange gains, losses on disposal of property and equipment, allowance for bad and doubtful debts, reversal of overprovision of construction costs, and others.

We received management fee income of HK$12.2 million in 2012 that we charged against the users of our aircraft for the depreciation of the aircraft since January 2012 which we did not receive in previous years. We will cease to charge management fee from Directors for the use of the aircraft after Listing. We purchased the aircraft from Macau Landmark Management Limited in 2011 for a consideration of HK$97.5 million in an arm's length transaction. The aircraft was purchased mainly for the usage by the Directors as part of their benefits and for business related uses which are expected to continue after Listing. It is duly registered with the U.S. Federal Aviation Administration as a private aircraft.

Marketing and Promotional Expenses

Marketing and promotional expenses consist of incentive fees to sales agents and costs of general marketing and promotional activities including allowances for hotel rooms, food and beverages, entertainment, retail and other benefits in kind furnished to guests and gaming promoters without charge.

Operating and Administrative Expenses

Operating and administrative expenses consist of staff salaries and benefits, share-based payments, rental and license payments, energy costs, cleaning costs, entertainment and traveling expenses, repair and maintenance expenses, depreciation and others. The following table sets out a breakdown of our operating and administrative expenses for the periods indicated.

	Year Ended 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Staff costs	83,043	83,726	109,625
Share-based payments	—	35,273	8,303
Utilities and operating supplies	2,722	2,291	1,906
Cleaning expense	7,157	6,977	17,305
Repairment and maintenance	11,856	13,405	17,320
Licensing expenses	4,618	4,565	6,366
Legal and professional expenses	2,690	5,473	3,531
Listing expenses	—	11,200	11,500
Telecommunication	1,083	1,283	1,030
Depreciation	4,090	8,195	15,976
Property tax	—	1,643	11,981
Staff canteen expenses	7,968	8,487	10,467
Others	11,923	18,178	17,478
Total operating and administrative expenses	137,150	200,696	232,788

Staff costs include salaries, bonuses and other benefits such as meal and housing allowances to Directors and other employees, and contributions to retirement benefits schemes for them. It increased by 30.9% to HK$109.6 million in 2012 from HK$83.7 million in 2011, primarily due to the inclusion of the staff costs of MFW Investment of HK$20.3 million from 19 May to 31 December 2012. Excluding the staff costs of MFW Investment, our staff costs would have increased by 6.7% to HK$89.3 million in 2012, primarily due to the increase in level of staff payroll.

Pursuant to two four-year employment contracts signed on 20 December 2006 and 21 December 2010 between the Company and David Chow, respectively, the Company issued: (i) options to subscribe for 25,296,468 Shares to David Chow during the year ended 31 December 2011 (adjusted to 24,412,724 Shares following completion of the 2012 MFW Acquisition on 18 May 2012), and (ii) 12,671,905 ordinary shares of the Company to David Chow during the year ended 31 December 2011. The share options may be exercised from the date of grant to 22 November 2016. No share options have been exercised up to 31 December 2012. The fair value of the share options at the date of grant was HK$18,666,000, which has been recognized in our consolidated financial statement with a corresponding increase in our share options reserve. The 12,671,905 ordinary shares were issued by the Company to David Chow on 22 November 2011, which are restricted for resale or pledge during the vesting period. Share-based payments of HK$16,606,000 and HK$8,303,000 were recognized during the year ended 31 December 2011 and 2012, respectively, according to the vesting period. As a result, total share-based payments of HK$35.3 million and HK$8.3 million were recognized in our operating and administrative expenses in 2011 and 2012, respectively. For further information of our share-based payments to David Chow, see Note 40 to the Accountants' Report included in Appendix I to this prospectus.

Finance Costs

Finance costs consist of interest on bank borrowings. The following table sets out a breakdown of our finance costs for the periods indicated.

	Year Ended 31 December		
	2010	2011	2012
	(in thousands of HK$)		
2007 Term Loan Facility	17,995	3,729	—
2011 Term Loan Facility	—	46,280	59,631
2012 Term Loan Facility	—	—	3,207
Others	—	—	24
Total finance costs	17,995	50,009	62,862

For a description of our term loan facilities, see "— Indebtedness — Description of Material Indebtedness." In 2010, the Non-redeemable Preferred Shares were purchased by Melinda Chan through her wholly owned investment holding company. See "History, Reorganization and Corporate Structure — Our History and Development — The 2006 Syndicated Investment Agreement."

Taxation

We do not make any provisions for complementary tax or Hong Kong profits tax due to tax losses incurred or full absorption of assessable profits by tax losses. We may make provisions for complementary tax or Hong Kong profits tax when our assessable profits exceed our tax losses. Pursuant to the Dispatch of the Macau Financial Services Bureau dated 17 November 2006, our gaming related revenue is not subject to complementary tax during the effective period of the Service Agreement, since the fees received under Service Agreement are derived from SJM's gaming revenue, which is exempted pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Dispatch no. 30/2004 on 23 February 2004 and further by Dispatch no. 378/2011 on 23 November 2011. Furthermore, pursuant to a confirmation letter from the Macau Financial Services Bureau dated 14 January 2013, our gaming related revenue in respect of VIP rooms is not subject to complementary tax since taxes have been paid directly by SJM. SJM pays special gaming taxes, special levies and gaming premiums to the Macau Government out of their share of the gross gaming income generated by the Casinos.

Adjusted EBITDA

Adjusted EBITDA is earnings before finance costs, income taxes, depreciation, release of prepaid lease payments, loss on disposal of property and equipment, share-based payments and one-off costs incurred associated with the Listing. Adjusted EBITDA is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. Our Directors use Adjusted EBITDA as a measure of our operating performance and to compare our operating performance with that of our competitors.

However, Adjusted EBITDA should not be considered an alternative to operating profit as an indicator of our performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure determined in accordance with HKFRS. Unlike net profit, Adjusted EBITDA does not include depreciation or finance costs and therefore does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using Adjusted EBITDA as only one of several comparative tools, together with HKFRS measurements, to assist in the evaluation of our operating performance. Also, our calculation of Adjusted EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable HKFRS measurement, profit attributable to owners of the Company for the years ended 31 December 2010, 2011 and 2012 and the Adjusted EBITDA of MFW Investment and the Adjusted EBITDA of the Group excluding the contribution from MFW Investment for the periods indicated.

	Year Ended 31 December 2010	Year Ended 31 December 2011	Year Ended 31 December 2012	MFW Investment For the Period Between 19 May and 31 December 2012	The Group Excluding MFW Investment For the Year Ended 31 December 2012
	(in thousands of HK$)				
Profit attributable to owners of the Company	497,172	648,442	535,341	(87,235)	622,576
Add: Finance costs.	17,995	50,009	62,862	24	62,838
Depreciation of investment properties	3,842	3,841	6,461	2,621	3,840
Depreciation of property and equipment	47,564	48,256	97,221	48,728	48,493
Release of prepaid lease payments	11,734	11,734	34,895	23,161	11,734
Loss on disposal of property and equipment	74	469	—	—	—
Share-based payments .	—	35,272	8,303	—	8,303
One-off costs incurred associated with the Listing	—	11,200	11,500	—	11,500
Less: Interest income	(199)	(35)	(2,173)	(158)	(2,015)
Taxation credit	—	—	(4,105)	(4,105)	—
Adjusted EBITDA	578,182	809,188	750,305	(16,964)	767,269

Our Adjusted EBITDA decreased by 7.3% to HK$750.3 million in 2012 from HK$809.2 million in 2011. Excluding the negative Adjusted EBITDA contribution from MFW Investment of HK$17.0 million from 19 May to 31 December 2012 as a result of the MFW Acquisition, our Adjusted EBITDA would have decreased only by 5.2% to HK$767.3 million in 2012.

RESULTS OF OPERATIONS

Our historical financial results may not be characteristic of our potential future results as we continue to expand and refine our service offerings at our properties. The following table sets forth certain information relating to our results of operations for 2010, 2011 and 2012.

	Year Ended 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Revenue	1,095,295	1,345,930	1,501,088
Costs of sales and services	(417,156)	(418,712)	(664,672)
	678,139	927,218	836,416
Other income, gains and losses	2,650	3,401	36,057
Marketing and promotional expenses	(28,472)	(31,472)	(45,587)
Operating and administrative expenses	(137,150)	(200,696)	(232,788)
Finance costs	(17,995)	(50,009)	(62,862)
Profit before taxation	497,172	648,442	531,236
Taxation	—	—	4,105
Profit and total comprehensive income for the year, attributable to owners of the Company	497,172	648,442	535,341
Basic earnings per share (HK cents)	14.7	19.2	11.8

The following table sets forth certain key operational data for 2010, 2011 and 2012.

	Year Ended 31 December		
	2010	2011	2012
	(in thousands of HK$, except for numbers of gaming tables, table days and slot machines)		
The Landmark Macau			
Mass market tables			
Games drop	6,565,068	7,791,501	8,029,080
Net win	1,371,872	1,669,561	1,637,389
Average number of tables	66	66	63
Net win per table per day	57	69	71
Number of table days	24,090	24,090	23,484
Net win per table days	57	69	70
VIP tables			
Games turnover	143,330,510	213,030,170	187,299,157
Net win	4,393,658	6,167,143	5,540,532
Average number of tables	41	46	57
Net win per table per day	294	367	268
Number of table days	15,600	17,718	20,822
Net win per table days	282	348	266
Slot machines			
Slot handle	1,055,001	1,129,244	775,532
Net win	62,165	66,583	43,891
Average number of slot machines	280	304	258
Net win per slot machine per day	0.6	0.6	0.5
Macau Fisherman's Wharf			
Mass market tables			
Games drop	959,387	1,137,259	1,223,856
Net win	196,118	237,407	285,453
Average number of tables	28	23	23
Net win per table per day	19	28	34
Number of table days	10,394	8,395	8,418
Net win per table days	19	28	34
Slot machines			
Slot handle	33,465	26,510	17,766
Net win	4,776	3,770	2,648
Average number of slot machines	129	92	78
Net win per slot machine per day	0.1	0.1	0.1

Note:

(1) The per table or per slot machine amounts are based on the average number of tables or slot machines, as applicable, during the relevant year. The average number of tables or slot machines during the relevant year is calculated by averaging the number of tables or slot machines, respectively, at the beginning and end of the relevant year.

	Year Ended 31 December		
	2010	2011	2012
The Landmark Macau			
Occupancy rate (%)	73.6	85.3	85.3
ADR (HK$)	1,151.0	1,132.0	1,120.0
REVPAR (HK$)	847.1	965.4	955.4
Rocks Hotel			
Occupancy rate (%)	70.5	82.2	75.1
ADR (HK$)	1,244.4	1,437.9	1,392.3
REVPAR (HK$)	876.9	1,182.0	1,045.6

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011

Revenue

Our revenue increased by 11.5% to HK$1,501.1 million in 2012 from HK$1,345.9 million in 2011, primarily as a result of an increase in revenue from mass market tables and food and beverage and sales of merchandise as a result of the addition of revenue from MFW Investment, which we acquired on 18 May 2012. Excluding the revenue contribution from MFW Investment of HK$207.6 million from 19 May to 31 December 2012, our revenue would have decreased by 3.9% to HK$1,293.5 million in 2012.

Gaming services

Revenue from gaming services increased by 4.0% to HK$1,111.4 million in 2012 from HK$1,068.2 million in 2011. This increase was primarily attributable to the inclusion of revenue from gaming services of MFW Investment at Babylon Casino of HK$84.6 million from 19 May to 31 December 2012.

Mass market tables. Revenue from mass market tables increased by 7.2% to HK$984.5 million in 2012 from HK$918.3 million in 2011. This increase was mainly attributable to the inclusion of revenue from mass market tables at Babylon Casino of HK$83.9 million in 2012. The increase was offset by a decrease in revenue from mass market tables at Pharaoh's Palace Casino of HK$17.7 million, primarily due to the decrease in the average number of tables from 66 in 2011 to 63 in 2012. The increase in revenue from mass market tables was offset by decreases in revenue from VIP rooms and slot machines.

VIP rooms. Revenue from VIP rooms decreased by 10.2% to HK$110.8 million in 2012 from HK$123.3 million in 2011. Despite the increase in the number of VIP rooms in the Casinos from five as at 31 December 2011 to seven as at 31 December 2012, which gave rise to (i) the increase in the average number of VIP tables from 46 in 2011 to 57 in 2012; and (ii) the increase in the number of table days from 17,718 to 20,822 for the same periods, overall spending of VIP patrons decreased as a result of slower economic growth in China and the decreased patronage and popularity of some of the VIP rooms that were undergoing renovations in 2012. Net win per table per day decreased by approximately 27.1% from HK$367,000 in 2011 to HK$268,000 in 2012, and net win per table days decreased by 23.6% from HK$348,000 in 2011 to HK$266,000 in 2012.

In 2012, we carried out renovation and fitting out work in The Landmark Macau to refurbish and expand our gaming areas. Such work included the fitting out work for the opening of two new VIP rooms and the renovation of two existing VIP rooms. The fitting out work for the two new VIP rooms commenced in March 2012 and October 2012, respectively, and were completed by early April 2012 and end of November 2012, respectively. The renovation work for the two existing VIP rooms commenced in end of June 2012 and early August 2012, respectively, and were completed by early August 2012 and end of October 2012, respectively. In relation to the two existing VIP rooms that were renovated, we temporarily removed and relocated seven tables in each of these VIP rooms during their respective periods of renovation. As a result (i) the average net win per table per day for the VIP room that underwent renovation between end of June 2012 to early August 2012 was reduced by approximately 42% during the renovation period when compared with the average net win per table per day of that VIP room for 2012; and (ii) the average net win per table per day of the VIP room that underwent renovation between early August 2012 and late October 2012 was reduced by approximately 21% during the renovation period when compared with the average net win per table per day of that VIP room for 2012. Except for one VIP room in respect of which the operations were transferred from TCL to another gaming promoter in mid-October 2012, all of the VIP rooms which underwent renovations in 2012 were operated by TCL at the time such renovation work were conducted. The revenue contributed from the new VIP rooms and the increased table days in 2012 was off-set by the aforesaid decrease in the spending and patronage in these VIP rooms.

Slot machines. Revenue from slot machines decreased by 39.3% to HK$16.2 million in 2012 from HK$26.6 million in 2011, primarily due to decrease in the number of slot machines from an average of 304 in 2011 to 258 in 2012.

Non-gaming operations

Revenue from non-gaming operations increased by 40.3% to HK$389.6 million in 2012 from HK$277.7 million in 2011. This increase was primarily attributable to the inclusion of revenue from non-gaming operations of MFW Investment of HK$123.0 million from 19 May to 31 December 2012.

Income from hotel rooms. Hotel rooms income increased by 9.4% to HK$135.1 million in 2012 from HK$123.5 million in 2011, and would have decreased by 1.3% to HK$121.8 million in 2012 had we not included the hotel rooms income from MFW Investment amounting to HK$13.3 million from May 19 to 31 December 2012. The 1.3% decrease, excluding the contribution from MFW Investment, was primarily attributable to The Landmark Macau's ADR and REVPAR decreased to HK$1,120.0 and HK$955.4, respectively, in 2012, as compared to HK$1,132.0 and HK$965.4, respectively, in 2011. The decreases in ADR and REVPAR were primarily due to the renovation of The Landmark Macau and increased competition from new hotels that were built and commenced operations in 2012.

Food and beverage. Food and beverage income increased by 74.3% to HK$132.7 million in 2012 from HK$76.1 million in 2011, and would have decreased by 9.2% to HK$69.2 million in 2012 had we not included food and beverage income of MFW Investment amounting to HK$63.5 million from 19 May to 31 December 2012. The 9.2% decrease was primarily due to the renovation of some of the restaurants in The Landmark Macau in 2012.

Licensing and building management services. Licensing income and building management services income increased by 30.6% to HK$91.9 million in 2012 from HK$70.4 million in 2011, and would have increased by 0.2% to HK$70.5 million in 2012 had we not included the licensing income and building management services income of MFW Investment amounting to HK$21.4 million from 19 May to 31 December 2012.

Sales of merchandise. In 2012, we had income from sales of merchandise of HK$22.5 million which was solely contributed by MFW Investment and has been consolidated by us since the completion of the MFW Acquisition.

Others. Other income decreased by 3.3% to HK$7.5 million in 2012 from HK$7.7 million in 2011, and would have decreased by 33.2% to HK$5.2 million in 2012 had we not included the other income of MFW Investment amounting to HK$2.3 million from 19 May to 31 December 2012. The 33.2% decrease, excluding the contribution from MFW Investment, was primarily due to the elimination of the transportation service income from Macau Fisherman's Wharf on consolidation since the completion of the MFW Acquisition in May 2012.

Cost of Sales and Services

Total cost of sales and services increased by 58.7% to HK$664.7 million in 2012 from HK$418.7 million in 2011. This increase was primarily attributable to the inclusion of cost of sales and services of MFW Investment of HK$227.2 million from 19 May to 31 December 2012. Excluding cost of sales and services of MFW Investment, our cost of sales and services would have increased by 4.5% to HK$437.5 million in 2012. Our cost of sales and services as a percentage of revenue was 44.3% in 2012 compared to 31.1% in 2011, and would have been 33.8% had the results of MFW Investment been excluded in 2012.

Gaming services

Cost of sales and services related to our gaming services, primarily comprising staff salaries and related costs, energy costs, depreciation and food and beverage expenses, increased by 29.0% to HK$289.6 million in 2012 from HK$224.4 million in 2011, and would have increased by only 2.1% to HK$229.1 million had we not included MFW Investment gaming services costs of HK$60.5 million in 2012. The 2.1% increase, excluding gaming services costs of MFW Investment, was primarily attributable to increased staff salaries and related costs and energy costs. Increase in staff salaries and related costs in the gaming services was mainly attributable to the consolidation of MFW Investment which had staff salaries and related costs of HK$48.1 million.

Mass market tables. Cost of sales and services for mass market tables increased by 28.8% to HK$252.4 million in 2012 from HK$196.0 million in 2011. The increase was mainly attributable to the inclusion of cost of sales and services for mass market tables of MFW Investment of

HK$58.5 million. Our cost of sales and services for mass market tables would have decreased by HK$2.1 million in 2012, primarily due to decrease in depreciation as certain fixed assets had fully depreciated.

VIP rooms. Cost of sales and services for VIP rooms increased by 48.0% to HK$24.1 million in 2012 from HK$16.3 million in 2011. The increase was mainly attributable to the loss arising from the guaranteed monthly gaming income from the six additional VIP tables paid to SJM pursuant to the 2012 Amendments to the Service Agreement of HK$5.7 million in 2012 and the additional costs arising from the operation of one additional VIP room in 2012.

Slot machines. Cost of sales and services for slot machines increased by 7.8% to HK$13.2 million in 2012 from HK$12.2 million in 2011. The increase was mainly attributable to the inclusion of cost of sales and services for slot machines of MFW Investment of HK$2.0 million. Our cost of sales and services for slot machines would have decreased by HK$1.0 million in 2012, primarily due to decrease in depreciation as certain fixed assets had fully depreciated.

Non-gaming operations

Cost of sales and services related to our non-gaming operations, primarily comprising staff salaries and related costs, energy costs, depreciation and amortization and food and beverage expenses, increased by 93.1% to HK$375.1 million in 2012 from HK$194.3 million in 2011, and would have increased by only 7.3% to HK$208.4 million had we not included MFW Investment non-gaming operation costs of HK$166.7 million in 2012. The 7.3% increase, excluding non-gaming operation costs of MFW Investment, was primarily attributable to increased staff costs and energy costs. Depreciation and amortization increased from HK$34.8 million in 2011 to HK$105.5 million in 2012 due to the consolidation of depreciation and amortization of HK$69.0 million incurred by MFW Investment.

Other Income, Gains and Losses

Other income, gains and losses increased by 960.2% to HK$36.1 million in 2012 from HK$3.4 million in 2011. This significant increase was primarily due to (i) a reversal of overprovision of construction cost of HK$13.2 million which mainly related to our reassessment of the provision we made in or around 2003 for the renovation of The Landmark Macau, (ii) a management fee income of HK$12.2 million in 2012 related depreciations costs that we charged against the users of our aircraft since January 2012 which did not occur in previous years; and (iii) an increase in bank interest income to HK$2.2 million in 2012 from HK$35,000 in 2011 as a result of an increase in our escrowed bank deposits. Pursuant to a supplemental agreement with ICBC Macau, we deferred three installments of the 2011 Term Loan Facility due October 2011, January 2012 and April 2012 to the end of June 2012. See "— Indebtedness — Description of Material Indebtedness — 2011 Term Loan Facility." At the same time, we deposited these repayment installment amounts in accounts with the facility agent as bank deposits, which accrued interest during those periods. The increase in other income, gains and losses was partially offset by our inclusion of other income, gains and losses of MFW Investment amounting to a loss of HK$2.1 million from 19 May to 31 December 2012, which mostly consisted of a HK$3.3 million bad and doubtful debt allowance in relation to impaired trade receivables.

Marketing and Promotional Expenses

Marketing and promotional expenses increased by 44.8% to HK$45.6 million in 2012 from HK$31.5 million in 2011. Our acquisition of MFW Investment on 18 May 2012 added HK$12.7 million to our marketing and promotional expenses in 2012. Excluding the marketing and promotional expenses of MFW Investment from 19 May to 31 December 2012, our marketing and promotional expenses would have increased by 4.5% to HK$32.9 million in 2012. The 4.5% increase was primarily due to increase in commissions paid to travel agents.

Operating and Administrative Expenses

Operating and administrative expenses increased by 16.0% to HK$232.8 million in 2012 from HK$200.7 million in 2011. This increase was primarily attributable to the inclusion of MFW Investment operating and administrative expenses amounting to HK$57.0 million from 19 May to 31 December 2012, increased gaming services operating expenses mainly due to an increase in staff costs, and increased hotel operating expenses mainly due to increases in staff costs and depreciation. Excluding the operating and administrative expenses of MFW Investment from 19 May to 31 December 2012, our operating and administrative expenses would have decreased by 12.4% to HK$175.8 million in 2012, primarily due to a decrease of HK$27.0 million in share-based payments to David Chow.

Finance Costs

Finance costs increased by 25.7% to HK$62.9 million in 2012 from HK$50.0 million in 2011 as a result of our additional indebtedness pursuant to borrowings under the 2011 Term Loan Facility, which we entered into in March 2011. See "— Indebtedness — Description of Material Indebtedness."

Profit

As a result of the foregoing, profit decreased by 17.4% to HK$535.3 million in 2012 from HK$648.4 million in 2011. Our profit margin was 35.7% in 2012, compared to 48.2% in 2011. Excluding the results of MFW Investment from 19 May to 31 December 2012, our profit would have decreased by 4.0% to HK$622.6 million and our profit margin would be 48.1% in 2012. MFW Investment contributed a net loss of HK$87.3 million from 19 May to 31 December 2012. While MFW Investment generated revenue of HK$207.6 million during this period, it also incurred cost of sales and services of HK$227.2 million, losses from other income, gains and losses of HK$2.1 million, marketing and promotional expenses of HK$12.7 million, operating and administrative expenses of HK$57.0 million and finance costs of approximately HK$24,000 and tax credit of HK$4.1 million from 19 May to 31 December 2012.

Year Ended 31 December 2011 Compared to Year Ended 31 December 2010

Revenue

Our revenue increased by 22.9% to HK$1,345.9 million in 2011 from HK$1,095.3 million in 2010, primarily due to increased revenue from gaming services and increased revenue from non-gaming operations as a result of increased visitation to The Landmark Macau.

Gaming services

Revenue from gaming services increased by 23.2% to HK$1,068.2 million in 2011 from HK$867.3 million in 2010. This increase was primarily due to an increase in revenue from mass market tables by HK$163.7 million.

Mass market tables. Revenue from mass market tables increased by 21.7% to HK$918.3 million in 2011 from HK$754.5 million in 2010, mainly attributable to the overall increase in visitation to Pharaoh's Palace Casino, resulting in increased mass market table games drop, and an increase in the net win per table per day for mass market tables. In 2011, the number of mass market patrons at Pharaoh's Palace Casino increased to 898,711 from 761,123 in 2010. The net win per mass market table per day increased by 21.7% to HK$69,305 in 2011 from HK$56,948 in 2010. The win rate increased only slightly to 21.4% in 2011 from 21.1% in 2010, as net win increased in line with a higher volume of mass market table games drop in 2011.

VIP rooms. Revenue from VIP rooms increased by 40.4% to HK$123.3 million in 2011 from HK$87.9 million in 2010. Total net win from all VIP rooms increased by 40.4% to HK$6.2 billion in 2011 from HK$4.4 billion in 2010.

Slot machines. Revenue from slot machines increased by 7.1% to HK$26.6 million in 2011 from HK$24.9 million in 2010, primarily due to an increase in the number of slot machines to 304 at the end of 2010 from 255 at the beginning of 2010.

Non-gaming operations

Revenue from non-gaming operations increased by 21.8% to HK$277.7 million in 2011 from HK$228.0 million in 2010. This increase was primarily attributable to an increase in hotel rooms income of HK$36.1 million in 2011.

Income from hotel room. Hotel rooms income increased by 41.3% to HK$123.5 million in 2011 from HK$87.4 million in 2010, reflecting increased occupancy as our hotel guests tend to be gaming patrons and more gaming patrons, particularly from China, visited The Landmark Macau in 2011 as compared to 2010. The Landmark Macau's ADR, occupancy rate and REVPAR were HK$1,132.0, 85.3% and HK$965.4, respectively, in 2011, as compared to HK$1,151.0, 73.6% and HK$847.1, respectively, in 2010.

Licensing and building management services. Licensing and building management services income increased by 12.4% to HK$70.4 million in 2011 from HK$62.6 million in 2010, primarily due to new leases and renewed tenancies with higher rates entered into 2011.

Food and beverage. Food and beverage income increased by 6.7% to HK$76.1 million in 2011 from HK$71.4 million in 2010, primarily due to increased hotel occupancy rate in 2011 which led to increased food and beverage consumption in the hotels and restaurants.

Others. Income from others increased by 15.5% to HK$7.7 million in 2011 from HK$6.7 million in 2010, primarily due to increase in transportation service income from the guest transportation service.

Cost of Sales and Services

Total cost of sales and services increased by 0.4% to HK$418.7 million in 2011 from HK$417.2 million in 2010. This slight increase in cost of sales and services was primarily due to expenses associated with hotel operations as a result of increased occupancy in 2011. Cost of sales and services as a percentage of revenue was 31.1% in 2011 compared to 38.1% in 2010.

Gaming services

Cost of sales and services related to our gaming services, primarily comprising staff costs, energy costs, depreciation and food and beverage expenses, decreased by 4.5% to HK$224.4 million in 2011 from HK$235.1 million in 2010, primarily due to decrease in depreciation as certain fixed assets had fully depreciated.

Mass market tables. Cost of sales and services for mass market tables decreased by 5.4% to HK$196.0 million in 2011 from HK$207.2 million in 2010. The decrease was mainly attributable to a decrease of HK$8.2 million in staff costs due to decrease in staff headcount and a decrease of HK$2.5 million in depreciation of leasehold improvement as certain leasehold improvement were fully depreciated in 2010.

VIP rooms. Cost of sales and services for VIP rooms increased by 10.8% to HK$16.3 million in 2011 from HK$14.7 million in 2010. The increase was mainly attributable to a decrease of HK$2.0 million in staff costs due to decrease in staff headcount which was offset by an increase of HK$3.5 million in depreciation of VIP rooms renovated in 2011.

Slot machines. Cost of sales and services for slot machines decreased by 7.4% to HK$12.2 million in 2011 from HK$13.2 million in 2010. The decrease was mainly attributable to a decrease of HK$1.0 million in depreciation of leasehold improvement.

Non-gaming operations

Non-gaming operation costs, primarily comprising staff costs, energy costs, depreciation and food and beverage expenses, increased by 6.7% to HK$194.3 million in 2011 from HK$182.1 million in 2010, primarily due to increased expenses related to provision of hotel rooms, food and beverage, energy and other costs. associated with hotel operations as a result of increase in hotel occupancy rate from 73.6% in 2010 to 85.3% in 2011.

Other Income, Gains and Losses

Other income, gains and losses increased by 28.3% to HK$3.4 million in 2011 from HK$2.7 million in 2010. This increase was primarily attributable to a higher volume of credit card transactions from increased numbers of visitors, resulting in a 54.9% increase in credit card commission income to HK$1.4 million in 2011 from HK$0.9 million in 2010. This increase in other income, gains and losses was partially offset by an increase in loss on disposal of property and equipment.

Marketing and Promotional Expenses

Marketing and promotional expenses increased by 10.5% to HK$31.5 million in 2011 from HK$28.5 million in 2010. This increase was primarily attributable to a 14.6% increase in marketing and promotional expenses for gaming services to HK$19.7 million in 2011 from HK$17.2 million in 2010 as a result of more marketing and promotional programs conducted in 2011. In addition, marketing and promotional expenses for non-gaming operations increased by 4.4% to HK$11.8 million in 2011 from HK$11.3 million in 2010, corresponding to an increase in commissions paid to travel agents as a result of increased hotel rooms revenue in 2011.

Operating and Administrative Expenses

Operating and administrative expenses increased by 46.3% to HK$200.7 million in 2011 from HK$137.2 million in 2010. This increase was primarily attributable to share-based payments of HK$35.3 million and IPO-related professional costs of HK$11.2 million which were incurred in 2011 but not in 2010. The share-based payments were related to bonus shares and share options issued to David Chow pursuant to our employment agreements with him.

Finance Costs

Finance costs significantly increased by 177.9% to HK$50.0 million in 2011 from HK$18.0 million in 2010 as a result of our entry into the 2011 Term Loan Facility in March 2011 for the purpose of refinancing debt and for our working capital needs. See "— Indebtedness — Description of Material Indebtedness." We incurred interest expenses of HK$46.3 million in 2011 in connection with borrowings under the 2011 Term Loan Facility in 2011.

Profit

As a result of the foregoing, profit increased by 30.4% to HK$648.4 million in 2011 from HK$497.2 million in 2010. Our profit margin was 48.2% in 2011, compared to 45.4% in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity needs primarily comprise working capital needs, capital expenditure, and servicing our indebtedness. We generally funded our operations and development projects from cash generated from operating activities, debt and equity financings and shareholder loans.

Working Capital

We have been able to meet our working capital needs, and taking into account our internally generated funds, the available banking facilities and the estimated net proceeds from the Global Offering of our Shares, we believe that we will be able to meet our working capital needs for the 12 months following the date of this prospectus.

The following table sets forth our current assets and current liabilities extracted from our consolidated statement of financial position as at the dates indicated:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	(in thousands of HK$)			
Current assets				
Inventories	5,441	5,491	27,732	35,895
Prepaid lease payments	11,734	11,734	49,969	43,452
Trade and other receivables	355,841	415,315	466,590	580,755
Amounts due from directors	330,000	819,510	1,971,753	2,085,112
Amounts due from shareholders	—	238,265	238,265	238,265
Amounts due from related companies	313,543	333,962	19,903	57
Pledged bank deposits	—	—	20,581	20,581
Bank balances and cash	31,107	71,671	112,117	77,529
	1,047,666	1,895,948	2,906,910	3,081,646
Current liabilities				
Trade and other payables	(139,895)	(249,041)	(541,227)	(626,300)
Amount due to a director	(7,863)	(2,100)	(3,556)	(2,600)
Amounts due to related companies	(58,715)	(105,648)	(105,562)	(106,048)
Bank borrowings — due within one year	(171,432)	(272,423)	(333,802)	(355,802)
Other financial liabilities	(3,033,409)	—	(10,052)	(4,985)
	(3,411,314)	(629,212)	(994,199)	(1,095,735)
Net current (liabilities) assets	(2,363,648)	1,266,736	1,912,711	1,985,911

We had net current liabilities of HK$2,363.6 million as at 31 December 2010, primarily due to dividends payable to the shareholders of HK$3,033.4 million which were classified as a current liability in 2010. As this amount was set off against amounts due from directors of HK$1,000.0 million and waived by shareholders of HK$2,033.4 million in 2011, we recorded net current assets in 2011 and 2012.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Net cash from operating activities	560,740	707,075	828,622
Net cash used in investing activities	(429,161)	(1,657,370)	(677,027)
Net cash (used in) from financing activities	(137,967)	990,859	(111,149)
Net (decrease) increase in cash and cash equivalents	(6,388)	40,564	40,446
Cash and cash equivalents at beginning of the year	37,495	31,107	71,671
Cash and cash equivalents at end of the year	31,107	71,671	112,117

Operating Activities

Cash flow from operating activities reflects the net increase or decrease in operating profit, adjusted for non-cash items, such as depreciation of investment properties and property and equipment, and changes in working capital items, such as increases or decreases in trade and other receivables and trade and other payables. Operating profit and changes in working capital items are generally affected by the mix of activity across our gaming and non-gaming segments.

Net cash from operating activities increased by 17.2% to HK$828.6 million in 2012 from HK$707.1 million in 2011, primarily due to a decrease in trade and other receivables of HK$47.3 million in 2012 compared to an increase in trade and other receivables of HK$101.2 million in 2011, and an increase in trade and other payables of HK$52.6 million in 2012. The increase in net cash from operating activities in 2012 as compared with 2011 was offset by a 18.1% decrease in net profit to HK$531.2 million in 2012 from HK$648.4 million in 2011, and an increase in inventories of HK$4.9 million.

Net cash from operating activities increased by 26.1% to HK$707.1 million in 2011 from HK$560.7 million in 2010, primarily due to a 30.4% increase in net profit to HK$648.4 million for 2011 from HK$497.2 million for 2010, as well as an increase in trade and other receivables of HK$101.2 million in 2011 compared to an increase in trade and other receivables of HK$46.4 million in 2010. The increase in net cash from operating activities in 2011 as compared with 2010 was partially offset by a decrease in amounts due to related companies of HK$16,000 and an increase in amounts due from related companies of HK$1.7 million in 2011 compared to an increase in amount due to related companies of HK$16,000 and a decrease in amounts due from related companies of HK$2.5 million in 2010.

Investing Activities

The principal items affecting net cash outflow from investing activities have been capital expenditures for property and equipment, including furniture, fixtures and equipment, leasehold improvements and construction in progress.

Net cash used in investing activities decreased significantly by 59.2% to HK$677.0 million in 2012 from HK$1,657.4 million in 2011, primarily because in 2011, we entered into the 2011 Term Loan Facility and used a portion of the funds available under that facility to advance approximately HK$1.0 billion to certain directors and shareholders for their purchase of Non-redeemable Preferred Shares in our Company from the wholly-owned investment holding company of Melinda Chan. Such advances made to certain directors and shareholders in 2011 did not recur in 2012. The net cash used in investing activities was partially offset by a net cash inflow of HK$60.5 million arising on the acquisition of MFW Investment in 2012.

Net cash used in investing activities increased by 286.2% to HK$1,657.4 million in 2011 from HK$429.2 million in 2010, primarily due to advances to certain directors and shareholders made in 2011 for their purchase of Non-redeemable Preferred Shares in our Company from the wholly-owned investment holding company of Melinda Chan.

Financing Activities

Financing activities consist of bank borrowings, repayments of bank borrowings as well as loan arrangements and other transactions with directors and other related parties.

Net cash used in financing activities amounted to HK$111.1 million in 2012, which primarily consisted of repayment of bank borrowings of HK$290.3 million, interest payments of HK$62.9 million and repayment to a gaming promoter of HK$134.0 million, partially offset by new bank borrowings of HK$300.0 million.

Net cash from financing activities amounted to HK$990.9 million in 2011, which primarily consisted of new bank borrowings of HK$1,783.6 million and advance from a gaming promoter of HK$181.5 million, partially offset by repayment of bank borrowings of HK$783.6 million, repayments to a gaming promoter of HK$84.4 million and interest payments of HK$50.0 million.

Net cash used in financing activities amounted to HK$138.0 million in 2010, primarily consisted of repayment of bank borrowings of HK$171.4 million and interest payments of HK$18.0 million, partially offset by advances from related companies of HK$50.1 million.

DISCUSSION OF CERTAIN FINANCIAL POSITION ITEMS

Net Current (Liabilities) Assets

The following table sets out our current assets, current liabilities and net current (liabilities) assets as at the dates indicated.

	As at 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Current assets			
Inventories	5,441	5,491	27,732
Prepaid lease payments	11,734	11,734	49,969
Trade and other receivables	355,841	415,315	466,590
Amounts due from directors	330,000	819,510	1,971,753
Amounts due from shareholders	—	238,265	238,265
Amounts due from related companies	313,543	333,962	19,903
Pledged bank deposits	—	—	20,581
Bank balances and cash	31,107	71,671	112,117
	1,047,666	1,895,948	2,906,910
Current liabilities			
Trade and other payables	(139,895)	(249,041)	(541,227)
Amount due to a director	(7,863)	(2,100)	(3,556)
Amounts due to related companies	(58,715)	(105,648)	(105,562)
Bank borrowings — due within one year	(171,432)	(272,423)	(333,802)
Other financial liabilities	(3,033,409)	—	(10,052)
	(3,411,314)	(629,212)	(994,199)
Net current (liabilities) assets	(2,363,648)	1,266,736	1,912,711

Trade and Other Receivables

Our trade and other receivables consist of deposits paid for gaming services in VIP rooms and other receivables and prepayments. The following tables set forth our trade and other receivables as at the dates indicated.

	As at 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Trade receivables			
Receivables from SJM	209,646	300,676	126,021
Others	29,310	24,872	45,600
Less: Allowance for doubtful debts	(2,901)	(2,960)	(4,176)
	238,956	325,548	171,621
Other receivables			
Other receivables	8,559	9,668	8,985
Prepayments	1,899	1,730	13,352
Receivables from SJM received on behalf of gaming promoters	64,726	78,369	272,632
Amount due from TCL on the Group's own account	41,701	—	—
Total trade and other receivables	355,841	415,315	466,590

Our trade and other receivables increased from HK$355.8 million as at 31 December 2010 to HK$415.3 million as at 31 December 2011, primarily due to an increase in trade receivables of HK$86.6 million related to increased account receivables from SJM related to 15% of the gross gaming income of the mass market tables at Pharaoh's Palace Casino to be received from SJM which was withheld to cover the operational loss of Babylon Casino in 2011, offset by a decrease in the amount due from a gaming operator, TCL, of HK$41.7 million. It further increased to HK$466.6 million as at 31 December 2012, primarily due to an increase in other receivables of HK$194.3 million attributable to the share of gross gaming income of the respective VIP rooms which we were authorized to collect from SJM on behalf of the gaming promoters pursuant to the Tri-Party Agreements entered into in 2012, partially offset by a decrease in trade receivables of HK$153.9 million related to decreased account receivables from SJM as they settled their receivables with us.

We provide a credit period of an average of 30 days to SJM related to the provision of gaming services, and an average of 15 days to our tenants. The following is an analysis by age of trade receivables, net of allowance for doubtful debts, based on the invoice date as at the dates indicated.

	As at 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Within 3 months	20,324	116,036	107,609
Over 3 months but within 6 months	46,944	23,427	2,625
Over 6 months but within 1 year	92,956	21,362	1,857
Over 1 year	78,732	164,723	59,530
	238,956	325,548	171,621

As at 31 December 2010, 2011 and 2012, included in our trade receivables balance were debtors with aggregate carrying amounts of HK$225.3 million, HK$232.1 million and HK$73.0 million, respectively, which were past due as at the respective reporting date and for which we did not provide for impairment loss. Included in the debtor balance aged over one year as at 31 December 2012 was rental receivables of VIP rooms leased by SJM from us in 2009 of approximately HK$43.5 million which was subsequently settled in February 2013. We do not hold any collateral over these balances. We did not provide for impairment loss for these amounts past due because we received continuous subsequent settlements and had business transactions with these counterparties, and maintained good business relationship with them. As at 30 April 2013, we had trade receivables of HK$164.6 million, out of which HK$34.4 million was past due.

As at 31 December 2010, 2011 and 2012, we had provided allowance for doubtful debts of HK$2.9 million, HK$3.0 million and HK$4.2 million, respectively, which are either aged over one year or the debtor was placed under liquidation or in severe financial difficulty. The allowance for doubtful debts is the aggregate amount of individually impaired trade receivables. In determining the recoverability of a trade receivable, we consider change in credit quality of the trade receivables from the date credit was initially granted up to the report date. After having compared the recoverable amount and the carrying amount of debts and taking into account the background, financial ability, credit rating and historical payment record of the relevant debtors, our relationship with the relevant debtors, the fact that a substantial amount of those debtors outstanding as at 31 December 2012 was subsequently settled and the continuous settlement of the remaining amount and the insignificant discounting impact for present value of recoverable amount, our Directors believe that our allowance for bad and doubtful debts is adequate.

The turnover days of our trade receivables for the three years ended 31 December 2012 were 73 days, 77 days and 60 days, respectively, which equal to the average trade receivables divided by revenue multiplied by 365 days for each of 2010, 2011 and 2012. The increase of our trade receivables turnover days from 2010 to 2011 was mainly due to an increase in trade receivables related to 15% of the gross gaming income of the mass market tables at Pharaoh's Palace Casino to be received from SJM in 2011. The decrease of our trade receivables turnover days from 2011 to 2012 was mainly due to a decrease in trade receivables from SJM.

Trade and Other Payables

Our trade and other payables represent amounts outstanding for ongoing costs and construction work.

	As at 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Trade payables	66,742	57,449	78,711
Deposits received from tenants	10,875	12,214	36,049
Accrued staff costs	45,386	47,011	69,692
Other accruals	10,806	25,771	31,630
Other payables	6,086	9,501	33,152
Amounts due to gaming promoters on the Group's own account	—	97,095	291,993
Total trade and other payables	139,895	249,041	541,227

Our trade and other payables increased from HK$139.9 million as at 31 December 2010 to HK$249.0 million as at 31 December 2011, primarily due to the inclusion of the amount due to a gaming promoter, TCL, of HK$97.1 million in 2011. It further increased to HK$541.2 million as at 31 December 2012, primarily due to an increase in the amounts due to gaming promoters of HK$194.9 million in 2012.

The average credit period granted by our creditors ranges from one month to three months. The amounts due to gaming promoters are unsecured, non-interest bearing and repayable on demand. The following is an analysis by age of trade payables for the purchase of goods and services received based on the invoice date as at the dates indicated:

	As at 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Within 3 months	21,814	17,835	40,767
Over 3 months but within 6 months	4,003	—	411
Over 6 months but within 12 months	1,680	379	798
Over 1 year	39,245	39,235	36,735
	66,742	57,449	78,711

As at 31 December 2010, 2011 and 2012, 67.3%, 69.0% and 48.2% of our trade payables were past due. Included in our trade payable past due as at 31 December 2010, 2011 and 2012 was a balance of HK35.0 million payable to STDM which was repayable on demand. The amount was advanced by STDM to us in 2003 for financing the then renovation of The Landmark Macau. We have not been required by STDM to settle the balance. The remaining amounts past due were insignificant.

The turnover days of our trade payables for the three years ended 31 December 2012 were 60 days, 54 days and 37 days, respectively, which equal to the average trade payables divided by cost of sales and services multiplied by 365 days for each of 2010, 2011 and 2012. The significant decrease of our trade payables turnover days in 2012 compared to 2011 was mainly due to the increases in the cost of sales and services which in turn was mainly due to the inclusion of MFW Investment's cost of sales and services which included a significant portion of costs without credit such as staff costs and depreciation.

Amounts Due From Related Companies

	As at 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Trading	7,962	9,685	39
Non-trading	305,581	324,277	19,864
Amounts due from related companies	313,543	333,962	19,903

Amounts due from related companies primarily consisted of trade receivables due from MFW Investment prior to the 2012 MFW Acquisition, which arose from our payment of certain general operating expenses on behalf of MFW Investment, and non-trade amounts due from MFW Investment prior to the 2012 MFW Acquisition, being advances made by us to MFW Investment for its working capital use.

The amounts due from related companies are unsecured and non-interest bearing. Trading balances are payable within the credit period offered and non-trading balances are repayable on demand. We provide an average credit period of three months to our related companies for trading balances.

As at 31 December 2010, 2011 and 2012, included in our trading balances due from related companies were debtors with aggregate carrying amount of HK$5.8 million, HK$5.7 million and HK$39,000, respectively, which were past due as at the respective reporting date which we have not provided for impairment loss. We do not hold any collateral over these balances. We did not provide for impairment loss for these amounts past due because we maintained good relationships with our related companies and we received continuous subsequent settlements and had business transactions with them.

Amounts Due From Directors and Shareholders

	As at 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Amounts Due From Directors (including existing and former Directors)			
David Chow	180,000	539,510	1,059,159
Lam Fong Ngo	150,000	260,000	487,284
Li Chi Keung	—	20,000	425,310
	330,000	819,510	1,971,753
Amounts Due From Shareholders			
All Landmark	—	164,890	164,890
Grand Bright	—	33,865	33,865
Elite Success	—	39,510	39,510
	—	238,265	238,265

During the Track Record Period, from time to time we made advances to or made payments on behalf of our Directors and Shareholders after careful assessment of our cash flow position.

In particular in 2011, David Chow, Grand Bright and Elite Success received loans from us, primarily to repurchase Non-redeemable Preferred Shares in our Company from Melinda Chan, who had purchased the shares from investors who were parties to the 2006 Syndicated Investment Agreement. See "History, Reorganization and Corporate Structure — Our History and Development — The 2006 Syndicated Investment Agreement." Such loans were offset by the settlement of the Non-redeemable Preferred Shares dividends payable to them as shareholders in 2011.

In 2012, we also made advances to Directors and Shareholders for contribution made to MFW Investment on behalf of them and made reimbursement of operating and depreciation costs in relation to our aircraft on behalf of them as users of the aircraft.

The amounts due from directors (including existing and former directors) and shareholders are non-trading nature, unsecured, non-interest bearing and repayable on demand. At the end of each reporting period, as represented by our Directors, these amounts are expected to be repaid within twelve months from the end of the respective reporting period, and as such, are classified as current assets under our consolidated statements of financial position. We expect the entire amounts due from directors and shareholders will be fully settled prior to Listing. We expect to settle these amounts through declaration of a pre-IPO dividend.

Amounts Due to Related Companies

	As at 31 December		
	2010	2011	2012
	(in thousands of HK$)		
Trading	16	—	—
Non-trading	58,699	105,648	105,562
Amounts due to related companies	58,715	105,648	105,562

Amounts due to related companies primarily consist of trade payables and non-trade temporary advances made to us from related companies. In 2011, we owed Macau Landmark Management Limited HK$105.5 million, which mainly consisted of consideration for an aircraft purchased from this related company. The Company repaid HK$8.6 million to Macau Landmark Management Limited in May 2013. A total of HK$97.5 million remained as at the Latest Practicable Date and is expected to be settled in full from the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds."

Amount Due to a Director

	As at 31 December		
	2010	2011	2012
	(in thousands of HK$)		
David Chow	7,863	2,100	3,556

The amounts due to David Chow represent mainly the accrued entertainment allowances and bonus payments that we owed him under our employment contracts with him.

Other Financial Liabilities

As at 31 December 2010, 2011 and 2012, we had other financial liabilities of HK$3,033.4 million, nil and HK$10.1 million, respectively, which represented the dividend entitlement granted to the holders of our Non-redeemable Preferred Shares and ordinary shares for the period from January 2007 to December 2009 and the net coupon payment to Vast Field under the SJM Coupon. For further details of our other financial liabilities and Non-redeemable Preferred Shares, see Notes 30 and 32 to the Accountants' Report included in Appendix I to this prospectus.

We may obtain financing in the form of, among other things, equity or debt, including additional bank loans or other debt, or rely on our operating cash flow to fund the development of our projects.

INDEBTEDNESS

At the close of business on 30 April 2013, being the latest practicable date prior to the printing of this prospectus, the Group had outstanding (i) unsecured and unguaranteed amounts due to related companies (non-trading) of approximately HK$106.0 million, of which HK$97.5 million relates to a non-trade amount due to Macau Landmark Management Limited in respect of the purchase of the aircraft, (ii) unsecured and unguaranteed monthly coupon payments payable to a shareholder of approximately HK$5.0 million in total (the obligation to make such monthly coupon payments will cease upon Listing), and (iii) secured and guaranteed bank borrowings of approximately HK$1,581.7 million. For details of security and guarantees on bank borrowings, see "— Description of Material Indebtedness — 2011/2012 Term Loan Facility — Security and Guarantees."

As at the Latest Practicable Date, the unsecured and unguaranteed non-trade amount of HK$8.5 million, aside from the abovementioned HK$97.5 million, due to related companies has been repaid. We intend to settled the HK$97.5 million due to Macau Landmark Management Limited in respect of the purchase of the aircraft from the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds."

Pursuant to the SJM Pre-IPO Investment Agreement, our Company issued a note instrument in favor of Vast Field on 30 August 2012, pursuant to which Vast Field is entitled to coupon payments from our Company for up to a total amount of approximately HK$15.2 million. Such coupon payments are paid monthly (at a sum of HK$1.3 million per month) and the obligation to make such monthly payments will cease upon Listing. We commenced making monthly coupon payments to Vast Field on 30 August 2012 and, as at 31 December 2012, had paid a total of HK5.1 million in monthly coupon payments and a total of HK$10.1 million in monthly coupon payments remained outstanding. Between 1 January 2013 and 30 April 2013, we paid a total of HK$5.1 million in monthly coupon payments and, as at 30 April 2013, a total of HK$5.0 million in monthly coupon payments were outstanding. All monthly coupon payments accrued under the SJM Coupon from 1 May 2013 up to the Listing Date on a pro-rata basis due and owing from the Company to Vast Field under the SJM Coupon, amounting to a total of HK$2.4 million, will be settled in full prior to the Listing. For details of the SJM Coupon, see "History, Reorganization and Corporate Structure — Pre-IPO Investments — SJM Coupon."

For details of the contingent liabilities of the Group, see "— Commitments and Contingencies — Contingent Liabilities."

The following table presents a breakdown of our bank borrowings as at the dates indicated.

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	(in thousands of HK$)			
Bank Borrowings — secured				
Principal:				
2007 Term Loan Facility	728,562	—	—	—
2011 Term Loan Facility	—	1,745,000	1,470,000	1,348,000
2012 Term Loan Facility	—	—	282,000	246,000
	728,562	1,745,000	1,752,000	1,594,000
Less: Capitalized borrowing costs	—	(16,351)	(13,673)	(12,274)
	728,562	1,728,649	1,738,327	1,581,726

The following table presents a breakdown of our bank borrowings by maturity date as at the dates indicated.

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	(in thousands of HK$)			
Bank borrowings due:				
Within one year	171,432	272,423	333,802	355,802
More than one year, but not exceeding two years	171,432	227,845	355,802	355,802
More than two years, but not exceeding five years	385,698	1,228,381	1,048,723	870,122
Total	728,562	1,728,649	1,738,327	1,581,726

The weighted average effective interest rates as at 31 December 2010, 2011 and 2012 were 2.21%, 3.54% and 3.63% per annum, respectively.

During the Track Record Period and as at the Latest Practicable Date, we did not breach any covenants in relation to our term loan facilities, and our business and operations were not affected by the various general and financial covenants under the 2011 Term Loan Facility and the 2012 Term Loan Facility, as amended.

For a description of material indebtedness incurred by our Group, see "— Description of Material Indebtedness." For a description of material indebtedness incurred by MFW Investment in 2010, 2011 and 2012, see "— Indebtedness of MFW Investment — Description of Material Indebtedness of MFW Investment."

Except as disclosed above, we did not have, as at 30 April 2013, any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any other guarantees or material contingent liabilities.

Description of Material Indebtedness

2007 Term Loan Facility

On 5 December 2007, we entered into the 2007 Term Loan Facility with a syndicate of lenders for the purpose of repayment or prepayment of then existing debt. The obligor group consisted of New Macau Landmark as borrower, Hong Hock as corporate guarantor and David Chow, Lam Fong Ngo and Li Chi Keung as personal guarantors, as well as other parties to the security documents related to this facility, including Seng Heng Bank Limited, Industrial and Commercial Bank of China (Asia) Limited and BEA Macau as original lenders. Seng Heng Bank Limited was the facility agent and the security agent.

The total commitment under this seven-year term loan facility was HK$1.2 billion, at HIBOR plus a margin of 2% per annum. All amounts borrowed under the facility were applied to repay or prepay all the outstanding indebtedness under a previous HK$1.2 billion term loan facility entered into on 30 June 2003 between Hong Hock as borrower and Seng Heng Bank Limited as lender.

The facility was secured by a mortgage on certain basement car parking and commercial areas of The Landmark Macau, all the assets and shares of New Macau Landmark, a term deposit for an amount not less than HK$50.0 million or two months' installment (whichever is higher), personal guarantees from and a promissory note of HK$1.2 billion endorsed by David Chow, Lam Fong Ngo and Li Chi Keung, and a guarantee from Hong Hock as corporate guarantor. We have fully settled all outstanding amounts under the 2007 Term Loan Facility, which has expired. All securities and guarantees for the 2007 Term Loan Facility have been released.

2011 Term Loan Facility

Overview

On 30 March 2011, we entered into the 2011 Term Loan Facility with a syndicate of lenders for the purpose of refinancing then existing debt and for our working capital needs. The obligor group consists of New Macau Landmark as borrower, Hong Hock as corporate guarantor and David Chow and Li Chi Keung as personal guarantors, as well as other parties to the security documents related to this facility, including All Landmark, Grand Bright, Elite Success and our Company. ICBC Macau is the facility agent and the security agent.

The total commitment under this five-year term loan facility is HK$1.8 billion and consists of a tranche up to the maximum amount of HK$730.0 million ("**Tranche A**") and a tranche for the remaining balance ("**Tranche B**"). All amounts borrowed under Tranche A were required to be applied to refinance the 2007 Term Loan Facility. Amounts borrowed under Tranche B may be applied towards our working capital needs. As at 31 December 2012, under the 2011 Term Loan Facility, HK$1,800 million had been utilized and HK$1,470 million remained outstanding. As at the Latest Practicable Date, the 2011 Term Loan Facility had been fully utilized.

Principal and Interest

The principal amount of HK$1.8 billion is required to be repaid in quarterly installments, commencing three months after the first loan drawdown date with a final repayment for any remaining balance in the 20th quarter thereafter according to a schedule set forth in the facility agreement. The final maturity date is the calendar day that falls five years from the first loan drawdown date.

We pay interest at the HIBOR corresponding to the interest period, which is three months, plus a margin of 3% per annum. If we default on any amounts payable under the facility, interest would accrue at a rate of interest 3% higher than the rate which would have been payable, and such default interest would be compounded with the unpaid sum at the end of each interest period. The facility agreement also contains provisions for an alternative basis of interest in the event of a market disruption.

We do not foresee any difficulty in meeting our upcoming payment obligations under this facility in the near future.

Prepayment

We may make voluntary prepayments in a minimum amount of HK$50.0 million and in integral multiples of HK$10.0 million by giving ICBC Macau at least 15 days' prior written notice. Prepayments are subject to a prepayment penalty of 0.25% on the prepaid amount. The facility agreement also contains mandatory prepayment provisions in the event of sale or disposition of assets subject to security interests under the security agreements in connection with this facility. See "— Security and Guarantees" below. We may also be required to prepay outstanding loan amounts under other circumstances, including if our loan-to-value ratio, which is the ratio of the principal amount outstanding under the facility over the market value of the assets and other collateral securing the facility, exceeds a certain percentage. The loan-to-value ratio we are required to maintain under this facility was lowered from 45% to 40% pursuant to a supplemental agreement entered on 25 September 2012. See "— Indebtedness — Description of Material Indebtedness — 2011 Term Loan Facility — Second 2012 Amendment."

General Covenants

The facility agreement contains general covenants restricting, among other things:

- the ability of the obligor group to sell, lease, transfer or otherwise dispose of assets or property or enter into any agreement to do so, other than in the ordinary course of business or with the prior written consent of ICBC Macau;
- the ability of the obligor group to create or allow to exist any other security interests;
- the ability of New Macau Landmark and Hong Hock to borrow or raise money or incur any financial indebtedness other than advances subordinated and assigned to the lenders or financial indebtedness approved by ICBC Macau before it is incurred;
- our ability to transfer any shares or change our shareholding structure without the prior written consent of ICBC Macau;
- our ability to engage in any other business other than our main stream of business, which is defined as the operation of The Landmark Macau property and the leasing of the gaming and commercial areas in The Landmark Macau;
- the ability of New Macau Landmark to enter into any new property or hotel management contract for Landmark Macau or amend the terms or provisions of any existing management contract for The Landmark Macau property without consent from the majority lenders; and
- the ability of New Macau Landmark and Hong Hock to declare, pay or make any dividends or other distributions, or repay any loan or interest to any other person, without prior notification to ICBC Macau and provided that there is no event of default and we have complied with certain financial ratios.

Financial Covenants

New Macau Landmark and Hong Hock are required to maintain a minimum interest coverage ratio and a maximum leverage ratio, calculated based on audited financial statements at each anniversary of the agreement date.

The minimum interest coverage ratio, which is the ratio of consolidated EBITDA over consolidated interest expenses, must not be lower than: eight times in the first and second fiscal year after the agreement date; and 10 times in the third and following fiscal years after the agreement date. Consolidated EBITDA is the total earnings before interest, tax, depreciation and amortization obtained by New Macau Landmark and Hong Hock, including from hotel operation, property management and licensing income from the entertainment, gaming and commercial areas. Consolidated interest expenses are the total amount of interest paid or payable by New Macau Landmark or Hong Hock or both, as applicable, up to the last day of each fiscal year. For 2011 and 2012, our interest coverage ratio complied with the minimum interest coverage ratio covenant.

The maximum leverage ratio, which is the ratio of consolidated total borrowings over consolidated EBITDA, must not exceed: 3.5 times in the first fiscal year after the agreement date; 2.8 times in the second fiscal year after the agreement date; and 2.5 times in the third and following fiscal years after the agreement date. Consolidated total borrowings consist of the total amount of loans borrowed and due by New Macau Landmark or Hong Hock or both, as applicable, on the last day of each fiscal year, excluding any subordinated shareholders loans. For 2011 and 2012, our leverage ratio complied with the maximum leverage ratio covenant.

Events of Default

The facility agreement contains certain events of default, including but not limited to: nonpayment; breach of any obligations under the agreement by any obligors; misrepresentation by any obligors, cross-default in an amount greater than HK$5.0 million (or its equivalent in any other currency or currencies); insolvency events or proceedings; cessation of business; failure to pay any sums over HK$1.0 million under any final judgments or orders given by a court of competent jurisdiction within the applicable period; rescission of a finance or security document; breach of any term of the land concession of the Landmark Macau property in any material respect; expropriation or seizure of the Landmark Macau property; any material qualifications in the auditor's report of New Macau Landmark's consolidated financial statements; and any material adverse change in relation to any obligor, including us, which in the opinion of majority lenders is likely to have a material adverse effect.

Security and Guarantees

The assets and other collateral securing this facility include: all the assets of New Macau Landmark; bank balances held by Hong Hock and New Macau Landmark; the property on which The Landmark Macau is located, including buildings and equipment; all the shares of New Macau Landmark, Hong Hock and our Company; and rights and interests over management contracts regarding The Landmark Macau. Hong Hock as corporate guarantor has executed a guarantee as security, and David Chow and Li Chi Keung as personal guarantors have executed promissory notes as security for 75.75% and 24.25%, respectively, of the total amount of HK$1.8 billion.

First 2012 Amendment

On 29 June 2012, we entered into a supplemental agreement, *inter alia*, to (i) defer the principal installments due in October 2011, January 2012 and April 2012 of HK$55.0 million each to 30 June 2012 for an amendment fee of HK$55,000 for each deferred installment; and (ii) obtain authorization and consent from ICBC Macau on behalf of the lenders to a share capital increase of HK$325,883,288.1 from HK$339,184,646.8 to HK$665,067,934.9 and issuance of new shares in connection with our acquisition of MFW Investment and any private placements, as appropriate.

The deferment of principal installments was to facilitate our diversion of funds and resources to pay the outstanding land premium for the Macau Fisherman's Wharf and the costs for the upgrading and renovation work of The Landmark Macau. As security for the deferred principal installments, we deposited the repayment installment amounts to our designated accounts with ICBC Macau and had continued to repay all accrued interest under the 2011 Term Loan Facility on schedule.

The authorization and consent from ICBC Macau on behalf of the lenders to a share capital increase and issuance of new shares was sought in respect of the Offshore Restructuring and the acquisition of MFW Investment.

Second 2012 Amendment

On 25 September 2012, we entered into a further supplemental agreement in light of the indebtedness we expect to incur under the 2012 Term Loan Facility. This supplemental agreement amends the loan-to-value ratio we are required to maintain under the 2011 Term Loan Facility from 45% to 40%, and increases each quarterly installment for the repayment of outstanding amounts under the facility by HK$12.0 million from April 2013 to the final repayment date.

2012 Term Loan Facility

Overview

On 25 September 2012, we entered into the 2012 Term Loan Facility with a syndicate of lenders for the purpose of settling land premium payments under the revised land concession contract for Macau Fisherman's Wharf and financing part of the renovation costs of The Landmark Macau. The obligor group consists of New Macau Landmark as borrower, Hong Hock as corporate guarantor and David Chow and Li Chi Keung as personal guarantors, as well as other parties to the security documents related to this facility, including All Landmark, Grand Bright, Elite Success and our Company. ICBC Macau is the facility agent and the security agent.

The total commitment under this three year and nine-month term loan facility is HK$300.0 million and consists of a tranche up to the maximum amount of HK$70.0 million to pay land premiums for Macau Fisherman's Wharf ("Tranche A") and a tranche up to the maximum amount of HK$230.0 million to finance renovation costs of The Landmark Macau ("Tranche B"). As at 31 December 2012, under the 2012 Term Loan Facility, HK$300.0 million had been utilized and HK$282.0 million remained outstanding. As at the Latest Practicable Date, the 2012 Term Loan Facility had been fully utilized.

Principal and Interest

The principal amount is required to be repaid in 14 quarterly installments of HK$18.0 million each, starting one month after the first loan drawdown date. Such quarterly installments may only be made if outstanding amounts under the 2011 Term Loan Facility have been repaid. The final maturity date is the calendar day that falls three years and nine months from the first loan drawdown date.

We pay interest under this facility at the Macau prime rate (the applicable screen rate, presently 5.25%, or in the absence of a screen rate, the rates quoted by the reference banks to leading banks in the Macau interbank market) corresponding to the three-month interest period, minus a margin of 1% per annum. If we default on any amounts payable under the facility, interest would accrue at a rate of interest 3% higher than the rate which would have been payable, and such default interest would be compounded with the unpaid sum at the end of each interest period. The facility agreement also contains provisions for an alternative basis of interest in the event of a market disruption.

We do not foresee any difficulty in meeting our upcoming payment obligations under this facility in the near future.

Prepayment

We may make voluntary prepayments in a minimum amount of HK$50.0 million and in integral multiples of HK$10.0 million by giving ICBC Macau at least 15 days' prior written notice. Such prepayments may only be made if outstanding amounts under the 2011 Term Loan Facility have been repaid. Prepayments are subject to a prepayment penalty of 0.25% on the prepaid amount. The facility agreement also contains certain mandatory prepayment provisions. For example, if our loan-to-value ratio, which is the ratio of the principal amount outstanding under the facility over the market value of the assets and other collateral securing the facility, exceeds 45%, we may be required to prepay the principal amounts outstanding under the facility, cancel part of the facility or provide additional security to ICBC Macau so that our loan-to-value ratio does not exceed 35% thereafter.

General Covenants

The general covenants of this facility are similar to those under the 2011 Term Loan Facility.

Financial Covenants

New Macau Landmark and Hong Hock are required to maintain a minimum interest coverage ratio and a maximum leverage ratio, calculated based on audited financial statements at each anniversary of the agreement date.

The minimum interest coverage ratio, which is the ratio of consolidated EBITDA over consolidated interest expenses, must not be lower than: eight times in the first and second fiscal year after the agreement date; and 10 times in the third and following fiscal years after the agreement date. Consolidated EBITDA is the total earnings before interest, tax, depreciation and amortization obtained by New Macau Landmark and Hong Hock, including from hotel operation, property management and licensing income from the entertainment, gaming and commercial areas. Consolidated interest expenses are the total amount of interest paid or payable by New Macau Landmark or Hong Hock or both, as applicable, up to the last day of each fiscal year. For 2012, our interest coverage ratio complied with the minimum interest coverage ratio covenant.

The maximum leverage ratio, which is the ratio of consolidated total borrowings over consolidated EBITDA, must not exceed 2.8 times at all times during the existence of this facility. Consolidated total borrowings consist of the total amount of loans borrowed and due by New Macau Landmark or Hong Hock or both, as applicable, on the last day of each fiscal year, excluding any subordinated shareholders loans. For 2012, our leverage ratio complied with the maximum leverage ratio covenant.

Events of Default

The facility agreement contains events of default similar to those under the 2011 Term Loan Facility.

Security and Guarantees

This facility is secured by the same property and assets as the 2011 Term Loan Facility, as well as a mortgage over Macau Fisherman's Wharf, a guarantee for the total amount of the facility given by Hong Hock as corporate guarantor, and a promissory note for HK$330.0 million secured proportionally by David Chow and Li Chi Keung as personal guarantors as to 76.71% and 23.29%, respectively, of the total amount of the loan.

Compliance with Financial Covenants

To ensure compliance with all of our obligations under the 2011 Term Loan Facility and the 2012 Term Loan Facility, we analyze our management accounts and conduct compliance checks on a monthly basis to ensure there is a headroom of not less than 10% in respect of all financial ratios that we covenanted to maintain under these loan facilities. Our Directors confirmed that during the Track Record Period and as at the Latest Practicable Date, we had not violated any of the financial covenants under the 2011 Term Loan Facility and 2012 Term Loan Facility.

ICBC Macau Waiver

Pursuant to a waiver letter dated 14 May 2013, ICBC Macau confirmed, on behalf of the lenders under the 2011 Term Loan Facility and the 2012 Term Loan Facility, the consent of such lenders in respect of the Global Offering and the release of the guarantees and other securities given by the Controlling Shareholders on various conditions, among which (i) David Chow, All Landmark, Lam Fong Ngo, Grand Bright, Li Chi Keung, Elite Success and Ina Chan are required to hold at least 51% in aggregate of the enlarged share capital of our Company upon completion of the Global Offering; and (ii) David Chow, Lam Fong Ngo, Sheldon Trainor-DeGirolamo and Tong Ka Wing, Carl are required to comprise the majority of the members of the Board (excluding the independent non-executive Directors) for the term of both the 2011 Term Loan Facility and the 2012 Term Loan Facility. In addition, each of David Chow, Lam Fong Ngo and Sheldon Trainor-DeGirolamo shall remain as executive Director on the Listing Date. Such requirements as to the maintenance of the level of ownership in and composition of the members of the Board of our Company result in the disclosure obligation under Rule 13.18 of the Listing Rules.

CERTAIN FINANCIAL RATIOS

The following table sets forth certain financial ratios of our Group and our management's discussion on material fluctuations as at and for the dates indicated.

	As at/for the year ended 31 December		
	2010	2011	2012
Profitability ratios			
Return on equity			
Return on equity[(1)]	N/A	50.8%	10.1%
Return on total assets[(2)]	19.7%	19.3%	6.8%
Liquidity ratios			
Liquidity ratios			
Current ratio[(3)]	30.7%	301.3%	292.4%
Quick ratio[(4)]	30.6%	300.4%	289.6%
Capital adequacy ratio			
Gearing ratio[(5)]	N/A	135.4%	32.6%
Debt-to-net worth ratio			
Debt-to-equity ratio[(6)]	N/A	129.8%	30.5%
Interest coverage[(7)]	28.6	14.0	9.5

Notes:

(1) Return on equity ratio is calculated by dividing profit and total comprehension income for the year by total equity at the end of the year and multiplying by 100%. We had shareholders' deficit in 2010 primarily due to the dividends payable to the holders of the Non-redeemable Preferred Shares of HK$3,033.4 million as at 31 December 2010. Therefore, the return on equity for 2010 is not meaningful.

(2) Return on total assets ratio is calculated by dividing profit and total comprehension income for the year by total assets at the end of the year and multiplying by 100%.

(3) Current ratio is calculated by dividing total current assets at the end of the year by total current liabilities at the end of the year and multiplying by 100%.

(4) Quick ratio is calculated by dividing the difference between total current assets net of inventories at the end of the year by total current liabilities at the end of the year and multiplying by 100%.

(5) Gearing ratio is calculated by dividing the total interest-bearing liabilities at the end of the year by total equity at the end of the year and multiplying by 100%. We had shareholders' deficit in 2010 primarily due to the dividends payable to the holders of the Non-redeemable Preferred Shares of HK$3,033.4 million as at 31 December 2010. Therefore, the gearing ratio for 2010 is not meaningful.

(6) Debt-to-equity ratio is calculated by dividing the interest-bearing liabilities net of cash and cash equivalents at the end of the year by total equity at the end of the year and multiplying by 100%. We had shareholder's deficit in 2010 primarily due to the dividends payable to the holders of the Non-redeemable Preferred Shares of HK$3,033.4 million as at 31 December 2010. Therefore, the debt-to-equity ratio for 2010 is not meaningful.

(7) Interest coverage is calculated by dividing the profit before interest and taxation for the year by total interest expenses (including capitalized interest expenses) for the year.

Analysis of Selected Key Financial Ratios

Return on Equity

We had shareholders' deficit in 2010, primarily as a result of an accrual of other financial liabilities of approximately HK$3 billion.

Our return on equity ratio was 50.8% for the year ended 31 December 2011.

Our return on equity ratio was 10.1% for the year ended 31 December 2012. The decrease in our return on equity ratio in 2012 as compared to that of 2011 was due to the increase in total equity, which was the result of the issue of shares for the acquisition of MFW Investment during the period.

Return on Total Assets

Our return on total assets ratio slightly decreased from 19.7% for the year ended 31 December 2010 to 19.3% for the year ended 31 December 2011, primarily as a result of an increase in net profit that was offset by an increase in total assets.

Our return on total assets ratio decreased to 6.8% for the year ended 31 December 2012, primarily due to an increase in total assets as a result of the MFW Acquisition in May 2012.

Current Ratio

Our current ratio increased from 30.7% as at 31 December 2010 to 301.3% as at 31 December 2011, primarily as a result of the settlement and waiver of dividends payable to holders of Non-redeemable Preferred Shares, which amounted to HK$30 billion, in 2011.

Our current ratio decreased from 301.3% as at 31 December 2011 to 292.4% as at 31 December 2012, primarily as a result of the increase in current liabilities generated from our operations.

Quick Ratio

Our quick ratio increased from 30.6% as at 31 December 2010 to 300.4% as at 31 December 2011, primarily as a result of the settlement and waiver of dividends payable to holders of Non-redeemable Preferred Shares in 2011.

Our quick ratio decreased from 300.4% as at 31 December 2011 to 289.6% as at 31 December 2012, primarily as a result of the increase in current liabilities generated from our operations.

Gearing Ratio

Gearing ratio was not applicable for the year ended 31 December 2010 due to the net equity of the Company.

Our gearing ratio was 135.4% as at 31 December 2011. The high gearing ratio was primarily due to an outstanding loan under the 2011 Term Loan Facility of HK$1,728.6 million as at 31 December 2011.

Our gearing ratio decreased from 135.4% as at 31 December 2011 to 32.6% as at 31 December 2012, primarily as a result of the increase in total equity after the acquisition of MFW Investment.

COMMITMENTS AND CONTINGENCIES

Capital Expenditure and Capital Commitments

Our capital expenditures, as represented by our additions to investment properties and property and equipment, during the Track Record Period primarily related to expenditures on (i) construction of properties, (ii) refurbishment of existing properties and (iii) acquisition of furniture, fixtures, equipment, aircraft and vehicles. Our total capital expenditures amounted to HK$22.9 million, HK$115.0 million and HK$9.1 million for the years ended 31 December 2010, 2011 and 2012, respectively.

As at 31 December 2010 and 2011, we had committed to acquire the entire interest in MFW Investment.

As at 31 December 2012, we had committed capital expenditures in Macau Fisherman's Wharf in respect of the acquisition of property and equipment and construction in progress, which are contracted but not provided for, of HK$20.2 million.

As at 31 December 2012, we had committed capital expenditures in respect of the renovation of The Landmark Macau and the redevelopment plans of Macau Fisherman's Wharf, which are authorized but not contracted for, of approximately HK$429.8 million and approximately HK$6.6 billion, respectively.

We anticipate our capital expenditures in the future will increase as we continually seek new opportunities for additional gaming, entertainment or property-related businesses in Macau. Our projected capital expenditures for the years ending 31 December 2013, 2014, 2015 and 2016 is approximately HK$1,549.7 million, HK$1,886.1 million, HK$2,511.2 million and HK$1,248.1 million, respectively, which will be primarily used for the renovation of The Landmark Macau and the MFW Redevelopment Project. The total projected capital expenditure for the renovation of The Landmark Macau and the MFW Redevelopment Project is HK$429.8 million and HK$6.8 billion, respectively. We expect to fund the renovation of The Landmark Macau entirely by the net proceeds from the Global Offering. We expect to fund 99.5%, 91.4%, 36.9% and nil of the capital expenditure of the MFW Redevelopment Project by the net proceeds from the Global Offering for the four years ending 31 December 2016, and the remainder by cash generated from our operations and equity and/or debt financing. See "Business — Our Development Projects — Renovation of The Landmark Macau" and "Business — Our Development Projects — The MFW Redevelopment Project" for further details of our expansion plans.

Our expansion plans for each of the four years ending 31 December 2013, 2014, 2015 and 2016 and the related projected capital expenditures are summarized as follows:

	For the year ending 31 December			
	2013	2014	2015	2016
	(in millions of HK$)			
MFW Redevelopment Project				
Prague Harbor View Hotel	926.4	665.0	—	—
Palace Hotel	33.7	584.0	890.6	555.5
Legendale Hotel Macau	21.0	179.1	1,190.4	669.5
Construction of a general entertainment and cultural facility	23.1	302.1	321.5	—
Improvement on the yacht club and public pier for the harbor cruise	47.6	22.4	—	—
Construction of a canopied open-air shopping, dining and entertainment colonnade	3.9	23.9	14.2	—
Refurbishment of existing facilities and miscellaneous work and expenses[1]	62.2	21.6	49.5	23.1
Land premium	45.0	45.0	45.0	—
Sub-total	1,162.9	1,843.1	2,511.2	1,248.1
Renovation of The Landmark Macau	386.8	43.0	—	—
Total:	1,549.7	1,886.1	2,511.2	1,248.1

Note:

(1) Include project management and supervision fees, other miscellaneous expenses and design and construction costs for the refurbishment of existing buildings including Babylon Casino and Rocks Hotel, landscaping work construction of new utility structures, multifunctional areas, parking facilities, restaurants and pedestrian walkways and demolition of certain existing structures. See "Business — Our Development Projects — The MFW Redevelopment Project — Expansion and redevelopment highlights — Redevelopment of Existing Facilities".

Operating Lease Commitments

As at 31 December 2010, 2011 and 2012, we as lessee had commitments for future minimum lease payments in respect of land, office properties, warehouse and staff quarters rented under non-cancellable operating leases of HK$0.6 million, HK$1.5 million and HK$139.7 million, respectively. As at 31 December 2010, 2011 and 2012, we as lessor had contracted with tenants for future minimum lease payments of HK$68.7 million, HK$70.5 million and HK$341.6 million, respectively.

Contingent Liabilities

Pursuant to the amendment to the Service Agreement on 16 December 2011, in the event of any non-payment by the gaming promoters or any failure by them to fulfill their obligations under their respective Gaming Promotion Agreements with SJM, we undertake to reimburse SJM for any loss resulting from such misconduct of the gaming promoters as well as any possible legal costs associated with litigation. During the Track Record Period and as at the Latest Practicable Date, there had been no such claims from SJM.

We provided a financial guarantee to SJM, evidenced by a HK$300 million promissory note issued by us to SJM, for TCL's borrowings of HK$300 million from SJM as lender, pursuant to a credit agreement dated 16 December 2011. If TCL defaults on any payments or breaches any of its obligations under the credit agreement, we are liable to SJM and SJM is entitled to withhold our monthly service income or deduct outstanding amounts from our monthly service income under the Service Agreement. As at 31 December 2011 and 2012, the borrowings of HK$300 million were fully utilized by TCL and remained outstanding. During the Track Record Period and as at the Latest Practicable Date, TCL had not defaulted on any of its payments or breached any of its obligations under the credit agreement. We expect that TCL will repay to SJM all outstanding amounts under this agreement and terminate this agreement prior to Listing, which will, in turn, result in the discharge of our guarantee to SJM.

Based on our management's expectations, the fair value of the above guarantees at initial recognition is considered as insignificant and at each reporting date, it is unlikely that any amount will be payable by us to indemnify SJM under these arrangements. Consequently, no liability for these guarantees have been recognized in our results of operations during the Track Record Period.

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 and we presented our defense against this counterclaim and increased our original claim to approximately MOP89 million. On 29 April 2013, the Macau Courts granted our claims for an amount of approximately MOP67 million plus accrued interests and dismissed all the counterclaims made by Celebrate Macau Corporation Limited against us. Celebrate Macau Corporation has since appealed the decision. In the event the Celebrate Macau Corporation succeeds in appealing the decision to the Court of Second Instance and we fail to appeal successfully against such decision to the Court of Final Appeal, we may be liable for approximately MOP90.1 million. In the event we are successful in our appeal to the Court of Final Instance but are unsuccessful in enforcing the judgment against Celebrate Macau Corporation, we will be unable to recover up to approximately MOP89.0 million. See "Business — Compliance and Legal Proceedings."

In January 2008, 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 us 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. On 27 May 2010, HC Hobbs filed an appeal against the judgment and we 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 HC Hobbs' claim and be unable to recover up to approximately MOP14.5 million in respect of our counterclaim in relation to this legal proceeding. See "Business — Compliance and Legal Proceedings."

Listing Expenses

As at the Latest Practicable Date, we had incurred HK$40.4 million in listing expenses, of which HK$10.4 million was recorded as prepayments and the remaining was recognized as expenses. We expect to incur an additional HK$212.8 million Listing related expenses, of which approximately HK$64.1 million will be recognized in the consolidated statements of comprehensive income for the year ending 31 December 2013 and approximately HK$148.7 million will be deducted from our Group's capital. In addition, the Company issued 70,631,345 Shares to PacBridge Capital Partners (HK) Limited in consideration of corporate finance advisory services provided by PacBridge Capital Partners (HK) Limited in connection with the Listing pursuant to their engagement letter signed with the Company on 30 August 2011. Such Shares will be accounted for as part of the Listing expenses of the Company. We do not expect this amount to have a material impact on our results of operations for the year ending 31 December 2013.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF MFW INVESTMENT

	Year ended 31 December		Period from 1 January to 18 May
	2010	2011	2012
	(in thousands of HK$)		
Consolidated Statements of Comprehensive Income:			
Revenue	293,588	320,536	135,193
Costs of sales and services	(351,717)	(313,126)	(115,576)
	(58,129)	7,410	19,617
Other income, gains and losses	6,236	(8,285)	597
Marketing and promotional expenses	(17,614)	(16,026)	(5,983)
Operating and administrative expenses	(105,773)	(89,868)	(32,299)
Finance costs	(906)	(2,836)	(17)
Loss before taxation	(176,186)	(109,605)	(18,085)
Taxation	—	—	—
Loss and total comprehensive expense for the year, attributable to owners of MFW Investment	(176,186)	(109,605)	(18,085)
Adjusted EBITDA of MFW Investment(1)	(79,244)	(17,031)	12,982

Note:

(1) Adjusted EBITDA of MFW Investment is MFW Investment's earnings before finance costs, income taxes, depreciation, release of prepaid lease payments, loss on disposal of property and equipment and impairment loss recognized in respect property and equipment. Adjusted EBITDA of MFW Investment is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation, of operations involving gaming and casinos. For a quantitative reconciliation of Adjusted EBITDA of MFW Investment to its most directly comparable HKFRS measurement, operating profit for the years ended 31 December 2010 and 2011 and the period from 1 January to 18 May 2012, see "— Description of Certain Line Items of The Consolidated Statements of Comprehensive Income of MFW Investment — Adjusted EBITDA of MFW Investment."

	As at 31 December		As at 18 May
	2010	2011	2012
	(in thousands of HK$)		
Consolidated Statements of Financial Position:			
Non-current assets			
Investment properties	103,126	100,482	99,472
Property and equipment	1,431,947	1,358,483	1,330,025
Prepaid lease payments	47,605	46,355	45,877
Deposits for acquisition of property and equipment	6,452	6,452	6,452
	1,589,130	1,511,772	1,481,826
Current assets			
Inventories	12,737	16,841	23,670
Prepaid lease payments	1,250	1,250	1,250
Trade and other receivables	29,043	25,735	34,233
Amounts due from related companies	44	71	1
Pledged bank deposits	20,579	20,579	20,579
Bank balances and cash	50,225	49,225	60,521
	113,878	113,701	140,254
Current liabilities			
Trade and other payables	364,126	395,118	57,808
Amounts due to related companies	312,795	313,873	9,357
Amounts due to shareholders	2,887,761	2,887,761	—
	3,564,682	3,596,752	67,165
Net current (liabilities) assets	(3,450,804)	(3,483,051)	73,089
Total assets less current liabilities	(1,861,674)	(1,971,279)	1,554,915
Capital and reserves			
Share capital	9,709	9,709	9,709
Reserves	(1,871,383)	(1,980,988)	1,545,206
Equity attributable to owners of MFW Investment	(1,861,674)	(1,971,279)	1,554,915

DESCRIPTION OF CERTAIN LINE ITEMS OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF MFW INVESTMENT

Revenue

MFW Investment derived revenue from gaming services and non-gaming operations. The following table sets out a breakdown of the revenue of MFW Investment by segment and type for the periods indicated.

	Year Ended 31 December		Period from 1 January to 18 May
	2010	2011	2012
	(in thousands of HK$)		
Gaming services:			
— Mass market tables	107,577	130,247	72,672
— Slot machines	1,910	1,508	383
	109,487	131,755	73,055
Non-gaming operations:			
— Income from hotel rooms	16,832	22,410	7,603
— Food and beverage	74,868	79,553	23,166
— Licensing and building management services	36,768	36,461	13,737
— Others	55,633	50,357	17,632
	184,101	188,781	62,138
Total revenue	293,588	320,536	135,193

Gaming Services

Revenue from gaming services consisted of service income that MFW Investment received from SJM for its provision of services at Babylon Casino. We had intended since 2006 to acquire MFW Investment and, while the results of MFW Investment and our results have been segregated and accounted for separately prior to completion of the 2012 MFW Acquisition, the same senior management team oversaw the gaming services provided at Babylon Casino and Pharaoh's Palace Casino throughout the Track Record Period. Revenue derived from gaming services at Babylon Casino accounted for 37.3%, 41.1% and 54.0% of the total revenue of MFW Investment in 2010, 2011 and for the period from 1 January to 18 May 2012, respectively.

Mass market tables. Gross gaming income from mass market tables is the total amount of drop in the Casinos that is retained as win. MFW Investment received from SJM 40% of gross gaming income from mass market tables in Babylon Casino.

Slot machines. Gross gaming income from slot machines is based on the amount of slot handle. MFW Investment received from SJM 40% of gross gaming income from slot machines in Babylon Casino.

Non-Gaming Operations

Revenue from non-gaming operations consisted of income from hotel rooms, food and beverage income, licensing and building management services income and other income. Revenue from non-gaming operations accounted for 62.7%, 58.9% and 46.0% of the total revenue of MFW Investment in 2010, 2011 and for the period from 1 January to 18 May 2012, respectively.

Income from hotel rooms. Income from hotel rooms consisted of revenue from Rocks Hotel, including rental of hotel rooms and services such as laundry, and was recognized when hotel rooms were occupied. Income from hotel rooms accounted for 5.7%, 7.0% and 5.6% of the total revenue of MFW Investment in 2010, 2011 and for the period from 1 January to 18 May 2012, respectively.

Food and beverage. Food and beverage income consisted of income from restaurants and bars operated by MFW Investment. Revenue from restaurants accounted for 25.5%, 24.8% and 17.1% of the total revenue of MFW Investment in 2010, 2011 and for the period from 1 January to 18 May 2012, respectively.

Licensing and building management services. Licensing and building management services income consisted of lease income and management fees from tenants at Macau Fisherman's Wharf, including operators of retail stores, restaurants and bars, and theme park entertainment facilities. Licensing and building management services income accounted for 12.5%, 11.4% and 10.2% of the total revenue of MFW Investment in 2010, 2011 and for the period from 1 January to 18 May 2012, respectively.

Others. Other income of MFW Investment consisted of revenue from retail sales, rental of banquet halls and other convention and exhibition areas, catering services, transportation and theme park offerings such as amusement rides and video game arcades, as well as ticket sales for shows and exhibitions that MFW Investment hosted at Macau Fisherman's Wharf. Other income accounted for 18.9%, 15.7% and 13.0% of the total revenue of MFW Investment in 2010, 2011 and for the period from 1 January to 18 May 2012, respectively. In 2009, MFW Investment closed down the Tang Dynasty complex and Vulcania. Closure of these theme park entertainment facilities generally had a negative impact on other income of MFW Investment.

Cost of Sales and Services

Cost of sales and services primarily consisted of salaries and other staff costs, depreciation of property and equipment, utility costs, food and beverage costs and retail costs. In 2010, cost of sales and services exceeded the revenue generated by MFW Investment. Cost of sales and services amounted to 119.8% of the total revenue of MFW Investment in 2010. In 2011, cost of sales and services as a percentage of total revenue was 97.7%. The following table sets out a breakdown of the cost of sales and services of MFW Investment by segment for the periods indicated.

	Year Ended 31 December		Period from 1 January to 18 May
	2010	2011	2012
	(in thousands of HK$)		
Gaming services	131,218	102,031	40,882
Non-gaming operations	220,499	211,095	74,694
Total cost of sales and services	351,717	313,126	115,576

Other Income, Gains and Losses

Other income, gains and losses primarily consisted of bank interest income, net foreign exchange gains, sales of goods, and other income, as well as allowance for doubtful debts.

Marketing and Promotional Expenses

Marketing and promotional expenses consisted of costs related to seasonal promotional activities for Chinese New Year, Christmas and New Year's Eve as well as costs of general marketing and promotional activities. For Babylon Casino, marketing and promotional expenses consisted of general marketing and promotional activities, including allowances for hotel accommodations, food and beverages, entertainment, retail and other benefits-in-kind furnished without charge. For Grand Merit, the retail operations subsidiary of MFW Investment, marketing and promotional expenses primarily consisted of discounts, markdowns and in-store promotions of merchandise in connection with seasonal sales campaigns.

Operating and Administrative Expenses

Operating and administrative expenses consist of staff salaries and benefits, rental payments, utilities, other costs such as entertainment and traveling expenses, repairs and maintenance, depreciation, insurance and others.

Finance Costs

Finance costs consisted of interest on bank borrowings wholly repayable within five years and amount due to a shareholder, which amounted to HK$0.9 million, HK$2.8 million and HK$17,000 in 2010, 2011 and for the period from 1 January to 18 May 2012, respectively. MFW Investment paid the last installment of a MOP550 million loan from BNU in 2010 and in 2011 entered into the 2011 Revolving Credit Facility with BNU, which was fully settled in 2011. See "— Indebtedness of MFW Investment — Description of Material Indebtedness of MFW Investment."

Taxation

MFW Investment did not have any taxable profit during 2010, 2011 and for the period from 1 January to 18 May 2012. SJM paid special gaming taxes, special levies and gaming premiums to the Macau Government out of their share of the gross gaming income generated at Babylon Casino.

Adjusted EBITDA of MFW Investment

Adjusted EBITDA of MFW Investment is MFW Investment's earnings before finance costs, income taxes, depreciation, release of prepaid lease payments and loss on disposal of property and equipment.

The following table sets forth a quantitative reconciliation of Adjusted EBITDA of MFW Investment to its most directly comparable HKFRS measurements, profit attributable to owners of MFW Investment for the years ended 31 December 2010 and 2011 and the period from 1 January to 18 May 2012.

	Year Ended 31 December		Period from 1 January to 18 May
	2010	2011	2012
	(in thousands of HK$)		
Loss attributable to owners of MFW Investment	(176,186)	(109,605)	(18,085)
Add: Finance costs	906	2,836	17
Depreciation of investment properties	2,644	2,644	1,010
Depreciation of property and equipment	92,106	85,503	29,632
Loss on disposal of property and equipment	66	488	—
Release of prepaid lease payments	1,250	1,250	478
Less: Interest income	(30)	(147)	(70)
Adjusted EBITDA	(79,244)	(17,031)	12,982

RESULTS OF OPERATIONS OF MFW INVESTMENT

The following table sets forth certain information relating to the results of operations of MFW Investment for the years ended 31 December 2010 and 2011 and for the period from 1 January to 18 May 2012.

	Year Ended 31 December		Period from 1 January to 18 May
	2010	2011	2012
	(in thousands of HK$)		
Revenue	293,588	320,536	135,193
Cost of sales and services	(351,717)	(313,126)	(115,576)
	(58,129)	7,410	19,617
Other income, gains and losses	6,236	(8,285)	597
Marketing and promotional expenses	(17,614)	(16,026)	(5,983)
Operating and administrative expenses	(105,773)	(89,868)	(32,299)
Finance costs	(906)	(2,836)	(17)
Loss before taxation	(176,186)	(109,605)	(18,085)
Taxation	—	—	—
Loss and total comprehensive expense for the year, attributable to owners of MFW Investment	(176,186)	(109,605)	(18,085)

Year Ended 31 December 2011 Compared to Year Ended 31 December 2010

Revenue

Revenue increased by 9.2% to HK$320.5 million in 2011 from HK$293.6 million in 2010, primarily as a result of increased revenue from gaming services and increased income from hotel rooms and food and beverage under our non-gaming operations.

Revenue from gaming services increased by 20.3% to HK$131.8 million in 2011 from HK$109.5 million in 2010, primarily as a result of a greater number of visitors and higher spending at Babylon Casino, leading to an increase in mass market table games drop, despite a decrease in overall visitation to Macau Fisherman's Wharf. The number of mass market patrons to Babylon Casino increased by 6.9% to 570,242 in 2011 from 533,567 in 2010. Net win per table per day at Babylon Casino increased by 47.4% to HK$28,280 in 2011 from HK$19,190 in 2010, and the mass market tables games win rate slightly increased to 20.9% in 2011 from 20.4% in 2010.

Revenue from non-gaming operations increased by 2.5% to HK$188.8 million in 2011 from HK$184.1 million in 2010, primarily due to a 6.3% increase in food and beverage income to HK$79.6 million in 2011 from HK$74.9 million in 2010 and a 33.1% increase in income from hotel rooms to HK$22.4 million in 2011 from HK$16.8 million in 2010. Despite fewer non-gaming visitors in 2011, food and beverage income increased as a result of an increase in average spend per customer, reflecting the introduction of special promotions and events to attract spending in restaurants, upward adjustments in menu prices and enhanced advertising to corporate and trade association segments, which increased the booking of corporate functions and associations' events at restaurants in Macau Fisherman's Wharf. Income from hotel rooms increased as a result of increased occupancy, reflecting an increase in the number of gaming patrons at Babylon Casino to 570,242 visitors in 2011 from 533,567 visitors in 2010, as well as increased ADR and REVPAR resulting from upward adjustments in room rates. Rocks Hotel's ADR, occupancy rate and REVPAR were HK$1,438, 82.2% and HK$1,182, respectively, in 2011 as compared to HK$1,244, 70.5% and HK$877, respectively, in 2010. These increases were partially offset by a 9.5% decrease in other income to HK$50.4 million in 2011 from HK$55.6 million in 2010, reflecting a decrease in retail sales as well as a decrease in income from theme park entertainment facilities, primarily due to a decrease in the number of non-gaming visitors at Macau Fisherman's Wharf.

Cost of Sales and Services

Total cost of sales and services decreased by 11.0% to HK$313.1 million in 2011 from HK$351.7 million in 2010. This decrease in cost of sales and services was primarily due to reduced salaries and staff costs, as MFW Investment continued to cut spending in an effort to control costs. Cost of sales and services as a percentage of total revenue was 97.7% in 2011 as compared with 119.8% in 2010.

Other Income, Gains and Losses

Other income, gains and losses changed to a loss of HK$8.3 million in 2011 from a gain of HK$6.2 million in 2010, primarily attributable to an increase in allowance for doubtful debts, a decrease in sales of goods, and an one-off insurance claim compensation of HK$5.5 million received in 2010 but not in 2011 for damage to property caused by a typhoon in 2010.

Marketing and Promotional Expenses

Marketing and promotional expenses decreased by 9.0% to HK$16.0 million in 2011 from HK$17.6 million in 2010. This decrease was primarily attributable to less spending on seasonal promotional events at Macau Fisherman's Wharf, partially offset by increased spending on promotional allowances for Babylon Casino patrons and increased retail sales promotions.

Operating and Administrative Expenses

Operating and administrative expenses decreased by 15.0% to HK$89.9 million in 2011 from HK$105.8 million in 2010. This decrease was primarily attributable to significantly scaled back spending on back office functions at Macau Fisherman's Wharf, including reduced head count.

Finance Costs

Finance costs increased by 213.0% to HK$2.8 million in 2011 from HK$0.9 million in 2010. This increase was primarily attributable to interest on bank borrowings in connection with the 2011 Revolving Credit Facility. See "— Indebtedness of MFW Investment."

Loss

As a result of increased revenue and decreased expenses, MFW Investment's loss decreased by 37.8% to HK$109.6 million in 2011 from HK$176.2 million in 2010. The loss margin of MFW Investment was 34.2% in 2011 compared to 60.0% in 2010.

LIQUIDITY AND CAPITAL RESOURCES OF MFW INVESTMENT

MFW Investment generally funded its operations from cash generated from operating activities, debt financings and shareholder and related party loans.

Cash Flows

The following table sets forth a summary of the cash flows of MFW Investment for the periods indicated.

	Year ended 31 December		Period from 1 January to 18 May
	2010	2011	2012
	(in thousands of HK$)		
Net cash (used in) from operating activities	(11,350)	14,283	(156,199)
Net cash used in investing activities	(5,878)	(12,527)	(1,174)
Net cash from (used in) financing activities	24,952	(2,756)	168,669
Net increase (decrease) in cash and cash equivalents .	7,724	(1,000)	11,296
Cash and cash equivalents at beginning of the year. .	42,501	50,225	49,225
Cash and cash equivalents at end of the year	50,225	49,225	60,521

Operating Activities

Net cash used in operating activities amounted to HK$156.2 million for the period from 1 January to 18 May 2012, primarily due to a decrease in trade and other payables of HK$153.8 million and an increase in trade and other receivables of HK$8.5 million.

Net cash from operating activities increased to HK$14.3 million in 2011 from net cash used in operating activities of HK$11.4 million in 2010, primarily due to a 37.8% decrease in net loss to HK$109.6 million in 2011 from HK$176.2 million in 2010, as well as a increase in trade and other payables of HK$31.0 million in 2011 compared to an increase in trade and other payables of HK$45.5 million in 2010. The increase in net cash from operating activities in 2011 as compared to 2010 was partially offset by an increase in trade and other receivables of HK$6.6 million in 2011 compared to a decrease in trade and other receivables of HK$17.1 million in 2010.

Investing Activities

The principal items affecting net cash outflow from investing activities have been capital expenditures for property and equipment.

Net cash used in investing activities amounted to HK$1.2 million for the period from 1 January to 18 May 2012, which related to purchase of property and equipment.

Net cash used in investing activities increased by 113.1% to HK$12.5 million in 2011 from HK$5.9 million in 2010, as a result of increased purchases of property and equipment in 2011 as compared with 2010.

Financing Activities

The financing activities of MFW Investment primarily consisted of repayments of bank borrowings and payments of interest on bank borrowings, as well as transactions with shareholders and a related party.

Net cash from financing activities amounted to HK$168.7 million for the period from 1 January to 18 May 2012, which primarily consisted of advances from related companies amounting to HK$168.2 million, provided by Hong Hock to MFW Investment to finance settlement to SJM of the shortfall owed to SJM by MFW Investment in connection with loss-making operations at Babylon Casino.

Net cash used in financing activities amounted to HK$2.8 million in 2011, primarily reflecting interest paid on bank borrowings.

Net cash from financing activities amounted to HK$25.0 million in 2010, mainly as a result of advances from related companies and an increase in amounts due to shareholders, which amounts were provided as working capital to finance the operation of MFW Investment, partially offset by interest payments and repayments of bank borrowings.

DISCUSSION OF CERTAIN FINANCIAL POSITION ITEMS OF MFW INVESTMENT

Net Current (Liabilities) Assets of MFW Investment

The following table sets out current assets, current liabilities and net current (liabilities) assets of MFW Investment as at the dates indicated.

	As at 31 December		As at 18 May
	2010	2011	2012
	(in thousands of HK$)		
Current assets			
Inventories	12,737	16,841	23,670
Prepaid lease payments	1,250	1,250	1,250
Trade and other receivables	29,043	25,735	34,233
Amounts due from related companies	44	71	1
Pledged bank deposits	20,579	20,579	20,579
Bank balances and cash	50,225	49,225	60,521
	113,878	113,701	140,254
Current liabilities			
Trade and other payables	364,126	395,118	57,808
Amounts due to related companies	312,795	313,873	9,357
Amounts due to shareholders/directors	2,887,761	2,887,761	—
	3,564,682	3,596,752	67,165
Net current (liabilities) assets	(3,450,804)	(3,483,051)	73,089

Trade and Other Receivables

Trade and other receivables of MFW Investment consisted of receivables from hotel, food and beverage, and licensing and building management operations.

	As at 31 December		As at 18 May
	2010	2011	2012
	(in thousands of HK$)		
Trade receivables	71,017	73,599	81,474
Less: Allowance for doubtful debts	(46,412)	(53,395)	(53,395)
	24,605	20,204	28,079
Deposits, prepayments and other receivables	4,438	5,531	6,154
Total trade and other receivables	29,043	25,735	34,233

As at 31 December 2010 and 2011 and 18 May 2012, MFW Investment had provided allowance for doubtful debts of HK$46.4 million, HK$53.4 million and HK$53.4 million, respectively, which are individually impaired trade receivables that are aged over one year, placed under liquidation or in severe financial difficulty. The allowances were mainly made for those unsettled rental in arrears from tenants which have financial difficulties or have terminated agreements with us. In determining the recoverability of a trade receivable, MFW Investment considered change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

MFW Investment provided a credit period of an average of 30 days to its customers relating to the provision of gaming services, an average of 30 days to its hotel customers and an average of 15 days to its tenants. The following is an analysis by age of trade receivables, net of allowance for doubtful debts, based on the invoice date as at the dates indicated.

	As at 31 December		As at 18 May
	2010	2011	2012
	(in thousands of HK$)		
Within 3 months	11,868	13,399	16,297
Over 3 months but within 6 months	2,004	2,942	3,678
Over 6 months	10,733	3,863	8,104
	24,605	20,204	28,079

As at 31 December 2010 and 2011 and 18 May 2012, the trade receivables balance past due for which MFW Investment had not provided for impairment loss amounted to HK$17.4 million, HK$13.5 million and HK$22.2 million, respectively. MFW Investment did not hold any collateral over these balances. It did not provide for impairment loss for these amounts past due because it received continuous subsequent settlements and had business transactions with these counterparties and maintained good business relationship with its customers.

Trade and Other Payables

Trade and other payables of MFW Investment consisted of amounts outstanding for ongoing costs construction work.

	As at 31 December		As at 18 May
	2010	2011	2012
	(in thousands of HK$)		
Trade payables	300,992	343,287	10,942
Other payables and deposits received	37,595	31,821	35,053
Accruals	25,539	20,010	11,813
Total trade and other payables	364,126	395,118	57,808

The average credit period granted by the creditors of MFW Investment ranges from one month to three months. The following is an analysis by age of trade payables based on the invoice date as at the dates indicated.

	As at 31 December		As at 18 May
	2010	2011	2012
	(in thousands of HK$)		
Within 3 months	9,324	16,745	10,586
Over 3 months but within 6 months	17,525	18,079	51
Over 6 months	274,143	308,463	305
	300,992	343,287	10,942

Amounts Due From Related Companies

	As at 31 December		As at 18 May
	2010	2011	2012
	(in thousands of HK$)		
Amounts due from related companies	44	71	1

Amounts due from related companies of MFW Investment primarily consisted of trade receivables. MFW Investment provides a credit period of three months to its related companies.

Amounts Due to Related Companies and Shareholders of MFW Investment

	As at 31 December		As at 18 May
	2010	2011	2012
	(in thousands of HK$)		
Amounts Due To Related Companies of MFW Investment			
Trading	8,467	9,465	9,229
Non-trading	304,328	304,408	128
	312,795	313,873	9,357

Amounts due to related companies of MFW Investment primarily consisted of trade payables, including payables to SJM for the operating cash shortfall of Babylon Casino and payables to New Macau Landmark for expenses of MFW Investment paid by New Macau Landmark, as well as amounts payable to Hong Hock that Hong Hock provided to finance the operations of MFW Investment.

	As at 31 December		As at 18 May
	2010	2011	2012
	(in thousands of HK$)		
Amounts Due To Shareholders/Directors	2,887,761	2,887,761	—

Amounts due to shareholders of MFW Investment primarily consisted of advances from shareholders/directors for financing the operations of MFW Investment. These amounts have been fully capitalized.

INDEBTEDNESS OF MFW INVESTMENT

For a summary of the indebtedness of our Group as at 31 December 2012, which reflects the financial position of our Group including MFW Investment, see "— Indebtedness."

Description of Material Indebtedness of MFW Investment

2011 Revolving Credit Facility

On 31 January 2011, MFW Investment entered into a revolving credit facility arrangement with BNU for the purpose of sustaining the day-to-day business operations of MFW Investment. Under this arrangement, BNU agreed to make available to MFW Investment a sum of MOP103 million (or the equivalent in HK dollars), with David Chow and Ina Chan acting as personal guarantors.

The facility agreement provided MFW Investment with a maximum amount of MOP103 million to draw down in multiple tranches, according to its needs. MFW Investment was entitled to choose a one-, three- or six-month repayment period for each utilization, subject to BNU's consent. MFW Investment paid interest at the HIBOR corresponding to the agreed interest period, plus a margin of 3% per annum.

The facility agreement contained general covenants restricting, among other things, the ability of MFW Investment to transfer its shares to a third party and the ability of MFW Investment to lease, sell, license, transfer, mortgage or dispose of any part of Macau Fisherman's Wharf without prior written consent of BNU. The facility agreement also contained certain events of default, including but not limited to: late payment or nonpayment; cessation of business; insolvency events or proceedings; transactions involving Macau Fisherman's Wharf without BNU's prior written consent; any events (whether caused by MFW Investment or not) that in BNU's opinion would affect MFW Investment's financial condition or ability to repay its debts as they fall due; shares of MFW Investment becoming pledged; possession and control of Macau Fisherman's Wharf by the Macau Government; and transfer of MFW Investment to a third party without prior written consent from BNU.

This facility was secured by a fixed charge ranking above all other rights of secured creditors to the property and assets of Macau Fisherman's Wharf and a guarantee provided by David Chow and Ina Chan as personal guarantors in the form of a signed bank draft of HK$110 million.

In 2011, MFW Investment drew down HK$100 million, the HK dollar equivalent of MOP103 million, from the 2011 Revolving Credit Facility, and repaid the entire principal amount by the end of the year. On 30 December 2011, BNU executed mortgage release documents and returned the HK$110 million signed bank draft from David Chow and Ina Chan, acknowledging full repayment of outstanding amounts under this facility.

2002 Loan Agreement

On 5 November 2002, MFW Investment as borrower entered into a MOP550 million loan agreement with BNU as agent, co-arranger and lead manager together with other lead managers, The Hongkong and Shanghai Banking Corporation Limited and BEA Macau, on behalf of a syndicate of lenders. The guarantor and covenantor group consisted of STDM, SJM, Legend International Holdings Limited and David Chow.

The loan agreement made available to MFW Investment a loan facility for the aggregate principal amount of MOP500 million (or the equivalent in HK dollars) for the construction of Macau Fisherman's Wharf and up to MOP50 million (or the equivalent in HK dollars) for interest capitalization, at the prime rate as determined by BNU or at HIBOR plus 2% per annum if MFW Investment so elected. As security for the loan, MFW Investment executed and the guarantors endorsed a promissory note in the amount of MOP605 million in favor of BNU, in addition to other security documents including guarantees, a mortgage over the entire area of Macau Fisherman's Wharf, a pledge over all shares in MFW Investment and a funding undertaking.

The availability period during which the funds were available for drawdown extended for a maximum of two and a half years after the execution of the agreement, and the repayment period was five and a half years after the end of the availability period, with all outstanding principal and accrued interest to be settled on or before 5 December 2010. MFW Investment paid off all outstanding amounts on 24 November 2010. BNU returned the MOP605 million promissory note to MFW Investment, together with a letter dated 10 February 2011 acknowledging full repayment of the loan.

COMMITMENTS AND CONTINGENCIES OF MFW INVESTMENT

Capital Commitments

As at 31 December 2010 and 2011 and 18 May 2012, MFW Investment had committed capital expenditures for the acquisition of property and equipment, as well as construction in progress contracted but not provided for, of HK$16.4 million, HK$17.1 million and HK$10.7 million, respectively.

Operating Lease Commitments

As at 31 December 2010 and 2011 and 18 May 2012, MFW Investment as lessee had commitments for future minimum lease payments in respect of office properties rented under non-cancellable operating leases of HK$10.2 million, HK$4.8 million and HK$3.3 million, respectively. As at 31 December 2010 and 2011 and 18 May 2012, MFW Investment as lessor had contracted with tenants for future minimum lease payments of HK$50.7 million, HK$30.7 million and HK$54.7 million, respectively.

Contingent Liabilities

As at 31 December 2010 and 2011 and 18 May 2012, MFW Investment did not have any contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any material financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity or that are not reflected in our consolidated financial information.

Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We believe our primary exposure to market risk will be interest rate risk associated with our substantial indebtedness.

Interest Rate Risk

We are mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank deposits, as well as fair value interest rate risk in relation to fixed rate short-term pledged bank deposits and non-interest bearing amounts due from/to directors, shareholders and related companies. We currently do not have a cash flow interest rate hedging policy. However, we closely monitor our exposure to future cash flow risk as a result of changes in market interest rate and will consider hedging changes in market interest rates should the need arise. See Note 5 to the Accountants' Report included in Appendix I to this prospectus for further details of our exposure to interest rates on financial liabilities. Our cash flow interest rate risk is mainly concentrated on HIBOR fluctuation.

Assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole period, and assuming all other variables were held constant, a 50 basis point increase or decrease, which represents management's assessment of the reasonably possible change in interest rates, would have resulted in an increase or decrease in our post–tax profit for each of the years ended 31 December 2010, 2011 and 2012 by approximately HK$3.6 million, HK$8.6 million and HK$8.7 million, respectively.

Foreign Exchange Risk

Certain trade and other receivables, trade and other payables, and bank balances and cash amounts due from (to) related companies are denominated in foreign currencies other than the functional currency of the relevant group entities in our Group, which expose us to foreign currency risk. As at 31 December 2010, 2011 and 2012, we carried foreign currency-denominated monetary assets of HK$93.9 million, HK$89.5 million and HK$159.3 million, respectively, and foreign currency-denominated monetary liabilities of HK$221.9 million, HK$302.1 million and HK$682.3 million, respectively.

We do not use any derivative contracts to hedge against our exposure to currency risk. We manage our foreign currency risk by closely monitoring the movement of foreign currency rates. We do not expect any significant foreign currency exposure as the fluctuation of the Pataca against the Hong Kong dollar is insignificant.

Credit Risk

As at 31 December 2010, 2011 and 2012, our maximum exposure to credit risk which would cause a financial loss to our Group due to failure to discharge obligations by the counterparties as at the end of reporting period arose from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position and the amount of contingent liabilities in relation to financial guarantees issued by us to SJM for the gaming promoters and our advances to TCL. The total amount of advances made by our 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. TCL had repaid us in full all outstanding amounts as at 5 June 2013 and will settle all other outstanding amounts with us prior to the Listing. We intend to terminate our relationship with TCL in relation to the VIP rooms which TCL currently operates prior to Listing and expect to discontinue all such advances to TCL at such time.

We have significant concentration risk in respect of trade and other receivables and our advances and guarantees to gaming promoters. In order to minimize the credit risk, we have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debt and credit risk associated with guarantees to gaming promoters at the end of the reporting period to ensure that adequate impairment losses or provision are made for irrecoverable amounts or guaranteed amounts.

We have maintained long-term relationships with existing customers and believe that such relationships enable us to limit our credit risk exposure. Before accepting any new customers, we will assess the potential customers' credit quality by reference to the experience of our management and then set credit limits based on our assessment. Such credit limits are reviewed by our management periodically.

We have concentration of credit risk on trade receivables as 88%, 92% and 72% of our total trade receivables were due from our single largest debtor, SJM, as at 31 December 2010, 2011 and 2012, respectively. We also have concentration of credit risk on other receivables as 88%, 89% and 95% of our total other receivables is due from SJM as at 31 December 2010, 2011 and 2012, respectively. However, having considered the continuous subsequent settlements and no historical default of payments by SJM, our Directors consider that the credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on trade and other receivables and our guarantees to gaming promoters, we do not have any other significant concentration of credit risk.

FINANCIAL INDEPENDENCE

As at the Latest Practicable Date, we had no non-trade balances due to Directors, no non-trade balances due from Directors and, no non-trade balances due from related parties, except for HK$50.0 million of HK$2,446.6 million of dividends that was declared on 5 June 2013, which will only be paid to David Chow within one month after Listing (See "— Recent Developments — Dividend Distribution Prior to the Listing."), and a non-trade balance of HK$97.5 million due to Macau Landmark Management Limited in respect of the purchase of the aircraft, which is expected to be settled in full from the net proceeds from the Global Offering. Given the non-trade nature of such outstanding related party balance, the Directors are of the view that the Company operates its finances independently from our Controlling Shareholders and their respective associates.

DISCLOSURE REQUIREMENT UNDER THE LISTING RULES

Our Directors have confirmed that other than the 2011 Term Loan Facility and the 2012 Term Loan Facility as detailed in "— Indebtedness — Description of Material Indebtedness — ICBC Macau Waiver", there were no circumstances which, as at the Latest Practicable Date, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Company since 31 December 2012 (the date to which our latest consolidated financial results were prepared as set out in the Accountant's Report attached as Appendix I to this prospectus) up to the date of this prospectus.

PROPERTY INTERESTS AND PROPERTY VALUATION

Savills Valuation and Professional Services Limited, an independent property valuer, has valued our property interests as at 31 March 2013 and is of the opinion that the value of our property interests as at such date was an aggregate amount of HK$11,290.0 million (the value attributable to our Group was HK$11,290.0 million). The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

The statement below shows the reconciliation of aggregate amounts of certain properties as reflected in the audited consolidated financial information as of 31 December 2012 as set out in Appendix I to this prospectus with the valuation of these properties as of 31 March 2013 as set out in Appendix III to this prospectus.

	(HK$ thousand)
Net book value of the following properties as of 31 December 2012	
Investment properties	265,062
Prepaid lease payments	1,828,335
Buildings included in property and equipment	1,730,511
Total	3,823,908
Add: Land premium paid	24,440
Less: Depreciation and amortisation of properties	26,041
Net book value of the properties as of 31 March 2013	3,822,307
Net valuation surplus	7,467,693
Valuation of properties owned by our Group as at 31 March 2013 as set out in the property valuation report in Appendix III to this prospectus	11,290,000

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2012, as if they had taken place on such date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2012 or any future dates following the Global Offering. It is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2012 as set out in the Accountants' Report contained in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2012	Estimated net proceeds received by the Company from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share
	HK$ (in millions) (Note 1)	HK$ (in millions) (Note 2)	HK$ (in millions)	HK$ (Notes 3, 4 and 5)
Based on an Offer Price of HK$2.30 per Offer Share. . .	4,642.5	3,865.3	8,507.8	1.20
Based on an Offer Price of HK$2.98 per Offer Share. . .	4,642.5	5,021.0	9,663.5	1.37

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2012, are extracted from the Accountants' Report set out in "Appendix I — Accountants' Report" and is based on the audited consolidated net assets of the Group attributable to the owners of the Company of HK$5,324.5 million and deducting goodwill of HK$682.0 million.

(2) The estimated net proceeds received by the Company from the Global Offering are based on 1,765,784,000 Shares at the Offer Price of lower limit and upper limit of HK$2.30 and HK$2.98 per Offer Share, respectively, after deduction of the total estimated underwriting commissions and fees and other related expenses (excluding approximately HK$34.7 million listing expenses which has been accounted for prior to 31 December 2012) payable by the Company and without taking into account any Directors' Reward Shares, the David Chow Share Options and any options which may be granted pursuant to the Share Option Scheme, or any Share which may be issued or repurchased pursuant to the general mandate as set out in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 7,063,134,876 Shares were in issue assuming that the Global Offering had been completed on 31 December 2012 and without taking into account any Directors' Reward Shares, the David Chow Share Options and any options which may be granted pursuant to the Share Option Scheme, or any Share which may be issued or repurchased pursuant to the general mandate as set out in the section headed "Share Capital" in this prospectus.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account a special dividend of HK$2,446.6 million declared by the Company to its then Shareholders on 5 June 2013 which set off the amounts due to the Company by the Shareholders and Directors of HK$2,396.6 million in aggregate as at 5 June 2013 pursuant to the Deed of Assignment and Set-off dated 5 June 2013. Had the special dividend and the Deed of Assignment and Set-off been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share would be HK$0.86 per Share (assuming an Offer Price of HK$2.30 per Share) and HK$1.02 per Share (assuming an Offer Price of HK$2.98 per Share), respectively.

(5) By comparing the valuation of our property interests as set out in Appendix III to this prospectus, the net valuation surplus is approximately HK$7,467.7 million (please refer to section headed "Financial Information — Property Interests and Property Valuation" to this prospectus for more information) as compared to the carrying amounts of our Group's property interests as at 31 March 2013, which has not been included in the above unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of our Company. The valuation surplus of our property interests will not be incorporated in our consolidated financial information in the future. If the valuation surplus were to be included in our consolidated financial information, an additional annual depreciation and amortization charge of approximately HK$201.8 million would be incurred.

DIVIDEND POLICY

As our Company is a holding company, our income, and therefore our ability to pay dividends, is dependent upon the dividends that we receive from our subsidiaries.

Our Board has complete discretion on whether to pay dividends, subject to the approval of our Shareholders. The actual dividend that our Board may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board. In considering the level of dividend payments, if any, upon recommendation by our Board, our Company intends to take into account various factors including:

(i) the level of our cash, gearing, debt profile and retained earnings;

(ii) our expected financial performance; and

(iii) our projected levels of capital expenditure and other investment plans.

Considering the current financial position of our Company, our Board intends to adopt a progressive dividend policy, subject to the factors stated above and in the absence of any circumstances which may affect or restrict our ability to pay dividends.

The payment of dividends by our subsidiaries will depend upon their results of operations, financial condition, capital expenditure plans and other relevant factors. All of our subsidiaries incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after taxation to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the boards of directors of the relevant subsidiaries.

For factors that may affect or restrict our ability to pay dividend, see "Risk Factors — Risks Relating to the Global Offering — We may not declare dividends in the future." and "We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries."

RECENT DEVELOPMENTS

Dividend Distribution Prior to the Listing

On 5 June 2013, we declared HK$2,446.6 million of dividends to our then existing Shareholders (excluding Vast Field, Ina Chan, PacBridge Capital Partners (HK) Limited and all of the 2012 Stakeholders who had waived their rights and entitlements to any dividends that may be declared by the Company prior to the Listing). Pursuant to a deed of assignment and set-off (the "**Deed of Assignment and Set-off**") entered into among David Chow, All Landmark, Lam Fong Ngo, Grand Bright, Li Chi Keung, Elite Success and The Legend Club Limited on 5 June 2013, All Landmark, Grand Bright, Elite Success and The Legend Club Limited assigned approximately HK$354.1 million, HK$154.5 million, HK$77.7 million and HK$40.9 million of their respective entitlements to the aforesaid dividends to David Chow for nil consideration and each of Grand Bright and Elite Success assigned HK$459.9 million and HK$333.3 million of their respective entitlements to the aforesaid dividends to Lam Fong Ngo and Li Chi Keung, respectively, for nil consideration pursuant to the Deed of Assignment and Set-off. The relevant shareholders applied their entitlement to the dividends (including the entitlement assigned to them pursuant to the Deed of Assignment and Set-off) to set-off the amounts due to the Company from them in their capacity as Shareholders and/or Directors (as applicable), respectively. Pursuant to the Deed of Assignment and Set-off, a total of HK$2,396.6 million as at 5 June 2013 was applied by the relevant shareholders in aggregate to set-off all the amounts due to the Company from such respective parties. Approximately HK$50.0 million of the dividend declared on 5 June 2013 is expected to be paid by cash to David Chow within one month after Listing. The payment of such dividend will be funded by internal resources. Upon completion of the aforesaid assignment and set-off arrangements, all amounts due from our Shareholders and Directors were fully settled as at 5 June 2013.

DISTRIBUTABLE RESERVES

Under the Cayman Companies Law, subject to the provisions of our Memorandum or Articles, our share premium may be applied to pay distributions or dividends to shareholders, provided that immediately following the date the distribution or dividend is proposed to be paid, we are able to pay our debts as they fall due in the ordinary course of business. As at 31 December 2012, our Company had distributable reserves of HK$2,175.8 million comprising share premium of HK$3,396.3 million and other reserve of HK$202.3 million, which are offset by debit balance of special reserve of HK$10.1 million and accumulated losses of HK$1,412.7 million.