



澳門勵駿創建有限公司*

Macau Legend Development Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1680

2014 Annual Report

** for identification purposes only*



勵庭海景酒店

HARBOURVIEW HOTEL

HVH
Harbourview Hotel
勵庭海景酒店

BABYLON CASINO

周大福

周大福



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Corporate Information

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

Executive Directors

Mr Chow Kam Fai, David
(Co-chairman and chief executive officer)
Madam Lam Fong Ngo *(Vice chairman)*
Mr Sheldon Trainor-DeGirolamo

Non-executive Director

Mr Tong Ka Wing, Carl *(Co-chairman)*

Independent Non-executive Directors

Mr Fong Chung, Mark
Mr Xie Min
Madam Tam Wai Chu, Maria

AUDIT COMMITTEE

Mr Fong Chung, Mark *(Chairman)*
Mr Tong Ka Wing, Carl
Mr Xie Min
Madam Tam Wai Chu, Maria

REMUNERATION COMMITTEE

Mr Xie Min *(Chairman)*
Mr Chow Kam Fai, David
Madam Lam Fong Ngo
Mr Fong Chung, Mark
Madam Tam Wai Chu, Maria

NOMINATION COMMITTEE

Madam Tam Wai Chu, Maria *(Chairman)*
Mr Chow Kam Fai, David
Mr Sheldon Trainor-DeGirolamo
Mr Fong Chung, Mark
Mr Xie Min

AUTHORISED REPRESENTATIVES

Mr Sheldon Trainor-DeGirolamo
Mr Tong Ka Wing, Carl

COMPANY SECRETARY

Mr Chan Kin Man

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

21/F, Macau Landmark Building
555 Avenida da Amizade
Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Shop 102, 1/F, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG LEGAL ADVISERS

Hogan Lovells

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Macau) Limited
Banco Nacional Ultramarino, S.A.
Luso International Banking Limited
The Bank of East Asia, Limited — Macau Branch
Bank of Communications Co., Ltd. — Hong Kong Branch

LISTING INFORMATION

Place of Listing

Main Board of The Stock Exchange of Hong Kong Limited

Stock Code

1680

Board Lot

1,000 shares

INVESTOR RELATIONS

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WEBSITE

www.macaulegend.com

Corporate Profile

The Company was incorporated under the laws of the Cayman Islands on 5 October 2006. The Company acts as an investment holding company. The Group is one of the leading owners of entertainment and casino gaming facilities in Macau. The Group has two major properties, The Landmark Macau and MFW. The Landmark Macau is an award-winning integrated hotel, casino and luxury shopping complex, featuring a five-star hotel and Macau's first themed casino. MFW is a waterfront integrated gaming, hotel, convention and entertainment complex located on the outer harbour of the Macau Peninsula which follows the "Leisure, Tourism, Economic and Multi-Cultural Diversification" policy of the government of the Macau Special Administrative Region of the PRC.

The Group's businesses include (i) the provision of gaming services to SJM in two major casinos in its properties, namely Pharaoh's Palace Casino in The Landmark Macau and Babylon Casino in MFW under the Service Agreement; and (ii) the operation of hotels, entertainment and leisure facilities within its properties.

The MFW Redevelopment will increase the offerings of MFW and should attract a wider range of customers. The MFW Redevelopment involves the redevelopment of existing facilities as well as the addition of new facilities, such as Harbourview Hotel, Legend Palace Hotel, Legendale Hotel, two new casinos, general entertainment and cultural facility, a canopied open-air shopping, dining and entertainment colonnade, a yacht club at the marina and other attractions.

On 18 May 2012, the Group completed the acquisition of the entire equity interest in MFW Investment. The MFW Group is principally engaged in operating MFW.

On 5 July 2013, 934,827,000 new Shares, representing 15% of its enlarged issued share capital immediately after the completion of the global offering, were issued at HK\$2.35 per Share for cash through an initial public offering by way of Hong Kong public offer and international placing. Effective as of that date, the Shares have been listed on the Main Board of the Stock Exchange. The Company raised net proceeds of approximately HK\$2.1 billion from the global offering.

In January 2014, the Company completed a top-up placement of 188,000,000 new Shares, representing approximately 2.92% of the then enlarged issued share capital of the Company upon completion of the top-up placement, to certain independent professional, institutional and other investors at HK\$7.25 per Share and raised net proceeds of approximately HK\$1,350.8 million. Further details of the top-up placement are set out in the Company's announcement dated 16 January 2014.

On 8 April 2014, MFW Investment, as borrower, together with the Corporate Guarantors, entered into the Facility Agreement with ICBC Macau and the other Lenders relating to the Facility in the amount of HK\$4,221.0 million to be made available to MFW Investment.

On 3 July 2014, the Group obtained the approval from independent shareholders of the Company at an extraordinary general meeting of the Company for the establishment of the VIE Structure. The VIE Structure allows the Group to indirectly participate in the gaming promotion business and have a greater control over the management and marketing of the VIP rooms operated by New Legend in the casinos located in its properties, as well as enhance its market footprint and receive a higher percentage of gross gaming revenue generated by the gaming tables in these VIP rooms.

On 28 October 2014, the Group was advised by the DICJ that 35 additional gaming tables were granted to the Company. The additional gaming tables will increase the gaming capacity of the Group and support the current development of MFW.

Harbourview Hotel, the first new hotel under the MFW Redevelopment, commenced soft opening on 2 February 2015 and had its grand opening on 11 February 2015. With design based on the 18th century Prague architectural style, Harbourview Hotel contributes an additional 389 rooms and 55 suites to the tourism market of the Macau Peninsula. The hotel is connected via footbridges to the adjacent Babylon Casino.





CHAIRMAN'S STATEMENT

Chairman's Statement



The past year has been a year of consolidation for the Macau gaming industry, a combined result of several factors including a more cautious outflow of funds targeted for gaming, the adoption of a smoking ban at gaming rooms, and a general cool down in the macroeconomic environment. In 2014, Macau generated gross gaming revenue of approximately MOP351.5 billion, representing an approximately 2.6% decrease over that of 2013.

Overall, the Group's business recorded growth in reported revenue for the year by approximately 2.7% to approximately HK\$1,811.1 million, driven in part by an increase in income from hotel rooms at The Landmark Macau upon completion of renovation of the hotel. Adjusted EBITDA for 2014 was approximately HK\$842.0 million, representing an approximately 4.4% decrease when compared with 2013.

In October 2014, the Group was most encouraged when DICJ confirmed that 35 additional gaming tables had been granted to the Group. The additional gaming tables have increased the gaming capacity of the Group and provided an integral support to the MFW Redevelopment.

In July 2014, the Group obtained the approval from independent shareholders for the establishment of the VIE Structure which allows the Group to indirectly participate in the gaming promotion business. Upon implementation of the VIE Structure, reported revenue of the self-run VIP businesses amounting to approximately HK\$58.2 million has been consolidated into the Company's consolidated financial statements for the year ended 31 December 2014. Over the long term, we believe that the VIE Structure is creating a solid foundation that allows the Group to generate flexibility and higher operation margins for its VIP businesses.

On 11 February 2015, Harbourview Hotel, the first new hotel under the MFW Redevelopment, celebrated its grand opening with the honorary presence of the Chief Executive of the Macau Special Administrative Region, Mr Fernando Chui Sai On and senior officials from the PRC government and the Macau government.

The opening of the Harbourview Hotel is a milestone to the MFW Redevelopment. Harbourview Hotel, together with the existing Convention and Exhibition Centre and the shopping and entertainment facilities, forms an integral part of the Macau Peninsula waterfront.

We would like to join the Board in thanking all of the Group's employees for their continued hard work and dedication. The Group is grateful for their tireless effort and commitment in the past year, and the Group is proud of the contribution each and every one of them has made. The Group would also like to express its appreciation to all of its business partners and shareholders for their support throughout the year.

CHOW KAM FAI, DAVID

*Co-chairman, executive Director
and chief executive officer*

26 March 2015

TONG KA WING, CARL

Co-chairman and non-executive Director

CLASSIC, ELEGANCE & LUXURY





Management Discussion and Analysis

OVERVIEW OF RESULTS

For the year ended 31 December 2014, the Group achieved total revenue of approximately HK\$1,811.1 million, representing an increase of approximately HK\$47.4 million, or approximately 2.7% over that of the year ended 31 December 2013 of approximately HK\$1,763.8 million. Breakdowns of the Group's reported revenue for the years ended 31 December 2014 and 2013 are as follows:

	For the year ended 31 December	
	2014 HK\$'000	2013 HK\$'000
Gaming services:		
– Pharaoh's Palace Casino		
– Mass market tables	961,313	995,469
– VIP tables		
– Self-run (New Legend)	53,076	—
– Outsourced	117,783	127,386
– Slot machines	8,538	8,964
	1,140,710	1,131,819
– Babylon Casino		
– Mass market tables	133,465	144,990
– VIP tables		
– Self-run (New Legend)	5,115	—
– Slot machines	695	1,851
	139,275	146,841
Sub-total for gaming services	1,279,985	1,278,660
Non-gaming operations:		
– The Landmark Macau	325,345	277,910
– Macau Fisherman's Wharf	205,782	207,184
Sub-total for non-gaming operations	531,127	485,094
Total reported revenue	1,811,112	1,763,754



Management Discussion and Analysis

For the year ended 31 December 2014, gaming revenue and non-gaming revenue of the Group increased by approximately 0.1% to approximately HK\$1,280.0 million and by approximately 9.5% to approximately HK\$531.1 million respectively when compared to the year ended 31 December 2013. During the year ended 31 December 2014, New Legend contributed gaming revenue of approximately HK\$58.2 million to the Group through the VIE Structure, which was offset by the decrease in revenue from mass market tables of approximately HK\$45.7 million and revenue from outsourced VIP tables of approximately HK\$9.6 million. The increase in non-gaming revenue was primarily attributable to the increase in the income from hotel rooms at The Landmark Macau upon completion of renovation of the hotel and increase in licensing and building management income at The Landmark Macau as well as Rocks Hotel.

Adjusted EBITDA for the year ended 31 December 2014 was approximately HK\$842.0 million, representing a decrease of approximately HK\$38.7 million or approximately 4.4% over that of the year ended 31 December 2013 of approximately HK\$880.6 million. The following table reconciles the Adjusted EBITDA to the profit attributable to owners of the Company.

	For the year ended 31 December					
	2014			2013		
	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000
Profit (loss) attributable to owners of the Company	634,406	(155,465)	478,941	603,723	(93,844)	509,879
Adjustments for:						
Finance costs	16,653	72,224	88,877	58,946	25	58,971
Depreciation of investment properties	3,841	4,237	8,078	3,841	4,237	8,078
Depreciation of property and equipment	97,910	67,720	165,630	41,183	77,266	118,449
Release of prepaid lease payments	11,733	40,349	52,082	11,734	39,005	50,739
Amortisation of other intangible assets	15,356	—	15,356	—	—	—
Loss on disposal of property and equipment	1,184	19,934	21,118	5,435	1,137	6,572
Share-based payments	33,524	—	33,524	51,915	—	51,915
One-off costs incurred associated with the Listing	—	—	—	97,953	6,760	104,713
Unrealised exchange loss (gain)	76,851	(8,338)	68,513	—	—	—
Pre-opening expenses (remark)	—	24,084	24,084	—	—	—
Interest income	(55,198)	(54,074)	(109,272)	(25,128)	(239)	(25,367)
Tax charge (credit)	1,650	(6,629)	(4,979)	3,300	(6,629)	(3,329)
Adjusted EBITDA	837,910	4,042	841,952	852,902	27,718	880,620

Remark: Pre-opening expenses represent staff related costs, marketing and other administrative expenses incurred prior to the opening of Harbourview Hotel for the year ended 31 December 2014.

Management Discussion and Analysis

An analysis of Adjusted EBITDA by segments (after elimination of inter-segment results) is as follows:

	For the year ended 31 December					
	2014			2013		
	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000
Gaming services	848,077	14,163	862,240	888,739	34,130	922,869
Non-gaming operations	46,483	(10,121)	36,362	14,360	(6,412)	7,948
Sub-total	894,560	4,042	898,602	903,099	27,718	930,817
Unallocated corporate expenses	(56,650)	—	(56,650)	(50,197)	—	(50,197)
Adjusted EBITDA	837,910	4,042	841,952	852,902	27,718	880,620

Adjusted EBITDA from the Group excluding the MFW Group and unallocated corporate expenses, mainly arising from the operations at The Landmark Macau, for the year ended 31 December 2014 decreased by approximately 0.9% to approximately HK\$894.6 million when compared to the year ended 31 December 2013. The decrease was mainly due to the decrease of Adjusted EBITDA of gaming services by approximately 4.6% which was offset by the increase in non-gaming operations by approximately 223.7%. Adjusted EBITDA from the MFW Group for the year ended 31 December 2014 decreased by approximately 85.4% to approximately HK\$4.0 million when compared to the year ended 31 December 2013. The decrease was primarily due to the increase in staff and related costs generally when compared to the year ended 31 December 2013.

Pursuant to the transfer of profit and loan agreement, one of the VIE Agreements, New Legend agreed to, among others, transfer to Hong Hock all profits accrued by New Legend from its commencement of business until the establishment of the VIE Structure. The VIE Structure was established on 3 July 2014. Accordingly, the amount of approximately HK\$81.7 million was recognised as profit (included in Adjusted EBITDA) of the gaming services of the Group in the year ended 31 December 2014.

The Group's profit for the year ended 31 December 2014 was approximately HK\$478.9 million, representing a decrease of approximately HK\$30.9 million or approximately 6.1% when compared to that of the year ended 31 December 2013 of approximately HK\$509.9 million. The decrease was mainly due to the recognition of pre-opening expenses of Habourview Hotel of approximately HK\$24.1 million and the current year's net unrealised exchange loss on bank fixed deposits denominated in RMB of approximately HK\$68.5 million given the decline in exchange rate of RMB against HK\$ which were offset by the bank interest income on deposits (mainly denominated in RMB and HK\$ of approximately HK\$109.3 million) and profits of approximately HK\$81.7 million contributed by New Legend through the VIE Structure as mentioned above.



FINANCIAL AND OPERATIONAL REVIEWS

A. Gaming Services

The Group's revenue from gaming services consisted of service income received from SJM for services and facilities provided relating to mass market tables, VIP tables and slot machines.

As at 31 December 2014 and 2013, the Group had the following number of gaming tables and slot machines in its two casinos:

	As at 31 December					
	2014			2013		
	Pharaoh's Palace Casino	Babylon Casino	Total	Pharaoh's Palace Casino	Babylon Casino	Total
Mass market tables	60	21	81	60	23	83
VIP tables*	63	6	69	67	—	67
Total gaming tables [^]	123	27	150	127	23	150
Slot machines [#]	161	120	281	205	120	325

* Included in the number as at 31 December 2014 was a total of 8 gaming tables (31 December 2013: nil) which were temporarily not in operation.

[^] The number of gaming tables as at 31 December 2014 shown above does not include the 35 additional gaming tables granted by the DICJ to the Company on 28 October 2014.

[#] The slot machines at Babylon Casino as at 31 December 2014 were temporarily not in operation.

Management Discussion and Analysis

For the year ended 31 December 2014, the Group recorded approximately HK\$1,280.0 million revenue from gaming services, representing an increase of approximately HK\$1.3 million or approximately 0.1% over that of the year ended 31 December 2013 of approximately HK\$1,278.7 million. Breakdowns of the Group's revenue from gaming services for the years ended 31 December 2014 and 2013 are as follows:

	For the year ended 31 December	
	2014 HK\$'000	2013 HK\$'000
Mass market tables:		
— Pharaoh's Palace Casino	961,313	995,469
— Babylon Casino	133,465	144,990
	1,094,778	1,140,459
Self-run VIP tables:		
— Pharaoh's Palace Casino	53,076	—
— Babylon Casino	5,115	—
	58,191	—
Outsourced VIP tables:		
— Pharaoh's Palace Casino	117,783	127,386
	175,974	127,386
Slot machines:		
— Pharaoh's Palace Casino	8,538	8,964
— Babylon Casino	695	1,851
	9,233	10,815
Total revenue from gaming services	1,279,985	1,278,660

Management Discussion and Analysis

The following tables set out certain key operational data of mass market tables, VIP tables and slot machines for the years ended 31 December 2014 and 2013:

Mass Market Tables

	Pharaoh's Palace Casino			Babylon Casino		
	For the year ended 31 December			For the year ended 31 December		
	2014	2013	Change	2014	2013	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop*	5,880,731	8,654,636	(32.1)	1,326,206	1,301,569	1.9
Net win	1,747,842	1,809,944	(3.4)	242,664	263,619	(7.9)
Hold rate*	29.72%	20.91%	8.81	18.30%	20.25%	(1.95)
Average number of tables	60	60	—	22	23	(4.3)
Net win per table per day	80	83	(3.6)	30	31	(3.2)

* During the year ended 31 December 2014, in order to minimise the risk of the Group's exposure to the increasing number of counterfeit bank notes in the market, the Group took a temporary measure for the mass market gaming tables that gaming patrons were requested to exchange HK\$ one thousand bank notes for chips at the Group's cashiers instead of on the gaming tables. Since the exchange of bank notes for chips at the Group's cashiers did not count towards games drop by definition, the temporary measure resulted in lower games drop during the year ended 31 December 2014, which resulted in the figures of games drop and related hold rates not being comparable to those of the last corresponding period.

The Group's revenue from mass market tables for year ended 31 December 2014 was approximately HK\$1,094.8 million, representing a decrease of approximately HK\$45.7 million or approximately 4.0% over that of the year ended 31 December 2013 of approximately HK\$1,140.5 million. Revenue from mass market tables at Pharaoh's Palace Casino decreased by approximately 3.4% to approximately HK\$961.3 million while revenue at Babylon Casino decreased by approximately 7.9% to approximately HK\$133.5 million. For the year ended 31 December 2014, net win per table per day of mass market tables at Pharaoh's Palace Casino and Babylon Casino decreased by approximately 3.6% to approximately HK\$80,000 and approximately 3.2% to approximately HK\$30,000 over that of the year ended 31 December 2013 of approximately HK\$83,000 and HK\$31,000, respectively.

Management Discussion and Analysis

VIP Tables

	Pharaoh's Palace Casino					Babylon Casino		
	For the year ended 31 December					For the year ended 31 December		
	2014			2013	Change	2014	2013	Change
	Outsourced	Self-run (New Legend)	Total			Self-run (New Legend)		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	
Games turnover	190,761,007	3,629,208	194,390,215	227,586,525	(14.6)	109,590	n/a	n/a
Net win	5,888,094	93,460	5,981,554	6,369,266	(6.1)	9,320	n/a	n/a
Win percentage	3.09%	2.58%	3.08%	2.80%	0.28	8.50%	n/a	n/a
Average number of tables	58	6	61	65	(6.2)	6	n/a	n/a
Net win per table per day	278	85	269	268	0.4	34	n/a	n/a

The Group's revenue from VIP tables for the year ended 31 December 2014 was approximately HK\$176.0 million, representing an increase of approximately HK\$48.6 million or approximately 38.1% over that of the year ended 31 December 2013 of approximately HK\$127.4 million. During the year ended 31 December 2014, approximately HK\$58.2 million contributed from New Legend since 3 July 2014 through the VIE Structure. Revenue from outsourced VIP tables decreased by approximately HK\$9.6 million or approximately 7.5%. For the year ended 31 December 2014, net win per table per day of VIP tables at Pharaoh's Palace Casino increased by approximately 0.4% to approximately HK\$269,000 over that of the year ended 31 December 2013 of approximately HK\$268,000. Net win per table per day of VIP tables at Babylon Casino which commenced operation since November 2014 was approximately HK\$34,000.

On 3 July 2014, the Group obtained the approval from independent shareholders of the Company at an extraordinary general meeting of the Company for the establishment of the VIE Structure. The VIE Structure allows the Group to indirectly participate in the gaming promotion business and have a greater control over the management and marketing of the VIP rooms operated by New Legend in the casinos located in its properties, as well as enhance its market footprint and receive a higher percentage of gross gaming revenue generated by the gaming tables in these VIP rooms. During the year ended 31 December 2014, New Legend contributed approximately HK\$58.2 million of gaming revenue through the VIE Structure. Upon implementation of the VIE Structure, financial results of New Legend have been consolidated into the consolidated financial statements of the Group. Further details of the VIE Structure are set out in the Company's circular dated 9 June 2014.

Slot Machines

	Pharaoh's Palace Casino			Babylon Casino		
	For the year ended 31 December			For the year ended 31 December		
	2014	2013	Change	2014	2013	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Slot handle	758,957	627,599	20.9	39,939	106,035	(62.3)
Net win	33,891	30,388	11.5	1,671	5,282	(68.4)
Hold rate	4.47%	4.84%	(0.37)	4.18%	4.98%	(0.80)
Average number of slot machines	183	209	(12.4)	120	99	21.2
Net win per slot machine per day	0.5	0.4	25.0	0.1	0.1	—

The Group's revenue from slot machines at Pharaoh's Palace Casino and Babylon Casino for the year ended 31 December 2014 decreased by approximately 4.8% to approximately HK\$8.5 million and by approximately 62.5% to approximately HK\$0.7 million respectively when compared to the year ended 31 December 2013. This decrease was mainly due to the decrease in hold rate and the temporarily suspended slot operation at Babylon Casino.

Investment in Casino Management System

In July 2014, the Group entered into a purchase and licence agreement with Bally Technologies, Inc. ("Bally Technologies", whose shares are listed on the New York Stock Exchange), a global leading supplier of innovative games, table game products, systems, mobile, and iGaming solutions for gaming industry, to provide the Group with the latest casino management system for improving player connectivity, patron loyalty and yield management. These tools will be important components of the Group's strategy to expand its mass gaming business. The casino management system licensed by Bally Technologies is the technology solution of choice for most of the large multi-casino operators in the Asia-Pacific Region. The first phase of the casino management system has been installed and put into operation at Babylon Casino since February 2015. Implementation will be in phases to correspond to the expected expansion of gaming capacities of the Group.

Grant of Additional Gaming Tables

On 28 October 2014, the Group was advised by the DICJ that 35 additional gaming tables were granted to the Company. The additional gaming tables will increase the gaming capacity of the Group and support the current MFW Redevelopment.

Management Discussion and Analysis

B. Non-gaming Operations

For the year ended 31 December 2014, the Group recorded a total non-gaming revenue of approximately HK\$531.1 million, representing an increase of approximately HK\$46.0 million or approximately 9.5% over that of the year ended 31 December 2013 of approximately HK\$485.1 million. Out of the total non-gaming revenue, revenue from The Landmark Macau accounted for approximately HK\$325.3 million or approximately 61.3% of the total non-gaming revenue (year ended 31 December 2013: approximately HK\$277.9 million or approximately 57.3%); and MFW accounted for approximately HK\$205.8 million or approximately 38.7% of the total non-gaming revenue (year ended 31 December 2013: approximately HK\$207.2 million or approximately 42.7%).

The following table provides details on the composition of the Group's non-gaming revenue:

	For the year ended 31 December					
	2014			2013		
	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000
Rental income from hotel rooms	156,573	26,693	183,266	119,449	24,139	143,588
Licensing income from investment properties	51,821	48,154	99,975	37,788	34,511	72,299
Income from building management services	53,831	21,479	75,310	45,518	17,445	62,963
Food and beverage	57,845	74,271	132,116	70,275	88,595	158,870
Sales of merchandise	—	32,890	32,890	—	40,150	40,150
Others	5,275	2,295	7,570	4,880	2,344	7,224
Total revenue from non-gaming operations	325,345	205,782	531,127	277,910	207,184	485,094

The increase in non-gaming revenue was primarily attributable to the increase in the rental income from hotel rooms at The Landmark Macau upon completion of renovation of the hotel and increase in licensing and building management income at The Landmark Macau as well as Rocks Hotel.

The following table sets out certain key operational data on hotel operations of the Group for the years ended 31 December 2014 and 2013:

	For the year ended	
	2014	2013
The Landmark Macau		
Occupancy rate (%)	84.6	94.2
ADR (HK\$)	1,544.2	1,191.6
REVPAR (HK\$)	1,306.4	1,122.6
Rocks Hotel		
Occupancy rate (%)	85.3	84.3
ADR (HK\$)	1,457.0	1,361.2
REVPAR (HK\$)	1,242.8	1,147.5

The Landmark Macau

The occupancy rate of The Landmark Macau for the year ended 31 December 2014 was approximately 84.6%, an approximately 9.6% decrease over that of the year ended 31 December 2013 of approximately 94.2%. For the year ended 31 December 2014, ADR and REVPAR of The Landmark Macau increased by approximately 29.6% and approximately 16.4% respectively when compared to those of the year ended 31 December 2013. Up to January 2014, all hotel rooms at The Landmark Macau had been refurbished and put into operation. During the year ended 31 December 2014, room rates of the newly renovated hotel were marked up which gave rise to the increase in ADR but affected the occupancy rate. Overall, REVPAR increased as the rental income from hotel rooms increased.



Macau Fisherman's Wharf

For year ended 31 December 2014, MFW attracted a total of approximately 4,305,000 visitors, representing an increase of approximately 4.9% when compared to that of the year ended 31 December 2013 of approximately 4,105,000 visitors.

The occupancy rate of Rocks Hotel for the year ended 31 December 2014 was approximately 85.3%, an approximately 1.0% increase over that of the year ended 31 December 2013 of approximately 84.3%. For the year ended 31 December 2014, ADR and REVPAR of Rocks Hotel increased by approximately 7.0% and approximately 8.3% respectively when compared to those of the year ended 31 December 2013. The improved performance of Rocks Hotel was largely the result of successful marketing amid increased competition in the Macau hospitality industry.



C. Corporate and Business Updates

(a) Renovation of The Landmark Macau

The Landmark Macau underwent a significant makeover in 2013 to enhance the revenue generating potential of the property and ensure consistent luxury experience for the guests. By January 2014, all guest rooms had been refurbished.

In addition to the above, the renovation plans also include expanding the lobby, adding retail space, redesigning and installing exterior lighting and promotional signage with lighting elements installation commencing in the first half of 2015.

(b) MFW Redevelopment

Opening of Harbourview Hotel

Harbourview Hotel, the first new hotel under the MFW Redevelopment, commenced soft opening on 2 February 2015 and had its grand opening on 11 February 2015. With design based on the 18th century Prague architectural style, Harbourview Hotel contributes an additional 389 rooms and 55 suites to the tourism market of the Macau Peninsula. The hotel is connected via footbridges to the adjacent Babylon Casino.

Other Redevelopment

In addition to the opening of Harbourview Hotel, the Group also made progress on other projects of the MFW Redevelopment. The table below provides further details on the status of ongoing construction projects as part of the MFW Redevelopment:

Buildings/Facilities	Brief Description	Progress	Target Completion Date
Legend Palace Hotel	A five-star deluxe-themed hotel in the style of Central/Northern Asian medieval architecture with 229 opulent guest rooms including suites	Foundation work has been substantively completed. Licence for construction of the superstructure of hotel has been applied and construction of hotel is expected to commence in 2Q 2015	2Q 2016
Legendale Hotel	A flagship five-star deluxe rating hotel modelled after the Neo-Renaissance style of architecture from the mid-17th century Central European period with a planned 500 guest rooms including suites	Revised design concepts have been developed and are under review for reduction of construction costs and improvement on the planning and operational efficiencies	4Q 2017
		Application for increase of the height of the hotel has been submitted to Macau government for approval	

Management Discussion and Analysis

Buildings/Facilities	Brief Description	Progress	Target Completion Date
General entertainment and cultural facility	The dinosaur journey is an entertainment experience bringing the world of dinosaurs to the visitors	The facility is being designed to include fossil exhibits as well as the addition of intellectual, entertaining and interactive elements to provide an exciting visitor experience	2Q 2017
	A newly developed multi-propose entertainment and performance theatre holding more than 1,000 seats	The design stage is significantly developed	2Q 2017
Yacht club and public pier for harbour cruises	Further development of the marina to increase the size of its mooring area and inclusion of a yacht club with immigration facilities	Phase 1 — completed in November 2014	
		Phase 2 — further pontoons and wave attenuator wall in design stage	2Q 2016
Canopied open-air shopping, dining and entertainment colonnade	Development of fixed canopy structures on main boulevard and Jackson Square providing all-weathered protection with integrated lighting entertainment shows	Design for the canopy on Jackson Square has been completed and submitted to Macau government for approval. Currently awaiting construction licence	3Q 2015
		For the canopy on main boulevard, design has been completed and submitted to Macau government for approval. Currently awaiting construction licence	1Q 2016
Redevelopment of existing facilities	Refurbishment and addition of facilities to certain buildings including Babylon Casino and Rocks Hotel, construction of new parking facilities for shuttle buses and coaches, addition of fine dining and family style restaurants and building of a canopy	Approval of Miami Building at MFW as part of Babylon Casino's extension has been obtained from DICJ	Phased completions 4Q 2014 to 4Q 2015

Management Discussion and Analysis

For the year ended 31 December 2014, all work within the MFW Redevelopment has progressed significantly. Following the Group's efforts of close monitoring and supervision of the project, it is indicated the development of Harbourview Hotel would be completed with significant savings to the established budget forecasts.

During the year ended 31 December 2014, many of the above projects which have been progressing through the design and government approval submission stages have been redesigned and/or modified to reduce construction costs and improve operational efficiencies. These procedures have resulted in adjustments of some target completion dates. The Group believes that these design adjustments and modifications will enhance the end product in terms of quality and functionality of the completed developments.

(c) Completion of a top-up placement of 188,000,000 new Shares

In January 2014, the Company completed a top-up placement of 188,000,000 new Shares, representing approximately 2.92% of the then enlarged issued share capital of the Company upon completion of the top-up placement, to certain independent professional, institutional and other investors at HK\$7.25 per Share and raised net proceeds of approximately HK\$1,350.8 million for financing the MFW Redevelopment project and general working capital purposes. The net placing price, after deducting placing commission and other expenses, was approximately HK\$7.19 per Share. The placing price of HK\$7.25 per Share represented a discount of approximately 7.76% to the closing price of HK\$7.86 per Share quoted on the Stock Exchange on 16 January 2014, being the date of the placing agreement in respect of the top-up placement. The Company has utilised/will utilise the proceeds raised through the top-up placement in accordance with the purposes stated above. Further details of the top-up placement are set out in the Company's announcement dated 16 January 2014.

(d) Execution of the Facility Agreement for a new five-year transferable term loan facility

On 8 April 2014, MFW Investment, as borrower, together with the Corporate Guarantors, entered into the Facility Agreement with ICBC Macau and the other Lenders relating to the Facility to be made available to MFW Investment. Further details of the Facility are set out in the Company's announcement dated 8 April 2014.

As at 31 December 2014, MFW Investment had drawn down a total principal amount of HK\$4,024.0 million under the Facility.

(e) Cooperation with Dynam

The Company entered into a non-binding Memorandum of Understanding for Business Cooperation (the "MOU") with DYNAM JAPAN HOLDINGS Co., Ltd ("Dynam"), a company incorporated in Japan and whose shares are listed on the Main Board of the Stock Exchange (stock code: 6889), on 23 August 2013 in respect of opportunities for business cooperation between the two groups. The terms of the MOU have been extended and further extended with an expiry date of 23 February 2015. The Company and Dynam have not concluded or entered into any definitive agreement before the expiry of the MOU, and the MOU expired on 23 February 2015. Further details of the expiry of the MOU are set out in the Company's announcement dated 24 February 2015.

OUTLOOK

Macau continues to be a popular tourist destination with a record number of over 31.5 million visitors travelling to Macau in 2014, representing an increase of 7.5% compared to that of 2013. Visitors from the PRC, South Korea and Japan rose year on year. The Group believes that there will be continuous demand for quality hotel accommodation and peripheral leisure tourism services, in particular in the Macau Peninsula.

It is against this backdrop that the Group opened its first new hotel at MFW, Harbourview Hotel, in February 2015, with an additional supply of 389 rooms and 55 suites to help ease off some pressure on the capacity of Macau tourism as a whole, and further balance the number of hotel rooms between the Macau Peninsula and Cotai.

The opening of Harbourview Hotel adds non-gaming elements to further enrich the existing leisure facilities at MFW. The expanding hotel portfolio will increase revenue contributions and economies of scale benefits to the Group.

The second and third new hotel projects at MFW are also progressing and the further addition of over 700 rooms will alleviate the scarcity of quality hotel accommodation in the Macau Peninsula.

The first phase of the Marina, completed in November 2014, has 18 berths and can accommodate large yachts up to 40 metres. Together with the potential implementation of the “Guangdong Macau individual visit scheme for yachts”, the Marina puts MFW at a strategic position to support Macau in building a world class tourism and leisure centre, and to promote the privileged and unique waterfront locale of MFW. Plans are in place to expand the facility into a modern marina with comprehensive ancillary functions.

The Group will actively upgrade its facilities and services to encourage visitations from the PRC, South Korea, Japan, and selected South East Asian countries. Understanding the culture nuances of the customers will be a high priority of the management, as it is only with such dedication that the growing portfolio of offerings at MFW may excel.

As for gaming, the Group will continue to focus on premium mass and mass market segments, both of which have proven to provide strong results in the past. At the same time, the Group will remain vigilant to take advantage of its special niche through the VIE Structure, to capitalise growth in the VIP segment when such visitations become more prevalent in future.

Overall, upcoming infrastructure completions and favourable government policies towards entertainment, leisure, as well as MICE (meetings, incentives, conventions and exhibitions) facilities will firmly put Macau as a major tourist hub in Asia. The Group is confident that it is strategically positioned to positively benefit from these developments.

The Group remains committed to the successful completion of the MFW Redevelopment, and will actively seek opportunities for business expansion so as to maximise value for its shareholders, partners and customers.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

The Group's liquidity needs primarily comprise working capital, capital expenditure, and servicing borrowings of the Group. The Group has generally funded its operations and development projects from internal resources, debt and/or equity financing.

As at 31 December 2014, the consolidated net assets attributable to owners of the Company amounted to approximately HK\$7,459.7 million, representing an increase of approximately HK\$1,863.2 million from approximately HK\$5,596.5 million as at 31 December 2013. The increase in consolidated net assets during the year ended 31 December 2014 was mainly due to the proceeds received from the top-up placement of 188,000,000 new Shares of approximately HK\$1,350.8 million and the Group's profit for the year of approximately HK\$478.9 million.

Bank Balances and Cash

As at 31 December 2014, bank balances and cash held by the Group amounted to approximately HK\$4,568.2 million (including pledged bank deposits of approximately HK\$20.6 million), of which approximately 77.5% was denominated in RMB and the remaining approximately 22.5% was denominated mainly in HK\$ and MOP. Given MOP are pegged to HK\$, the Group considers the exposure to exchange rate risk is nominal for its bank balances and cash denominated in MOP. The Group's bank deposits denominated in RMB are subject to exchange rate risk as the exchange rate of RMB to HK\$ may fluctuate significantly.

The Company completed a global offering with its Shares listed on the Stock Exchange with effect from 5 July 2013 on which the Company raised net proceeds of approximately HK\$2.1 billion. In addition, the Company completed a top-up placement of 188,000,000 new Shares and raised net proceeds of approximately HK\$1,350.8 million in January 2014. In order to enhance better yield for the portion of the proceeds raised from the Listing and top-up placement which are not expected to be utilised in the near term, the Group has placed these funds at banks in Hong Kong and Macau as HK\$ or RMB fixed deposits with maturities ranging from 1 to 12 months. As at 31 December 2014, a total of approximately HK\$3,829.4 million had been placed as fixed deposits at banks in Hong Kong and Macau, including approximately HK\$3,520.1 million in RMB and approximately HK\$309.3 million mainly in HK\$, at an average annualised interest rate of approximately 2.5%.

Exchange rate of RMB against HK\$ fluctuated during the year ended 31 December 2014. For accounting purposes, the RMB fixed deposits held by the Group were retranslated into HK\$ at the exchange rate as at 31 December 2014 which resulted in a net unrealised exchange loss of approximately HK\$68.5 million being recognised in the Group's annual results.

Borrowings

As at 31 December 2014, the Group had outstanding secured and unguaranteed bank borrowings of approximately HK\$3,955.4 million and an unsecured, interest-free and unguaranteed other borrowings of approximately HK\$271.0 million.

In respect of the bank borrowings of approximately HK\$3,955.4 million, the maturity profile was spread over a period of less than 5 years with approximately HK\$177.6 million repayable within one year, approximately HK\$579.8 million repayable in the second year and approximately HK\$3,198.0 million repayable in the third to fifth years. The other borrowings of approximately HK\$271.0 million are repayable within one year.

The Group's bank borrowings carried interest at prevailing market rates and on floating rate basis. In addition, the bank borrowings and the other borrowings as at 31 December 2014 were denominated in HK\$ (the Group's functional currency) and hence the Group does not expect any significant foreign currency exposure in respect of its bank borrowings and other borrowings as at 31 December 2014.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Trading of the Shares on the Stock Exchange commenced on 5 July 2013, and the Group raised net proceeds of approximately HK\$2.1 billion from the global offering. The Group intends to apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the Supplemental Prospectus and the announcement made by the Company on 4 July 2013 (the "Announcement"). Details of the intended use of proceeds are set out in the Supplemental Prospectus and the Announcement. Up to 31 December 2014, the Group had applied approximately HK\$1,257.4 million, approximately HK\$199.7 million and approximately HK\$97.5 million of the net proceeds for the MFW Redevelopment, renovation of The Landmark Macau and settlement of an amount in respect of purchase of an aircraft, respectively, which are in compliance with the intended use of proceeds as set out in the Supplemental Prospectus and the Announcement.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2014, certain assets of the Group were pledged to secure credit facilities and use of electricity granted to the Group, including investment properties with a total carrying amount of approximately HK\$248.9 million, buildings with a total carrying amount of approximately HK\$1,639.7 million, prepaid lease payments with a total carrying amount of approximately HK\$1,823.3 million, trade receivables of approximately HK\$108.5 million and bank deposits of approximately HK\$20.6 million.

GEARING

The Group's gearing ratio (expressed as a percentage of total borrowings over total equity as at the end of the reporting period) was approximately 56.7% as at 31 December 2014 (31 December 2013: approximately 25.1%). The increase in gearing ratio of the Group for the year ended 31 December 2014 was mainly due to the inception of new bank loan and the consolidation of a revolving credit facility of New Legend by the Group during the year ended 31 December 2014.

HEDGING, ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

Save as disclosed in this report, during the year ended 31 December 2014, the Group did not (i) employ any financial instruments for hedging purposes; (ii) undertake any material acquisitions or disposals of assets, business or subsidiaries; or (iii) make any significant investments.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2014 are set out in note 35 to the consolidated financial statements of the Group for the year ended 31 December 2014.

CAPITAL COMMITMENTS

As at 31 December 2014, the Group had capital commitments which are authorised but not contracted for in respect of the renovation work of The Landmark Macau and the MFW Redevelopment of approximately HK\$36.6 million and approximately HK\$6,877.3 million respectively. In addition, as at 31 December 2014, the Group had capital commitments in respect of acquisition of property and equipment and construction in progress which are contracted but not provided for of approximately HK\$773.9 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had a total of approximately 3,400 employees, including approximately 1,420 gaming operation employees who are employed and paid by SJM but over whom the Group exercised oversight in accordance with the Service Agreement. The Group reimbursed SJM in full for the salaries and other benefits of these gaming operation employees.

The Group recognises the importance of maintaining a stable staff force for its continued success. Staff remuneration is determined by reference to personal qualifications, work performance, industry experience, responsibilities and relevant market trends. Discretionary bonuses are granted to employees based on merit and in accordance with industry practice. Other benefits including share options, reward shares, retirement benefits, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr Chow Kam Fai, David, age 64, has been a Director since October 2006 and the chief executive officer of the Company since December 2006. Mr David Chow became a co-chairman of the Company and an executive Director on 31 May 2012. He is also a member of both the Remuneration Committee and the Nomination Committee. He has had more than 30 years of experience in the gaming, gaming promotion, entertainment and hospitality industries prior to founding the Company's business. He was engaged in the provision of gaming promotion services for junket room operations for Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") in the 1980s. In 1992, Mr David Chow, together with Madam Lam and Mr Li Chi Keung, established Hong Hock to engage in real estate operations in Macau. Under Mr David Chow's management, Hong Hock opened The Landmark Macau to provide rental, management and dining services for the use of the premises, facilities and services of the Group to SJM for their VIP room operations. In 2006, Mr David Chow expanded Hong Hock's operations and caused Hong Hock to enter into the Service Agreement with SJM and has since managed and directed Hong Hock's gaming services provision operations. In 2000, Mr David Chow, together with Dr Stanley Ho and Madam Lam, incorporated MFW Investment to develop and operate MFW. He has been instrumental to the development and operations and the proposed redevelopment of the hotels and entertainment facilities in MFW.

Mr David Chow has been actively involved in community service. He founded Macau Association of Retailers and Tourism Services (澳門旅遊零售服務業總商會) in 1998. Mr David Chow was elected as a legislator of the Macau Government in 1996, 2001 and 2005, and has been a member of the Macau Chief Executive Election Committee in 2004, 2009 and 2014. He established the Travel Industry Council of Macau in 2001 and has been serving as the vice president of Macau Region of the Council since 2011. In 2007, Mr David Chow's experience and contribution to Macau's tourism industry were recognised when he was awarded the title of Top Ten Talent (Construction) in China for the year 2006 (2006年中國十大建設英才) and the Order of Merit for Tourism (旅遊功績勳章) by the Macau government for his contribution to the tourism industry. In February 2013, Mr David Chow's contribution to Macau and the PRC was further recognised by his appointment as a member of the 12th National Committee of Chinese People's Political Consultative Conference of the PRC.

In addition to the Group, Mr David Chow also manages other hospitality businesses in the PRC. He has been the chairman of the board of directors of Beijing Hua Hai Jin Bao Real Estate Development Co. Ltd. (北京華海金寶房地產開發有限公司) since 2008, which has, since 2007, owned and managed the award winning five-star Legendale Hotel Beijing.

Mr David Chow is a son of Madam Lam, an executive Director, the vice chairman and a controlling shareholder of the Company. The discloseable interest of Mr David Chow in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" under the Directors' Report of this annual report.

Directors and Senior Management

Madam Lam Fong Ngo, age 87, has been a Director since December 2006. Madam Lam became an executive Director and the vice chairman of the Company on 31 May 2012. She is also a member of the Remuneration Committee. She has also been the vice chairman of MFW Investment since August 2000. Madam Lam has more than 30 years of experience in the Macau gaming industry and has worked for STDM since the 1980s. Madam Lam founded Associação Geral de Ópera Chinesa e Arte Musical de Macau (澳門粵劇曲藝總會) in 2004 and has since served as its chairperson. Madam Lam participates in community work in Macau and has served as a member of the Macau Chief Executive Election Committee in 2004 and 2009. She was awarded the Medal of Cultural Merit (文化功績勳章) in 2009 by the Macau government and was conferred the title of honorary citizen of Guangzhou (廣州市榮譽市民) by the Guangzhou People's Congress.

Madam Lam is the mother of Mr David Chow, an executive Director, a co-chairman, the chief executive officer and a controlling shareholder of the Company. The discloseable interest of Madam Lam in the Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" under the Directors' Report of this annual report.

Mr Sheldon Trainor-DeGirolamo, age 51, has been a Director since 18 May 2012. He is also a member of the Nomination Committee. Mr Trainor has been licensed by the Securities and Futures Commission since 1994 as an investment representative before the SFO came into effect and as a representative under the SFO to carry out Type 6 Regulated Activity (Advising on Corporate Finance). He obtained a bachelor's degree in commerce at the University of British Columbia in 1988 and has more than 20 years of experience in financial advisory services. He served a number of leading investment banks and has extensive experience in raising capital for casino, leisure and property companies in Asia. He worked at Credit Suisse Management (Australia) PTY Limited between 1990 and 1994 and last served as an associate in the investment banking division. He then served within Morgan Stanley group of companies between 1994 and 2005 and last served as a managing director in the investment banking division of Morgan Stanley Asia Pacific Holding Ltd.. Mr Trainor worked at Merrill Lynch between 2005 and 2009 as a managing director and had been involved in the Group's financing projects in such capacity since 2005. He founded PacBridge Capital Partners (HK) Limited in 2009. As its director and responsible officer, Mr Trainor is primarily responsible for the execution of both corporate advisory and principal investment transactions.

The discloseable interest of Mr Trainor in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" under the Directors' Report of this annual report.

Non-executive Director

Mr Tong Ka Wing, Carl, age 64, was appointed as a co-chairman of the Company and non-executive Director on 18 May 2012. He is also a member of the Audit Committee. Mr Tong became an associate of the HKICPA in 1981, an associate of the Institute of Chartered Accountants in England and Wales in 1980 and an associate member of the Institute of Motor Industry in 1973. He worked with Arthur Andersen between 1977 and 1985 and as vice president of Citibank, N.A. between 1985 and 1987. He was a director of Asia Television Limited between 1990 and 1991. He founded Carl Tong & Associates Management Consultancy Limited in 1987 which is engaged in management consultancy business. He is also a director and chief executive officer of UNIR (HK) Management Limited, a management service company wholly-owned by Ms Chan Un Chan. In addition, Mr Tong has been actively engaged in community service. He served as Member for the Central and Western District Board of Hong Kong between 1982 and 1988, and was a member of the Legislative Council of Hong Kong between 1984 and 1985. Mr Tong has been an executive director and chief executive officer of Creative Master Bermuda Limited between 2003 and 2013, and was the chairman and chief executive officer of Creative Master International Inc. between 1997 and 2000. He served as an independent non-executive director of eSun Holdings Limited (SEHK: 0571) between 2004 and 2011, and a director at Crocodile Garments Limited (SEHK: 0122) between 2007 and 2012.

The discloseable interest of Mr Tong in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations” under the Directors’ Report of this annual report.

Independent non-executive Directors

Mr Fong Chung, Mark, age 63, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee on 5 June 2013. Mr Fong obtained a bachelor’s degree in science from the University College, London in August 1972 and a master’s degree in science from the University of Surrey in December 1973. Mr Fong has almost 30 years of experience in professional accountancy. He has been a fellow of the Institute of Chartered Accountants in England and Wales since January 1983 and a fellow of HKICPA since March 1986. He was the president of HKICPA in 2007 and has been a member of its audit committee in 2012. Mr Fong served as the executive director of China Development of Grant Thornton International Ltd. between 2009 and 2013.

Mr Fong is actively involved in community services. He was a director of Po Leung Kuk, a charity organisation in Hong Kong, between 1993 and 1996, and was elected as a member of the Legislative Council Election Committee of Hong Kong for Accountancy Subsector in 2000. He has been serving as an Honorary Judge of the Hong Kong Jockey Club since 1996 and was a member of the Small and Medium Enterprises Development Fund Vetting Committee of the Trade and Industry Department of Hong Kong between 2008 and 2013.

Mr Fong has been an independent non-executive director of Sinopec Kantons Holdings Limited (SEHK: 0934) since 2004, and New China Life Insurance Company Ltd. (SEHK: 1336) since 2011. He is also a non-executive director of Worldsec Limited (LON: WSL).

Directors and Senior Management

Mr Xie Min, age 56, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee on 5 June 2013. Mr Xie obtained a master's degree in economics from the University of International Business and Economics of the PRC in 1987. In 1993, he was awarded a master's degree in business administration by New York University. Between 1993 and 1994, he completed the International Tax Program at Harvard Law School and the Investment Appraisal and Management Program at the Harvard Institute for International Development, and obtained a master's degree in public administration from Harvard Kennedy School of Government. Mr Xie has over 20 years of experience in private equity and mergers and acquisitions. He has extensive experience in deal structuring, post-deal business integration and restructuring of both Chinese state-owned entities and private enterprises. He also held senior positions at various listed enterprises and international private equity funds and institutions. He served as the chief investment officer of TOM.COM INTERNATIONAL LIMITED, a wholly-owned subsidiary of TOM Group Limited (SEHK: 2383) between 2001 and 2004. He was the managing director and head of private equity division at BOCI Asia Limited between 2004 and 2006. He became the managing director of Avenue Asia HK, Limited – Hong Kong Representative Office between 2008 and 2011. Mr Xie is currently a director of China Capital Advisors Limited and has been the vice chairman of the Investment Review Committee of Chinastone Capital Management Limited since April 2012.

Mr Xie is a visiting professor and a member of the board of University of International Business and Economics. Mr Xie has been a member of the Henan Provincial Committee of the Chinese People's Political Consultative Conference of the PRC since 2009.

Madam Tam Wai Chu, Maria, age 69, was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee on 5 June 2013. Madam Tam obtained an Honorary Doctor in Laws from the Chinese University of Hong Kong in 1989. She has over 40 years of experience practicing as a barrister. She has been a member of The Honourable Society of Gray's Inn, a professional association for barristers and judges in England, since 1973, and was admitted to the bar in the United Kingdom and Hong Kong in 1972 and 1974, respectively. She has been the honorary advisor of the Hong Kong Mediation Centre since 2006.

Madam Tam has been actively involved in the public administrative service. She served as a member of the Legislative Council of Hong Kong between 1981 and 1991 and a non-official member of the Executive Council of Hong Kong from 1983 to 1991. She was a member of the HKSAR Basic Law Drafting Committee from 1985 to 1990 and a member of the National Committee of the Chinese People's Political Consultative Conference of the PRC between 1993 and 1998. Madam Tam has been serving as a deputy in the National People's Congress of the PRC since 1998 and a member of the Basic Law Committee of HKSAR since 1997. Madam Tam is the founding president, and has been serving as the president and legal advisor, of the Junior Police Officers' Association of the Hong Kong Police Force since 1977. Her contribution to the society of Hong Kong was recognised by the British Monarchy when she was appointed Justice of the Peace and awarded Order of the British Empire (O.B.E.) and Commander of the Order of British Empire (C.B.E.) in 1982, 1984 and 1988, respectively. She was awarded Gold Bauhinia Star in 1998 and the Grand Bauhinia Medal on 1 July 2013 by the government of the HKSAR. In addition, she was appointed as a director of Love, Family Foundation Limited (愛•家基金會有限公司), a non-profit making company, on 25 July 2013. She was a member of the Operations Review Committee of the Independent Commission Against Corruption (the "ICAC") from January 2010 to December 2014. She is currently the chairman of the Operations Review Committee of the ICAC and a member of Advisory Committee on Corruption of the ICAC from January 2015 to December 2016, a member of the Witness Protection Review Board of the ICAC from January 2010 to December 2016.

Madam Tam has been an independent non-executive director of Wing On Company International Limited (SEHK: 0289) since 1994, Minmetals Land Limited (SEHK: 0230) since 1997, Sinopec Kantons Holdings Limited (SEHK: 0934) since 1998, Guangnan (Holdings) Limited (SEHK: 1203) since 1999, Tong Ren Tang Technologies Co. Ltd. (SEHK: 1666) since 2000, Sa Sa International Holdings Limited (SEHK: 0178) since 2004, Nine Dragons Paper (Holdings) Limited (SEHK: 2689) since 2006 and Titan Petrochemicals Group Limited (SEHK: 1192) between 2004 and 2012.

SENIOR MANAGEMENT

Executive vice president, chief financial officer, company secretary

Mr Chan Kin Man, age 39, was appointed as the executive vice president, chief financial officer and company secretary of the Company on 5 June 2013. Mr Chan was awarded a bachelor's degree in business administration in accounting and finance from The University of Hong Kong in July 1997. He has approximately 17 years of accounting and finance work experience. He has been an associate of the HKICPA since October 2000 and a fellow of the Association of Chartered Certified Accountants since August 2005. Mr Chan has extensive work experience in accounting, financial advisory and management. Prior to joining the Group, he worked with an international accounting firm between 1997 and 2006. He served as the deputy financial controller in both Lai Sun Development Company Limited (SEHK: 0488) between 2006 and 2008 and eSun Holdings Limited (SEHK: 0571) between 2008 and 2012. He joined the Group in 2012 as chief financial officer.

Executive vice president, corporate affairs

Ms Lao Wai Man, age 40, was appointed as the executive vice president, corporate affairs of the Company on 5 June 2013. Ms Lao was awarded a bachelor's degree in business administration from the University of Brighton in the United Kingdom in July 1997. She has approximately 17 years of work experience in corporate administration. Ms Lao joined the Group in 1997. She worked as the public relations officer of Macau Landmark Management Limited between 1997 and 1999, and as the executive assistant to the chief executive officer of New Macau Landmark between 2000 and 2013. She was the purchasing manager of New Macau Landmark and MFW Investment between 2003 and 2007, and the executive assistant to the chief executive officer of MFW Investment between 2000 and 2010.

Executive vice president, head of hotel operations

Mr Michael Andrew Gibb, age 62, joined the Group as the executive vice president, head of hotel operations in October 2013. He has more than 30 years hospitality experience covering the United States of America, the Middle East, Asia, the United Kingdom, Mexico, Africa, Japan and the Caribbean in strategic management, operations, design and development and project management in hotels, resorts and restaurants.

Between 1987 and 1997, Mr Gibb worked for the Mandarin Oriental Hotel Group in various senior management positions in Asia. He worked for the ultra luxury Rosewood Hotels & Resorts Hotel Group based in Dallas, Texas in the capacity of executive vice president of operations between 2007 and 2012. He also served as vice president of the Philippine Hotel Owners Association between 1990 and 1996 and has been an active member of the worldwide Young President's Association and World President's Organization since 1990.

Mr Gibb oversees the day-to-day operations of existing properties and new development projects of the Group. Since joining the Group in October 2013, Mr Gibb has been assisting in the reorganisation of the executive team to support the needs of the Company as it prepares for significant growth in years ahead.

Directors and Senior Management

Executive vice president, head of projects

Mr Peter John Meacock, age 69, was appointed as the executive vice president, head of projects of the Company on 5 June 2013. Mr Meacock was awarded the higher national certificate (endorsements) in Building Structures from Hertfordshire College of Building in the United Kingdom in August 1967. He became a chartered engineer and member of the Institute of Structural Engineers of the United Kingdom in December 1970. He also became a member of the Hong Kong Institution of Engineers in January 1983. He is experienced in engineering, architecture and interior design and project management of building development projects in Europe, the Middle East and South East Asia. Mr Meacock was the Asian regional managing director for RMJM (Hong Kong) Ltd from 1984 to 1993 and main board member of RMJM Ltd in London from 1987 to 1993. He was the Asia regional managing director of TBV Consult Asia Ltd. between 1993 and 1997 followed by seven years with Leighton Contractors (Asia) Limited commencing in 1997. He founded Legend Tec International Project Management Co. Ltd and Legend Tec International (Thailand) Ltd which engaged in project management for hotel and recreational development projects in China, Macau, Thailand, Vietnam and Maldives in 2006 and remained as a director of these companies until 2012.

Since joining the Group in 2012, Mr Meacock is responsible for all property development projects of the Group including the MFW Redevelopment project and renovation of The Landmark Macau.

Executive vice president, head of casino operations

Mr Yip Wing Fat, Frederick, age 59, was appointed as the executive vice president, head of casino operations of the Company on 5 June 2013. Mr Yip was awarded a diploma in accounting by Lingnan College in Hong Kong in November 1979. He also obtained a master's degree in business administration from the Macau University of Science and Technology in June 2005. Mr Yip has over 20 years of work experience in the Macau gaming industry. Prior to joining the Group, he worked as an assistant shift pit boss at STDM between 1979 and 1982. He later served as accounting manager at Macau Horse Racing Co. Ltd. in 1988. Mr Yip founded Tak Tai Fomento Predial (德泰地產貿易投資有限公司), a real estate agency, in 1991, and is currently its managing director. Mr Yip joined the Group in 1997 as security controller of the security department, and became deputy general manager in 1999. Between 2003 and 2007, Mr Yip served as executive vice president for mass market and slot machine gaming at Pharaoh's Palace Casino and Babylon Casino.

Mr Yip is active in community service in Macau. He is, among other things, a member of the Macau Chief Executive Election Committee in 2004 and 2009, a representative of the Macau Tourism Development Committee since 2012 and a member of the representative election conference of the National People's Congress of the PRC since 2012. Mr Yip has been a member of the Hubei Provincial Committee of the Chinese People's Political Consultative Conference of the PRC since 2009.

General manager of Harbourview Hotel

Mr Hans-Peter Betz, age 46, was appointed as the general manager of Harbourview Hotel in March 2014. Mr Betz commenced his career in the culinary field where he obtained a German Chef's Diploma. Mr Betz later went on to obtain European and German Management Diplomas. During his career, he worked in the United States of America, Caribbean, Europe, Thailand, China and South Korea and Saudi Arabia. During the period from 2009 to 2014, he managed and opened five new hotel properties in China and South Korea. Mr Betz is responsible for the day-to-day operations of Harbourview Hotel.

Corporate Governance Report

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board is committed to strengthening the Group's corporate governance practices and ensuring transparency and accountability of the Company's operations.

During the year ended 31 December 2014, the Company has complied with the CG Code, except for code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarised below.

A. The Board

A1. Responsibilities and Delegation

The overall management and control of the Company's business are vested in the Board, whose main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All Directors take decisions objectively in the interests of the Company.

The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board as at the date of this annual report is as follows:

Executive Directors:

Mr Chow Kam Fai, David ^(Note)	<i>(Co-chairman of the Board, chief executive officer and a member of both the Remuneration Committee and the Nomination Committee)</i>
Madam Lam Fong Ngo ^(Note)	<i>(Vice chairman and a member of the Remuneration Committee)</i>
Mr Sheldon Trainor-DeGirolamo	<i>(A member of the Nomination Committee)</i>

Non-executive Director:

Mr Tong Ka Wing, Carl	<i>(Co-chairman of the Board and a member of the Audit Committee)</i>
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Independent Non-executive Directors:

Mr Fong Chung, Mark	<i>(Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee)</i>
Mr Xie Min	<i>(Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee)</i>
Madam Tam Wai Chu, Maria	<i>(Chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee)</i>

Note: Madam Lam is the mother of Mr David Chow.

The biographical details of the Directors and the relationships among the members of the Board are disclosed under the section headed "Directors and Senior Management" in this annual report.

The Board has met the requirements of Rules 3.10 and 3.10A of the Listing Rules of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different business and functional division of the Group in accordance with his/her expertise. The non-executive Director brings different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests, the non-executive Director had made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Currently, Mr David Chow and Mr Tong Ka Wing, Carl are co-chairmen of the Board and responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. In addition, Mr David Chow is the chief executive officer of the Company, taking care of the day-to-day management of the Group's business and implementing the Group's policies, strategic plans and business goals formulated by the Board.

Although Mr David Chow is both a co-chairman and the chief executive officer of the Company, the powers and authorities of the co-chairman have not been concentrated as the responsibilities have been shared between the co-chairmen. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number of Directors being non-executive Directors.

A4. Appointment and Re-election of Directors

The Articles of Association contain provisions on the procedures and process of appointment and removal of Directors.

According to the Articles of Association, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring Directors are eligible for re-election by the shareholders at the respective general meetings.

Each Director, including the independent non-executive Directors, is engaged for a term of two/three years. They are also subject to re-election in accordance with the provisions of the Articles of Association as mentioned above.

At the 2015 AGM, Mr Sheldon Trainor-DeGirolamo, Mr Fong Chung, Mark and Mr Xie Min shall retire and, being eligible, will offer themselves for re-election at the meeting. The Board and the Nomination Committee recommended their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above Directors as required by the Listing Rules.

A5. Training and Continuing Development of Directors

Each newly appointed Director will receive induction on the first occasion of his/her appointment so as to ensure he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2014, the Directors complied with the code provision A.6.5 of the CG Code and all Directors received regular briefings and updates from the professional firm/company secretary on the Group's business/operations/corporate governance matters which are relevant to their duties and responsibilities.

A6. Model Code for Securities Transactions

The Company has adopted the Model Code as its code of conduct governing directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Model Code during the year ended 31 December 2014.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by relevant employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the year ended 31 December 2014.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

A7. Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 December 2014, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

A8. Directors' Attendance Records

The attendance records of each Director at the Board meetings, Board committees meetings and general meetings of the Company held during the year ended 31 December 2014 are set out below:

Name of Directors	Attendance/Number of Meetings				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Mr Chow Kam Fai, David	5/5	—	1/1	1/1	1/3
Madam Lam Fong Ngo	2/5	—	1/1	—	1/3
Mr Sheldon Trainor-DeGirolamo	5/5	—	—	1/1	2/3
Mr Tong Ka Wing, Carl	5/5	3/3	—	—	3/3
Mr Fong Chung, Mark	5/5	3/3	1/1	1/1	3/3
Mr Xie Min	5/5	3/3	1/1	1/1	3/3
Madam Tam Wai Chu, Maria	5/5	3/3	1/1	1/1	3/3

B. Board Committees

The Board has established three Board committees, namely, Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company have been established with defined written terms of reference which are posted on the Company's website "www.macaulegend.com" and on the Stock Exchange's website "www.hkexnews.hk". All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Audit Committee

The Audit Committee comprises a total of four members, being three independent non-executive Directors, namely, Mr Fong Chung, Mark (Chairman), Mr Xie Min and Madam Tam Wai Chu, Maria; and one non-executive Director, namely, Mr Tong Ka Wing, Carl. Mr Fong Chung, Mark possesses appropriate professional qualifications and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors. All of the members are non-executive Directors and the majority of the members are independent non-executive Directors.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year ended 31 December 2014, the Audit Committee has performed the following major tasks:

- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2013, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes and recommendation of the re-appointment of the external auditors;
- Review and report on continuing connected transactions carried out during the year ended 31 December 2013;
- Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2014 and the related accounting principles and practices adopted by the Group;
- Review and approval of the engagement letter of Deloitte Touche Tohmatsu as the auditor of the Company, the nature and scope of the audit for the year ended 31 December 2014, their reporting obligations and their work plan; and
- Consideration of the internal audit plan and report.

The external auditors were invited to attend the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

B2. Remuneration Committee

The Remuneration Committee comprises a total of five members, being three independent non-executive Directors, namely, Mr Xie Min (Chairman), Mr Fong Chung, Mark, and Madam Tam Wai Chu, Maria; and two executive Directors, namely, Mr David Chow and Madam Lam. Accordingly, the majority of the members are independent non-executive Directors.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of Directors and members of senior management (that is, the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 December 2014, the Remuneration Committee has performed the following major tasks:

- Assessment of the performance of executive Directors;
- Review of remuneration packages of Directors and senior management and to make any appropriate adjustments, approve the terms of service agreements as appropriate; and
- Review and discussion of the remuneration packages of the new senior management appointed.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2014 is set out below:

	Number of individuals
HK\$1,000,001 to HK\$2,000,000	3
HK\$2,000,001 to HK\$3,000,000	2
HK\$3,000,001 to HK\$4,000,000	1
	6

Details of the remuneration of each of the Directors for the year ended 31 December 2014 are set out in note 10 to the consolidated financial statements of the Group.

B3. Nomination Committee

The Nomination Committee comprises a total of five members, being three independent non-executive Directors, namely, Madam Tam Wai Chu, Maria (Chairman), Mr Fong Chung, Mark and Mr Xie Min; and two executive Directors, namely, Mr David Chow and Mr Sheldon Trainor-DeGirolamo. Accordingly, the majority of the members are independent non-executive Directors.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular, the chairman and the chief executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities and take into account various aspects set out in the board diversity policy of the Company, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. External recruitment professionals might be engaged to carry out selection process when necessary. The Nomination Committee considered a balance of diversity of perspective is maintained across the Board. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the year ended 31 December 2014, the Nomination Committee has performed the following major tasks:

- Review of the structure, size, composition and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Group;
- Recommendation of the re-election of the retiring Directors standing for re-election at the Company's annual general meeting held on 27 May 2014; and
- Assessment of the independence of all the independent non-executive Directors.

Corporate Governance Report

C. Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2014.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, quarterly financial information, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. Internal Control

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of shareholders and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee and the Board on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted reviews of the effectiveness of the internal control system of the Company. To ensure compliance with the CG Code, the Board has also engaged Mazars CPA Limited and Mazars Corporate Recovery & Forensic Services Limited ("Mazars CRFS", together with Mazars CPA Limited collectively referred to as the "Internal Control Advisers") to perform certain agreed-upon procedures to review the Group's compliance with internal controls as a whole. In particular, reviews on, among others, revenue recognition process of hotel rooms and food and beverage in connection with hotel operations, and anti-money laundering and counter-terrorist financing of the Group's indirect participation in the gaming promotion business through New Legend have been conducted by the Internal Control Advisers during the year under review.

In respect of the review on anti-money laundering and counter-terrorist financing of the Group's indirect participation in the gaming promotion business through New Legend, Mazars CRFS has conducted reviews and submitted its report to the Company with findings and recommendations on improvement, and the management of the Company has responded and taken necessary actions and formulated plans to remedy the deficiencies. The Audit Committee has reviewed the report prepared by Mazars CRFS, the actions taken and the plans formulated to remedy the deficiencies, and is not aware of any material defect or weakness of the internal systems and controls in relation to anti-money laundering and counter-terrorist financing which would have an adverse impact on the operations of the Group in respect of its indirect participation in the gaming promotion business.

Since March 2015, the Group has employed additional staff to establish its own internal audit team, which will carry out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems and report to the Board.

E. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2014 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to the Group's external auditor in respect of audit services and non-audit services for the year ended 31 December 2014 are analysed below:

	Fees paid/ payable (HK\$'000)
Audit services:	
— Audit fee for the year ended 31 December 2014	2,480
Non-audit services:	
— Interim review for the six months ended 30 June 2014	450
— Tax compliance services	55
Total	2,985

F. Company Secretary

During the year under review, Mr Chan Kin Man, the company secretary, has taken no less than 15 hours of relevant professional trainings. Biographical details of Mr Chan are set out in the section headed "Directors and Senior Management" in this annual report.

G. Communications with Shareholders and Investors

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at "www.macaulegend.com" as a communication platform with shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: 21/F, Macau Landmark Building, 555 Avenida da Amizade, Macau

Fax No.: (853) 2822 2266

Email: ir@macaulegend.com

Corporate Governance Report

The Company continues to enhance communications and relationships with its shareholders and investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from shareholders and investors are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

H. Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

- (1) Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Articles of Association by sending a written requisition to the Board or the company secretary. The objects of the meeting must be stated in the written requisition.
- (2) If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, pursuant to Article 85 of the Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the year ended 31 December 2014, the Company has not made any changes to the Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

All resolutions proposed at shareholder meetings will be voted by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Stock Exchange ("www.hkexnews.hk") and the Company ("www.macaulegend.com") respectively immediately after the relevant general meetings.

Directors' Report

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report.

No interim dividend was paid during the year.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2014 (2013: nil).

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 124 of this annual report.

INVESTMENT PROPERTIES AND PROPERTY AND EQUIPMENT

Details of the movements during the year in the investment properties and property and equipment of the Group are set out in notes 16 and 17 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year ended 31 December 2014.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2014, the Company's reserves available for distribution to shareholders amounted to approximately HK\$3,289.0 million comprising share premium of approximately HK\$4,398.2 million and other reserve of approximately HK\$202.3 million which are offset by debit balance of accumulated losses of approximately HK\$1,311.5 million.

Under the Cayman Companies Law, subject to the provisions of memorandum of association of the Company or the Articles of Association, the Company's share premium account 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, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr Chow Kam Fai, David (*Co-chairman and chief executive officer*)

Madam Lam Fong Ngo (*Vice chairman*)

Mr Sheldon Trainor-DeGirolamo

Non-executive Director

Mr Tong Ka Wing, Carl (*Co-chairman*)

Independent Non-executive Directors

Mr Fong Chung, Mark

Mr Xie Min

Madam Tam Wai Chu, Maria

In accordance with Article 84(1) of the Articles of Association, Mr Sheldon Trainor-DeGirolamo, Mr Fong Chung, Mark and Mr Xie Min will retire from office by rotation and, being eligible, will offer themselves for re-election at the 2015 AGM.

DIRECTORS' SERVICE CONTRACTS

Each of Mr David Chow, Madam Lam and Mr Sheldon Trainor-DeGirolamo, executive Directors, has entered into a service agreement with the Company for a term of two or three years commencing on 5 June 2013. The service agreement may be terminated in accordance with the respective terms of the service agreement.

Pursuant to the Company's letter of appointment, the initial term of appointment of Mr Tong Ka Wing, Carl as a non-executive Director is three years commencing on 5 June 2013.

Independent non-executive Directors were appointed pursuant to the respective letters of appointment for an initial term of two years commencing on 5 June 2013.

None of the Directors who are proposed for re-election at the 2015 AGM has a service contract with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company in the Shares and underlying Shares and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Long Position in Shares of the Company

Name of Directors	Capacity	Number of Shares	*Approximate percentage of total issued Shares
Mr David Chow	Beneficial owner	1,259,584,592	19.53%
	Controlled corporations	683,453,780 ⁽¹⁾	10.60%
	Interest of spouse	129,690,066 ⁽²⁾	2.01%
		2,072,728,438	32.14%
Madam Lam	Controlled corporation	812,704,500 ⁽³⁾	12.60%
Mr Sheldon Trainor-DeGirolamo	Beneficial owner	11,732,962	0.18%
	Controlled corporation	70,631,345 ⁽⁴⁾	1.10%
		82,364,307	1.28%
Mr Tong Ka Wing, Carl	Beneficial owner	6,043,480	0.09%

Notes:

- 601,653,780 Shares were held by All Landmark, and 81,800,000 Shares were interested by Max Wise Management Limited, a controlled corporation of Mr David Chow, under a share swap transaction.
 - Mr David Chow was deemed to be interested in 129,690,066 Shares through the interest of his spouse, Ms Melinda Chan.
 - These Shares were held by Grand Bright.
 - These Shares were held by PacBridge Capital Partners (HK) Limited, a controlled corporation of Mr Sheldon Trainor-DeGirolamo.
- * The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 December 2014.

Directors' Report

(2) Long Position in Underlying Shares of the Company

(i) Share options — physically settled unlisted equity derivatives

Name of Director	Capacity	Number of underlying Shares in respect of the share options granted	*Approximate percentage of total issued Shares
Mr David Chow	Beneficial owner	24,412,724 ^(Note)	0.38%

Note: Details of the above share options have been disclosed in the below section headed "Share Options".

* The percentage represents the number of underlying Shares interested divided by the number of the issued Shares as at 31 December 2014.

(ii) Directors' reward shares

Name of Directors	Capacity	Number of Shares ^(Note)	*Approximate percentage of total issued Shares
Mr David Chow	Beneficial owner	6,751,526	0.10%
Mr Sheldon Trainor-DeGirolamo	Beneficial owner	5,193,482	0.08%
Mr Tong Ka Wing, Carl	Beneficial owner	2,596,742	0.04%

Note: Pursuant to the respective service agreements/appointment letter, the Company has agreed to issue reward shares to each of Mr David Chow, Mr Sheldon Trainor-DeGirolamo and Mr Tong Ka Wing, Carl on 31 December 2013, 31 December 2014 and 31 December 2015 (subject to certain conditions). The total number of these reward shares is 43,625,244 Shares of which a total of 29,083,494 reward shares were issued (14,541,747 reward shares were issued on each 31 December 2013 and 31 December 2014).

* The percentage represents the number of underlying Shares interested divided by the number of the issued Shares as at 31 December 2014.

(3) Long Position in Shares of Associated Corporations

Name of associated corporations	Name of Directors	Capacity	Number of shares ⁽¹⁾	Percentage of interest of associated corporations
Hong Hock	Mr David Chow	Beneficial owner	100	0.01%
	Madam Lam	Controlled corporation	100 ⁽²⁾	0.01%
New Macau Landmark	Mr David Chow	Beneficial owner	1,000	1.0%
Grand Merit Retail Group Limited	Mr David Chow	Beneficial owner	1,000	1.0%
Legend King International Limited	Mr David Chow	Beneficial owner	1,000	1.0%

Notes:

- All the above associated corporations are limited companies incorporated in Macau. The number of shares in these associated corporations expressed above refers to the nominal value of share capital in MOP.
- These shares were held by Grand Bright.

(4) Short Position in Shares of the Company

Name of Director	Capacity	Number of Shares	*Approximate percentage of total issued Shares
Mr David Chow	Beneficial owner	1,019,698,800	15.81%

* The percentage represents the number of Shares involved in the short position divided by the number of the issued Shares as at 31 December 2014.

Save as disclosed above, none of the Directors or chief executive of the Company, as at 31 December 2014, had registered an interest or a short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

(1) David Chow Share Options

Pursuant to two employment agreements entered into between the Company and Mr David Chow, the Company has granted the David Chow Share Options to Mr David Chow.

The following table discloses movements of the David Chow Share Options during the year:

Name of participant	Date of grant	As at 1 January 2014	Granted during the year	Exercised/ forfeited/ expired during the year	As at 31 December 2014	Exercise period	Exercise price per share
Mr David Chow	23.11.2011	24,412,724	—	—	24,412,724	23.11.2011– 22.11.2016	HK\$2.0

(2) Share Option Scheme

On 5 June 2013, the Company adopted the Share Option Scheme for the purpose of providing incentives or rewards to eligible participants for their contribution or potential contribution to the Group. Eligible participants of the Share Option Scheme include, among others, the Directors, including non-executive Directors and independent non-executive Directors, full-time or part-time employees, executives or officers of the Group, advisors, consultants, suppliers, customers and agents. The Share Option Scheme became effective on 5 July 2013 upon the Listing and shall be valid and effective for a period of 10 years from that date.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time. The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the Company's issued share capital from time to time. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Each grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their associates, resulting in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant of the option, is received by the Company within 30 days after the date of offer.

The exercise price of share options is determined by the Directors, but shall not be less than the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of offer of the share options; and (iii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer.

No share option has been granted since the adoption of the Share Option Scheme.

The total number of Shares currently available for issue under the Share Option Scheme is 598,805,063 Shares, representing approximately 9.3% of the issued share capital of the Company as at the date of this annual report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the paragraph headed "Connected Transactions" in this annual report, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, so far as the Directors are aware, the following parties (other than the Directors and chief executives of the Company) had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

(1) Long positions in Shares of the Company

Name of substantial shareholders	Capacity	Number of Shares	*Approximate percentage of total issued Shares
All Landmark	Beneficial owner	601,653,780 ⁽¹⁾	9.33%
Ms Melinda Chan	Beneficial owner	129,690,066	2.01%
	Interests of spouse	1,943,038,372 ⁽²⁾	30.13%
		2,072,728,438	32.14%
Grand Bright	Beneficial owner	812,704,500 ⁽³⁾	12.60%
Elite Success	Beneficial owner	710,925,750	11.02%
Mr Li Chi Keung	Beneficial owner	100,989,429	1.57%
	Controlled corporation	710,925,750 ⁽⁴⁾	11.02%
		811,915,179	12.59%
Ms Wong Hoi Ping	Controlled corporation	710,925,750 ⁽⁴⁾	11.02%
	Interests of spouse	100,989,429 ⁽⁵⁾	1.57%
		811,915,179	12.59%
Ms Chan Un Chan	Beneficial owner	77,264,000	1.20%
	Founder of discretionary trust	934,269,609 ⁽⁶⁾	14.49%
	Controlled corporation	2,835,000 ⁽⁷⁾	0.04%
		1,014,368,609	15.73%
Earth Group Ventures Ltd.	Beneficial owner	934,269,609 ⁽⁶⁾	14.49%
UBS TC (Jersey) Ltd.	Trustee/controlled corporation	934,269,609 ⁽⁶⁾	14.49%

Notes:

- The interest of All Landmark was disclosed as the interest of Mr David Chow in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".
 - Ms Melinda Chan was deemed to be interested in 1,943,038,372 Shares through the interest of her spouse, Mr David Chow.
 - The interest of Grand Bright was disclosed as the interest of Madam Lam in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".
 - These Shares were held by Elite Success (a company in which each of Mr Li Chi Keung and Ms Wong Hoi Ping, spouse of Mr Li Chi Keung, held 44.5% of the total issued capital).
 - Ms Wong Hoi Ping was deemed to be interested in 100,989,429 Shares through the interest of her spouse, Mr Li Chi Keung.
 - These Shares were held directly by UBS Nominees Limited, which is a nominee holding the Shares for Earth Group Ventures Ltd., a company wholly-owned by UBS TC (Jersey) Ltd. as trustee of the Earth Settlement. Earth Settlement is a discretionary trust set up by Ms Chan Un Chan as founder for her assets planning purposes.
 - These Shares were held by UNIR (HK) Management Limited, a controlled corporation of Ms Chan Un Chan.
- * The percentage represents the number of Shares interested divided by the number issued Shares as at 31 December 2014.

(2) Long Position in Underlying Shares of the Company

(i) Share options — physically settled unlisted equity derivatives

Name of substantial shareholder	Capacity	Number of underlying Shares in respect of the share options granted	*Approximate percentage of total issued Shares
Ms Melinda Chan	Interest of spouse	24,412,724 ^(Note)	0.38%

Note: Ms Melinda Chan was deemed to be interested in 24,412,724 share options of the Company through the interest of her spouse, Mr David Chow. Details of the above share options have been disclosed in the above section headed "Share Options".

* The percentage represents the number of underlying Shares interested divided by the number of issued Shares as at 31 December 2014.

(ii) Director's reward shares

Name of substantial shareholder	Capacity	Number of Shares	*Approximate percentage of total issued Shares
Ms Melinda Chan	Interest of spouse	6,751,526 ^(Note)	0.10%

Note: Ms Melinda Chan was deemed to be interested in 6,751,526 reward shares through the interest of her spouse, Mr David Chow. Details of the above reward shares have been disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".

* The percentage represents the number of underlying Shares interested divided by the number of issued Shares as at 31 December 2014.

(3) Short Position in Shares of the Company

Name of substantial shareholder	Capacity	Number of Shares	*Approximate percentage of total issued Shares
Ms Melinda Chan	Interest of spouse	1,019,698,800	15.81%

Note: Ms Melinda Chan was deemed to have a short position in 1,019,698,800 Shares through the short position of her spouse, Mr David Chow. Details of the above short position in Shares have been disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".

* The percentage represents the number of Shares involved in the short position divided by the number of the issued Shares as at 31 December 2014.

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at 31 December 2014, had registered an interest or a short position in the Shares or underlying Shares as recorded in the register of interests required to be kept pursuant to section 336 of the SFO.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

Pursuant to the Facility Agreement, the following specific performance obligations have been imposed on the controlling shareholders of the Company unless consented by the Majority Lenders:

- (i) Mr David Chow, All Landmark, Madam Lam, Grand Bright and certain substantial shareholders of the Company are required to hold directly or indirectly in aggregate not less than 51% of the issued share capital of the Company; and
- (ii) the majority of the Board, being Mr David Chow, Madam Lam, Mr Sheldon Trainor-DeGirolamo and Mr Tong Ka Wing, Carl, shall remain the same during the life of the Facility.

Such requirements as to the maintenance of the level of ownership and composition of the members of the Board result in the disclosure obligation under Rule 13.18 of the Listing Rules.

TRANSFER RESTRICTIONS AMONG CERTAIN SHAREHOLDERS

On 28 December 2012, an agreement (the "Transfer Restrictions Agreement"), which was subsequently amended and restated on 5 June 2013, was entered into among Mr David Chow, All Landmark, Madam Lam, Grand Bright, Mr Li Chi Keung, Elite Success and Ms Chan Un Chan (together the "Covenantors"). Pursuant to the Transfer Restrictions Agreement, the Covenantors agreed not to transfer, whether directly or indirectly, any Shares registered in their respective names, or any right, title or interest therein or thereto such that, among others, the total number of Shares held by the Covenantors should not be less than 51% of the total issued capital of the Company. Further details of the Transfer Restrictions Agreement are set out in the Prospectus and the Supplemental Prospectus.

CONNECTED TRANSACTIONS

The Group has entered into certain continuing connected transactions, details of which are set out below.

Continuing connected transactions which are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement

(1) Legendale Beijing Hotel Service Agreement

On 5 June 2013, the Company and Beijing Hua Hai Jin Bao Real Estate Development Co. Ltd. (北京華海金寶房地產開發有限公司) ("Beijing Hua Hai Jin Bao") entered into a framework agreement (the "Legendale Beijing Hotel Service Agreement") for the renting of hotel rooms and convention venues and the procurement of event management services to the Group for an initial term commencing from the Listing Date to 31 December 2015, which is renewable for periods of three years subject to price review. On 24 April 2014, the Company and Beijing Hua Hai Jin Bao entered into a supplemental agreement (the "Supplemental Legendale Beijing Hotel Service Agreement", together with the Legendale Beijing Hotel Service Agreement referred to as the "Legendale Agreements") to amend the term of the Legendale Beijing Hotel Service Agreement to a period from 24 April 2014 to 31 December 2016, and to specify the pricing policy. The other terms of the Legendale Beijing Hotel Service Agreement remain unchanged.

Beijing Hua Hai Jin Bao is an associate of Mr David Chow, a co-chairman, an executive Director, the chief executive officer and one of the controlling shareholders of the Company and is therefore a connected person of the Company.

Pursuant to the Legendale Agreements, the Group shall rent hotel rooms and meeting convention venues and procure event management services from Beijing Hua Hai Jin Bao for organising corporate and industry events in Beijing at prices determined on an arm's length basis and the prevailing market price for comparable types of services in the same industry based on the market research conducted by the parties to the Legendale Agreements from time to time. The new annual cap for total rental and service fees paid or payable by the Group to Beijing Hua Hai Jin Bao for each of the three financial years ending 31 December 2014, 2015 and 2016 shall not exceed HK\$6.0 million, HK\$8.0 million and HK\$10.0 million, respectively.

The amount paid/payable by the Group to Beijing Hua Hai Jin Bao for the provision of hotel rooms and meeting convention venues and event management services under the Legendale Agreements for the year ended 31 December 2014 was approximately HK\$0.2 million.

(2) Amigo Travel Service Agreement

On 5 June 2013, the Company and Amigo Travel (Macau) Ltd. ("Amigo Travel") entered into a framework agreement (the "Amigo Travel Service Agreement") for the procurement of travelling, ticketing and transportation services to the Group for an initial term commencing from the Listing Date to 31 December 2015, which is renewable for periods of three years subject to price review. On 24 April 2014, the Company and Amigo Travel entered into a supplemental agreement (the "Supplemental Amigo Travel Service Agreement", together with the Amigo Travel Service Agreement referred to as the "Amigo Agreements") to amend the term of the Amigo Travel Service Agreement to a period from 24 April 2014 to 31 December 2016, and to specify the pricing policy. The other terms of the Amigo Travel Service Agreement remain unchanged.

Amigo Travel is an associate of Mr David Chow as one of the shareholders of Amigo Travel is Madam Tang Lai long, the mother-in-law of Mr David Chow and is therefore a connected person of the Company.

Pursuant to the Amigo Agreements, the Group shall procure travelling, ticketing and transportation services from Amigo Travel to support the business travelling needs of the Group at the service fees as determined on an arm's length basis and by reference to the prevailing market price for comparable types of services in the same industry based on the market research conducted by the parties to the Amigo Agreements from time to time. The new annual cap for total service fees paid or payable by the Group to Amigo Travel for each of the three financial years ending 31 December 2014, 2015 and 2016 shall not exceed HK\$6.0 million, HK\$14.0 million and HK\$20.0 million, respectively.

The amount paid/payable by the Group to Amigo Travel for the provision of travelling, ticketing and transportation services under the Amigo Agreements for the year ended 31 December 2014 was approximately HK\$2.5 million.

(3) Macau Landmark Office Rental Agreement

On 5 June 2013, the Company entered into a framework agreement (the "Macau Landmark Office Rental Agreement") with Macau Landmark Management Limited ("MLML") for the leasing of certain office premises at the Macau Landmark Building by the Group for an initial term commencing from the Listing Date to 31 December 2015, which is renewable for periods of three years subject to price review. On 24 April 2014, the Company and MLML entered into a supplemental agreement (the "Supplemental Macau Landmark Office Rental Agreement", together with the Macau Landmark Office Rental Agreement referred to as the "Macau Landmark Agreements") to amend the term of the Macau Landmark Office Rental Agreement to a period from 24 April 2014 to 31 December 2016, and to specify the pricing policy. The other terms of the Macau Landmark Office Rental Agreement remain unchanged.

MLML is a company owned by Mr David Chow and Madam Lam, executive Directors and the controlling shareholders of the Company, and Mr Li Chi Keung, a substantial shareholder of the Company, and is therefore a connected person of the Company.

Pursuant to the Macau Landmark Agreements, the Group shall lease from MLML office premises of the Macau Landmark Building as headquarters and offices of the Group at the rental rates as determined on an arm's length negotiation and by reference to prevailing market rates. The Company has checked rentals for similar premises in the vicinity from independent third parties in the market to determine if the rentals and terms offered are comparable to those offered by such third parties. The Company will check rentals for similar premises in the vicinity from two independent third parties on a yearly basis in the market in order to assess and review the fairness and reasonableness of the rentals under the Macau Landmark Agreements. The new annual cap for total rental fees paid or payable by the Group to MLML for each of the three financial years ending 31 December 2014, 2015 and 2016 shall not exceed HK\$4.3 million, HK\$4.3 million and HK\$4.3 million, respectively.

The amount of rental paid/payable by the Group to MLML for the provision of office premises under the Macau Landmark Agreements for the year ended 31 December 2014 was approximately HK\$2.2 million.

Continuing connected transactions which are subject to the reporting, announcement, annual review and independent shareholders' approval requirements

(1) Connected Procurement Agreements

On 5 June 2013, the Company entered into the framework agreements (the "Connected Procurement Agreements") with various associates of Mr David Chow for the procurement of various services and supplies required for operations and administration of the Group for an initial term commencing from the Listing Date to 31 December 2015. On 24 June 2014, the Company entered into the following supplemental agreements to amend the respective terms to a period from 24 April 2014 to 31 December 2016, and to specify the respective pricing policies. The other terms of the Supplemental Connected Procurement Agreements (as defined below) remain unchanged.

- (a) a supplemental agreement between the Company and Ou Kei Cleaning Services Limited ("Ou Kei Cleaning") for the procurement of property cleaning services from Ou Kei Cleaning primarily for The Landmark Macau (the "Supplemental Ou Kei Cleaning Services Agreement");
- (b) a supplemental agreement between the Company and On Kei Management Services Company Ltd. ("On Kei Management") for the procurement of property cleaning services from On Kei Management primarily for MFW (the "Supplemental On Kei Management Cleaning Services Agreement");
- (c) a supplemental agreement between the Company and Royal Garden Flower and Fruit Company Limited ("Royal Garden") for the procurement of fruit and flower supplies for catering operations and hotel decorations of the Group (the "Supplemental Royal Garden Supplies Agreement"); and
- (d) a supplemental agreement between the Company and New Legend Club Laundry Company Ltd. ("NLC Laundry") for the procurement of laundry and cleaning services for the Group (the "Supplemental NLC Laundry Service Agreement"),

(together, the "Supplemental Connected Procurement Agreements").

Each of Ou Kei Cleaning, On Kei Management and Royal Garden is owned by Madam Tang Lai long, the mother-in-law of Mr David Chow, and certain independent third parties and all of them are associates of Mr David Chow and therefore connected persons of the Company. As NLC Laundry is owned by Mr Frederick Yip, and Million Up Investments Limited which is jointly owned by Ms Melinda Chan and her brother, Mr Tang Mun Kong, NLC Laundry is an associate of Mr David Chow and is therefore a connected person of the Company.

Pursuant to the Connected Procurement Agreements and the Supplemental Connected Procurement Agreements, the Group shall procure the property cleaning services, fruit and flower supplies and laundry and cleaning services at the service fees or purchase prices as shall be determined based on an arm's length negotiation and by reference to prevailing market rates for comparable types of services in the same industry based on the market research conducted by parties to the relevant Connected Procurement Agreements and Supplemental Connected Procurement Agreements from time to time. The transactions contemplated under the Connected Procurement Agreements and the Supplemental Connected Procurement Agreements are subject to the aggregate new annual caps of HK\$87.0 million, HK\$136.0 million and HK\$183.0 million for each of the financial years ending 31 December 2014, 2015 and 2016, respectively.

Directors' Report

The amounts paid/payable by the Group to the following connected persons under the Connected Procurement Agreements and the Supplemental Connected Procurement Agreements for the year ended 31 December 2014 were as follows:

	HK\$' million
Ou Kei Cleaning	19.0
On Kei Management	16.0
Royal Garden	6.2
NLC Laundry	10.3
Total	51.5

(2) Chong Son Construction Services Agreement

On 5 June 2013, the Company entered into a framework agreement (the "Chong Son Construction Services Agreement") with Chong Son Construction Company Ltd ("Chong Son") for the procurement of construction and renovation from Chong Son for The Landmark Macau and MFW for an initial term commencing from the Listing Date to 31 December 2015. On 24 April 2014, the Company and Chong Son entered into a supplemental agreement (the "Supplemental Chong Son Construction Services Agreement", together with the Chong Son Construction Services Agreement referred to as the "Chong Son Agreements") to amend the term to a period from 24 April 2014 to 31 December 2016, and to specify the pricing policy. The other terms of the Chong Son Construction Services Agreement remain unchanged.

As Chong Son is owned by Mr Tang Mun Kong and Madam Tang Lai Ngo, each of whom is an associate of Mr David Chow, Chong Son is an associate of Mr David Chow and therefore a connected person of the Company.

Pursuant to the Chong Son Agreements, the Group shall procure construction and renovation from Chong Son for the Group at the fees as determined based on an arm's length negotiation and by reference to the prevailing market price for comparable types of services in the same industry based on the market research conducted by the parties to the Chong Son Agreements from time to time. The new annual cap for total construction and renovation fees paid or payable by the Group to Chong Son for each of the three financial years ending 31 December 2014, 2015 and 2016 shall not exceed HK\$112.0 million, HK\$86.0 million and HK\$100.0 million, respectively.

The amount of construction and renovation fees paid/payable by the Group to Chong Son for the provision of construction services under the Chong Son Agreements for the year ended 31 December 2014 was approximately HK\$43.5 million.

The independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2014 and have confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the continuing connected transactions of the Group. The auditor was engaged in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has reported to the Board and issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS – INDIRECT PARTICIPATION IN THE GAMING PROMOTION BUSINESS THROUGH NEW LEGEND

Reference is made to pages 225 to 230 of the Prospectus and the announcement published by the Company on 31 December 2013. The Company intends to participate in the gaming promotion business indirectly through the VIE Structure in order to diversify its business and increase the revenue contribution from the VIP tables. However, the Company is not allowed under Macau laws to participate directly in the gaming promotion business through a subsidiary. Shareholders of any corporate gaming promoter must be natural persons. As a result, the Group adopted the VIE Structure by entering into the VIE Agreements among Hong Hock, New Legend and Mr Frederick Yip, where appropriate, which would allow the Group to indirectly participate in the gaming promotion business and have a greater control over the management and marketing of the VIP rooms operated by New Legend in the casinos located in its properties, as well as enhance its market footprint and receive a higher percentage of gross gaming revenue generated by the gaming tables in these VIP rooms.

The VIE Agreements currently in effect comprise (i) the exclusive management and consultancy services agreement; (ii) the exclusive undertaking to sell agreement; (iii) the transfer of profit and loan agreement; (iv) the share and equity pledge agreement; and (v) the power of attorney entered into among Hong Hock, New Legend and Mr Frederick Yip, where appropriate.

As indicated on page 230 of the Prospectus, the Company would treat Mr Frederick Yip as a connected person and will comply with Chapter 14A of the Listing Rules in respect of any transactions between the Group, Mr Frederick Yip and New Legend upon commencement of the VIE Structure. Accordingly, the entering into of the VIE Agreements also constitutes a connected transaction and the transactions contemplated under the VIE Structure constitute continuing connected transactions for the Company. The entering into of the VIE Agreements is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A waiver has been granted by the Stock Exchange regarding strict compliance with the requirement of setting (i) a fixed term for the VIE Agreements of no more than three years pursuant to Rule 14A.52 of the Listing Rules; and (ii) a maximum aggregate annual value (that is, an annual cap) for the fees payable by New Legend to Hong Hock and the amount of loan to be made available by Hong Hock to New Legend under the VIE Structure pursuant to Rule 14A.53 of the Listing Rules, subject to certain conditions. Further details of the VIE Structure are set out in the Company's circular dated 9 June 2014.

The independent non-executive Directors reviewed the VIE Structure annually and confirmed that: (i) the transactions carried out during the year ended 31 December 2014 have been entered into in accordance with the relevant provisions of the VIE Structure, so that the revenue generated by New Legend (after deducting all reasonably incurred costs, expenses, taxes and working capital) has been substantially retained by Hong Hock, (ii) no dividends or other distributions have been made by New Legend to the holders of its share and equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new contracts have been entered into, renewed and/or cloned between the Group and New Legend during the year ended 31 December 2014.

Directors' Report

The auditor of the Company was engaged to report on the transactions under the VIE Structure in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA and confirmed that nothing has come to their attention that causes them to believe that: (i) the transactions have not been approved by the Directors; (ii) the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the VIE Structure governing such transactions; and (iii) there were dividends or other distributions made by New Legend to the holders of its share and equity interests which are not otherwise subsequently assigned or transferred to the Group.

EMOLUMENT POLICY

The emoluments of the Directors and senior management of the Company are reviewed and determined by the Remuneration Committee, having regard to, inter alia, the Group’s operating results, individual performance and comparable market statistics.

The Company has resolved to issue reward shares to certain Directors, details of which are set out in section headed “Directors’ reward shares” of this annual report. In addition, the Company has adopted a share option scheme as an incentive to Directors and other eligible participants, details of the scheme is set out in note 39 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company’s securities.

SUFFICIENCY OF PUBLIC FLOAT

As stated in the Supplemental Prospectus, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the minimum public float requirement of 25% and the Stock Exchange accepted a lower percentage of 19.04% (the “Public Float Waiver”). Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company maintained the prescribed public float under the Listing Rules and as required by the Public Float Waiver.

MAJOR CUSTOMERS AND SUPPLIERS

In 2014, the five largest customers of the Group accounted for approximately 69.8% of the Group's revenue with the largest customer, SJM, accounted for approximately 63.6% of the Group's revenue.

In 2014, the five largest suppliers of the Group accounted for approximately 42.8% of the Group's total purchases with the largest supplier accounted for approximately 31.3% of the Group's total purchases.

Apart from Ou Kei Cleaning which was one of the five largest suppliers of the Group in 2014, at no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the year under review, save as disclosed in the section headed "Relationship with Controlling Shareholders" of the Prospectus, none of the Directors is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

DEED OF NON-COMPETITION

Mr David Chow, Madam Lam, All Landmark and Grand Bright, being controlling shareholders of the Company (the "Parties"), entered into a deed of non-competition ("Deed of Non-Competition") dated 5 June 2013, details of which have been set out in the paragraph headed "Deed of Non-Competition" in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The Company has received the annual declaration from the Parties on compliance with their undertakings under the Deed of Non-Competition. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the Parties.

COMPLIANCE WITH ANTI-MONEY LAUNDERING LAWS AND REGULATIONS

SJM has provided with the Group a confirmation on 26 February 2015 that its anti-money laundering policies and procedures implemented in the casinos and gaming premises at The Landmark Macau and MFW were in full compliance with the applicable legal and regulatory requirements of the Macau government for the financial year ended 31 December 2014.

Directors' Report

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 40 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the 2015 AGM to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chow Kam Fai, David

Co-chairman, executive Director and chief executive officer

26 March 2015

Independent Auditor's Report



TO THE SHAREHOLDERS OF MACAU LEGEND DEVELOPMENT LIMITED

澳門勵駿創建有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Macau Legend Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 123, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	6	1,811,112	1,763,754
Cost of sales and services		(881,828)	(777,179)
Other income, gains and losses	8	929,284	986,575
Marketing and promotional expenses		138,715	62,695
Operating, administrative and other expenses		(89,511)	(44,156)
Finance costs	9	(415,649)	(439,593)
Profit before taxation		(88,877)	(58,971)
Taxation credit	12	473,962	506,550
Profit and total comprehensive income for the year, attributable to owners of the Company	13	4,979	3,329
Earnings per share	15	478,941	509,879
– Basic (HK cents)		7.5	8.9
– Diluted (HK cents)		7.4	8.8

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Investment properties	16	248,906	256,984
Property and equipment	17	3,653,802	2,541,763
Prepaid lease payments	18	1,770,626	1,775,186
Goodwill	19	681,986	681,986
Other intangible assets	20	302,211	—
Deposits paid	22	705,317	—
		7,362,848	5,255,919
Current assets			
Inventories	23	54,423	40,994
Prepaid lease payments	18	52,648	51,290
Trade and other receivables	24	497,483	605,057
Amounts due from related companies	25	2,339	518
Pledged bank deposits	26	20,581	20,581
Bank balances and cash			
— Cash at banks and on hand	26	4,047,398	1,006,527
— Short-term bank deposits with original maturity over three months	26	500,200	832,520
		5,175,072	2,557,487
Current liabilities			
Trade and other payables	27	665,326	619,264
Taxation		1,650	1,650
Amount due to a related company	25	—	25
Bank and other borrowings — due within one year	28	448,601	355,802
		1,115,577	976,741
Net current assets		4,059,495	1,580,746
Total assets less current liabilities		11,422,343	6,836,665
Non-current liabilities			
Bank borrowings — due after one year	28	3,777,815	1,048,723
Deferred tax liabilities	29	184,836	191,465
		3,962,651	1,240,188
Net assets		7,459,692	5,596,477

Consolidated Statement of Financial Position

At 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Capital and reserves			
Share capital	30	644,926	624,672
Reserves		6,814,766	4,971,805
Equity attributable to owners of the Company		7,459,692	5,596,477

The consolidated financial statements on pages 65 to 123 were approved and authorised for issue by the Board of Directors on 26 March 2015 and are signed on its behalf by:

Chow Kam Fai, David
Director

Sheldon Trainor-DeGirolamo
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note i)	Special reserve HK\$'000 (note ii)	Share options reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2013	522,672	3,396,344	(323,835)	(10,052)	18,666	1,720,695	5,324,490
Profit and total comprehensive income for the year	—	—	—	—	—	509,879	509,879
Share-based payments (note 36)	—	—	—	—	51,915	—	51,915
Issue of shares	102,000	2,293,548	—	—	(32,719)	—	2,362,829
Transaction cost attributable to issue of new shares	—	(208,342)	—	—	—	—	(208,342)
Dividend (note 14)	—	(2,446,583)	—	—	—	—	(2,446,583)
Coupon paid	—	—	—	7,763	—	(7,763)	—
Coupon waived	—	—	—	2,289	—	—	2,289
At 31 December 2013	624,672	3,034,967	(323,835)	—	37,862	2,222,811	5,596,477
Profit and total comprehensive income for the year	—	—	—	—	—	478,941	478,941
Share-based payments (note 36)	—	—	—	—	33,524	—	33,524
Issue of shares	20,254	1,375,465	—	—	(32,719)	—	1,363,000
Transaction cost attributable to issue of new shares	—	(12,250)	—	—	—	—	(12,250)
At 31 December 2014	644,926	4,398,182	(323,835)	—	38,667	2,701,752	7,459,692

Notes:

- (i) The other reserve of the Group represents the difference between the nominal value of the shares of subsidiaries acquired by the Company and the nominal value of the shares of the Company issued for acquisition at the time of group reorganisation in December 2006.
- (ii) The special reserve of the Group represents the deemed distribution recognised from coupon payments on a promissory note to a non-controlling shareholder pursuant to a share purchase agreement in relation to disposal of a 4% equity interest of the Company on 30 August 2012. During the year ended 31 December 2013, HK\$7,763,000 was paid as coupon payments and such amount was transferred from special reserve to retained earnings in equity. Upon the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 5 July 2013, the obligation of the payment of coupon payments by the Company was ceased and the remaining outstanding coupon of HK\$2,289,000 was waived accordingly.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Operating activities			
Profit before taxation		473,962	506,550
Adjustments for:			
Interest income		(109,272)	(25,367)
Interest expense		88,877	58,971
Income from New Legend VIP Club Limited ("New Legend")		(81,699)	—
Unrealised exchange loss (gain), net		68,513	(14,596)
Listing expenses		—	104,713
Allowance (reversal of allowance) for bad and doubtful debts		327	(1,844)
Allowance (reversal of allowance) for inventories		311	(11,680)
Depreciation of investment properties		8,078	8,078
Depreciation of property and equipment		165,630	118,449
Loss on disposal of property and equipment		21,118	6,572
Amortisation of other intangible assets		15,356	—
Release of prepaid lease payments		52,082	50,739
Share-based payments		33,524	51,915
Operating cash flows before movements in working capital		736,807	852,500
Increase in inventories		(13,740)	(1,582)
Decrease (increase) in trade and other receivables		94,963	(154,561)
Increase in amounts due from related companies		(1,821)	(477)
(Decrease) increase in amount due to a related company		(25)	25
Increase in trade and other payables		65,639	211,090
Cash from operations		881,823	906,995
Macau Complementary Tax paid		(1,650)	(1,650)
Net cash from operating activities		880,173	905,345
Investing activities			
Decrease (increase) in short-term bank deposits with original maturity over three months		346,920	(832,520)
Interest received		104,004	9,042
Net cash inflow from consolidation of New Legend	38	52,794	—
Proceeds from disposal of property and equipment		32	—
Purchase of property and equipment		(1,272,368)	(377,800)
Deposits paid		(705,317)	—
Addition to prepaid lease payments		(48,880)	(48,880)
Advance to directors		—	(247,860)
Advance to gaming promoters		—	(117,000)
Repayment from gaming promoters		—	81,272
Net cash used in investing activities		(1,522,815)	(1,533,746)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Financing activities		
New bank borrowings raised	3,938,152	—
Proceeds from placement of shares	1,363,000	—
Repayment of bank and other borrowings	(1,443,000)	(338,000)
Interest paid	(79,276)	(57,912)
Share issue expenses	(12,250)	(31,959)
Proceeds from issue of shares	—	2,196,844
Advance from a gaming promoter	—	53,823
Repayment to related companies	—	(105,562)
Listing expenses	—	(104,713)
Dividends paid	—	(50,000)
Repayment to a gaming promoter	—	(28,391)
Coupon paid to a non-controlling shareholder	—	(7,763)
Repayment to a director	—	(3,556)
Net cash from financing activities	3,766,626	1,522,811
Net increase in cash and cash equivalents	3,123,984	894,410
Cash and cash equivalents at beginning of the year	1,006,527	112,117
Effect of foreign exchange rate changes	(83,113)	—
Cash and cash equivalents at end of the year	4,047,398	1,006,527
Analysis of the cash and cash equivalents:		
Bank balances and cash	4,547,598	1,839,047
Less: Short-term bank deposits with original maturity over three months	(500,200)	(832,520)
	4,047,398	1,006,527

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 October 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Macau is 21/F, Macau Landmark Building, 555 Avenida da Amizade, Macau.

The Company is an investment holding company. Details of the principal activities of its principal subsidiaries are set out in note 41. The Group is one of the leading owners of entertainment and casino gaming facilities in Macau. The Group has two major properties, The Landmark Macau and Macau Fisherman’s Wharf (“MFW”). The Landmark Macau is an award-winning integrated hotel, casino and luxury shopping complex, featuring a five-star hotel and Macau’s first themed casino. MFW is a waterfront integrated gaming, hotel, convention and entertainment complex located on the outer harbour of the Macau Peninsula.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs and the Hong Kong Accounting Standards (“HKASs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for the current year.

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)-Int 21	Levies

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 14	Regulatory deferral accounts ²
HKFRS 15	Revenue from contracts with customers ³
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁵
Amendments to HKAS 1	Disclosure initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ⁵
Amendments to HKAS 19	Defined benefit plans: Employee contributions ⁴
Amendments to HKAS 27	Equity method in separate financial statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ⁵
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle ⁶
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The directors of the Company (the “Directors”) do not anticipate that the application of the new and revised HKFRSs will have a material effect on the Group’s financial performance and positions and/or the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rule”) and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, income, equity, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with 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 the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" 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 recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units ("CGU"s)) 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 an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, 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 on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised 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 profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts.

Revenue from hotel operations, food and beverage, sales of merchandise and building management services are recognised when the services are rendered and goods are sold and it is probable that the economic benefits associated with the transaction will flow to the Group.

Revenue arising from provision of gaming related facilities, gaming related general management services and indirect participation in gaming promotion business is recognised when the gaming facilities are provided and relevant services have been rendered and the Group is entitled to the share of net gaming wins of the casinos.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of licensing income from investment properties under operating leases is described under the accounting policy for leasing below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives using the straight-line method.

An investment property is derecognised 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 property (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 property is derecognised.

Property and equipment

Property and equipment (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for 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 recognised so as to write off the cost of assets (other than construction in progress) less their residual values over (i) in the case of gaming machinery, the shorter of their estimated useful lives and the remaining term of the service agreement dated 25 September 2006 and its related amendments ("Service Agreement"); and (ii) in the case of other property and equipment, their estimate 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.

An item of property and equipment is derecognised 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 recognised in profit or loss.

Leasing

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

The Group as lessor

Licensing income from operating leases is recognised 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 recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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 capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and costs necessary to make the sale.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as immediately in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 36.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment. The accounting policy on impairment loss of loans and receivables is set out below.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each 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 or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's 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 amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of 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. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised 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 loss was recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

Financial liabilities

Financial liabilities, including trade and other payables, amount due to a related company and bank and other borrowings, are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised 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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, 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 recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

No deferred tax asset was recognised in the consolidated financial statements in relation to the unused tax losses available to offset against future profits of HK\$606,764,000 (2013: HK\$492,300,000). The realisation of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. Where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the consolidated statement of profit or loss and other comprehensive income for the year in which such a recognition takes place.

Depreciation and amortisation

The carrying amounts of the Group's property and equipment (other than construction in progress), investment properties and other intangible assets are HK\$2,340,613,000 (2013: HK\$2,114,869,000), HK\$248,906,000 (2013: HK\$256,984,000) and HK\$302,211,000 (2013: nil), respectively. The Group depreciates the 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 Group amortises other intangible assets with reference to the remaining terms of the Service Agreement using the straight-line method from date of initial recognition. The estimated useful life reflects the Directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property and equipment (other than construction in progress), investment properties and other intangible assets. The depreciation and amortisation charges are adjusted on a prospective basis if there are significant changes from previous estimates.

Impairment of receivables from gaming operator

When there is objective evidence of an impairment loss on the receivables, the Group takes into consideration the estimation of future cash flows to determine the impairment loss. The amount of the impairment loss is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the receivables' original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of the Group's receivables from gaming operator is HK\$134,230,000 (2013: HK\$401,775,000).

Impairment of goodwill, investment properties, property and equipment, other intangible assets and prepaid lease payments

The carrying amount of the Group's goodwill as at 31 December 2014 and 2013 is HK\$681,986,000. Determining whether goodwill is impaired requires an estimation of the recoverable amount, which is the higher of the fair value less costs to sell and value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group 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. Details of the value in use calculation are set out in note 21.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. KEY SOURCE OF ESTIMATION UNCERTAINTY (Continued)

Impairment of goodwill, investment properties, property and equipment, other intangible assets and prepaid lease payments (Continued)

Determining whether the investment properties, property and equipment, other intangible assets and prepaid lease payments are impaired requires an estimation of the recoverable amount of the individual asset or respective CGUs in which these assets belong, which is the higher of the value in use and fair value less costs to sell. Where the actual future cash flows or fair value less cost to sell are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amounts of investment properties, prepaid lease payments and property and equipment relating to MFW and other intangible assets arising from consolidation of New Legend are HK\$126,906,000 (2013: HK\$131,143,000), HK\$1,399,205,000 (2013: HK\$1,390,674,000), HK\$2,748,170,000 (2013: HK\$1,714,479,000) and HK\$302,211,000 (2013: nil), respectively.

5. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the amount due to a related company and bank and other borrowings disclosed in notes 25 and 28, respectively and equity attributable to owners of the Company, comprising issued share capital disclosed in note 30 and reserves.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issue as well as the issue of new debt or the redemption of existing debt.

Categories of financial instruments

	2014 HK\$'000	2013 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	5,048,146	2,456,022
Financial liabilities		
Amortised cost	4,891,742	2,023,814

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) related companies, pledged bank deposits, bank balances and cash, trade and other payables and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Interest rate risk*

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank deposits, and fair value interest rate risk in relation to fixed-rate pledged bank deposits, short-term bank deposits, non-interest bearing amounts due from (to) related companies and other borrowings.

The Group currently does not have interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR") and Macau prime rate and arising from the Group's variable-rate borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate for bank borrowings. The sensitivity analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. No sensitivity analysis is provided on bank deposits as the Directors consider that the interest rate fluctuation on bank deposits is minimal.

A 50 basis point (2013: 50 basis point) increase or decrease is used, which represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK\$19,777,000 (2013: HK\$7,023,000).

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the respective year.

(ii) *Currency risk*

Certain trade and other receivables, trade and other payables, bank balances and cash and amounts due from (to) related companies are denominated in foreign currencies other than the functional currency of the relevant group entities, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

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For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting periods are as follows:

	Assets	
	2014 HK\$'000	2013 HK\$'000
Macau Pataca ("MOP")	208,011	604,233
EURO	4,371	134
Renminbi ("RMB")	3,563,118	1,299,664

	Liabilities	
	2014 HK\$'000	2013 HK\$'000
MOP	570,918	595,750

The Directors do not expect any significant foreign currency exposure as MOP is pegged to HK\$.

Sensitivity analysis

The following table details the Group's sensitivity to a 3% increase and decrease in RMB against HK\$. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency dominated monetary items. As at 31 December 2014, a negative number below indicates a decrease in post-tax profit for the year when the HK\$ strengthens 3% against RMB. For a 3% weakening of the HK\$ against RMB, there would be an equal and opposite impact on the post-tax profit for the year.

	2014 HK\$'000	2013 HK\$'000
Decrease in post-tax profit for the year	(106,894)	(38,990)

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties as at the end of reporting period are arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 35.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts, if any. The Group reviews the recoverable amount of each individual debt, advance 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.

In relation to the gaming business, the Group has concentration of credit risk on trade receivable as 22% (2013: 71%) of the total trade receivables is due from the Group's largest customer within the gaming segment, which is a gaming operator in Macau. The Group also has concentration of credit risk on other receivable as 71% (2013: 85%) of the total other receivables is due from this customer as at 31 December 2014. Having considered the continuous subsequent settlements and no historical default of payments by this customer, the Directors consider that the credit risk is significantly reduced.

In addition, the Group has concentration of credit risk on the Group's advances and guarantees to gaming promoters, who are responsible for the operation of VIP rooms(s) at Pharaoh's Palace Casino and Babylon Casino and advances to individual customer. In ascertaining the recoverability of the advances and credit risk associated with guarantees to gaming promoters, the Group considers the continuous cash inflow from gaming operator to gaming promoters and continuous settlement to the Group from gaming promoters. The Group will reviews the recoverable amount of advances to individual customer at the end of the reporting period based on the management knowledge of individual customer and their creditability and repayment record to ensure that adequate impairment losses are made for irrecoverable amounts. As a result, the Directors consider that the Group's exposure to credit risk on these advances and guarantees is significantly reduced.

In relation to the non-gaming business, before accepting any new customers with the grant of credit period, the Group will assess the potential customers' credit quality by reference to the experience of the management and defines credit limit by customers. Such credit limit is reviewed by the management periodically. The Group has no significant concentration of credit risk from the non-gaming business, with exposure spread over a number of customers.

The credit risk for bank deposits and bank balances is considered as minimal as such amounts are placed in banks with good reputation in the Macau Special Administrative Region ("MSAR") and Hong Kong.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or within 3 months HK\$'000	Between 3 months to 1 year HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2014							
Non-interest bearing instruments	N/A	934,457	1,869	—	—	936,326	936,326
Variable interest rate instruments	2.95%	27,099	285,024	1,776,773	2,269,511	4,358,407	3,955,416
		961,556	286,893	1,776,773	2,269,511	5,294,733	4,891,742
At 31 December 2013							
Non-interest bearing instruments	N/A	619,289	—	—	—	619,289	619,289
Variable interest rate instruments	3.54%	102,500	302,576	402,147	695,063	1,502,286	1,404,525
Financial guarantee contract	N/A	320,000	—	—	—	320,000	—
		1,041,789	302,576	402,147	695,063	2,441,575	2,023,814

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee contract was the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparty to the guarantee. Based on expectations at 31 December 2013, the Group considered that it was more likely than not that no amount will be payable under the arrangement. However, this estimate was subject to change depending on the probability of the counterparty claiming under the guarantee which was a function of the likelihood that the financial receivables held by the counterparty which were guaranteed suffer credit losses.

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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For the year ended 31 December 2014

6. REVENUE

Revenue mainly represents the amount received and receivable for goods sold and services rendered by the Group to outside customers, less discounts. An analysis of the Group's revenue is as follows:

	2014 HK\$'000	2013 HK\$'000
Revenue from provision of gaming related facilities and gaming related general management services under the Service Agreement in respect of:		
— Mass market tables	1,094,778	1,140,459
— Outsourced VIP rooms	117,783	127,386
— Indirect participation in the gaming promotion business through New Legend under the VIE Structure (as defined in note 8)	58,191	—
— Slot machines	9,233	10,815
	1,279,985	1,278,660
Revenue from non-gaming operations:		
Rental income from hotel rooms	183,266	143,588
Licensing income from investment properties	99,975	72,299
Income from building management services	75,310	62,963
Food and beverage	132,116	158,870
Sales of merchandise	32,890	40,150
Others	7,570	7,224
	531,127	485,094
	1,811,112	1,763,754

7. SEGMENT INFORMATION

The executive directors of the Company (the "Executive Directors") have been identified as the chief operating decision maker. The Executive Directors review the Group's internal reports in order to assess performance and allocate resources.

For provision of gaming related facilities and gaming related general management services and the indirect participation in the gaming promotion business, the Executive Directors regularly analyse gaming related revenue in terms of service income from mass market tables, VIP rooms and slot machines. No operating result or discrete financial information is presented to the Executive Directors in relation to the above analysis. The Executive Directors review separately the entire revenues and operating results attributable to gaming related services and non-gaming operations. As such, the Executive Directors have identified the operating and reportable segments under HKFRS 8 "Operating segments" as gaming and non-gaming operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION (Continued)

The segment information is consistent with the internal information that is regularly reviewed by the Executive Directors for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services. The principal activities of the operating and reportable segments are as follows:

Gaming — gaming related services for mass market tables, VIP rooms and slot machines under the Service Agreement entered into between Hong Hock Development Company Limited (“Hong Hock”) and gaming operator, Sociedade de Jogos de Macau, S.A. (“SJM”), whereby the revenue is derived based on net gaming wins. Revenue from the indirect participation in the gaming promotion business represents the sharing of gross gaming revenue generated by gaming tables in VIP rooms operated by New Legend VIP Club Limited (“New Legend”), whose financial results are consolidated into the Group upon implementation of the VIE Structure (as defined in note 8) during the year ended 31 December 2014 as set out in note 38.

Non-gaming — operations at The Landmark Macau and MFW including hotel and other operations such as licensing income from the shops, provision of building management services, food and beverage and others.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by operating and reportable segments:

For the year ended 31 December 2014

	Gaming HK\$'000	Non-gaming HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External revenue	1,279,985	531,127	1,811,112	—	1,811,112
Inter-segment revenue	—	58,229	58,229	(58,229)	—
Segment revenue	1,279,985	589,356	1,869,341	(58,229)	1,811,112
Segment profit	805,675	46,160	851,835	—	851,835
Unallocated depreciation, release of prepaid lease payments and amortisation					(82,789)
Unallocated corporate expenses					(137,694)
Unallocated exchange loss, net					(68,513)
Finance costs					(88,877)
Profit before taxation					473,962

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2013

	Gaming HK\$'000	Non-gaming HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External revenue	1,278,660	485,094	1,763,754	—	1,763,754
Inter-segment revenue	—	52,540	52,540	(52,540)	—
Segment revenue	1,278,660	537,634	1,816,294	(52,540)	1,763,754
Segment profit	865,865	20,792	886,657	—	886,657
Unallocated depreciation and release of prepaid lease payments					(67,434)
Unallocated corporate expenses					(148,989)
Listing expenses					(104,713)
Finance costs					(58,971)
Profit before taxation					506,550

Inter-segment revenue is charged at amounts agreed by both parties.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the results of each segment without allocation of depreciation of investment properties and property and equipment, release of prepaid lease payments arising from the fair value adjustments on acquisition of Macau Fisherman's Wharf International Investment Limited ("MFW Investment") and its subsidiaries (collectively referred to as the "MFW Group") and amortisation of other intangible assets, unallocated common area in MFW, corporate expenses, net exchange difference, finance costs and listing expenses. Corporate expenses include directors' remuneration paid or payable by the Company and certain administrative expenses for corporate use. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the Executive Directors for review.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2014

	Gaming HK\$'000	Non-gaming HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit:				
Depreciation of property and equipment	35,087	99,899	30,644	165,630
Depreciation of investment properties	—	6,485	1,593	8,078
Amortisation of other intangible assets	—	—	15,356	15,356
Release of prepaid lease payments	—	16,886	35,196	52,082
Allowance for inventories	—	311	—	311
Allowance for bad and doubtful debts	—	327	—	327
Pre-opening expenses	—	24,084	—	24,084
Loss on disposal of property and equipment	20,450	668	—	21,118

For the year ended 31 December 2013

	Gaming HK\$'000	Non-gaming HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit:				
Depreciation of property and equipment	21,258	66,546	30,645	118,449
Depreciation of investment properties	—	6,485	1,593	8,078
Release of prepaid lease payments	—	15,543	35,196	50,739
Reversal of allowance for inventories	—	(11,680)	—	(11,680)
Reversal of allowance for bad and doubtful debts	—	(1,844)	—	(1,844)
Loss on disposal of property and equipment	4,718	1,854	—	6,572

Geographical information

All revenue of the Group is derived from customers in Macau based on location of the operations.

All non-current assets of the Group are located in Macau based on geographical location of the assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customer contributing over 10% of the total revenue of the Group are as follows:

	2014 HK\$'000	2013 HK\$'000
Customer A	1,151,630 ¹	1,143,974 ¹

¹ Revenue from gaming related services

8. OTHER INCOME, GAINS AND LOSSES

	2014 HK\$'000	2013 HK\$'000
Bank interest income	109,272	25,367
Income from New Legend (note a)	81,699	—
Management fee income from directors (note b)	—	5,078
Realised exchange gain, net	5,818	1,278
Unrealised exchange (loss) gain, net	(68,513)	14,596
Loss on disposal of property and equipment	(21,118)	(6,572)
(Allowance) reversal of allowance for bad and doubtful debts	(327)	1,844
Others	31,884	21,104
	138,715	62,695

Notes:

- (a) Pursuant to the transfer of profit and loan agreement, one of the VIE Agreements, New Legend agreed to, among others, transfer to Hong Hock, all profits accrued by New Legend from its commencement of business until the establishment of the structure established through the entering of the VIE Agreements (the "VIE Structure") for support of the day-to-day operations of New Legend. The VIE Structure was established on 3 July 2014. Accordingly, the amount of approximately HK\$81,699,000 was recognised in profit or loss for the year ended 31 December 2014. Further details regarding the VIE Structure of New Legend is disclosed in note 38.
- (b) The management fee income from directors represents the provision of general management and administrative services to directors for use of the aircraft of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on bank borrowings which is wholly repayable within five years	88,588	54,773
Amortisation of finance costs on bank borrowings	23,905	4,198
Other finance costs	2,835	—
Total borrowing costs	115,328	58,971
Less: Capitalised borrowing costs in construction in progress (included in property and equipment)	(26,451)	—
	88,877	58,971

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 3.7% (2013: nil) per annum to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. DIRECTORS' REMUNERATION AND CHIEF EXECUTIVE'S EMOLUMENTS

The remuneration paid or payable to the Directors and chief executive was as follows:

	Chow Kam Fai, David ("David Chow") HK\$'000	Lam Fong Ngo HK\$'000	Sheldon Trainor- DeGirolamo HK\$'000	Tong Ka Wing, Carl HK\$'000	Fong Chung, Mark HK\$'000 (note)	Xie Min HK\$'000 (note)	Tam Wai Chu, Maria HK\$'000 (note)	Total HK\$'000
For the year ended 31 December 2014								
Fee	—	—	—	—	500	480	480	1,460
Salaries and allowances	16,000	5,000	4,000	4,000	—	—	—	29,000
Performance related incentive payments	8,802	—	—	—	61	61	61	8,985
Share-based payments	15,565	—	11,973	5,986	—	—	—	33,524
Contributions to retirement benefits scheme	—	—	—	—	—	—	—	—
Total remuneration	40,367	5,000	15,973	9,986	561	541	541	72,969
For the year ended 31 December 2013								
Fee	—	—	—	—	217	206	206	629
Salaries and allowances	15,929	4,572	2,777	4,000	—	—	—	27,278
Performance related incentive payments	12,565	—	—	1,600	48	45	45	14,303
Share-based payments	24,104	—	18,541	9,270	—	—	—	51,915
Contributions to retirement benefits scheme	—	—	—	—	—	—	—	—
Total remuneration	52,598	4,572	21,318	14,870	265	251	251	94,125

Note: Appointed as Directors on 5 June 2013.

The performance related incentive payments to the Directors are determined by reference to the Group's performance and approved by the Board of Directors.

David Chow is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

During both years, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration in both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. EMPLOYEES' REMUNERATION

The emoluments of the five individuals, four (2013: four) were Directors, with highest emoluments in the Group were as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and benefits	32,033	28,787
Performance related incentive payments	9,186	15,698
Contributions to retirement benefits scheme	—	—
Share-based payments	33,524	51,915
	74,743	96,400

Their emoluments were within the following bands:

	2014 No. of individuals	2013 No. of individuals
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	1	1
HK\$9,500,001 to HK\$10,000,000	1	—
HK\$14,500,001 to HK\$15,000,000	—	1
HK\$15,500,001 to HK\$16,000,000	1	—
HK\$21,000,001 to HK\$21,500,000	—	1
HK\$40,000,001 to HK\$40,500,000	1	—
HK\$52,500,001 to HK\$53,000,000	—	1
	5	5

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

12. PROFIT BEFORE TAXATION

	2014 HK\$'000	2013 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	2,480	1,900
Listing expenses	—	104,713
Staff costs		
Directors' remuneration	72,969	94,125
Other staff costs		
— salaries and other benefits	341,590	278,620
— contributions to retirement benefits schemes	485	588
	415,044	373,333
Depreciation of investment properties	8,078	8,078
Depreciation of property and equipment	165,630	118,449
Amortisation of other intangible assets	15,356	—
Release of prepaid lease payments	52,082	50,739
Operating lease rentals in respect of leasehold land and buildings	9,517	10,122
Allowance (reversal of allowance) for inventories	311	(11,680)
Cost of inventories recognised as an expense (included in cost of sales and services)	63,878	76,626
Pre-opening expenses	24,084	—
Gross licensing income from investment properties	(99,975)	(72,299)
Less: Direct operating expenses that generate licensing income	8,078	8,078
Net licensing income	(91,897)	(64,221)

13. TAXATION CREDIT

	2014 HK\$'000	2013 HK\$'000
Current tax charge	(1,650)	(3,300)
Deferred taxation credit (note 29)	6,629	6,629
Income tax credit	4,979	3,329

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the year. No provision for Macau Complementary Tax and Hong Kong Profits Tax has been made in the consolidated financial statements as either the relevant group entities incurred tax losses or the estimated assessable profits were fully absorbed by tax losses brought forward from prior years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

13. TAXATION CREDIT (Continued)

Pursuant to the Dispatch of the Macau Financial Services Bureau dated 17 November 2006 and a confirmation letter issued by the Macau Financial Services Bureau dated 14 January 2013, gaming related revenue generated from the Service Agreement is not subject to Macau Complementary Tax since it is derived from SJM gaming revenue, which gaming revenue 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 of 23 February 2004 and further by Dispatch no. 378/2011 of 23 November 2011.

Pursuant to the Dispatch of the Macau Financial Services Bureau dated 28 June 2013, Hong Hock, a wholly-owned subsidiary of the Company, is allowed to pay an annual lump sum dividend withholding tax of MOP1,700,000 (equivalent to approximately HK\$1,650,000) for each of the years ended 31 December 2012 through to 2016 as payment in lieu of Macau Complementary Tax otherwise due by the shareholders of Hong Hock on dividend distributions from gaming profits generated in relation to the operation of the casinos at The Landmark Macau and MFW. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether Hong Hock has distributable profits in the relevant years. During the year ended 31 December 2014, provision for taxation of HK\$1,650,000 (2013: HK\$3,300,000) has been made.

The taxation for the year can be reconciled to the profit before taxation as follows:

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	473,962	506,550
Taxation at Macau Complementary Tax rate at 12%	56,875	60,786
Tax effect of expenses not deductible for tax purpose	79,157	75,204
Tax effect of income not taxable for tax purpose	(18,720)	(7,648)
Tax effect of tax exemption granted to gaming related revenue	(153,598)	(153,439)
Tax effect of estimated tax losses not recognised	29,146	18,527
Lump sum dividend tax	1,650	3,300
Others	511	(59)
Taxation credit	(4,979)	(3,329)

As at 31 December 2014, the Group has tax losses of HK\$606,764,000 (2013: HK\$492,300,000) from non-gaming operations available for offset against future profit that will expire in three years from the year of assessment. For the year ended 31 December 2014, approximately HK\$128,420,000 (2013: nil) of tax losses have expired.

Having considered (i) the unpredictability of future profit streams for the non-gaming operations; and (ii) the fact that tax losses can only be utilised in three years from the year of assessment, the Directors are of the view that it may not be probable that taxable profits will be available against which unutilised tax losses can be utilised. As a result, no deferred tax assets have been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

14. DIVIDENDS

Interim dividend

No dividend was paid, declared or proposed as an interim dividend in respect of the year ended 31 December 2014.

On 5 June 2013, the Company declared a dividend of total amount of HK\$2,446,583,000 to its then shareholders (excluding those who have waived their rights and entitlements to any dividend declared by the Company prior to the listing on the Main Board of the Stock Exchange) including Mr. David Chow, Madam Lam Fong Ngo, Mr. Li Chi Keung, All Landmark Properties Limited (“All Landmark”), Grand Bright Holdings Limited (“Grand Bright”), Elite Success International Limited (“Elite Success”) and The Legend Club Limited.

Pursuant to a deed of assignment and set-off (the “Deed of Assignment and Set-off”) entered into among the Company and the above-mentioned shareholders who are entitled to the dividend declared by the Company on 5 June 2013, All Landmark, Grand Bright, Elite Success and The Legend Club Limited assigned HK\$354,105,000, HK\$154,549,000, HK\$77,672,000 and HK\$40,890,000 of their respective entitlements to the aforesaid dividends to Mr. David Chow for nil consideration and each of Grand Bright and Elite Success assigned HK\$459,882,000 and HK\$333,328,000 of their respective entitlements to the aforesaid dividends to Madam Lam Fong Ngo and Mr. Li Chi Keung for nil consideration, respectively.

The relevant shareholders applied their entitlement to the dividends including the entitlement assigned to them pursuant to the Deed of Assignment and Set-off (the “Adjusted Entitlement”) to set off the amounts due to the Company by them in their capacity as shareholders and/or Directors (as applicable). Pursuant to the Deed of Assignment and Set-off, a total Adjusted Entitlement of HK\$2,396,583,000 was applied by the relevant shareholders in aggregate to set off all the amounts due to the Company by them (including amounts due from Directors of HK\$2,220,741,000 and amounts due from shareholders of HK\$175,842,000) on 5 June 2013. The balance of dividend of HK\$50,000,000 was settled in cash in July 2013.

Final dividend

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2014 (2013: nil).

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2014 HK\$'000	2013 HK\$'000
Profit for the year for the purposes of basic and diluted earnings per share	478,941	509,879

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For the year ended 31 December 2014

15. EARNINGS PER SHARE (Continued)

Number of shares

	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,422,913	5,732,471
Effect of dilutive potential ordinary shares		
– Share options	15,132	9,251
– Directors' Reward Shares (as defined in note 36)	29,044	25,099
Weighted average number of ordinary shares for the purpose of diluted earnings per share	6,467,089	5,766,821

16. INVESTMENT PROPERTIES

	HK\$'000
COST	
At 31 December 2013 and 1 January 2014 and 31 December 2014	330,031
DEPRECIATION	
At 1 January 2013	64,969
Provided for the year	8,078
At 31 December 2013	73,047
Provided for the year	8,078
At 31 December 2014	81,125
CARRYING AMOUNTS	
At 31 December 2014	248,906
At 31 December 2013	256,984

The above investment properties are depreciated on a straight-line basis over 50 years.

All the Group's investment properties are held for leasing purpose under operating leases and are situated on land in Macau under medium-term lease.

As at 31 December 2014 and 2013, all the Group's investment properties were pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 28 and 31.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

16. INVESTMENT PROPERTIES (Continued)

As at 31 December 2014, the fair values of the Group's investment properties together with the leasehold interest in land included in the Group's prepaid lease payments amounted to HK\$3,573,000,000 (2013: HK\$2,906,000,000). The fair value has been arrived based on an estimation carried out by management.

The fair value was determined by comparison method on the assumption that they can be sold in their existing states and conditions. Comparison is based on prices of actual sales and/or offerings of similar properties.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties together with the leasehold interest in land, the highest and best use of the properties together with the leasehold interest in land is their current use.

Details of the Group's investment properties together with the leasehold interest in land and information about the fair value hierarchy as at 31 December 2014 are as follows:

Fair value as at 31 December 2014

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Commercial property units located in Macau	—	—	3,573,000	3,573,000

Fair value as at 31 December 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Commercial property units located in Macau	—	—	2,906,000	2,906,000

There were no transfers into or out of Level 3 during the year.

Further details of the Group's major properties are set out in the section headed "Particulars of Major Properties" in this annual report.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

17. PROPERTY AND EQUIPMENT

	Buildings	Aircraft	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Machinery	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST								
At 1 January 2013	1,862,822	97,500	352,002	422,542	5,872	261,631	52,615	3,054,984
Additions	—	—	2,721	3,276	—	2,555	374,279	382,831
Disposals	—	—	(16,358)	(13,332)	(123)	(19,018)	—	(48,831)
At 31 December 2013	1,862,822	97,500	338,365	412,486	5,749	245,168	426,894	3,388,984
Additions	971	—	36,868	129,061	2,880	27,855	1,101,184	1,298,819
Disposals	—	—	(10,978)	(55,121)	—	(91,902)	—	(158,001)
Transfer	—	—	51,354	162,940	—	595	(214,889)	—
At 31 December 2014	1,863,793	97,500	415,609	649,366	8,629	181,716	1,313,189	4,529,802
DEPRECIATION								
At 1 January 2013	132,311	17,266	60,029	363,716	1,810	195,899	—	771,031
Provided for the year	45,908	12,188	28,064	17,789	1,142	13,358	—	118,449
Eliminated on disposals	—	—	(14,267)	(13,239)	(123)	(14,630)	—	(42,259)
At 31 December 2013	178,219	29,454	73,826	368,266	2,829	194,627	—	847,221
Provided for the year	45,921	12,188	36,500	59,373	1,071	10,577	—	165,630
Eliminated on disposals	—	—	(10,473)	(55,025)	—	(71,353)	—	(136,851)
At 31 December 2014	224,140	41,642	99,853	372,614	3,900	133,851	—	876,000
CARRYING AMOUNTS								
At 31 December 2014	1,639,653	55,858	315,756	276,752	4,729	47,865	1,313,189	3,653,802
At 31 December 2013	1,684,603	68,046	264,539	44,220	2,920	50,541	426,894	2,541,763

According to the Service Agreement, gaming machinery (included in the class “machinery”) has to be returned to the Macau Government at no cost upon the expiry of SJM concession contract in year 2020.

The above items of property and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 50 years
Aircraft	12.5%
Furniture, fixtures and equipment	5%–50%
Leasehold improvements	10%–33%
Motor vehicles	10%–25%
Machinery (except for “gaming machinery”)	5%–15%
Gaming machinery	10% or over the remaining term of SJM concessionaire contract expiring in 2020

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

17. PROPERTY AND EQUIPMENT (Continued)

The Group's buildings are situated on land in Macau under medium-term lease.

At 31 December 2014 and 2013, all the Group's buildings are pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 28 and 31.

During both years, the Directors consider no impairment loss is required in respect of the Group's property and equipment.

18. PREPAID LEASE PAYMENTS

	2014 HK\$'000	2013 HK\$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in Macau	1,823,274	1,826,476
Analysed for reporting purposes as:		
Current assets	52,648	51,290
Non-current assets	1,770,626	1,775,186
	1,823,274	1,826,476

At 31 December 2014 and 2013, all the Group's prepaid lease payments were pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 28 and 31.

Pursuant to the Macau Official Gazette dated 26 September 2012, MFW Investment accepted the terms and conditions of revised land concession contract, in which MFW Investment agreed to pay land premium of MOP208,658,000 (equivalent to approximately HK\$202,581,000) as consideration for revising the land area covered and the change of use of the land. The land premium together with annual interest at 5% per annum will be paid semi-annually by six equal instalments starting from date of the Macau Official Gazette mentioned above. During each of the year ended 31 December 2014 and 2013, land premium with related interest of MOP50,346,000 (equivalent to approximately HK\$48,880,000) was paid.

Notes to the Consolidated Financial Statements

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19. GOODWILL

	HK\$'000
COST AND CARRYING VALUE	
At 1 January 2013, 31 December 2013 and 31 December 2014	681,986

Details of impairment testing on goodwill is disclosed in note 21.

20. OTHER INTANGIBLE ASSETS

	Gaming promoter operating rights HK\$'000	Referral relationship HK\$'000	Customer relationship HK\$'000	Total HK\$'000
COST				
Arising from consolidation of New Legend and at 31 December 2014 (note 38)	274,142	26,053	17,372	317,567
AMORTISATION				
Provided for the year	11,580	2,265	1,511	15,356
CARRYING AMOUNTS				
At 31 December 2014	262,562	23,788	15,861	302,211

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21. IMPAIRMENT TESTING

Goodwill from the acquisition of the MFW Group

The Group acquired 48.2% equity interest in MFW Investment, it then became a wholly-owned subsidiary of the Company on 18 May 2012. The MFW Group operates MFW, a waterfront integrated gaming, hotel, convention and entertainment complex. 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 the MFW Group. Management considered this 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. 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 Group prepared cash flows forecasts derived from the most recent financial budgets approved by management for the next five years. Cash flows beyond five years are extrapolated using a steady 3.0% (2013: 2.0%) 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 15.7% (2013: 12.0%) per annum. In the opinion of the Directors, no impairment loss is required for the year ended 31 December 2014. 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 this CGU.

22. DEPOSITS PAID

	2014 HK\$'000	2013 HK\$'000
Deposits paid for acquisition of property and equipment	7,493	—
Other deposit (note)	697,824	—
	705,317	—

Note: The other deposit as at 31 December 2014 represents a refundable deposit paid in respect of a potential long-term investment project.

23. INVENTORIES

	2014 HK\$'000	2013 HK\$'000
Food and beverage	8,972	10,655
Retail merchandise	27,441	27,097
Operating supplies	18,010	3,242
	54,423	40,994

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For the year ended 31 December 2014

24. TRADE AND OTHER RECEIVABLES

	2014 HK\$'000	2013 HK\$'000
Trade receivables	307,499	131,083
Less: Allowance for doubtful debts	(14)	(14)
	307,485	131,069
Other receivables and deposits	35,913	27,304
Prepayments	19,855	9,181
Receivables from gaming operator received on behalf of gaming promoters	134,230	401,775
Amount due from a gaming promoter	—	35,728
Total trade and other receivables	497,483	605,057

The receivables from gaming operator and amount due from a gaming promoter are non-trading in nature, unsecured, non-interest bearing and repayable on demand.

At the end of the reporting period, included in the Group's trade receivables balance are aggregate carrying amount of HK\$1,609,000 (2013: HK\$1,216,000), which are due from directors in relation to hotel services provided by the Group to them. Such amounts due from directors are unsecured, non-interest bearing and repayable on demand.

Before accepting any new customers, the Group assesses the potential customer's credit quality by evaluating their historical credit records and defines credit limits by customers. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK\$89,830,000 (2013: HK\$111,072,000), which are neither past due nor impaired. The Directors considered that trade receivables which are neither past due nor impaired are of good credit quality given the continuous subsequent settlements from gaming operator and other customers.

The Group allows a credit period with an average of 30 days to the gaming operator relating to provision of gaming related services, an average of 30 days to certain hotel guests and an average of 15 days to its tenants. The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts presented based on the invoice date at the end of the reporting period.

	2014 HK\$'000	2013 HK\$'000
Within 3 months	192,309	120,334
Over 3 months but within 6 months	6,496	802
Over 6 months but within 1 year	49,429	1,452
Over 1 year	59,251	8,481
	307,485	131,069

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$217,655,000 (2013: HK\$19,997,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables which are past due but not impaired were either settled subsequent to the end of the reporting period or amounts due from debtors which do not have historical default of payments. The Group does not hold any collateral over these balances.

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24. TRADE AND OTHER RECEIVABLES (Continued)

Aged analysis of trade receivables which are past due but not impaired

	2014 HK\$'000	2013 HK\$'000
Over 1 month but within 3 months	102,479	9,262
Over 3 months but within 6 months	6,496	802
Over 6 months but within 1 year	49,429	1,452
Over 1 year	59,251	8,481
	217,655	19,997

Movement in the allowance for bad and doubtful debts

	2014 HK\$'000	2013 HK\$'000
Balance at beginning of the year	14	4,176
Impairment losses recognised on receivables	327	47
Amount written off	(327)	(2,318)
Amount recovered	—	(1,891)
Balance at end of the year	14	14

At the end of the reporting period, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$14,000 (2013: HK\$14,000) which are either aged over one year or placed under liquidation or in severe financial difficulty. In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The Directors believe that no further credit provision is required in excess of the allowance for bad and doubtful debts.

At the end of the reporting period, the carrying amount of the trade receivables, which have been pledged to banks to secure the bank borrowings granted to the Group, is HK\$108,475,000 (2013: HK\$23,173,000). Details are set out in notes 28 and 31.

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25. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The amounts due from (to) related companies are unsecured and non-interest bearing. For non-trading balances, they are repayable on demand. For trade balances, the Group allows an average credit period of three months to its related companies.

Details of amounts due from related companies are stated as follows:

	2014 HK\$'000	2013 HK\$'000	Maximum amount outstanding during the year ended 31 December	
			2014 HK\$'000	2013 HK\$'000
Trading				
Macau Landmark Management Limited (note a)	2,337	516		
Non-trading				
Other	2	2	5	2
Amounts due from related companies	2,339	518		

As at 31 December 2014, the trade balance of HK\$2,337,000 (2013: HK\$516,000) is aged within three months. The Group did not hold any collateral over the balance.

Details of the amount due to a related company are stated as follows:

	2014 HK\$'000	2013 HK\$'000
Trading		
北京華海金寶房地產開發有限公司 (note b)	—	25

Notes:

- (a) A related company significantly influenced by Mr. David Chow and Madam Lam Fong Ngo.
- (b) A related company significantly influenced by Mr. David Chow through indirect shareholding.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits

At the end of the reporting period, pledged bank deposits represent deposits pledged to banks as security for use of electricity granted by a third party to the MFW Group and for the arrangement of letter of credit of the MFW Group. The balance carried an average fixed interest rate of 0.85% (2013: 0.94%) per annum.

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26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH (Continued)

Bank balances and cash

Cash at banks and on hand comprise cash held by the Group and short-term bank deposits at variable interest rates with an original maturity of three months or less and carry interest at market rate of 2.9% (2013: 2.9%) per annum. As at 31 December 2014, short-term bank deposits with maturity over three months carry average fixed interest at 3.6% (2013: 3.6%) per annum.

At the end of the reporting period, included in bank balances and cash are restricted bank balance of HK\$656,463,000 (2013: HK\$237,138,000). Pursuant to the banking facility agreement with the banks, the Group is required to deposit all operating income and revenue generated from The Landmark Macau and MFW into designated bank accounts. In case, the bank borrowings become due, the banks can apply all deposits in the designated bank accounts for the payment and discharge of all financial indebtedness created under the banking facility agreement.

27. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for ongoing costs and construction work. The average credit period granted by the Group's creditors is one month to three months.

	2014 HK\$'000	2013 HK\$'000
Trade payables	59,554	74,973
Deposits received from tenants	56,641	41,636
Accrued staff costs	117,568	87,887
Other accruals	39,184	23,010
Other payables	280,818	45,667
Amounts due to gaming promoters	111,561	346,091
Total trade and other payables	665,326	619,264

The amounts due to gaming promoters are non-trading in nature, unsecured, non-interest bearing and repayable on demand.

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27. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014 HK\$'000	2013 HK\$'000
Within 3 months	57,686	38,620
Over 3 months but within 6 months	1,570	49
Over 6 months but within 1 year	264	138
Over 1 year	34	36,166
	59,554	74,973

28. BANK AND OTHER BORROWINGS

	2014 HK\$'000	2013 HK\$'000
Bank borrowings, secured (note i)	3,955,416	1,404,525
Other borrowing (note ii)	271,000	—
	4,226,416	1,404,525
Analysed for reporting purposes as:		
Current liabilities	448,601	355,802
Non-current liabilities	3,777,815	1,048,723
	4,226,416	1,404,525

Notes:

- (i) Bank borrowings, secured

	2014 HK\$'000	2013 HK\$'000
Secured bank borrowings due		
– within one year	177,601	355,802
– more than one year, but not exceeding two years	579,846	365,802
– more than two years, but not more than five years	3,197,969	682,921
	3,955,416	1,404,525
Less: Amount due within one year shown under current liabilities	(177,601)	(355,802)
Amount due after one year	3,777,815	1,048,723

The bank borrowings are denominated in HK\$.

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28. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(i) Bank borrowings, secured (Continued)

During the current year, the Group entered into a facility agreement with banks relating to a new five-year syndicated bank term loan facility in the amount of HK\$4,221.0 million, of which HK\$1,324.0 million was used to repay the then outstanding bank borrowings and the remaining HK\$2,897.0 million was to partially finance the redevelopment project costs of MFW. As at 31 December 2014, the Group has drawn down a total of HK\$4,024.0 million under the facility.

As at 31 December 2014, the bank borrowings bear interests at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5% per annum (2013: HIBOR plus 3.0% per annum and Macau prime rate minus 1.0%) and the weighted average effective interest rate was 2.95% (2013: 3.54%) per annum.

The Group's bank borrowings are secured and guaranteed, inter alia, by the followings:

- (a) the mortgage over the investment properties, buildings and prepaid lease payments as set out in notes 16, 17 and 18;
 - (b) all the assets of three subsidiaries, MFW, New Macau Landmark and Hong Hock (2013: two subsidiaries, New Macau Landmark and Hong Hock);
 - (c) all the designated bank balances held by three subsidiaries, MFW, New Macau Landmark and Hong Hock (2013: two subsidiaries, New Macau Landmark and Hong Hock). Details are set out in note 26;
 - (d) a corporate guarantee by Hong Hock, New Macau Landmark and the Company as guarantors to guarantee punctual payment and performance (2013: guarantee by the Company);
 - (e) all rights and interests in leases, tenancy agreements, proceeds from hotel operation and management, rental income and other proceeds of the pledged properties; and
 - (f) all receivables arising from leases, rental income, disposal, hotel operations and other proceeds of the pledged properties.
- (ii) Other borrowings represent the amount due to a gaming operator which is denominated in HK\$ and is non-interest bearing, unsecured and repayable within one year.

29. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised and movements thereon during the current and prior years.

	Fair value adjustment on investment properties HK\$'000	Fair value adjustment on property and equipment HK\$'000	Fair value adjustment on prepaid lease payments HK\$'000	Total HK\$'000
At 1 January 2013	4,505	41,539	152,050	198,094
Credit to profit or loss	(190)	(2,215)	(4,224)	(6,629)
At 31 December 2013	4,315	39,324	147,826	191,465
Credit to profit or loss	(190)	(2,215)	(4,224)	(6,629)
At 31 December 2014	4,125	37,109	143,602	184,836

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30. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2013	7,164,299,563	716,430
Increase on 5 June 2013 (note i)	2,835,700,437	283,570
At 31 December 2013 and 31 December 2014	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2013	5,226,719,531	522,672
Issue of shares (note ii)	70,631,345	7,063
Issue of shares in connection with the Listing (as defined in note 36) (note iii)	934,827,000	93,483
Issue of shares as a part of Directors' Reward Shares (as defined in note 36) (note v)	14,541,747	1,454
At 31 December 2013	6,246,719,623	624,672
Placement of shares (note iv)	188,000,000	18,800
Issue of shares as a part of Directors' Reward Shares (note v)	14,541,747	1,454
At 31 December 2014	6,449,261,370	644,926

Notes:

- (i) On 5 June 2013, the shareholders of the Company passed the resolution that the authorised ordinary share capital be increased from HK\$716,430,000, divided into 7,164,299,563 ordinary shares of a nominal value of HK\$0.10 each, to HK\$1,000,000,000, divided into 10,000,000,000 ordinary shares of a nominal value of HK\$0.10 each, by the creation of an additional 2,835,700,437 ordinary shares.
- (ii) On 15 May 2013, the Company issued 70,631,345 ordinary shares to PacBridge Capital Partners (HK) Limited. The shares issued formed part of the advisory fees payable by the Company to PacBridge Capital Partners (HK) Limited in respect of the provision of corporate finance advisory services in connection with the Listing. Details are set out in note 36(b).
- (iii) On 5 July 2013, the Company issued 934,827,000 ordinary shares at HK\$2.35 per share for cash through an initial public offering by way of Hong Kong public offer and international placing and the Company's shares were listed on the Main Board of the Stock Exchange with effect from 5 July 2013.
- (iv) On 16 January 2014, All Landmark, a controlling shareholder of the Company, entered into a placing agreement for the placement of up to 188,000,000 ordinary shares of the Company (the "Placing Shares") to certain independent professional, institutional and other investors (the "Placees") at HK\$7.25 per share. On the same date, All Landmark also entered into a conditional subscription agreement with the Company for the subscription of 188,000,000 ordinary shares of the Company (the "Subscription Shares") at HK\$7.25 per share.

The placement of the Placing Shares by All Landmark to the Placees was completed on 21 January 2014 and the Subscription Shares were issued to All Landmark on 24 January 2014. The net proceeds received by the Company from this top-up placement amounted to HK\$1,350,750,000.
- (v) On each of 31 December 2013 and 31 December 2014, the Company issued 14,541,747 ordinary shares pursuant to the service contracts or letter of appointment dated 5 June 2013 entered into between the Company and each of Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl. Details are set out in note 36(c).

All the shares issued during the two years ended 31 December 2014 rank pari passu with the then existing shares of the Company in all respects.

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31. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged certain trade receivables, bank deposits, buildings, investment properties and prepaid lease payments to secure the credit facilities and use of electricity granted to the Group. The carrying amounts of the assets pledged are as follows:

	2014 HK\$'000	2013 HK\$'000
Trade receivables	108,475	23,173
Pledged bank deposits	20,581	20,581
Buildings	1,639,653	1,684,603
Investment properties	248,906	256,984
Prepaid lease payments	1,823,274	1,826,476
	3,840,889	3,811,817

32. RETIREMENT BENEFITS PLANS

Employees employed by the Group's operations in Macau are members of government-managed retirement benefits schemes operated by the Macau government. The Macau operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years at the end of the reporting period.

The only obligation of the Group with respect to the above retirement benefits schemes is to make the required contributions under the schemes.

The total expense recognised in profit or loss of HK\$485,000 (2013: HK\$588,000) represents contributions payable to above retirement benefit schemes by the Group at rates specified in the rules of the schemes.

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33. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of land, office properties, warehouse and staff quarters rented under non-cancellable operating leases which fall due as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	62,420	53,804
In the second to fifth year inclusive	15,542	48,826
	77,962	102,630

Operating lease payments represent rentals payable by the Group for certain of its leasehold land (see note 18), office properties, warehouse and staff quarters. Lease term of leasehold land in Macau is negotiated for a term of 25 years at a fixed rental and is subject for renewal in accordance with applicable laws and regulations. Leases for office properties, warehouse and staff quarters are negotiated for an average term of two years and rentals are fixed for an average term of two years.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014 HK\$'000	2013 HK\$'000
Within one year	133,081	99,641
In the second to fifth year inclusive	308,492	265,993
Over five years	200,772	97,903
	642,345	463,537

Operating lease income represents licensing income receivable by the Group from certain of its rented premises. Licensing arrangements are negotiated for an average term of five years and licensing fees are fixed for an average term of two years. In addition to the fixed licensing income which are disclosed above, pursuant to the terms of certain licensing arrangements, the Group has licensing income based on certain percentage of gross sales of relevant shop. The contingent licensing income contributed an insignificant amount of licensing income earned by the Group during both years presented.

34. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments in respect of the acquisition of property and equipment and construction in progress which are contracted for but not provided of HK\$773,871,000 (2013: HK\$292,259,000).

At the end of the reporting period, the Group had capital commitments which are authorised but not contracted for in respect of (i) renovation work of The Landmark Macau of HK\$36,621,000 (2013: HK\$231,189,000); and (ii) redevelopment plan of MFW (the "MFW Redevelopment") of HK\$6,877,337,000 (2013: HK\$7,609,863,000).

35. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the end of the reporting period:

- (i) Pursuant to the amendment in the Service Agreement on 16 December 2011, in the event of any non-payment by the gaming promoters or any failure to fulfill their obligations related to gaming promotion agreements as entered with SJM and gaming promoters, the Group undertakes to reimburse SJM for any loss caused by such misconduct of the gaming promoters as well as any possible legal costs associated with litigation. There are no such claims from SJM during the years ended 31 December 2014 and 2013.
- (ii) Prior to the acquisition by the Group, MFW Investment initiated repossession proceedings against a former tenant at MFW with rental arrears in dispute of MOP89,008,000 (equivalent to approximately HK\$86,416,000) in 2009. The former tenant initiated a counterclaim from MFW Investment an amount of MOP90,728,000 (equivalent to approximately HK\$88,085,000) in 2009 for alleging breach of undertakings pursuant to a memorandum of understanding on 19 October 2006 and an escrow undertaking letter on 5 September 2008, as well as seeking compensation for amounts spent on improvements to the premises. During the year ended 31 December 2013, the Macau Court of First Instance dismissed the counterclaim from the former tenant and the former tenant was condemned to pay MFW Investment the amount of MOP67,151,000 (equivalent to approximately HK\$65,195,000) as principal and the respective interests to be computed. The former tenant appeals against such decision and the case will be sent to the Macau Court of Second Instance. The Directors believe the aforementioned case would not result in any material adverse effects on the financial position of the Group as at 31 December 2014. Accordingly, no provision has been made in the consolidated financial statements.
- (iii) Prior to the acquisition by the Group, MFW Investment received a claim for outstanding payments on construction works at MFW from a contractor in 2008. The contractor claimed from MFW Investment an amount of MOP23,709,000 (equivalent to approximately HK\$23,018,000) and MFW Investment counterclaimed an amount of MOP14,451,000 (equivalent to approximately HK\$14,030,000) for defective construction work carried out by the contractor. In April 2010, the Macau Court of First Instance dismissed all claims from the contractor and awarded MOP462,000 (equivalent to approximately HK\$449,000) to MFW Investment. The contractor did not agree the court's judgement and appealed to the Macau Court of Second Instance. This legal proceeding is pending before the Macau Court of Second Instance. The Macau Court of Second Instance dismissed the appeal from the contractor in June 2014 and agreed to award MFW the amount of damages. The Directors believe the aforementioned case would not result in any material adverse effects on the financial position of the Group as at 31 December 2014. Accordingly, no provision has been made in the consolidated financial statements.

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35. CONTINGENT LIABILITIES (Continued)

- (iv) Pursuant to a revolving credit facility agreement and a supplementary agreement dated 1 July 2013 and 22 October 2013, respectively, a gaming promoter, New Legend, a company incorporated in Macau by Mr. Yip Wing Fat, Frederick, who is a senior management of the Company, has been offered for total facility amount of HK\$320 million from SJM to purchase rolling chips to be used in the VIP room(s) at the Pharaoh's Palace Casino as well as Babylon Casino, where applicable. The revolving credit facility agreement is valid for one year from 3 July 2013 and all borrowed amounts should be repaid by 2 July 2014. The Group has provided a guarantee to SJM under the revolving credit facility agreement. If New Legend defaults on any payments or breaches any of its obligations under the agreement, the Group is liable to SJM and SJM is entitled to withhold monthly service income or deduct outstanding amounts from the monthly service income payable to the Group under the Service Agreement. As at 31 December 2014, an amount of HK\$271 million (2013: HK\$300 million) under the facility was utilised by New Legend and remained outstanding. The revolving credit facility was renewed on 14 July 2014 and is valid for one year from 3 July 2014 and all borrowed amounts should be repaid by 2 July 2015.

New Legend has been consolidated into the Group upon the approval from independent shareholders of the Company on 3 July 2014 and the Group has recognised the liability of HK\$271 million as set out in note 28. Details of the arrangement with New Legend are set out in the circular dated 9 June 2014 issued by the Company and note 38.

Save and except for the matters specified above, the Group does not have any litigations or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

36. SHARE-BASED PAYMENTS

Other than the share option disclosed in note 39, the Company has the following share-based payment transactions during the year.

Pursuant to (i) two four-year employment contracts signed on 20 December 2006 and 21 December 2010 between the Company and Mr. David Chow; (ii) the engagement letter dated 30 August 2011 between the Company and PacBridge Capital Partners (HK) Limited; and (iii) the service contracts or letter of appointment dated 5 June 2013 entered into between the Company and each of Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl, the Company issued the following share options and ordinary shares up to 31 December 2014:

- (i) 25,296,468 share options to Mr. David Chow during the year ended 31 December 2011. Details are set out below in note (a).
- (ii) 70,631,345 ordinary shares of the Company to PacBridge Capital Partners (HK) Limited during the year ended 31 December 2013. Details are set out below in note (b).
- (iii) 14,541,747 ordinary shares of the Company to Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl on 31 December 2014 (31 December 2013: 14,541,747). Details are set out below in note (c).

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36. SHARE-BASED PAYMENTS (Continued)

Notes:

- (a) On 23 November 2011, the Company granted a total of 25,296,468 share options at an exercise price of HK\$2 per share to Mr. David Chow. The fair value of the share options at the date of grant was HK\$18,666,000. Share options can be exercised from the date of grant to 22 November 2016. No share options have been exercised up to 31 December 2014.

Pursuant to the sale and purchase agreement for acquisition of MFW Investment on 18 May 2012, the share options granted to Mr. David Chow in respect of 25,296,468 share options is adjusted to 24,412,724 share options during the year ended 31 December 2012.

- (b) 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 of the Company in 2013 (the "Listing") pursuant to their engagement letter signed with the Company on 30 August 2011. The fair value of shares granted was determined by Directors based on best estimations at the amount of HK\$165,985,000.

- (c) Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl are entitled to receive an aggregate 43,625,244 ordinary shares of the Company (the "Directors' Reward Shares") during the term of respective service contracts or appointment letter dated 5 July 2013 (as applicable) individually entered into with the Company. The Directors' Reward Shares will be issued to each of Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl in three equal tranches on 31 December 2013, 31 December 2014 and 31 December 2015, provided that they remain as the Director at the time such shares are issued. On 31 December 2014, the Company issued 14,541,747 (31 December 2013: 14,541,747) ordinary shares to them in aggregate.

Market approach has been used to estimate the fair value of the shares granted. To apply market approach, profit/earning ratio was employed based on the information of comparable companies which operate business similar to the Group. The fair value of the Directors' Reward Shares was HK\$98,000,000 on 5 June 2013. The variables and assumptions used in computing the fair value of the share are based on the Directors' best estimate.

During the year ended 31 December 2014, share-based payments of HK\$33,524,000 (2013: HK\$217,900,000) were recognised in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

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37. RELATED PARTY TRANSACTIONS

Apart from balances and transactions with related companies as disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related companies.

(a) Nature of transactions	2014 HK\$'000	2013 HK\$'000
Related companies significantly influenced by certain shareholders and Directors:		
Other expenses*	221	182
Related companies controlled by certain shareholders and Directors:		
Income from building management service*	672	872
Licensing fee expenses*	2,201	3,285
Related company controlled by a senior management:		
Revenue from provision of gaming related facilities and gaming related general service to New Legend [#]	3,950	5,845
Financial guarantee contract — total facility amount (note 35(iv))	—	320,000

- (b) On 15 May 2013, the Company issued 70,631,345 ordinary shares of the Company to PacBridge Capital Partners (HK) Limited. The shares issued formed part of the advisory fees payable by the Company to PacBridge Capital Partners (HK) Limited in respect of the provision of corporate finance advisory services in connection with the listing of shares of the Company. PacBridge Capital Partners (HK) Limited is a company controlled by Mr. Sheldon Trainor-DeGirolamo, a director of the Company.
- (c) On 31 December 2014, the Company issued 14,541,747 (31 December 2013: 14,541,747) ordinary shares in aggregate to Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl, Directors of the Company. Details of the issue of shares are set out in note 36(c).
- (d) Compensation to key management personnel of the Group which represents Directors is set out in note 10.

* These transactions constitute continuing connected transactions for the purpose of Chapter 14A of the Listing Rules. Details of certain of these continuing connected transactions, which are subject to the reporting requirements set out in Chapter 14A of the Listing Rules, have been disclosed under the section "Connected Transactions" in the Directors' Report.

[#] The transaction was carried out prior to the consolidation of New Legend by the Group and did not constitute a connected transaction for the purpose of Chapter 14A of the Listing Rules.

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38. CONSOLIDATION OF NEW LEGEND

Further to the disclosures in prospectus of the Company dated 17 June 2013 and the Company's announcement dated 31 December 2013, the Company planned to diversify its business and indirectly participate in the gaming promotion business through New Legend under the VIE Structure. The Group obtained all required approvals from regulatory authorities and independent shareholders of the Company during the year ended 31 December 2014 and had control over the gaming promotion business of New Legend and rights to consolidate the financial results of New Legend since 3 July 2014 as if it was the Group's wholly-owned subsidiary, which allows the economic benefit of New Legend's business flow to the Group.

Mr. Yip Wing Fat, Frederick, the sole shareholder of New Legend, did not and will not receive any consideration in relation to the entering of the VIE Structure with the Company.

The assets and liabilities of New Legend on 3 July 2014 recognised by the Group:

	Fair value HK\$'000
Trade and other receivables	216,979
Intangible assets	317,567
Bank balances and cash	52,794
Trade and other payables	(287,340)
Other borrowing	(300,000)
	—

Included in revenue and profit of the Group for the year ended 31 December 2014 are HK\$58,191,000 and a loss of HK\$19,164,000 contributed by New Legend since 3 July 2014 through the VIE Structure, respectively.

	Fair value HK\$'000
Inflow of cash and cash equivalents in respect of consolidation of New Legend:	
Bank balances and cash acquired	52,794

In the opinion of the directors of the Company, the fair values of the receivables acquired (which principally comprised trade and other receivables) approximate to the gross contractual amounts based on the estimation of the contractual cash flows of the receivables which are expected to be collected at the date of the consolidation.

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39. SHARE OPTION SCHEME

On 5 June 2013, the Company adopted a share option scheme (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants for their contribution or potential contribution to the Group. Eligible participants of the Share Option Scheme include, among others, the Company’s Directors, including independent non-Executive Directors, full-time or part-time employees, executive or officers of the Group, advisors, consultants, suppliers, customers and agents. The Share Option Scheme became effective on 5 July 2013 upon the Listing.

No share option has been granted since the adoption of the Share Option Scheme.

40. SUBSEQUENT EVENTS

The Group has the following subsequent events after the end of the reporting period:

- (i) Harbourview Hotel, the first new hotel under the MFW Redevelopment, commenced soft opening on 2 February 2015 and had its grand opening on 11 February 2015. Further details of opening of the hotel are set out in the Company’s announcement dated 2 February 2015; and
- (ii) the Company entered into a non-binding memorandum of understanding (the “MOU”) with DYNAM JAPAN HOLDINGS Co., Ltd. (“Dynam”) on 23 August 2013 in respect of opportunities for business cooperation between two groups. The terms of the MOU have been extended and further extended with an expiry date of 23 February 2015. The Company and Dynam have not concluded or entered into any definitive agreement before the expiry of the MOU and the MOU expired on 23 February 2015. Further details of the expiry of the MOU are set out in the Company’s announcement dated 24 February 2015.

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41. LIST OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital, registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			2014	2013	
Hong Hock*	Macau 8 June 1992	Ordinary shares MOP1,000,000	100%	100%	Provision of gaming related facilities and gaming related general management services
New Macau Landmark	Macau 9 December 2002	Ordinary shares MOP100,000	100%	100%	Operating hotel business
Macau Legend Development (Hong Kong) Limited*	Hong Kong 4 May 2007	Ordinary share HK\$1	100%	100%	Provision of management services to group companies
Triumphant Time Limited*	British Virgin Islands ("BVI") 13 March 2012	Ordinary share US\$1	100%	100%	Investment holding
Star Pyramid Limited*	BVI 16 March 2012	Ordinary share US\$1	100%	100%	Investment holding
MFW Investment*	Macau 28 August 2000	Ordinary shares MOP10,000,000	100%	100%	Operating theme park
Grand Merit Retail Group Limited	Macau 25 August 2006	Quota shares MOP100,000	100%	100%	Retail of clothing, footwear and accessories

* 100% directly owned by the Company, except MFW Investment, which is 80% directly and 20% indirectly owned by the Company.

In addition to the list above, upon the adoption of the VIE Structure as disclosed in note 38, the financial results of New Legend, which 100% of the issued shares are owned by Mr. Yip Wing Fat, Frederick, was consolidated by the Group effectively as a Company's wholly-owned subsidiary.

The above table list the subsidiaries of the Company, which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries, in the opinion of the Directors, result in particulars of excessive length.

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42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK\$'000	2013 HK\$'000
Non-current assets		
Investments in subsidiaries	4,247,005	4,247,005
Deposit paid	697,824	—
	4,944,829	4,247,005
Current assets		
Prepayments	10,209	330
Amounts due from subsidiaries	1,425,714	13,354
Bank balances	7,410	96,821
	1,443,333	110,505
Current liabilities		
Accrued expenses	6,107	1,309
Amounts due to subsidiaries	2,409,507	1,714,064
	2,415,614	1,715,373
Net current liabilities	(972,281)	(1,604,868)
Net assets	3,972,548	2,642,137
Capital and reserves		
Share capital	644,926	624,672
Reserves	3,327,622	2,017,465
Equity attributable to owners of the Company	3,972,548	2,642,137

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

43. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

Movement in share capital and reserves

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note i)	Special reserve HK\$'000 (note ii)	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2013	522,672	3,396,344	202,312	(10,052)	18,666	(1,412,661)	2,717,281
Profit and total comprehensive income for the year	—	—	—	—	—	162,748	162,748
Share-based payments (note 36)	—	—	—	—	51,915	—	51,915
Issue of shares	102,000	2,293,548	—	—	(32,719)	—	2,362,829
Transaction cost attributable to issue of new shares	—	(208,342)	—	—	—	—	(208,342)
Dividend (note 14)	—	(2,446,583)	—	—	—	—	(2,446,583)
Coupon paid	—	—	—	7,763	—	(7,763)	—
Coupon waived	—	—	—	2,289	—	—	2,289
At 31 December 2013	624,672	3,034,967	202,312	—	37,862	(1,257,676)	2,642,137
Profit and total comprehensive income for the year	—	—	—	—	—	(53,863)	(53,863)
Share-based payments (note 36)	—	—	—	—	33,524	—	33,524
Issue of shares	20,254	1,375,465	—	—	(32,719)	—	1,363,000
Transaction cost attributable to issue of new shares	—	(12,250)	—	—	—	—	(12,250)
At 31 December 2014	644,926	4,398,182	202,312	—	38,667	(1,311,539)	3,972,548

Notes:

- (i) The other reserve of the Company represents the difference between the nominal value of the shares of subsidiaries acquired by the Company and the nominal value of the shares of the Company issued for acquisition at the time of group reorganisation in December 2006 less dividends distributed from pre-acquisition reserves of the subsidiaries.
- (ii) The special reserve of the Company represents the deemed distribution recognised from coupon payments on a promissory note to a non-controlling shareholder pursuant to a share purchase agreement in relation to disposal of a 4% equity interest of the Company on 30 August 2012. During the year ended 31 December 2013, HK\$7,763,000 was paid as coupon payments and such amount was transferred from special reserve to retained earnings in equity. Upon the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 5 July 2013, the obligation of the payment of coupon payments by the Company was ceased and the remaining outstanding coupon of HK\$2,289,000 was waived accordingly.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for last five years is set out below:

	Year ended 31 December				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Results					
Revenue	1,811,112	1,763,754	1,501,088	1,345,930	1,095,295
Cost of sales and services	(881,828)	(777,179)	(664,672)	(418,712)	(417,156)
	929,284	986,575	836,416	927,218	678,139
Other income, gains and losses	138,715	62,695	36,057	3,401	2,650
Marketing and promotional expenses	(89,511)	(44,156)	(45,587)	(31,472)	(28,472)
Operating and administrative and other expenses	(415,649)	(439,593)	(232,788)	(200,696)	(137,150)
Finance costs	(88,877)	(58,971)	(62,862)	(50,009)	(17,995)
Profit before taxation	473,962	506,550	531,236	648,442	497,172
Taxation credit	4,979	3,329	4,105	—	—
Profit and total comprehensive income for the year, attributable to owners of the Company	478,941	509,879	535,341	648,442	497,172

	At 31 December				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Assets and liabilities					
Total assets	12,537,920	7,813,406	7,921,308	3,361,791	2,527,674
Total liabilities	(5,078,228)	(2,216,929)	(2,596,818)	(2,085,438)	(3,968,444)
Net assets (liabilities)	7,459,692	5,596,477	5,324,490	1,276,353	(1,440,770)

Note: The financial data of the Group for the year ended 31 December 2010, 2011 and 2012 and information as to its financial position as at 31 December 2010, 2011 and 2012 are extracted from the accountants' report of the Group as set out on Appendix I to the prospectus dated 17 June 2013 issued by the Company.

Particulars of Major Properties

Particulars of major properties of the Group as at 31 December 2014 are set out below:

Property name	Location	Use	Lease term	Percentage of interest attributable to the Group
The Landmark Macau	The Hotel and Car Park Portions of Macau Landmark, Avenida da Amizade Nos. 519–597, Rua de Xangai Nos. 38–78-B, Alameda Dr. Carlos d' Assumpção Nos. 565–605-C, Macau	Hotel/Commercial/ Car Park	Medium	100%
Macau Fisherman's Wharf	Phase I and Phase I Extension of a Tourism and Entertainment Complex known as "Macau Fisherman's Wharf" (澳門漁人碼頭) at Avenida da Amizade (友誼大馬路), Macau	Hotel/Commercial/ Car Park	Medium	100%

Definitions

“2015 AGM”	the annual general meeting of the Company to be held on 15 June 2015
“Adjusted EBITDA”	the Group’s earnings before interest income, finance costs, income taxes, depreciation, release of prepaid lease payments, amortization, loss on disposal of property and equipment, unrealised exchange gain/loss, share-based payments, pre-opening expenses and one-off costs incurred or associated with corporate exercises including the Listing/placement of the Shares
“ADR”	average daily room rate
“All Landmark”	All Landmark Properties Limited, a controlled corporation of Mr David Chow
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Macau Legend Development Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Corporate Guarantors”	the Company and the Material Subsidiaries
“David Chow Share Options”	the option to subscribe for 24,412,724 Shares, as adjusted, granted by the Company to Mr David Chow in November 2011
“DICJ”	Direcção de Inspeção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
“Directors”	the directors of the Company
“Elite Success”	Elite Success International Limited, a company in which each of Mr Li Chi Keung and Ms Wong Hoi Ping, the spouse of Mr Li Chi Keung, held 44.5% of the total issued capital
“Facility”	a five-year transferable term loan facility in the amount of HK\$4,221,000,000 provided by the Lenders to MFW Investment
“Facility Agreement”	the facility agreement dated 8 April 2014 and entered into among MFW Investment, the Corporate Guarantors, ICBC Macau and the other Lenders relating to the Facility
“Grand Bright”	Grand Bright Holdings Limited, a controlled corporation of Madam Lam
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants

“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Hock”	Hong Hock Development Company Limited, a company incorporated in Macau and a subsidiary of the Company
“ICBC Macau”	Industrial and Commercial Bank of China (Macau) Limited
“Lenders”	the lenders of the Facility which are banks and financial institutions
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange with effect from 5 July 2013
“Listing Date”	the date when the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madam Lam”	Madam Lam Fong Ngo, the vice chairman, an executive Director and a controlling shareholder (as defined in the Listing Rules) of the Company
“Majority Lenders”	Lenders who have participated in 66 $\frac{2}{3}$ % or more of the total commitments, or if the Facility has been drawn, 66 $\frac{2}{3}$ % or more of the total outstanding under the Facility
“Material Subsidiaries”	New Macau Landmark and Hong Hock
“MFW”	Macau Fisherman’s Wharf operated by MFW Investment
“MFW Group”	MFW Investment and its subsidiaries
“MFW Investment”	Macau Fisherman’s Wharf International Investment Limited, a company incorporated in Macau and a subsidiary of the Company
“MFW Redevelopment”	the redevelopment of MFW
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr David Chow”	Mr Chow Kam Fai, David, a co-chairman, an executive Director and the chief executive officer of the Company and a controlling shareholder (as defined in the Listing Rules) of the Company
“Mr Frederick Yip”	Mr Yip Wing Fat, Frederick, the sole shareholder and sole director of New Legend and the executive vice president, head of casino operations of the Company
“Ms Melinda Chan”	Ms Chan Mei Yi, Melinda, the spouse of Mr David Chow
“New Legend”	New Legend VIP Club Limited, a company incorporated in Macau by Mr Frederick Yip
“New Macau Landmark”	New Macau Landmark Management Limited, a company incorporated in Macau and a subsidiary of the Company
“Nomination Committee”	the nomination committee of the Company

Definitions

“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 17 June 2013
“Remuneration Committee”	the remuneration committee of the Company
“REVPAR”	revenue per available room
“RMB”	Renminbi, the lawful currency of the PRC
“Service Agreement”	the service agreement dated 25 September 2006 and its related amendments entered into between Hong Hock and SJM, under which the Group provides gaming services to SJM in the Group’s two major casinos, namely Pharaoh’s Palace Casino in The Landmark Macau and Babylon Casino in MFW
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Option Scheme”	the share option scheme adopted by the Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“SJM”	Sociedade de Jogos de Macau, S.A.
“Stock Exchange” or “SEHK”	The Stock Exchange of Hong Kong Limited
“Supplemental Prospectus”	the supplemental prospectus of the Company dated 26 June 2013
“VIE Agreements”	the exclusive management and consultancy services agreement, the exclusive undertaking to sell agreement, the transfer of profit and loan agreement, the share and equity pledge agreement and the power of attorney entered into among Hong Hock, New Legend and Mr Frederick Yip, where appropriate, further details of which are set out in the Company’s circular dated 9 June 2014
“VIE Structure”	the structure established through the entering into of the VIE Agreements, which enables the Group to indirectly participate in the gaming promotion business operations in Macau through New Legend
“%”	per cent