



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

2013 INTERIM REPORT



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# Corporate Information

## Place of Incorporation

Cayman Islands

## Board of Directors

### Executive Directors

Chow Kam Fai, David  
*(Co-chairman and Chief Executive Officer)*  
Lam Fong Ngo *(Vice Chairman)*  
Sheldon Trainor-DeGirolamo

### Non-Executive Director

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

### Independent Non-Executive Directors

Fong Chung, Mark  
Xie Min  
Tam Wai Chu, Maria

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## Authorised Representatives

Sheldon Trainor-DeGirolamo  
Tong Ka Wing, Carl

## Company Secretary

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

21st Floor, Macau Landmark Building  
555 Avenida da Amizade  
Macau

## Corporate Information (Continued)

### 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  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### Independent Auditor

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

### Compliance Advisor

Anglo Chinese Corporate Finance, Limited

### Principal Bankers

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

### 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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Fax: (853) 2822 2266  
Email: [ir@macaulegend.com](mailto:ir@macaulegend.com)

### Website

[www.macaulegend.com](http://www.macaulegend.com)

## Milestone

The shares of Macau Legend Development Limited (the “Company”) have been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 5 July 2013. The Company has issued new shares of 15% of its enlarged share capital and raised gross proceeds of approximately HK\$2.2 billion from the global offering.





## Management Discussion and Analysis

The Company, together with its subsidiaries (collectively 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, an award-winning integrated hotel, casino and luxury complex, featuring a five-star hotel and Macau’s first themed casino, located in the heart of the Macau Peninsula and Macau Fisherman’s Wharf (“MFW”), a waterfront integrated gaming, hotel, convention and entertainment complex located at the outer harbour of the Macau Peninsula.

The Group’s businesses include (i) the provision of gaming services to Sociedade de Jogos de Macau, S.A. (“SJM”) in two major casinos on its properties, namely Pharaoh’s Palace Casino in The Landmark Macau and Babylon Casino in MFW under the service agreement dated 25 September 2006 (as amended) (the “Service Agreement”); and (ii) the operation of hotels, entertainment and leisure facilities within its properties.

The redevelopment of MFW (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 new casinos, Harbourview Hotel, Legend Palace Hotel, Legendale Hotel, a general entertainment and cultural facility, a canopied open-air shopping, dining and entertainment colonnade, yacht club at the marina, and other attractions.

On 18 May 2012, the Group completed the acquisition of the entire equity interest in Macau Fisherman’s Wharf International Investment Limited (“MFW Investment”). The Group has, since the completion of the said acquisition, consolidated the results of MFW Investment and its subsidiaries (“MFW Group”). Hence the Group’s results for the current period included the results of MFW Group for the full six-month period while for the last corresponding period, the Group only consolidated the results of MFW Group for the period from 19 May 2012 to 30 June 2012.



## Management Discussion and Analysis (Continued)

### Overview of Interim Results

For the six months ended 30 June 2013, the Group recorded total revenue of HK\$843.8 million, an increase of HK\$169.9 million or 25.2% over that of the last corresponding period. Breakdown of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Gaming services:		
— Pharaoh's Palace Casino	553,835	508,213
— Babylon Casino	69,165	14,274
<b><i>Sub-total for gaming services</i></b>	<b>623,000</b>	522,487
Non-gaming operations:		
— The Landmark Macau	131,053	132,649
— Macau Fisherman's Wharf	89,713	18,757
<b><i>Sub-total for non-gaming operations</i></b>	<b>220,766</b>	151,406
<b>Total revenue</b>	<b>843,766</b>	673,893

During the current period, gaming revenue and non-gaming revenue of the Group increased by 19.2% to HK\$623.0 million and by 45.8% to HK\$220.8 million respectively when compared to the last corresponding period. The increase in gaming revenue was primarily driven by the increase in revenue from both the mass market and VIP gaming segments at Pharaoh's Palace Casino and the consolidation of revenue from gaming services of MFW Group at Babylon Casino of HK\$69.2 million for the full reporting period (six months ended 30 June 2012: HK\$14.3 million for the period from 19 May 2012 to 30 June 2012). The increase in non-gaming revenue was mainly due to the increase in contribution of revenue from MFW Group in the current period when compared to that in the last corresponding period when the acquisition of MFW Group by the Group was completed on 18 May 2012.

## Management Discussion and Analysis (Continued)

Adjusted EBITDA (being earnings before interest income, finance costs, income taxes, depreciation, release of prepaid lease payments, loss on disposal of property and equipment, share-based payments and one-off costs incurred associated with the listing of the Company's shares (the "Listing")) for the current period was HK\$431.6 million, an increase of HK\$64.6 million or 17.6% over that of the last corresponding period of HK\$367.0 million. A reconciliation of the Adjusted EBITDA from profit attributable to owners of the Company is as follows:

	Six months ended 30 June					
	2013			2012		
	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	321,169	(54,435)	266,734	297,841	(15,134)	282,707
Add: Finance costs	30,890	18	30,908	31,325	—	31,325
Depreciation of investment properties	1,921	2,118	4,039	1,921	312	2,233
Depreciation of property, plant and equipment	21,332	39,574	60,906	28,922	8,866	37,788
Release of prepaid lease payments	5,867	19,338	25,205	5,865	148	6,013
Loss on disposal of property and equipment	5,290	—	5,290	—	—	—
Share-based payments	—	—	—	4,152	—	4,152
One-off costs incurred associated with the Listing	39,465	—	39,465	4,848	—	4,848
Less: Interest income	(2)	(119)	(121)	(2,012)	(30)	(2,042)
Tax charge/(credit)	2,476	(3,315)	(839)	—	—	—
<b>Adjusted EBITDA</b>	<b>428,408</b>	<b>3,179</b>	<b>431,587</b>	372,862	(5,838)	367,024



## Management Discussion and Analysis (Continued)

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

	Six months ended 30 June					
	2013			2012		
	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	437,044	14,328	451,372	369,309	1,975	371,284
Non-gaming operations	6,678	(11,149)	(4,471)	12,782	(7,813)	4,969
Unallocated corporate expenses	(15,314)	—	(15,314)	(9,229)	—	(9,229)
<b>Adjusted EBITDA</b>	<b>428,408</b>	<b>3,179</b>	<b>431,587</b>	372,862	(5,838)	367,024

The increase in Adjusted EBITDA of the current period when compared to the last corresponding period was mainly due to the increase in Adjusted EBITDA from the gaming operations of both Pharaoh's Palace Casino (by HK\$67.7 million or 18.3%) and Babylon Casino (which in turn was mainly due to full six-month period consolidation in current period but only for the period from 19 May 2012 to 30 June 2012 for the last corresponding period). The increase in Adjusted EBITDA of current period was offset by the decrease in Adjusted EBITDA from the non-gaming operations at The Landmark Macau (which in turn was mainly due to renovation of the hotel rooms, increase in marketing and promotional expenses to promote the hotel's business and upgrade of guest room amenities for the hotel during the current period) and the increase in loss of the non-gaming operations at MFW (which in turn was mainly due to full six-month period consolidation in current period but only for the period from 19 May 2012 to 30 June 2012 for last corresponding period).

During the current period, operations of MFW Group (including gaming and non-gaming) started to generate positive Adjusted EBITDA contribution to the Group of HK\$3.2 million (six months ended 30 June 2012: negative Adjusted EBITDA of HK\$5.8 million).

The Group's profit for the period amounted to HK\$266.7 million, a decrease of HK\$16.0 million or 5.7% over that of the last corresponding period of HK\$282.7 million. The decrease was mainly due to (i) the increase in loss from MFW Group accounted for by the Group in the current period when compared to the last corresponding period (full six-month period consolidation for the current period of HK\$54.4 million but only for the period from 19 May 2012 to 30 June 2012 for the last corresponding period of HK\$15.1 million) as the Group completed the acquisition of MFW Group on 18 May 2012; and (ii) the inclusion of the one-off costs incurred associated with the Listing in the current period of HK\$39.5 million (six months ended 30 June 2012: HK\$4.8 million).

The Group's profit excluding MFW Group for the period amounted to HK\$321.2 million, an increase of HK\$23.3 million or 7.8% over that of the last corresponding period of HK\$297.8 million. The increase was mainly attributable to the increase in profit generated from the gaming operations at Pharaoh's Palace Casino in the current period when compared to the last corresponding period.

## Management Discussion and Analysis (Continued)

### Interim Dividend

On 5 June 2013, the Company declared a dividend in the total amount of HK\$2,446.6 million to its then shareholders (excluding those who had waived their rights and entitlements to any dividend declared by the Company prior to the Listing).

During the board of directors' meeting held on 23 August 2013, the directors of the Company resolved not to pay any further interim dividend for the six months ended 30 June 2013.

### Financial and Operational Reviews

#### A. Gaming Services

Our revenue from gaming services consisted of service income received from SJM for services and facilities we provide in connection with mass market tables, VIP rooms and slot machines.

As at 30 June 2013, the Group had the following number of gaming tables and slot machines in its two casinos:

	At 30 June 2013	At 30 June 2012
<b>Pharaoh's Palace Casino:</b>		
— Mass market tables	60	66
— VIP tables	67*	61
— Slot machines	205	274
<b>Babylon Casino:</b>		
— Mass market tables	23	23
— Slot machines	120	78

\* As at 30 June 2013, a total of 12 gaming tables were temporarily not in operation due to the suspension of operation of two VIP rooms at 20/F and 21/F of The Landmark Macau since 31 May 2013. On 27 July 2013, a new VIP room at 20/F with six VIP tables commenced its operation. The Group is now screening for a gaming promoter to operate the VIP room at 21/F.



## Management Discussion and Analysis (Continued)

The following table sets forth certain key operational data for the six months ended 30 June 2013 and the last corresponding period:

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
<b>Pharaoh's Palace Casino:</b>		
<b>Mass market tables</b>		
Games drop	4,136,294	4,052,362
Net win	874,493	801,446
Hold rate	21.14%	19.78%
Average number of tables <sup>1</sup>	60	66
Net win per table per day <sup>1</sup>	81	67
<b>VIP tables</b>		
Games turnover	113,185,620	97,120,792
Net win	3,405,014	2,891,795
Win percentage	3.01%	2.98%
Average number of tables <sup>1</sup>	59	52
Net win per table per day <sup>1</sup>	319	306
<b>Slot machines</b>		
Slot handle	304,831	462,245
Net win	16,815	25,773
Hold rate	5.52%	5.58%
Average number of slot machines <sup>1</sup>	184	289
Net win per slot machine per day <sup>1</sup>	0.5	0.5
<b>Babylon Casino<sup>2</sup>:</b>		
<b>Mass market tables</b>		
Games drop	641,853	616,834
Net win	125,032	158,228
Hold rate	19.48%	25.65%
Average number of tables <sup>1</sup>	23	23
Net win per table per day <sup>1</sup>	30	38
<b>Slot machines</b>		
Slot handle	32,030	8,333
Net win	2,031	1,298
Hold rate	6.34%	15.58%
Average number of slot machines <sup>1</sup>	99	78
Net win per slot machine per day <sup>1</sup>	0.1	0.1

<sup>1</sup> Per table or per slot machine amounts are based on average number of tables or slot machines, as applicable, during the relevant period. The average number of tables or slot machines during the relevant period is calculated by averaging the number of tables or slot machines, respectively, at the beginning and end of the relevant period.

<sup>2</sup> For comparison purposes, the key operational data of Babylon Casino shown in the above table for the last period represented data for the period from 1 January 2012 to 30 June 2012.

## Management Discussion and Analysis (Continued)

Breakdown of the Group's gaming revenue for the period is as follows:

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Mass market tables:		
— Pharaoh's Palace Casino	480,971	440,795
— Babylon Casino	68,472	14,138
VIP rooms — Pharaoh's Palace Casino	549,443	454,933
Slot machines:	68,100	57,836
— Pharaoh's Palace Casino	4,764	9,582
— Babylon Casino	693	136
	5,457	9,718
<b>Total gaming revenue</b>	<b>623,000</b>	<b>522,487</b>

For the six months ended 30 June 2013, the Group recorded HK\$623.0 million revenue from gaming services, a 19.2% increase year-on-year compared to that of HK\$522.5 million in the last corresponding period.

### Mass Market Tables

Total revenue from mass market tables in the current period increased by HK\$94.5 million or 20.8% to HK\$549.4 million from HK\$454.9 million in the last corresponding period. The increase was primarily attributable to the increase in mass gaming revenue generated at the Pharaoh's Palace Casino by HK\$40.2 million or 9.1% to HK\$481.0 million from HK\$440.8 million in last corresponding period which was in turn caused by the increase in both games drop and net win of the mass market tables at the Pharaoh's Palace Casino. During the current period, net win per table per day of the mass market tables at the Pharaoh's Palace Casino reached HK\$81,000, as compared to HK\$67,000 in the last corresponding period, representing a 20.9% increase.

In addition, the increase in revenue from mass market tables was also attributable to the consolidation of revenue from gaming services of MFW Group at Babylon Casino amounting to HK\$68.5 million for the full six-month period in the current period but only HK\$14.1 million for the period from 19 May 2012 to 30 June 2012 in the last corresponding period as the Group completed the acquisition of MFW Group on 18 May 2012.

### VIP Rooms

Revenue from VIP rooms of the current period increased by HK\$10.3 million or 17.7% to HK\$68.1 million from HK\$57.8 million in the last corresponding period. The increase was primarily attributable to the increase in average number of VIP tables and games turnover. The average number of VIP tables increased to 59 in the current period from 52 in the last corresponding period. In 2012, the Group carried out renovation and fitting out work in The Landmark Macau to refurbish and expand its gaming areas.

## Management Discussion and Analysis (Continued)

During the renovation period, certain VIP tables were temporarily removed and relocated. Renovation of gaming areas was completed at around end of 2012. Since 31 May 2013, a total of 12 tables were temporarily not in operation due to the suspension of operation of two VIP rooms at 20/F and 21/F of The Landmark Macau. On 27 July 2013, a new VIP room at 20/F with 6 tables commenced its operation. Up to the date of this report, there was a total of seven VIP rooms located on various floors at The Landmark Macau which were operated by designated gaming promoters (six of which worked exclusively with the Group). The Group is now screening for a gaming promoter to operate the VIP room at 21/F at The Landmark Macau and we expect that the new VIP room will commence operation soon. During the current period, net win per table per day of VIP tables reached HK\$319,000, compared to HK\$306,000 for the last corresponding period, representing a 4.2% increase.

As mentioned in the Company's prospectus dated 17 June 2013 (the "Prospectus"), subject to approval by the Gaming Inspection and Coordination Bureau ("DICJ"), the Group intends to diversify its business and indirectly participate in the gaming promotion business following the Listing, which would allow the Group to have greater control over the management and marketing of the VIP rooms in the casinos of our properties, as well as enhance the Group's market footprint and increase the Group's share of the VIP business from VIP tables that the Group promotes. The major steps that the Group would take to achieve this



are: (i) to nominate a person or a company under the control of the said person to apply for and hold a gaming promotion license; and then (ii) to enter into agreement with the nominated person or the company under the control of the said person so that the person or the company under the control of the said person confers to the Group rights of the risk and reward associated with the related gaming operation under the gaming promotion license.

In late June 2013, New Legend VIP Club Limited ("New Legend"), a company established by Mr. Yip Wing Fat, Frederick, executive vice president, head of casino operations of the Group, was granted a gaming promotion license. Since 3 July 2013, New Legend has commenced its operation of a VIP room (as one of the outsourced VIP rooms of the Group) at The Landmark Macau on terms similar to the arrangement the Group currently has with the other outsourced VIP rooms at The Landmark Macau.





## Management Discussion and Analysis (Continued)

In the near future, the Group intends to enter into a further agreement with New Legend to, among other rights to be conferred upon the Group, (i) bear all the operating expenses, including commissions to collaborators (if any), utilities and food and beverage expenses, in respect of the VIP room(s) in the casinos operated by it; (ii) increase the proportion of the Group's share in the profits and losses generated by New Legend in respect of such VIP room(s); and (iii) consolidate such profits and losses, subject to approval from the relevant Macau gaming and governmental authorities. As at the date of this report, the Group has yet to enter into the aforesaid further agreement with New Legend or to apply to DICJ for their approval with respect to such agreement.

### Slot Machines

Revenue from slot machines in the current period at Pharaoh's Palace Casino dropped by HK\$4.8 million or 50.3% to HK\$4.8 million in the reporting period from HK\$9.6 million in the last corresponding period. The decrease was mainly due to the decrease in average number of slot machines of the Group in the current period when compared to that in the last corresponding period.

On 1 February 2013, the Group entered into an agreement (the "Slot Hall Agreement") with Weike (G) Management Macau Limited ("Weike"), a third party slot machine vendor and operator. Pursuant to the Slot Hall Agreement, the Group agreed to engage Weike to install and service the slot machines in the casino and other gaming areas in The Landmark Macau. The Group pays Weike a monthly performance bonus, being 70% of the Group's gross slot win from the slot machines in The Landmark Macau subject to a guarantee from Weike to the Group of a minimum monthly gross slot win of HK\$700,000.

### B. Non-gaming Operations

For the six months ended 30 June 2013, the Group recorded a total of HK\$220.8 million in non-gaming revenue, representing an increase of 45.8% compared with that of the last corresponding period of HK\$151.4 million. Out of the total non-gaming revenue, revenue from The Landmark Macau and MFW accounted for HK\$131.1 million or 59.4% (six months ended 30 June 2012: HK\$132.6 million or 87.6%) and HK\$89.7 million or 40.6% (six months ended 30 June 2012: HK\$18.8 million or 12.4%) of the total non-gaming revenue, respectively.





## Management Discussion and Analysis (Continued)

Breakdown of the Group's non-gaming revenue for the period is as follows:

	Six months ended 30 June					
	2013			2012		
	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
Income from hotel rooms	56,131	10,809	66,940	57,323	1,797	59,120
Licensing income from investment properties	18,187	15,048	33,235	18,172	2,596	20,768
Income from building management services	20,997	8,117	29,114	19,707	1,416	21,123
Food and beverage	33,208	35,160	68,368	34,332	8,809	43,141
Sales of merchandise	—	19,983	19,983	—	3,975	3,975
Others	2,530	596	3,126	3,115	164	3,279
<b>Total non-gaming revenue</b>	<b>131,053</b>	<b>89,713</b>	<b>220,766</b>	132,649	18,757	151,406

The increase in non-gaming revenue was primarily attributable to the increase in contribution of revenue from MFW Group in the current period (full six-month period) when compared to that in the last corresponding period when the acquisition of MFW Group by the Group was completed on 18 May 2012 (for the period from 19 May 2012 to 30 June 2012).

The following table sets forth certain key operational data on hotel operations of the Group for the six months ended 30 June 2013 and the last corresponding period:

	Six months ended 30 June	
	2013	2012
<b>The Landmark Macau</b>		
Occupancy rate (%)	91.9%	80.6%
Average daily room rate ("ADR") (HK\$)	1,163.1	1,150.5
Revenue per available room ("REVPAR") (HK\$)	1,069.0	927.30
<b>Rocks Hotel<sup>1</sup></b>		
Occupancy rate (%)	79.0%	72.0%
ADR (HK\$)	1,361.2	1,446.6
REVPAR (HK\$)	1,075.3	1,041.6

<sup>1</sup> For comparison purposes, the key operational data of Rocks Hotel shown in the above table for the last period represented data for the period from 1 January 2012 to 30 June 2012.

## Management Discussion and Analysis (Continued)

### The Landmark Macau

Strategically located in the heart of the Macau Peninsula, The Landmark Macau is an integrated complex which offers an array of luxurious accommodation, dining, gaming and shopping experiences. It is one of the largest five-star hotels in the Macau Peninsula, with 439 rooms and suites.

The average occupancy rate of The Landmark Macau for the current period was 91.9%, a 11.3% increase over that of the last corresponding period of 80.6%. Both ADR and REVPAR for the current period increased when compared with those of the last corresponding period. During the current period, certain hotel rooms in The Landmark Macau were being renovated and hence the number of available rooms for operation in this period decreased, thus raising the occupancy rate (being number of occupied rooms divided by number of available rooms) of the current period. In addition, daily room rates for those renovated rooms were marked up which gave rise to the increase in ADR of the current period. Renovation of the remaining hotel rooms is expected to be substantially completed by end of 2013.

### Macau Fisherman's Wharf

Located approximately five minutes' walk from the Macau Ferry Terminal along the outer harbour of the Macau Peninsula, MFW is the largest leisure and entertainment complex in the Macau Peninsula. Featuring Babylon Casino, a convention and exhibition centre, Rocks Hotel, a marina, a theme park and dining, shopping and entertainment facilities, MFW brings together a variety of themes to create a unique and multicultural experience that appeals to a broad spectrum of visitors from Asia.

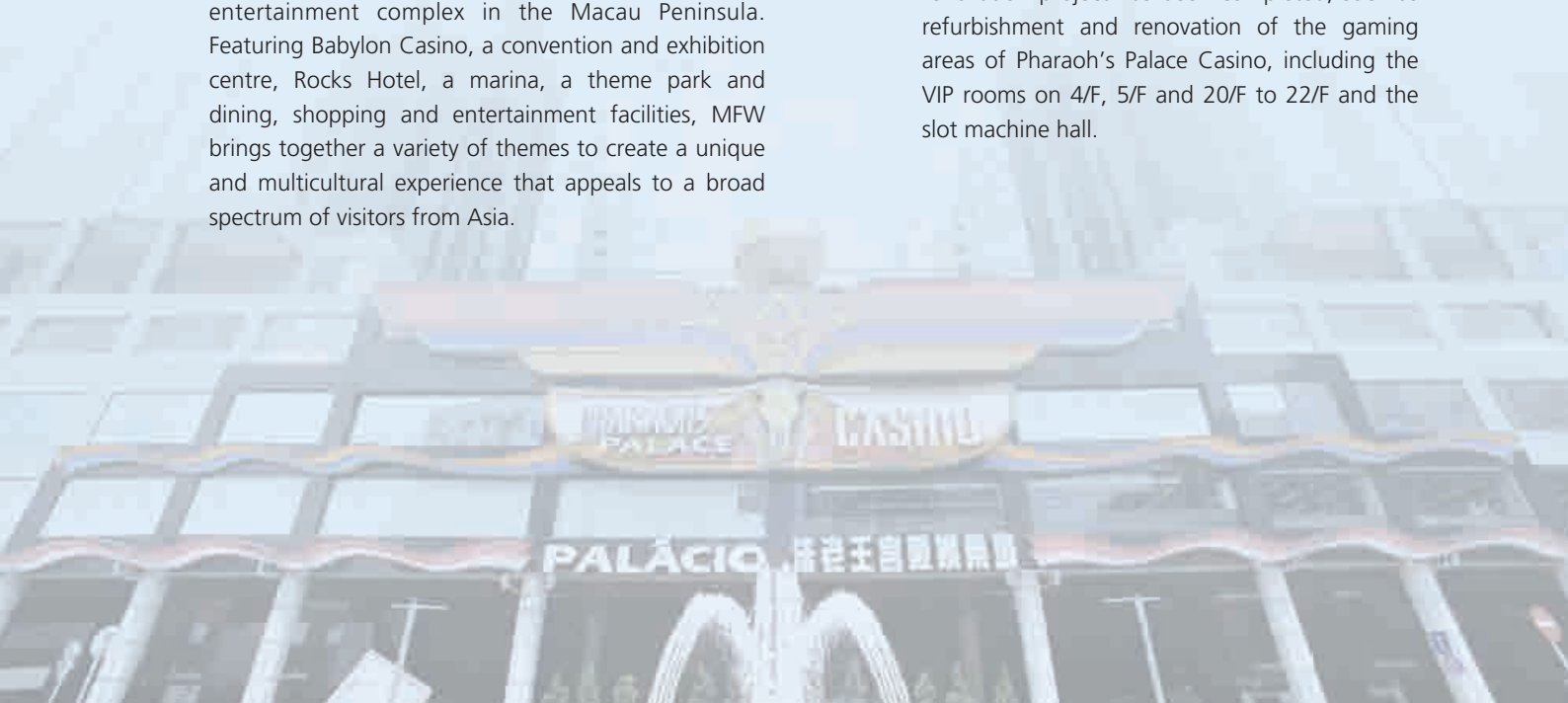
During the first half of 2013, MFW attracted a total of around 1.7 million visitors, a 3% growth compared to that of the last corresponding period. During the current period, eight mega events took place at MFW during Chinese New Year, Valentine's Day, Easter and Mother's Day etc. attracting a total of approximately 216,000 visitors and the convention and exhibition centre at MFW hosted a number of events with a total number of participants of approximately 125,000.

Modeled on Victorian-era architecture and designed to provide guests with modern comforts surrounded by the elegance and charm of the 18th century, Rocks Hotel is a boutique hotel offering 72 guestrooms and suites. The average occupancy rate of Rocks Hotel for the current period was 79.0%, a 7.0% increase over that of the last corresponding period of 72.0%. ADR of the hotel for the current period decreased to HK\$1,361.2 from HK\$1,446.6 in the last corresponding period which was primarily due to increased competition of the hotel market.

## C. Project Updates

### (a) Renovation of The Landmark Macau

The Landmark Macau is currently undergoing renovation to maximize the revenue generating potential of the properties and to enhance the quality of offerings to our guests. Part of the renovation project has been completed, such as refurbishment and renovation of the gaming areas of Pharaoh's Palace Casino, including the VIP rooms on 4/F, 5/F and 20/F to 22/F and the slot machine hall.



## Management Discussion and Analysis (Continued)

During the period under review, renovation of the sauna and spa facility occupying a gross floor area of 3,160 square metres at 2/F and VIP rooms on the same floor commenced and will be completed by around third quarter of 2013. The sauna and spa facility will be operated by a third party tenant. The refurbishment of hotel rooms has also been commenced and over 50% of the hotel rooms at The Landmark Macau have been completed. The refurbishment of the remaining hotel rooms will be substantially completed by the end of 2013.

In addition to the above, the renovation plans also include expanding the lobby, adding retail

space, remodeling restaurants, redesigning and installing exterior lighting and signage and other miscellaneous renovation work. These are being undertaken at various stages and are expected to be substantially completed by the end of 2013.

### (b) MFW Redevelopment

The Group has commenced the construction of superstructure of Harbourview Hotel with target completion date of around third quarter of 2014, ahead of the originally planned schedule of end of 2014. For the other items of MFW Redevelopment, they have been progressed as planned.

The following table sets forth the current progress on the major buildings/facilities of the MFW Redevelopment:

Buildings/Facilities	Brief Description	Progress	Target Completion Date
Harbourview Hotel	A four-star hotel modeled after the 18th century architecture of Prague with 444 rooms and suites	Commenced construction of superstructure with 3 floors already erected  Superstructure work is expected to be completed by 4Q 2013	3Q 2014
Legend Palace Hotel	A five-star deluxe medieval Persian-themed hotel with 228 rooms and villa garden suites	Commenced demolition work on Tang Dynasty complex and Vulcania  Demolition work is expected to be completed by 1Q 2014 when construction of hotel is to commence	3Q 2015
Legendale Hotel	A flagship five-star deluxe rating hotel modeled after the Neo-Renaissance style of architecture of mid-17th century Vienna with over 600 rooms	In the final stage of completing the plans for submission to the Macau government  Demolition and site preparation is expected to commence in 3Q 2013 and construction is scheduled to commence in 1Q 2014	3Q 2016
General entertainment and cultural facility	A dinosaur museum is to be constructed with indoor and outdoor convention/exhibition halls and an interactive movie theatre	A supply and technical assistance agreement has been entered into between Macau Animal Fossil Preservation Association and the Group for the provision and leasing of dinosaur fossils for display in MFW	4Q 2015

## Management Discussion and Analysis (Continued)

Buildings/Facilities	Brief Description	Progress	Target Completion Date
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	In discussion with relevant government authorities in relation to the construction work and commenced negotiations with contractors	4Q 2014
Covered open-air shopping, dining and entertainment colonnade	A variety of retail and al fresco dining options and entertainment items	In design planning stage and commenced negotiations with contractors	4Q 2014
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	Refurbishment works on existing buildings is expected to commence in the 4Q 2013	3Q 2014

### (c) Agreement for the general entertainment and cultural facility — Dinosaur Museum

On 20 August 2013, the Group entered into a supply and technical assistance agreement (the "Agreement") with the Macau Animal Fossil Preservation Association (the "Association") in relation to the building of the Dinosaur Museum in MFW and the sales, provision and leasing of dinosaur fossils to the Group for display of the dinosaur fossils at the Dinosaur Museum of MFW.

Pursuant to the Agreement, the Association will be responsible for the design of the Dinosaur Museum, management of the provision and lease of dinosaur fossils to the Group for display in MFW, coordination of the customs and other procedures in relation to the export of dinosaur fossils from Mainland China to Macau and provision of training for operational staff of the Dinosaur Museum, etc.; whereas the Group will be responsible for the construction of the Dinosaur Museum (including related costs and

expenses), coordination of customs and other procedures in relation to the import of dinosaur fossils from Mainland China to Macau, payment of costs and expenses for purchase and lease of dinosaur fossils to the Association, management and operation of the Dinosaur Museum and payment of compensation for any loss of dinosaur fossils (provided that the loss is caused by the Group), etc.

The Agreement is effective for ten years from the date of the Agreement, subject to further extension to be agreed by parties to the Agreement.

### (d) Cooperation with Dynam

On 23 August 2013, the Company entered into a non-binding Memorandum of Understanding for Business Cooperation (the "MOU") with Dynam Japan Holdings Co., Ltd. ("Dynam"), the parent company of Dynam Hong Kong Co., Limited, which in turn holds approximately 1.85% equity interest in the Company as at the date of this report.

## Management Discussion and Analysis (Continued)

Pursuant to the MOU, Dynam will establish and operate a minimum of 100 next generation pachinko machines and other electronic games (the "Electronic Games") at various sites in MFW. Subject to the necessary approvals from the Macau government, operations are expected to commence in 2014. Dynam will share with the Group the net revenue payment that the Group receives from SJM under the Service Agreement from the operation of these Electronic Games.

In addition, the MOU also provides that Dynam will enter into a marketing joint venture agreement with the Group. Under this agreement, Dynam will market the Group's hotels and casinos in Macau to its mass and premium mass customers in Japan and Korea. Dynam will also provide consulting advices on new Japanese and Korean food and beverage, and leisure and entertainment facilities to be introduced into the MFW. At March 2013, Dynam operated 334 outlets in Japan near its pachinko halls offering Japanese-style noodles and curry.

The MOU shall be terminated on six months from the date of the MOU unless otherwise agreed to extend by both parties. The parties shall negotiate in good faith the terms of the formal agreements relating to the above matters.

### Liquidity and Capital Resources

Our liquidity needs primarily comprise working capital needs, capital expenditure, and servicing borrowings of the Group. We have generally funded our operations and development projects from internal resources, debt and/or equity financing.

As at 30 June 2013, the consolidated net assets attributable to owners of the Company amounted to HK\$3,310.6 million, representing a decrease of HK\$2,013.9 million from HK\$5,324.5 million as at 31 December 2012. The decrease in consolidated net assets during the current period was mainly due to the declaration of dividend of HK\$2,446.6 million during the period.

### Bank balances and cash

As at 30 June 2013, bank balances and cash held by the Group amounted to HK\$104.1 million (including pledged bank deposit of HK\$20.6 million) which were mostly denominated in Hong Kong dollars ("HKD") and Macau Patacas ("MOP"). As MOP is pegged to HKD, the Group does not expect any significant foreign currency exposure in respect of the bank balances and cash as at 30 June 2013.

The Company has completed the global offering with its shares listed on the Stock Exchange with effect from 5 July 2013. Gross proceeds of approximately HK\$2.2 billion were raised from the global offering. In order to enhance better yield for some of the funds raised from the global offering which are not expected to be used in the near term, the Group has placed these funds at banks in Hong Kong and Macau in HKD or Renminbi ("RMB") fixed deposits with maturities ranging from 3 to 12 months. As at the date of this report, a total of approximately HK\$1.5 billion has been placed as RMB fixed deposits at banks in Hong Kong and Macau at an average interest rate of 3.4% per annum.

### Borrowings

As at 30 June 2013, the Group had outstanding (i) unsecured and unguaranteed amount due to a related company (non-trade) of HK\$97.9 million; (ii) unsecured and unguaranteed monthly coupon payments payable to a shareholder (subsidiary of SJM) of HK\$2.5 million; and (iii) secured and guaranteed bank borrowings of HK\$1,582.4 million.

The non-trade amount due to a related company is non-interest bearing and repayable on demand. Included in the balance as at 30 June 2013 was an amount of HK\$97.5 million payable for acquisition of an aircraft from the related company which was fully settled subsequent to 30 June 2013.

Pursuant to the note instrument issued to a shareholder, the Company's obligation to make such monthly coupon payments was ceased upon Listing. Therefore, outstanding coupon payment accrued up to the Listing was subsequently paid to the shareholder prior to Listing.

## Management Discussion and Analysis (Continued)

As at 30 June 2013, the maturity profile of the bank borrowings of HK\$1,582.4 million was spread over a period of less than 5 years with HK\$355.8 million repayable within one year, HK\$355.8 million repayable in the second year and HK\$870.8 million repayable in the third to fifth years. The Group's bank borrowings carried interest at prevailing market rates and on floating rate basis. In addition, these bank borrowings were denominated in either HKD or MOP. As MOP is pegged to HKD, the Group does not expect any significant foreign currency exposure in respect of its bank borrowings as at 30 June 2013.

### Charge on Group's Assets and Gearing

As at 30 June 2013, certain assets of the Group have been pledged to secure credit facilities and use of electricity granted to the Group, including investment properties with a total carrying amount of HK\$261.0 million, buildings with a total carrying amount of HK\$1,707.6 million, prepaid lease payments with a total carrying amount of HK\$1,827.6 million, trade receivables of HK\$22.2 million and bank deposits of HK\$20.6 million.

### Gearing

The Group's gearing ratio (expressed as a percentage of total interest-bearing liabilities over total equity as at end of the reporting period) was 47.8% as at 30 June 2013 (31 December 2012: 32.6%). The increase in gearing ratio of the Group during the current period was mainly due to the decrease in total equity of the Group which in turn was caused by the declaration of dividend during the period. No new interest-bearing liabilities were incepted during the period under review.

### Hedging, Acquisition and Disposals and Significant Investments

During the six months ended 30 June 2013, 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

Pursuant to the revolving credit facility agreement dated 16 December 2012, a gaming promoter, The Company LORE Limited ("TCL"), borrowed HK\$300 million from SJM to purchase rolling chips to be used in a VIP room at The Landmark Macau. The Group provided a guarantee to SJM under the revolving credit facility agreement. As at 30 June 2013, the borrowing of HK\$300 million was fully utilized by TCL and remained outstanding. On 3 July 2013, TCL repaid such borrowing to SJM and the guarantee by the Group was released accordingly.

Pursuant to a revolving credit facility agreement dated 3 July 2013, a gaming promoter, New Legend, borrowed HK\$300 million from SJM to purchase rolling chips to be used in 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 must be repaid by 2 July 2014. The Group 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. The borrowing of HK\$300 million was drawn down by New Legend on 5 July 2013 which remained outstanding as at the date of this report.

Save for the abovementioned, there has been no material change in contingent liabilities of the Group since 31 December 2012.

### Capital Expenditure and Capital Commitments

As at 30 June 2013, 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 HK\$429.0 million (31 December 2012: HK\$429.0 million) and HK\$6,630.3 million (31 December 2012: HK\$6,630.3 million), respectively. In addition, as at 30 June 2013, the Group had capital commitments in respect of acquisition of property and equipment and construction in progress which are contracted but not provided for in the amount of HK\$20.2 million (31 December 2012: HK\$20.2 million).



## Management Discussion and Analysis (Continued)

The Company launched a global offering of its shares on 17 June 2013 and reduced the size of the global offering on 26 June 2013 as a result of market conditions. Despite the reduction of the size of the offering and the amount of gross proceeds received from the offering, the scale of the MFW Redevelopment remains unchanged. In addition to the proceeds from the global offering, the Company expects to fund its operations and the MFW Redevelopment from cash generated from its operating activities and equity and/or debt financing.

### Employees and Remuneration Policies

As at 30 June 2013, the Group had a total of approximately 2,940 employees, including 1,320 gaming operations employees who were employed and paid by SJM but over whom we have oversight in accordance with the Service Agreement. The Group reimbursed SJM in full for the salaries and other benefits of these gaming operations 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, working 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 option scheme, retirement benefits, subsidized medical care and sponsorship for external education and training programmes are offered to eligible employees.

### Use of Proceeds from Global Offering

Trading of the Company's shares on the Stock Exchange commenced on 5 July 2013, and the Group raised gross proceeds of approximately HK\$2.2 billion from the global offering, after the end of the current reporting period. The Group intends to apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the supplemental prospectus of the Company dated 26 June 2013 (the "Supplemental Prospectus") and the announcement (the "Announcement") made by the Company on 4 July 2013. Details of the intended use of proceeds are set out in the Supplemental Prospectus and the Announcement.

### Outlook

We are confident in the long-term growth prospect of the Macau gaming industry driven by the growing Mainland Chinese middle class, and supported by the diversification of Macau's offerings to visitors.

The Macau government's support in terms of policies and infrastructure improvements will further facilitate the influx of visitors. As the Company completes the MFW Redevelopment over the next few years, the Group will benefit from opportunities created by completion of major transportation and infrastructure in Macau. In particular, the improved border crossing to Zhuhai, the Macau Light Rail System, which is expected to commence operations by 2015 and the Hong Kong-Zhuhai-Macau Bridge in 2016.

We expect that the Macau government will continue to focus on promoting the future development of Macau as a popular international destination for gaming patrons, those seeking leisure and hospitality services and MICE (Meetings, Incentives, Conventions and Exhibitions) attendees. We believe that the Macau government's goal is to take Macau from being primarily a gaming destination to offering visitors from all over the world many more compelling reasons to visit and re-visit. The redevelopment of MFW will transform tourism in the Macau Peninsula, offering one-stop family entertainment as well as cultural and educational experiences. With the ongoing improvement in the transportation network, in particular in the Macau Peninsula, the increase accessibility and convenience to get to Macau Fisherman's Wharf, will make it be a major draw in the Macau Peninsula.

Upon completion of the MFW Redevelopment, the number of hotel rooms of the Group will increase from current of 511 to nearly 1,800 and the number of gaming tables at the casinos in The Landmark Macau and MFW will increase from current of 150 to 500.

Going forward, we are committed to ensure the on-time execution and completion of the MFW Redevelopment. This includes the additional gaming tables to be added to existing and new casino properties at MFW. We will also actively seek opportunities for business expansion so as to maximise value for our shareholders, partners and customers.

## Corporate Governance and Other Information

### Purchase, Sale or Redemption of Listed Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares since the Company's listing on the Stock Exchange on 5 July 2013.

### Directors' Interests

As the shares of the Company were listed on the Stock Exchange on 5 July 2013, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance ("SFO") as at 30 June 2013.

Immediately upon the listing of the Company, the interests and short positions of the directors of the Company and their associates in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be disclosed, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") were as follows:

#### (I) Long Position in Shares of the Company

Name of director	Capacity	Number of shares	Approximate percentage of total issued shares
Chow Kam Fai, David	Beneficial owner	1,102,312,881	17.69%
	Controlled corporation	819,000,000 <sup>(1)</sup>	13.14%
	Interest of spouse	998,214 <sup>(2)</sup>	0.01%
		1,922,311,095	30.84%
Lam Fong Ngo	Beneficial owner	139,485,498	2.24%
	Controlled corporation	1,023,043,500 <sup>(3)</sup>	16.41%
		1,162,528,998	18.65%
Sheldon Trainor-DeGirolamo	Controlled corporation	70,631,345 <sup>(4)</sup>	1.13%

## Corporate Governance and Other Information (Continued)

Notes:

1. These shares were held by All Landmark Properties Limited ("All Landmark"), a controlled corporation of Chow Kam Fai, David.
2. Chow Kam Fai, David was deemed to be interested in 998,214 shares through the interest of his spouse, Chan Mei Yi, Melinda.
3. These shares were held by Grand Bright Holdings Limited ("Grand Bright"), a controlled corporation of Lam Fong Ngo.
4. These shares were held by PacBridge Capital Partners (HK) Limited, a controlled corporation of Sheldon Trainor-DeGirolamo.

### (II) 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
Chow Kam Fai, David	Beneficial owner	24,412,724 <sup>(Note)</sup>	0.39%

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

#### (ii) Directors' Reward Shares

Name of director	Capacity	Number of shares <sup>(Note)</sup>	Approximate percentage of total issued shares
Chow Kam Fai, David	Beneficial owner	20,254,578	0.32%
Sheldon Trainor-DeGirolamo	Beneficial owner	15,580,444	0.25%
Tong Ka Wing, Carl	Beneficial owner	7,790,222	0.12%

Note: Pursuant to the respective service agreements/appointment letter, the Company has agreed to issue these reward shares (the "Directors' Reward Shares") to each of Chow Kam Fai, David, Sheldon Trainor-DeGirolamo and Tong Ka Wing, Carl in three equal tranches on 31 December 2013, 31 December 2014 and 31 December 2015 (subject to certain conditions).

## Corporate Governance and Other Information (Continued)

### (III) Long Position in Shares of Associated Corporations

Name of associated corporation	Name of director	Nature of interests	Number of shares <sup>(1)</sup>	Percentage of interest
Hong Hock Development Company Limited	Chow Kam Fai, David Lam Fong Ngo	Beneficial owner Controlled corporation	100 100 <sup>(2)</sup>	0.01% 0.01%
New Macau Landmark Management Limited	Chow Kam Fai, David	Beneficial owner	1,000	1.0%
Grand Merit Retail Group Limited	Chow Kam Fai, David	Beneficial owner	1,000	1.0%
Legend King International Limited	Chow Kam Fai, David	Beneficial owner	1,000	1.0%
Elegant Wave Restaurant Group Limited	Chow Kam Fai, David	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 Macau patacas.*
- These shares were held by Grand Bright.*

Save as disclosed above, none of the directors or chief executive of the Company, immediately following the listing of the Company, had registered an interest or a short position in the shares or 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.

## Corporate Governance and Other Information (Continued)

### Share Options

#### (I) David Chow Share Options

Pursuant to two employment agreements entered into between the Company and Chow Kam Fai, David, the Company has granted an option to Chow Kam Fai, David to subscribe for 24,412,724 shares of the Company (as adjusted) (the “David Chow Share Options”).

The following table discloses movements of the David Chow Share Options during the current interim period:

Name of participant	Date of grant	At 1 January 2013	Granted during the period	Exercised/ forfeited/ expired during the period	At 30 June 2013	Exercise period	Exercise price per share
Chow Kam Fai, David	23/11/2011	24,412,724	—	—	24,412,724	23/11/2011 – 22/11/2016	HK\$2.0

#### (II) 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 of the Company’s shares on the Stock Exchange.

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

## Corporate Governance and Other Information (Continued)

### Substantial Shareholders' Interests

As the shares of the Company were listed on the Stock Exchange on 5 July 2013, the Company was not required to keep any register under Part XV of the SFO as at 30 June 2013.

Immediately following the listing of the Company, so far as the directors are aware, the following parties (other than the directors and chief executive of the Company) had interests of 5% or more of the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### (I) Long Position in Shares of the Company

Name of substantial shareholder	Capacity	Number of shares	Approximate percentage of total issued shares
All Landmark	Beneficial owner	819,000,000 <sup>(1)</sup>	13.14%
Chan Mei Yi, Melinda	Beneficial owner	998,214	0.01%
	Interests of spouse	1,921,312,881 <sup>(2)</sup>	30.83%
		1,922,311,095	30.84%
Grand Bright	Beneficial owner	1,023,043,500 <sup>(3)</sup>	16.41%
Elite Success International Limited ("Elite Success")	Beneficial owner	710,925,750	11.41%
Li Chi Keung	Beneficial owner	160,666,429	2.58%
	Controlled corporation	710,925,750 <sup>(4)</sup>	11.41%
		871,592,179	13.99%
Wong Hoi Ping	Controlled corporation	710,925,750 <sup>(4)</sup>	11.41%
	Interests of spouse	160,666,429 <sup>(5)</sup>	2.58%
		871,592,179	13.99%
Chan Un Chan	Founder of discretionary trust	934,269,609 <sup>(6)</sup>	14.99%
Earth Group Ventures Ltd.	Beneficial owner	934,269,609 <sup>(6)</sup>	14.99%
UBS TC (Jersey) Ltd.	Trustee/controlled corporation	934,269,609 <sup>(6)</sup>	14.99%

Notes:

- The interest of All Landmark was disclosed as the interest of Chow Kam Fai, David in the above section headed "Directors' Interests".
- Chan Mei Yi, Melinda was deemed to be interested in 1,921,312,881 shares through the interest of her spouse, Chow Kam Fai, David.
- The interest of Grand Bright was disclosed as the interest of Lam Fong Ngo in the above section headed "Directors' Interests".
- These shares were held by Elite Success (a company in which each of Li Chi Keung and Wong Hoi Ping, spouse of Li Chi Keung, held 44.5% of the total issued capital).



## Corporate Governance and Other Information (Continued)

5. Wong Hoi Ping was deemed to be interested in 160,666,429 shares through the interest of her spouse, Li Chi Keung.
6. 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 Chan Un Chan as founder for her assets planning purposes.

### (II) 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
Chan Mei Yi, Melinda	Interest of spouse	24,412,724 <sup>(Note)</sup>	0.39%

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

#### (ii) Directors' Reward Shares

Name of substantial shareholder	Capacity	Number of shares	Approximate percentage of total issued shares
Chan Mei Yi, Melinda	Interest of spouse	20,254,578 <sup>(Note)</sup>	0.32%

Note: Chan Mei Yi, Melinda was deemed to be interested in 20,254,578 Directors' Reward Shares through the interest of her spouse, Chow Kam Fai, David.

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, immediately following the listing of the Company, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

### Loan Agreements with Covenants Relating to Specific Performance of the Controlling Shareholders

Pursuant to a waiver letter dated 14 May 2013, Industrial and Commercial Bank of China (Macau) Limited (“ICBC Macau”) confirmed, on behalf of the lenders under the 2011 Term Loan Facility (defined below) and the 2012 Term Loan Facility (defined below), the consent of such lenders in respect of the global offering and the release of the guarantees and other securities given by the controlling shareholders on various conditions, among which (i) Chow Kam Fai, David, All Landmark, Lam Fong Ngo, Grand Bright, Li Chi Keung, Elite Success and Chan Un Chan are required to hold at least 51% in aggregate of the enlarged share capital of the Company upon completion of the global offering; and (ii) Chow Kam Fai, David, Lam Fong Ngo, Sheldon Trainor-DeGirolamo and Tong Ka Wing, Carl are required to comprise the majority of the members of the Board (excluding the independent non-executive directors) for the term of both the 2011 Term Loan Facility and the 2012 Term Loan Facility. In addition, each of Chow Kam Fai, David, Lam Fong Ngo and Sheldon Trainor-DeGirolamo shall remain as executive director of the Company on the date of Listing. Such requirements as to the maintenance of the level of ownership in and composition of the members of the board of directors of the Company result in the disclosure obligation under Rule 13.18 of the Listing Rules.

In this paragraph:

“2011 Term Loan Facility” refers to the five-year term loan facility entered into pursuant to an agreement dated 30 March 2011, as supplemented by agreements subsequently, between New Macau Landmark Management Limited (a subsidiary of the Company) as borrower, Hong Hock Development Company Limited (a subsidiary of the Company) as corporate guarantor, ICBC Macau as facility agent and security agent, and other lender banks up to an aggregate amount of HK\$1.8 billion; and

“2012 Term Loan Facility” refers to the four-year term loan facility entered into pursuant to an agreement dated 25 September 2012 between New Macau Landmark Management Limited as borrower, Hong Hock Development Company Limited as corporate guarantor, ICBC Macau as facility agent and security agent, and other lender banks up to an aggregate amount of MOP309.0 million

## Corporate Governance and Other Information (Continued)

### 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 Chow Kam Fai, David, All Landmark, Lam Fong Ngo, Grand Bright, Li Chi Keung, Elite Success and Chan Un Chan (together the "Covenantors"). Pursuant to the Transfer Restrictions Agreement, the Covenantors agreed not to transfer, whether directly or indirectly, any shares of the Company registered in their respective names, or any right, title or interest therein or thereto such that the number of shares and the percentage of the aggregate amount of shares held by the relevant shareholder group (the "Shareholder Group") as set out in the first column of the table below which are not affected by such transfers in the total issued capital of the Company immediately upon the completion of the global offering (without taking into account any Directors' Reward Shares and any shares that may be issued pursuant to the David Chow Share Options and any options that may be granted under the Share Option Scheme) (the "Post IPO Issued Capital") falls below the respective minimum number and percentage of shares to be held by such Shareholder Group as respectively set out in the second and third column of the table below (the "Transfer Restrictions").

	<b>Aggregate minimum shareholding required to be maintained as from the date of the restated Transfer Restrictions Agreement</b>	
	<b>Aggregate number of shares</b>	<b>Aggregate shareholding percentage of the Post IPO Issued Capital</b>
All Landmark and Chow Kam Fai, David	1,097,486,523	17.61%
Grand Bright and Lam Fong Ngo	753,470,305	12.09%
Elite Success and Li Chi Keung	627,580,312	10.07%
UBS Nominees Limited	699,873,575	11.23%
Total	3,178,410,715	51.00%

Further details of the Transfer Restrictions are set out in the Prospectus and the Supplemental Prospectus.

## Corporate Governance and Other Information (Continued)

### Update on Directors' Information

Details of the biography of each of the directors of the Company are set out in the Prospectus.

Set out below are the changes in information of a director of the Company pursuant to Rule 13.51B(1) of the Listing Rules:

- Tam Wai Chu, Maria, an independent non-executive director of the Company, was awarded the Grand Bauhinia Medal on 1 July 2013 by the Government of the Hong Kong Special Administrative Region of the People's Republic of China. 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.

### Corporate Governance

#### Compliance with the Corporate Governance Code

The Company is committed to maintaining high standard of corporate governance which is essential to the sustainable development and growth of the Company. Since its listing on the Stock Exchange on 5 July 2013, the Company has devoted efforts to put in place various policies and procedures in compliance with the principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

#### Compliance with the Model Code

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code since the Company's listing on the Stock Exchange on 5 July 2013.

## Corporate Governance and Other Information (Continued)

### Review of Unaudited Condensed Consolidated Financial Statements

The Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2013 have been reviewed by the audit committee of the Company and by the Company's independent auditors in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### Investor Relations

Information regarding the Company is published on its website: [www.macaulegend.com](http://www.macaulegend.com). Interim and annual reports, circulars and notices of the Company are dispatched to shareholders of the Company at appropriate times. The website of the Company provides information such as e-mail address, correspondence address, telephone numbers etc. for inquiries, and provides information on business activities of the Group.

By Order of the Board  
**Macau Legend Development Limited**  
**Chow Kam Fai, David**  
*Co-Chairman, Executive Director and  
Chief Executive Officer*

Hong Kong, 23 August 2013

# Report on Review of Condensed Consolidated Financial Statements



## TO THE BOARD OF DIRECTORS OF MACAU LEGEND DEVELOPMENT LIMITED

澳門勵駿創建有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the condensed consolidated financial statements of Macau Legend Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 58, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.



## Report on Review of Condensed Consolidated Financial Statements (Continued)

### Other Matter

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2012 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

23 August 2013

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>REVENUE</b>	3	<b>843,766</b>	673,893
Cost of sales and services		<b>(363,513)</b>	(256,399)
		<b>480,253</b>	417,494
Other income, gains and losses		<b>12,347</b>	12,098
Marketing and promotional expenses		<b>(21,468)</b>	(18,818)
Operating and administrative expenses		<b>(174,329)</b>	(96,742)
Finance costs		<b>(30,908)</b>	(31,325)
Profit before taxation	5	<b>265,895</b>	282,707
Taxation credit	6	<b>839</b>	—
Profit and total comprehensive income for the period, attributable to owners of the Company		<b>266,734</b>	282,707
Basic and diluted earnings per share (HK cents)	8	<b>5.1</b>	7.4

# Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Non-current assets			
Investment properties		261,023	265,062
Property and equipment		2,221,128	2,283,953
Prepaid lease payments	9	1,776,941	1,778,366
Goodwill		681,986	681,986
Deposits paid for acquisition of property and equipment		5,031	5,031
		<b>4,946,109</b>	5,014,398
Current assets			
Inventories		37,417	27,732
Prepaid lease payments	9	50,629	49,969
Trade and other receivables	10	690,957	466,590
Amounts due from directors	11	—	1,971,753
Amounts due from shareholders	11	—	238,265
Amounts due from related companies	12	64	19,903
Pledged bank deposits		20,581	20,581
Bank balances and cash		83,532	112,117
		<b>883,180</b>	2,906,910
Current liabilities			
Trade and other payables	13	580,714	541,227
Taxation		2,476	—
Dividend payable	7	50,000	—
Amounts due to directors	11	7,877	3,556
Amounts due to related companies	12	97,939	105,562
Bank borrowings — due within one year		355,802	333,802
Other financial liabilities	14	2,452	10,052
		<b>1,097,260</b>	994,199
Net current (liabilities) assets		<b>(214,080)</b>	1,912,711
Total assets less current liabilities		<b>4,732,029</b>	6,927,109

## Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2013

	Notes	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Non-current liabilities			
Bank borrowings — due after one year		<b>1,226,624</b>	1,404,525
Deferred tax liability	15	<b>194,779</b>	198,094
		<b>1,421,403</b>	1,602,619
Net assets		<b>3,310,626</b>	5,324,490
Capital and reserves			
Share capital	16	<b>529,735</b>	522,672
Reserves		<b>2,780,891</b>	4,801,818
Equity attributable to owners of the Company		<b>3,310,626</b>	5,324,490

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

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Macau Legend Development Limited Interim Report 2013

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (remark)	Special reserve HK\$'000 (note 14)	Share options reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2012 (audited)	339,185	51,835	(323,835)	—	18,666	1,190,502	1,276,353
Profit and total comprehensive income for the period	—	—	—	—	—	282,707	282,707
Share-based payments	—	4,152	—	—	—	—	4,152
Issue of shares as consideration for acquisition of subsidiaries (note 16)	183,487	3,336,206	—	—	—	—	3,519,693
At 30 June 2012 (unaudited)	522,672	3,392,193	(323,835)	—	18,666	1,473,209	5,082,905
At 1 January 2013 (audited)	<b>522,672</b>	<b>3,396,344</b>	<b>(323,835)</b>	<b>(10,052)</b>	<b>18,666</b>	<b>1,720,695</b>	<b>5,324,490</b>
Profit and total comprehensive income for the period	—	—	—	—	—	266,734	266,734
Issue of shares (note 16)	7,063	158,922	—	—	—	—	165,985
Dividend (note 7)	—	(2,446,583)	—	—	—	—	(2,446,583)
Coupon paid (note 14)	—	—	—	7,600	—	(7,600)	—
At 30 June 2013 (unaudited)	<b>529,735</b>	<b>1,108,683</b>	<b>(323,835)</b>	<b>(2,452)</b>	<b>18,666</b>	<b>1,979,829</b>	<b>3,310,626</b>

Remark:

In December 2006, the companies comprising the Group underwent a group reorganisation ("Reorganisation") to rationalise the Group's structure which principally involved:

- (i) transferred the entire interest in New Macau Landmark Management Limited to Hong Hock Development Company Limited ("Hong Hock") for a nominal consideration on 5 December 2006; and
- (ii) transferred the entire interest in Hong Hock to the Company and in return, the Company issued 1,852,499,999 ordinary shares and 1,397,500,000 preferred shares at HK\$0.10 per share each to shareholders of Hong Hock on 14 December 2006. Accordingly, the Company became the holding company of the companies comprising the Group upon completion of the Reorganisation.

The other reserve of the Group represents the difference between nominal value of the shares of subsidiaries acquired by the Company and the nominal value of the shares of the Company issued for the acquisition at the time of the Reorganisation.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Net cash from operating activities		<b>460,228</b>	424,064
Net cash used in investing activities:			
Acquisition of subsidiaries, net of cash and cash equivalents acquired	22	—	60,521
Interest received		<b>122</b>	2,042
Advance to directors		<b>(247,860)</b>	(144,967)
Advance to related companies		—	(168,164)
Advance to a gaming promoter		<b>(67,000)</b>	—
Purchase of property and equipment		<b>(3,371)</b>	(2,861)
Addition to prepaid lease payments		<b>(24,440)</b>	—
		<b>(342,549)</b>	(253,429)
Net cash used in financing activities:			
Interest paid		<b>(28,808)</b>	(29,401)
Advance from a director		<b>7,877</b>	3,900
Repayment to a director		<b>(3,556)</b>	—
Advance from related companies		—	451
Advance from a gaming promoter		<b>53,823</b>	79,773
Repayment to a gaming promoter		<b>(10,000)</b>	(38,221)
Repayment of bank borrowings		<b>(158,000)</b>	(165,000)
Coupon paid to a non-controlling shareholder		<b>(7,600)</b>	—
		<b>(146,264)</b>	(148,498)
Net (decrease) increase in cash and cash equivalents		<b>(28,585)</b>	22,137
Cash and cash equivalents at 1 January		<b>112,117</b>	71,671
Cash and cash equivalents at 30 June, represented by Bank balances and cash		<b>83,532</b>	93,808



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 1. General Information and Basis of Preparation

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. 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 address of the principal place of business of the Company in Macau is 21/F, Macau Landmark Building, 555 Avenida da Amizade, Macau.

The Group is the owners of entertainment and casino gaming facilities and leisure complex in Macau. The Company was incorporated under the laws of the Cayman Islands in 2006 to operate the business in the complex namely The Landmark Macau. In May 2012, the Group acquired 100% of the issued capital of Macau Fisherman's Wharf International Investment Limited ("MFW Investment"), which operates Macau Fisherman's Wharf ("MFW"), a waterfront integrated gaming, hotel, convention and entertainment complex located on the outer harbour of the Macau Peninsula. Details of the acquisition are set out in note 22.

On 5 July 2013, 934,827,000 new shares of the Company of HK\$0.1 each were issued at HK\$2.35 per share for cash through an initial public offering by way of public offer. Details of the issue of shares are set out in the prospectus and supplemental prospectus dated 17 June 2013 and 26 June 2013 respectively. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 5 July 2013 (the "Listing").

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Hong Kong dollars, the functional currency of the Company and its subsidiaries.

This is the Company's first set of interim financial information after the Listing which includes comparative information as required under Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA. Accordingly, the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2012 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed by the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA.

The Group had net current liabilities of HK\$214,080,000 as at 30 June 2013. The condensed consolidated financial statements have been prepared on a going concern basis because the directors of the Company (the "Directors") believe the Group will have sufficient funds to meet its working capital needs for at least twelve months from the date of this report.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

These condensed consolidated financial statements should be read in conjunction with the accountants' report of the Group as set out in Appendix I to the prospectus dated 17 June 2013 (the "Financial Information"). Except as described below, the accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are same as those used in the Financial Information.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the above new or revised HKFRS in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 3. Revenue

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

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue from provision of gaming related facilities and gaming related general management services under the Service Agreement (as defined in note 4) in respect of:		
— mass market tables	549,443	454,933
— VIP rooms	68,100	57,836
— slot machines	5,457	9,718
	<b>623,000</b>	522,487
Revenue from non-gaming operations:		
— Rental income from hotel rooms	66,940	59,120
— Licensing income from investment properties	33,235	20,768
— Income from building management services	29,114	21,123
— Food and beverage	68,368	43,141
— Sales of merchandise	19,983	3,975
— Others	3,126	3,279
	<b>220,766</b>	151,406
	<b>843,766</b>	673,893

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

## 4. Segment Information

The Directors have been identified as the chief operating decision marker. The 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, the Directors regularly analyse gaming related revenue in terms of service income from mass market tables, VIP rooms and slot machines. The Directors review separately the entire revenues and operating results attributable to gaming related services and non-gaming operations. As such, the Directors have identified the operating and reportable segments under HKFRS 8 as gaming and non-gaming operations.

The segment information reported externally is consistent with the internal information that is regularly reviewed by the 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 dated 25 September 2006 and its related amendments (collectively the "Service Agreement") entered into between Hong Hock and gaming operator, Sociedade de Jogos de Macau, S.A. ("SJM"), whereby the revenue is based on net gaming wins.

Non-gaming – hotel operations at The Landmark Macau and Macau Fisherman's Wharf operation and other operations including licensing income from the shops, provision of building management service, 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 six months ended 30 June 2013 (unaudited)

	Gaming HK\$'000	Non-gaming HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External revenue	623,000	220,766	—	843,766
Inter-segment revenue	—	27,365	(27,365)	—
Segment revenue	623,000	248,131	(27,365)	843,766
Segment profits (losses)	408,979	(23,683)	—	385,296
Unallocated depreciation and release of prepaid lease payments				(27,623)
Unallocated corporate expenses				(21,405)
Listing expenses				(39,465)
Finance costs				(30,908)
Profit before taxation				265,895

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 4. Segment Information (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2012 (unaudited)

	Gaming HK\$'000	Non-gaming HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External revenue	522,487	151,406	—	673,893
Inter-segment revenue	—	26,665	(26,665)	—
Segment revenue	522,487	178,071	(26,665)	673,893
Segment profits	331,730	10,451	—	342,181
Unallocated corporate expenses				(23,301)
Listing expenses				(4,848)
Finance costs				(31,325)
Profit before taxation				282,707

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. Segment profits (losses) represent the results of each segment without allocation of depreciation of investment properties and property and equipment and release of prepaid lease payments arising from the fair value adjustments on acquisition of MFW Investment and its subsidiaries ("MFW Group") and unallocated common area in MFW, corporate expenses, 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 Directors for the purposes of resource allocation and performance assessment.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 5. Profit Before Taxation

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Listing expenses	39,465	4,848
Depreciation of investment properties	4,039	2,233
Depreciation of property and equipment	60,906	37,788
Release of prepaid lease payments	25,205	6,013
Operating lease rentals in respect of leasehold land and buildings	5,936	3,055
Reversal of allowance for bad and doubtful debts	(1,191)	—
Reversal of allowance for inventories	(3,398)	—
Cost of inventories recognised as an expense (included in cost of sales and services)	38,891	19,308
Loss on disposal of property, plant and equipment	5,290	—
Gross licensing income from investment properties	(33,235)	(20,768)
Less: Direct operating expenses that generate licensing income	6,290	2,233
Net licensing income	(26,945)	(18,535)

### 6. Taxation Credit

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Current period taxation charge	(2,476)	—
Deferred taxation credit (Note 15)	3,315	—
Income tax credit	839	—

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

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 6. 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 six months ended 30 June 2013, provision for taxation of HK\$2,476,000 has been made.

### 7. Dividend

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) including David Chow Kam Fai ("David Chow"), Lam Fong Ngo, 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 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 Lam Fong Ngo and 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 payable of HK\$50,000,000 as at 30 June 2013 was settled in cash in July 2013.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 8. Basic and Diluted Earnings Per Share

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

#### Earnings

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Profit for the period for the purpose of basic and diluted earnings per share	266,734	282,707

#### Number of shares

	Six months ended 30 June	
	2013 '000	2012 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	5,245,060	3,822,770

During the six months ended 30 June 2013 and six months ended 30 June 2012, diluted earnings per share does not assume the exercise of the Company's share options and shares awarded to David Chow since the effect is insignificant.

### 9. Movements in Prepaid Lease Payments

During the six months ended 30 June 2013, the Group paid land premium of HK\$24,440,000 (six months ended 30 June 2012: nil) for the land leased by the Group.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 10. Trade and Other Receivables

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Trade receivables	135,263	175,797
Less: Allowance for doubtful debts	(2,985)	(4,176)
	<b>132,278</b>	171,621
Other receivables	10,720	8,985
Prepayments	183,976	13,352
Receivables from gaming operator received on behalf of gaming promoters	331,298	272,632
Amount due from a gaming promoter	32,685	—
Total trade and other receivables	<b>690,957</b>	466,590

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

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.

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Within 3 months	119,123	107,609
Over 3 months but within 6 months	1,353	2,625
Over 6 months but within 1 year	1,663	1,857
Over 1 year	10,139	59,530
	<b>132,278</b>	171,621

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

## 11. Amounts due from (to) Directors/Shareholders

The amounts due from directors (including existing and former directors) and shareholders were non-trading in nature, unsecured, non-interest bearing and repayable on demand. At 31 December 2012, as represented by the Directors, the amounts were expected to be repayable within twelve months from the end of the reporting period and as such, the amounts were classified as current assets. The amounts due to directors are non-trading in nature, unsecured, non-interest bearing and repayable on demand.

On 5 June 2013, amounts due from directors and shareholders of HK\$2,220,741,000 and HK\$175,842,000 respectively were set-off by the relevant dividend entitlements (after dividend payable by the Company to shareholders, as adjusted pursuant to the Deed of Assignment and Set-off). Details of the dividend and set-off arrangement are set out in note 7.

## 12. 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 3 months to its related companies.

The details of the amounts due from related companies are as follows:

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Trading	64	39
Non-trading	—	19,864
Amounts due from related companies	64	19,903

As at 30 June 2013, the trade balances due from related companies were aged within 3 months (31 December 2012: aged over 6 months but within 1 year).

The amounts due to related companies are non-trading nature. Included in the balance as at 30 June 2013 was an amount of HK\$97,500,000 payable for acquisition of the aircraft from a related company which was fully settled subsequent to the end of the reporting period.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 13. 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 1 month to 3 months.

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Trade payables	67,611	78,711
Deposits received from tenants	40,206	36,049
Accrued staff costs	97,057	69,692
Other accruals	27,436	31,630
Other payables	31,758	33,152
Amounts due to gaming promoters	284,429	291,993
Accrued listing expenses	32,217	—
<b>Total trade and other payables</b>	<b>580,714</b>	541,227

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

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

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Within 3 months	30,842	40,767
Over 3 months but within 6 months	179	411
Over 6 months but within 1 year	667	798
Over 1 year	35,923	36,735
	<b>67,611</b>	78,711

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 14. Other Financial Liabilities

	HK\$'000
At 1 January 2012 (audited)	—
Coupon payments to a non-controlling shareholder	15,200
Coupon paid	(5,148)
At 31 December 2012 (audited)	10,052
Coupon paid	(7,600)
At 30 June 2013 (unaudited)	2,452

On 30 August 2012, David Chow, Lam Fong Ngo, Li Chi Keung and Chan Un Chan, shareholders of the Company, entered into a share purchase agreement with Vast Field Investments Limited ("Vast Field") to dispose of a 4% equity interest of the Company to Vast Field. In accordance with the share purchase agreement, the Company issued a promissory note to Vast Field and promised to pay coupon payments to Vast Field for a total amount up to HK\$15,200,000 payable on a monthly basis (being approximately HK\$1,267,000 per month) in arrear, commencing from 30 August 2012 and ending on either date of listing of the shares of the Company or 30 August 2013, whichever is earlier. Such coupon payment to shareholder of HK\$15,200,000 was recognised as deemed distribution in special reserve in equity. During the six months ended 30 June 2013, HK\$7,600,000 was paid as coupon to Vast Field and the same amount was transferred from special reserve to retained earnings in equity. Upon the Listing, the obligation of the payment of coupon to Vast Field by the Company has ceased.

### 15. Deferred Tax Liability

The following is the deferred tax liability recognised and movements thereon during the year ended 31 December 2012 and the six months ended 30 June 2013.

	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 2012 (audited)	—	—	—	—
Acquisition of subsidiaries	4,623	42,911	154,665	202,199
Credit to profit or loss	(118)	(1,372)	(2,615)	(4,105)
At 31 December 2012 (audited)	4,505	41,539	152,050	198,094
Credit to profit or loss	(96)	(1,107)	(2,112)	(3,315)
At 30 June 2013 (unaudited)	4,409	40,432	149,938	194,779

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

## 16. Share Capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 January 2012 and 31 December 2012 (audited)	7,164,299,563	716,430
Increase on 5 June 2013 (remark 1)	2,835,700,437	283,570
At 30 June 2013 (unaudited)	10,000,000,000	1,000,000
<i>Issued and fully paid:</i>		
At 1 January 2012 (audited)	3,391,846,468	339,185
Issue of shares as consideration for acquisition of subsidiaries	1,834,873,063	183,487
At 31 December 2012 (audited)	5,226,719,531	522,672
Issue of shares (remark 2)	70,631,345	7,063
At 30 June 2013 (unaudited)	5,297,350,876	529,735

Remarks:

- (1) On 5 June 2013, the shareholders of the Company passed the resolution that the authorised ordinary share capital be increased from HK\$716,429,956.3, 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.
- (2) 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 of the shares of the Company.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 17. Operating Lease Commitments

#### The Group as lessee

At the end of the reporting periods, 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:

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Within one year	46,727	48,708
In the second to fifth year inclusive	70,649	91,012
	<b>117,376</b>	139,720

Operating lease payments represent rentals payable by the Group for certain of its land, office properties, warehouse and staff quarters. 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 periods, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2013 HK\$'000 (unaudited)	At 31 December 2012 HK\$'000 (audited)
Within one year	85,404	70,905
In the second to fifth year inclusive	214,792	187,381
Over five years	97,266	83,355
	<b>397,462</b>	341,641

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. As at 30 June 2013 and 31 December 2012, 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 the current and prior interim periods.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 18. Capital Commitments

As at 30 June 2013, the Group had capital commitments in respect of the acquisition of property and equipment and construction in progress which are contracted but not provided for of HK\$20,219,000 (31 December 2012: HK\$20,227,003).

As at 30 June 2013, the Group had capital commitments which are authorised but not contracted for in respect of (i) renovation work of The Landmark Macau of approximately HK\$429,000,000 (31 December 2012: HK\$429,000,000); and (ii) redevelopment plan of MFW of approximately HK\$6,630,262,000 (31 December 2012: HK\$6,630,262,000).

### 19. Contingent Liabilities

In connection with the gaming related services, the Group undertook the following:

- (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 six months ended 30 June 2013 and 2012.
- (ii) Pursuant to a revolving credit facility agreement dated 16 December 2011, a gaming promoter, The Company LORE Limited ("TCL") has borrowed HK\$300 million from SJM to purchase rolling chips to be used in the VIP room at the Legend Club and must repay all borrowed amounts by 16 December 2012, unless otherwise agreed. The Group has provided a guarantee to SJM under the revolving credit facility agreement. If TCL 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. On 16 December 2012, another agreement was entered by SJM and TCL to extend the revolving credit facility with the same guarantee by the Group to SJM for one more year. As at 30 June 2013 and 31 December 2012, the borrowings of HK\$300 million were fully utilised by TCL and remained outstanding. On 3 July 2013, TCL repaid the borrowings of HK\$300 million to SJM and the guarantee by the Company was released accordingly.
- (iii) Prior to 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 six months ended 30 June 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 30 June 2013 and 31 December 2012. Accordingly, no provision has been made in the condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

## 19. Contingent Liabilities (Continued)

- (iv) Prior to 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 Directors believe the aforementioned case would not result in any material adverse effects on the financial position of the Group as at 30 June 2013 and 31 December 2012. Accordingly, no provision has been made in the condensed consolidated financial statements.

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.

## 20. Major Non-cash Transactions

- (i) During the six months ended 30 June 2012, the Group novated its amounts due from MFW Group of HK\$656,002,000 to certain Directors of the Company before the acquisition of MFW Investment. Therefore, an amount of HK\$656,002,000 was reclassified from amount due from related companies (non-trading) to amount due from directors.
- (ii) On 18 May 2012, the Company issued 1,834,873,063 ordinary shares of the Company to former shareholders of MFW Investment as part of the consideration for acquisition of MFW Investment.
- (iii) During the six months ended 30 June 2012, the Group's trade receivables from a debtor of HK\$183,552,000 was assigned to MFW Investment to settle MFW Investment's amount due to that debtor. Therefore, an amount of HK\$183,552,000 was reclassified from trade receivables to amount due from related companies (non-trading).
- (iv) On 15 May 2013, the Company issued 70,631,345 ordinary shares of the Company to PacBridge Capital Partners (HK) Limited. The details are set out in note 16.
- (v) Pursuant to a deed of assignment entered into among TCL and certain directors and shareholders of the Company including David Chow, All Landmark, Lam Fong Ngo, Grand Bright, Li Chi Keung and Elite Success (the "Assignees") on 5 June 2013, TCL had assigned an aggregate amount of HK\$86,731,000 due by the Group to TCL to the Assignees. Accordingly, amounts due from directors and shareholders of HK\$24,308,000 and HK\$62,423,000 respectively were set off with other payables at 5 June 2013.
- (vi) 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. Details of the dividend and set-off arrangement are set out in note 7.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 21. Related Party Transactions

Apart from transactions and amounts due from (to) directors, shareholders and related companies as set out in notes 7, 11, 12, 14 and 22 respectively, the Group had the following significant transactions with related companies.

(i)	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Nature of transaction</b>		
<i>Related companies significantly influenced by certain shareholders and directors:</i>		
Licensing income	—	14
Food supplier income	—	108
Income from building management service	—	293
Transportation income	—	1,024
Food supplies expenses	—	1,411
Other expenses	46	636
<i>Related companies controlled by certain shareholders and directors:</i>		
Income from building management service	430	409
Licensing fee expenses	1,815	1,162

(ii) On 18 May 2012, the Company issued a total of 884,923,295 ordinary shares of the Company to David Chow, Lam Fong Ngo, Li Chi Keung and The Legend Club Limited, as part of the consideration for acquisition of their respective equity interests in MFW Investment.

(iii) 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 Sheldon Trainor-DeGirolamo, a director of the Company.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

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### 22. Acquisition of Subsidiaries

On 18 May 2012, the Group entered into a sale and purchase agreement with the then shareholders of MFW Investment, in which approximately 48.2% equity interest in MFW Investment was held by David Chow, Lam Fong Ngo, Li Chi Keung and The Legend Club Limited, for the acquisition of the entire equity interest in MFW Investment. The acquisition was completed on 18 May 2012, on that date the control in MFW Investment was passed to the Group. The MFW Group is principally engaged in operating MFW.

#### Consideration transferred

	HK\$'000
Investment deposit	200,000
Fair value of the Company's ordinary shares	3,519,693
<b>Total</b>	<b>3,719,693</b>

Note: On 18 May 2012, the Company issued and allotted 1,834,873,063 ordinary shares of the Company to the shareholders of MFW Investment as part of the consideration. On the date of acquisition, the fair value of the total consideration payable by the Company is HK\$3,719,693,000.

The fair value of the Company's ordinary shares had been determined by the Directors using discounted cash flow method. The Group prepared cash flows forecasts derived from the most recent financial budgets approved by management for the next ten years. The cash flows beyond 10-year period were extrapolated using a steady 4% growth rate for the business relating to provision of gaming related facilities and gaming related general management services and 3% growth rate for non-gaming business. The rate used to discount the forecast cash flows for the Group was 12% per annum.

Assets and liabilities at the date of acquisition recognised by the Group:

	<b>Fair value</b> HK\$'000
Investment properties	138,000
Property and equipment	1,687,615
Prepaid lease payments	1,336,000
Deposits paid for acquisition of property and equipment	6,452
Inventories	23,670
Trade and other receivables	34,233
Amounts due from related companies	1
Pledged bank deposits	20,579
Bank balances and cash	60,521
Trade and other payables	(57,808)
Amounts due to related companies	(9,357)
Deferred tax liability	(202,199)
	3,037,707
Goodwill	681,986
	<b>3,719,693</b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 22. Acquisition of Subsidiaries (Continued)

#### Consideration transferred (Continued)

The aggregate fair value of the investment properties, property and equipment and prepaid lease payments had been arrived at on the basis of a valuation carried out as at 18 May 2012 by Savills Valuation and Professional Services Limited, chartered surveyors not connected to the Group. The valuation was arrived at using the direct comparison method by making reference to comparable sales transactions available in relevant market for prepaid lease payments and depreciated replacement cost method for investment properties and property and equipment.

In addition, the Directors considered that the fair value of contingent liabilities relating to dispute and claim as disclosed in note 19 (iii) and (iv) were not significant at the date of acquisition.

The gross contractual amounts of the trade and other receivables and amounts due from related companies acquired were HK\$87,628,000 and HK\$1,000 respectively at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was HK\$53,395,000.

#### Goodwill arising on acquisition

	HK\$'000
Consideration transferred	3,719,693
Less: fair value of identifiable net assets acquired	(3,037,707)
Goodwill arising on acquisition	681,986

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

#### Net cash inflow arising on acquisition

	HK\$'000
Bank balances and cash acquired	60,521

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 22. Acquisition of Subsidiaries (Continued)

#### Impact of acquisition on the results of the Group

Included in consolidated revenue and profit of the Group for the six months ended 30 June 2012 were revenue of HK\$33,031,000 and loss of HK\$15,134,000 respectively attributable to the additional business generated by MFW Group.

If the above acquisition during the six months ended 30 June 2012 had been completed on 1 January 2012, Group's revenue and profit for the six months ended 30 June 2012 would have been HK\$809,086,000 and HK\$240,331,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had above acquisition been completed on 1 January 2012, nor is it intended to be projection of future results.

In determining the pro forma profit of the Group had MFW Investment been acquired at the beginning on 1 January 2012, the Directors had calculated depreciation of investment properties and property and equipment and release of prepaid lease payments acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

The goodwill arising on the acquisition of MFW Investment mainly represented the future benefit expected to be generated from the business relating to provision of gaming related facilities and gaming related general management services presently existed and to be expanded pursuant to a proposed redevelopment plan on the land owned by MFW Investment which could not be recognised separately as identifiable asset. At the date of acquisition, MFW Investment received an offer on the initial stage of the redevelopment plan (excluding the expansion of gaming operation) as proposed by the relevant government bodies of Macau. The offer was accepted by MFW Investment and became effective on 24 May 2012.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 23. Events After the End of the Reporting Period

In addition to those disclosed elsewhere in the condensed consolidated financial statements, the Group has the following events after the end of the reporting period:

- (i) On 5 July 2013, 934,827,000 new shares of the Company of HK\$0.1 each were issued at HK\$2.35 per share for cash through an initial public offering by way of public offer. The Company received gross proceeds of HK\$2,196,843,000.
- (ii) Pursuant to a revolving credit facility agreement dated 3 July 2013, a gaming promoter, New Legend VIP Club Limited ("New Legend") has borrowed HK\$300 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 must repay all borrowed amounts 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.
- (iii) On 20 August 2013, the Group entered into a supply and technical assistance agreement (the "Agreement") with the Macau Animal Fossil Preservation Association (the "Association") in relation to the building of the Dinosaur Museum in MFW and the sales, provision and leasing of dinosaur fossils to the Group for display of the dinosaur fossils at the Dinosaur Museum of MFW.

Pursuant to the Agreement, the Association will be responsible for the design of the Dinosaur Museum, management of the provision and lease of dinosaur fossils to the Group for display at MFW, coordination of the customs and other procedures in relation to the export of dinosaur fossils from Mainland China to Macau and provision of training for operational staff of the Dinosaur Museum, etc.; whereas the Group will be responsible for the construction of the Dinosaur Museum (including related costs and expenses), coordination of customs and other procedures in relation to the import of dinosaur fossils from Mainland China to Macau, payment of costs and expenses for purchase and lease of dinosaur fossils to the Association, management and operation of the Dinosaur Museum and payment of compensation for any loss of dinosaur fossils (provided that the loss is caused by the Group), etc.

The Agreement is effective for ten years from the date of the Agreement, subject to further extension to be agreed by parties to the Agreement.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

### 23. Events After the End of the Reporting Period (Continued)

- (iv) On 23 August 2013, the Company entered into a non-binding Memorandum of Understanding for Business Cooperation (the "MOU") with Dynam Japan Holdings Co., Ltd. ("Dynam"), the parent company of Dynam Hong Kong Co., Limited, which in turn holds approximately 1.85% equity interest in the Company as at the date of these condensed consolidated financial statements were authorised for issuance.

Pursuant to the MOU, Dynam will establish and operate a minimum of 100 next generation pachinko machines and other electronic games (the "Electronic Games") at various sites in MFW. Subject to the necessary approvals from the Macau government, the operations are expected to commence in 2014. Dynam will share with the Group the net revenue payment that the Group receives from SJM under the Service Agreement from the operation of these Electronic Games.

In addition, the MOU also provides that Dynam will enter into a marketing joint venture agreement with the Group. Under this agreement, Dynam will market the Group's hotels and casinos in Macau to its mass and premium mass customers in Japan and Korea. Dynam will also provide consulting advices on new Japanese and Korean food and beverage, and leisure and entertainment facilities to be introduced into the MFW. At March 2013, Dynam operated 334 outlets in Japan near its pachinko halls offering Japanese-style noodles and curry.

The MOU shall be terminated on six months from the date of the MOU unless otherwise agreed to extend by both parties. The parties shall negotiate in good faith the terms of the formal agreements relating to the above matters.