

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



澳門勵駿創建有限公司  
Macau Legend Development Ltd

**Macau Legend Development Limited**

澳門勵駿創建有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1680)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**RESULTS**

The Board announces the audited consolidated annual results of the Group for the year ended 31 December 2014 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2014*

|  | <i>Notes</i> | <b>2014</b><br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>REVENUE</b>   | 4            | <b>1,811,112</b>               | 1,763,754               |
| Cost of sales and services   |              | <u>(881,828)</u>               | <u>(777,179)</u>        |
|  |              | <b>929,284</b>                 | 986,575                 |
| Other income, gains and losses   | 6            | <b>138,715</b>                 | 62,695                  |
| Marketing and promotional expenses   |              | <b>(89,511)</b>                | (44,156)                |
| Operating, administrative and other expenses   |              | <b>(415,649)</b>               | (439,593)               |
| Finance costs  | 7            | <u><b>(88,877)</b></u>         | <u>(58,971)</u>         |
| <b>PROFIT BEFORE TAXATION</b>  | 8            | <b>473,962</b>                 | 506,550                 |
| Taxation credit  | 9            | <u><b>4,979</b></u>            | <u>3,329</u>            |
| <b>PROFIT AND TOTAL COMPREHENSIVE INCOME<br/>FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF<br/>THE COMPANY</b> |              | <u><b>478,941</b></u>          | <u>509,879</u>          |
| Earnings per Share   |              |                                |                         |
| — Basic (HK cents)   | 11           | <u><b>7.5</b></u>              | <u>8.9</u>              |
| — Diluted (HK cents)   | 11           | <u><b>7.4</b></u>              | <u>8.8</u>              |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

|  |    | At<br>31 December<br>2014<br><i>HK\$'000</i> | At<br>31 December<br>2013<br><i>HK\$'000</i> |
|--|----|--|--|
| <b>NON-CURRENT ASSETS</b>  |    |  |  |
| Investment properties  |    | 248,906                                      | 256,984                                      |
| Property and equipment   |    | 3,653,802                                    | 2,541,763                                    |
| Prepaid lease payments   |    | 1,770,626                                    | 1,775,186                                    |
| Goodwill   |    | 681,986                                      | 681,986                                      |
| Other intangible assets  |    | 302,211                                      | —  |
| Deposits paid  | 12 | <u>705,317</u>                               | <u>—</u>                                     |
|  |    | <u>7,362,848</u>                             | <u>5,255,919</u>                             |
| <b>CURRENT ASSETS</b>  |    |  |  |
| Inventories  |    | 54,423                                       | 40,994                                       |
| Prepaid lease payments   |    | 52,648                                       | 51,290                                       |
| Trade and other receivables  | 13 | 497,483                                      | 605,057                                      |
| Amounts due from related companies                                     |    | 2,339  | 518  |
| Pledged bank deposits  |    | 20,581                                       | 20,581                                       |
| Bank balances and cash   |    |  |  |
| — Cash at banks and on hand  | 14 | 4,047,398                                    | 1,006,527                                    |
| — Short-term bank deposits with original maturity<br>over three months | 14 | <u>500,200</u>                               | <u>832,520</u>                               |
|  |    | <u>5,175,072</u>                             | <u>2,557,487</u>                             |
| <b>CURRENT LIABILITIES</b>   |    |  |  |
| Trade and other payables   | 15 | 665,326                                      | 619,264                                      |
| Taxation   |    | 1,650  | 1,650  |
| Amounts due to a related company                                       |    | —  | 25   |
| Bank and other borrowings — due within one year                        | 16 | <u>448,601</u>                               | <u>355,802</u>                               |
|  |    | <u>1,115,577</u>                             | <u>976,741</u>                               |
| <b>NET CURRENT ASSETS</b>  |    | <u>4,059,495</u>                             | <u>1,580,746</u>                             |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***At 31 December 2014*

|  |           | At<br><b>31 December</b><br><b>2014</b><br><i>HK\$'000</i> | At<br>31 December<br>2013<br><i>HK\$'000</i> |
|--|-----------|--|--|
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |           | <b><u>11,422,343</u></b>                                   | <b><u>6,836,665</u></b>                      |
| <b>NON-CURRENT LIABILITIES</b>               |           |  |  |
| Bank borrowings — due after one year         | <i>16</i> | <b>3,777,815</b>   | 1,048,723                                    |
| Deferred tax liabilities                     |           | <b><u>184,836</u></b>                                      | <u>191,465</u>                               |
|  |           | <b><u>3,962,651</u></b>                                    | <u>1,240,188</u>                             |
| <b>NET ASSETS</b>                            |           | <b><u><u>7,459,692</u></u></b>                             | <b><u><u>5,596,477</u></u></b>               |
| <b>CAPITAL AND RESERVES</b>                  |           |  |  |
| Share capital                                | <i>17</i> | <b>644,926</b>   | 624,672                                      |
| Reserves                                     |           | <b><u>6,814,766</u></b>                                    | <u>4,971,805</u>                             |
| Equity attributable to owners of the Company |           | <b><u><u>7,459,692</u></u></b>                             | <b><u><u>5,596,477</u></u></b>               |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

The Company is an investment holding company. The Group is one of the leading owners of entertainment and casino gaming facilities in Macau. The Group has two major properties, The Landmark Macau and MFW. The Landmark Macau is an award-winning integrated hotel, casino and luxury shopping complex, featuring a five-star hotel and Macau's first themed casino. MFW is a waterfront integrated gaming, hotel, convention and entertainment complex located on the outer harbour of the Macau Peninsula.

### 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to the HKFRSs and the Hong Kong Accounting Standards ("HKASs") issued by the HKICPA that are mandatorily effective for the current year.

|   |  |
|---|--|
| Amendments to HKFRS 10, HKFRS 12, HKAS 27 | Investments entities   |
| Amendments to HKAS 32                     | Offsetting financial assets and financial liabilities        |
| Amendments to HKAS 36                     | Recoverable amount disclosures for non-financial assets      |
| Amendments to HKAS 39                     | Novation of derivatives and continuation of hedge accounting |
| HK(IFRIC)-INT21                           | Levies   |

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

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

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

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

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

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

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

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

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

#### 4. REVENUE

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

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

#### 5. SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision maker. The executive Directors review the Group's internal reports in order to assess performance and allocate resources.

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

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

*Gaming* — gaming related services for mass market tables, VIP rooms and slot machines under the Service Agreement, whereby the revenue is derived based on net gaming wins. Revenue from the indirect participation in the gaming promotion business represents the sharing of gross gaming revenue generated by gaming tables in VIP rooms operated by New Legend, whose financial results are consolidated into the Group upon implementation of the VIE Structure during the year ended 31 December 2014.

*Non-gaming* — operations at The Landmark Macau and MFW including hotel and other operations such as licensing income from the shops, provision of building management 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 year ended 31 December 2014*

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

*For the year ended 31 December 2013*

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

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 profit represents the results of each segment without allocation of depreciation of investment properties and property and equipment, release of prepaid lease payments arising from the fair value adjustments on acquisition of MFW Group, and amortisation of other intangible assets, unallocated common area in MFW, corporate expenses, net exchange difference, finance costs and listing expenses. Corporate expenses include Directors' remuneration paid or payable by the Company and certain administrative expenses for corporate use. This is the measure reported to the executive Directors for the purposes of resource allocation and performance assessment.

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

**Other segment information:**

*For the year ended 31 December 2014*

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



*For the year ended 31 December 2013*

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

**6. OTHER INCOME, GAINS AND LOSSES**

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

*Remark:* Pursuant to the transfer of profit and loan agreement, one of the VIE Agreements, New Legend agreed to, among others, transfer to Hong Hock, all profits accrued by New Legend from its commencement of business until the establishment of the VIE Structure for support of the day-to-day operation of New Legend. The VIE Structure was established on 3 July 2014. Accordingly, the amount of approximately HK\$81,699,000 was recognised in profit or loss for the year ended 31 December 2014.

## 7. FINANCE COSTS

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

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

## 8. PROFIT BEFORE TAXATION

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

## 9. TAXATION CREDIT

|                          | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Current tax charge       | (1,650)                 | (3,300)                 |
| Deferred taxation credit | <u>6,629</u>            | <u>6,629</u>            |
| Income tax credit        | <u><u>4,979</u></u>     | <u><u>3,329</u></u>     |

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

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

## 10. DIVIDENDS

### Interim dividend

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

On 5 June 2013, the Company declared a dividend of total amount of HK\$2,446,583,000 to its then shareholders (excluding those who have waived their rights and entitlements to any dividend declared by the Company prior to the Listing including Mr David Chow, Madam Lam, Mr Li Chi Keung, All Landmark, Grand Bright, Elite Success and The Legend Club Limited.

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

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

### Final dividend

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

## 11. 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

|   | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit for the year for the purpose of basic and diluted earnings per Share | <u>478,941</u>          | <u>509,879</u>          |

### Number of Shares

|  | 2014<br><i>'000</i> | 2013<br><i>'000</i> |
|--|---------------------|---------------------|
| Weighted average number of ordinary shares for the purpose of basic earnings per Share   | 6,422,913           | 5,732,471           |
| Effect of dilutive potential ordinary shares   |                     |                     |
| — Share options  | 15,132              | 9,251               |
| — Directors' reward shares   | <u>29,044</u>       | <u>25,099</u>       |
| Weighted average number of ordinary shares for the purpose of diluted earnings per Share | <u>6,467,089</u>    | <u>5,766,821</u>    |

## 12. DEPOSITS PAID

|   | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Deposits paid for acquisition of property and equipment | 7,493                   | —                       |
| Other deposit ( <i>remark</i> )                         | <u>697,824</u>          | <u>—</u>                |
|   | <u>705,317</u>          | <u>—</u>                |

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

### 13. TRADE AND OTHER RECEIVABLES

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

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

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

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

### 14. BANK BALANCES AND CASH

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

## 15. TRADE AND OTHER PAYABLES

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

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

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:

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

## 16. BANK AND OTHER BORROWINGS

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

Remarks:

|  | 2014<br>HK\$'000        | 2013<br>HK\$'000        |
|--|-------------------------|-------------------------|
| (i) Bank borrowings, secured   |                         |                         |
| Secured bank borrowings due  |                         |                         |
| — within one year  | 177,601                 | 355,802                 |
| — more than one year, but not exceeding two years  | 579,846                 | 365,802                 |
| — more than two years, but not more than five years  | <u>3,197,969</u>        | <u>682,921</u>          |
|  | 3,955,416               | 1,404,525               |
| Less: Amount due within one year shown under current liabilities   | <u>(177,601)</u>        | <u>(355,802)</u>        |
| Amount due after one year  | <u><u>3,777,815</u></u> | <u><u>1,048,723</u></u> |
| The bank borrowings are denominated in HK\$.   |                         |                         |
| (ii) Other borrowings represent the amount due to a gaming operator which is denominated in HK\$ and is non-interest bearing, unsecured and repayable within one year. |                         |                         |

## 17. SHARE CAPITAL

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

*Remarks:*

- (i) On 5 June 2013, the shareholders of the Company passed the resolution that the authorised ordinary share capital be increased from HK\$716,430,000, divided into 7,164,299,563 Shares, to HK\$1,000,000,000, divided into 10,000,000,000 Shares, by the creation of an additional 2,835,700,437 Shares.
- (ii) On 15 May 2013, the Company issued 70,631,345 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.
- (iii) On 5 July 2013, the Company issued 934,827,000 Shares at HK\$2.35 per Share for cash through an initial public offering by way of Hong Kong public offer and international placing and the Shares were listed on the Main Board of the Stock Exchange with effect from 5 July 2013.
- (iv) On 16 January 2014, All Landmark, a controlling shareholder of the Company, entered into a placing agreement for the placement of up to 188,000,000 Shares of the Company (the “Placing Shares”) to certain independent professional, institutional and other investors (the “Placees”) at HK\$7.25 per Share. On the same date, All Landmark also entered into a conditional subscription agreement with the Company for the subscription of 188,000,000 Shares (the “Subscription Shares”) at HK\$7.25 per Share.

The placement of the Placing Shares by All Landmark to the Placees was completed on 21 January 2014 and the Subscription Shares were issued to All Landmark on 24 January 2014. The net proceeds received by the Company from this top-up placement amounted to HK\$1,350,750,000.

- (v) On each of 31 December 2013 and 31 December 2014, the Company issued 14,541,747 Shares pursuant to the service contracts or letter of appointment dated 5 June 2013 entered into between the Company and each of Mr David Chow, Mr Sheldon Trainor-DeGirolamo and Mr Tong Ka Wing, Carl.

## 18. OPERATING LEASE COMMITMENTS

### The Group as lessee

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

|                                       | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Within one year                       | 62,420                  | 53,804                  |
| In the second to fifth year inclusive | <u>15,542</u>           | <u>48,826</u>           |
|                                       | <u><u>77,962</u></u>    | <u><u>102,630</u></u>   |

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



## The Group as lessor

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

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

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

## 19. CAPITAL COMMITMENTS

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

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

## 20. CONTINGENT LIABILITIES

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

- (i) Pursuant to the amendment in the Service Agreement on 16 December 2011, in the event of any non-payment by the gaming promoters or any failure to fulfill their obligations related to gaming promotion agreements as entered with SJM and gaming promoters, the Group undertakes to reimburse SJM for any loss caused by such misconduct of the gaming promoters as well as any possible legal costs associated with litigation. There are no such claims from SJM during the years ended 31 December 2014 and 2013.
- (ii) Prior to the acquisition by the Group, MFW Investment initiated repossession proceedings against a former tenant at MFW with rental arrears in dispute of MOP89,008,000 (equivalent to approximately HK\$86,416,000) in 2009. The former tenant initiated a counterclaim from MFW Investment an amount of MOP90,728,000 (equivalent to approximately HK\$88,085,000) in 2009 for alleging breach of undertakings pursuant to a memorandum of understanding on 19 October 2006 and an escrow undertaking letter on 5 September 2008, as well as seeking compensation for amounts spent on improvements to the premises. During the year ended 31 December 2013, the Macau Court of First Instance dismissed the counterclaim from the former tenant and the former tenant was condemned to pay MFW Investment the amount of MOP67,151,000 (equivalent to approximately HK\$65,195,000) as principal and the respective interests to be computed. The former tenant appeals against such decision and the case will be sent to the Macau Court of Second Instance. The Directors

believe the aforementioned case would not result in any material adverse effects on the financial position of the Group as at 31 December 2014. Accordingly, no provision has been made in the consolidated financial statements.

- (iii) Prior to the acquisition by the Group, MFW Investment received a claim for outstanding payments on construction works at MFW from a contractor in 2008. The contractor claimed from MFW Investment an amount of MOP23,709,000 (equivalent to approximately HK\$23,018,000) and MFW Investment counterclaimed an amount of MOP14,451,000 (equivalent to approximately HK\$14,030,000) for defective construction work carried out by the contractor. In April 2010, the Macau Court of First Instance dismissed all claims from the contractor and awarded MOP462,000 (equivalent to approximately HK\$449,000) to MFW Investment. The contractor did not agree the court's judgement and appealed to the Macau Court of Second Instance. The Macau Court of Second Instance dismissed the appeal from the contractor in June 2014 and agreed to award MFW the amount of damages. The Directors believe the aforementioned case would not result in any material adverse effects on the financial position of the Group as at 31 December 2014. Accordingly, no provision has been made in the consolidated financial statements.
- (iv) Pursuant to a revolving credit facility agreement and a supplementary agreement dated 1 July 2013 and 22 October 2013, respectively, a gaming promoter, New Legend, a company incorporated in Macau by Mr Frederick Yip, who is a senior management of the Company, has been offered for total facility amount of HK\$320 million from SJM to purchase rolling chips to be used in the VIP room(s) at the Pharaoh's Palace Casino as well as Babylon Casino, where applicable. The revolving credit facility agreement is valid for one year from 3 July 2013 and all borrowed amounts should be repaid by 2 July 2014. The Group has provided a guarantee to SJM under the revolving credit facility agreement. If New Legend defaults on any payments or breaches any of its obligations under the agreement, the Group is liable to SJM and SJM is entitled to withhold monthly service income or deduct outstanding amounts from the monthly service income payable to the Group under the Service Agreement. As at 31 December 2014, an amount of HK\$271 million (2013: HK\$300 million) under the facility was utilised by New Legend and remained outstanding. The revolving credit facility was renewed on 14 July 2014 and is valid for one year from 3 July 2014 and all borrowed amounts should be repaid by 2 July 2015.

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

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.

## **21. CONSOLIDATION OF NEW LEGEND**

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

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

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

|                             | <b>Fair value</b><br><i>HK\$'000</i> |
|-----------------------------|--------------------------------------|
| Trade and other receivables | 216,979                              |
| Intangible assets           | 317,567                              |
| Bank balances and cash      | 52,794                               |
| Trade and other payables    | (287,340)                            |
| Other borrowings            | <u>(300,000)</u>                     |
|                             | <u>—</u>                             |

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

|  | <b>Fair value</b><br><i>HK\$'000</i> |
|--|--------------------------------------|
| Inflow of cash and cash equivalents in respect of the consolidation of New Legend: |                                      |
| Bank balances and cash acquired  | <u>52,794</u>                        |

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

## 22. SUBSEQUENT EVENTS

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview of Results

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

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

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

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

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

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

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

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

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

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

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

## Financial and Operational Reviews

### A. Gaming Services

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

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

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

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

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

<sup>#</sup> The slot machines at Babylon Casino as at 31 December 2014 were temporarily not in operation.

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

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



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

*Mass Market Tables*

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

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

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

VIP Tables

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

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

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

## Slot Machines

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

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

### *Investment in Casino Management System*

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

### *Grant of Additional Gaming Tables*

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

## B. Non-gaming Operations

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

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

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

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

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

|                           | <b>For the year ended</b> |             |
|---------------------------|---------------------------|-------------|
|                           | <b>31 December</b>        |             |
|                           | <b>2014</b>               | <b>2013</b> |
| <b>The Landmark Macau</b> |                           |             |
| Occupancy rate (%)        | <b>84.6</b>               | 94.2        |
| ADR (HK\$)                | <b>1,544.2</b>            | 1,191.6     |
| REVPAR (HK\$)             | <b>1,306.4</b>            | 1,122.6     |
| <b>Rocks Hotel</b>        |                           |             |
| Occupancy rate (%)        | <b>85.3</b>               | 84.3        |
| ADR (HK\$)                | <b>1,457.0</b>            | 1,361.2     |
| REVPAR (HK\$)             | <b>1,242.8</b>            | 1,147.5     |

#### *The Landmark Macau*

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

#### *Macau Fisherman's Wharf*

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

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

## C. Corporate and Business Updates

### (a) Renovation of The Landmark Macau

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

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

### (b) MFW Redevelopment

#### Opening of Harbourview Hotel

Harbourview Hotel, the first new hotel under the MFW Redevelopment, commenced soft opening on 2 February 2015 and had its grand opening on 11 February 2015. With design based on the 18th century Prague architectural style, Harbourview Hotel contributes an additional 389 rooms and 55 suites to the tourism market of Macau Peninsula. The hotel is connected via footbridges to the adjacent Babylon Casino. With the opening of Harbourview Hotel, the Company will enhance gaming facilities at MFW by allocating 35 additional gaming tables which were granted by the DICJ in October 2014 at Babylon Casino.

#### Other Redevelopment

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

| <b>Buildings/Facilities</b> | <b>Brief Description</b>   | <b>Progress</b>   | <b>Target Completion Date</b> |
|-----------------------------|--|---|-------------------------------|
| Legend Palace Hotel         | A five-star deluxe-themed hotel in the style of Central/Northern Asian medieval architecture with 229 opulent guest rooms including suites | Foundation work has been substantively completed. Licence for construction of the superstructure of hotel has been applied and construction of hotel is expected to commence in 2Q 2015 | 2Q 2016                       |

| <b>Buildings/Facilities</b>                    | <b>Brief Description</b>  | <b>Progress</b>  | <b>Target Completion Date</b> |
|--|---|--|-------------------------------|
| Legendale Hotel                                | A flagship five-star deluxe rating hotel modelled after the Neo-Renaissance style of architecture from the mid-17th century Central European period with a planned 500 guest rooms including suites | Revised design concepts have been developed and are under review for reduction of construction costs and improvement on the planning and operational efficiencies<br><br>Application for increase of the height of the hotel has been submitted to Macau government for approval | 4Q 2017                       |
| General entertainment and cultural facility    | The dinosaur journey is an entertainment experience bringing the world of dinosaurs to the visitors   | The facility is being designed to include fossil exhibits as well as the addition of intellectual, entertaining and interactive elements to provide an exciting visitor experience   | 2Q 2017                       |
|  | A newly developed multi-propose entertainment and performance theatre holding more than 1,000 seats with capability   | The design stage is significantly developed  | 2Q 2017                       |
| Yacht club and public pier for harbour cruises | Further development of the marina to increase the size of its mooring area and inclusion of a yacht club with immigration facilities  | Phase 1 — completed in November 2014   |                               |
|  |   | Phase 2 — further pontoons and wave attenuator wall in design stage  | 2Q 2016                       |

| <b>Buildings/Facilities</b>                                    | <b>Brief Description</b>  | <b>Progress</b>   | <b>Target Completion Date</b>         |
|--|---|---|---------------------------------------|
| Canopied open-air shopping, dining and entertainment colonnade | Development of fixed canopy structures on main boulevard and Jackson Square providing all-weathered protection with integrated lighting entertainment shows   | Design for the canopy on Jackson Square has been completed and submitted to Macau government for approval. Currently awaiting construction licence  | 3Q 2015                               |
|  |   | For the canopy on main boulevard, design has been completed and submitted to Macau government for approval. Currently awaiting construction licence | 1Q 2016                               |
| Redevelopment of existing facilities                           | Refurbishment and addition of facilities to certain buildings including Babylon Casino and Rocks Hotel, construction of new parking facilities for shuttle buses and coaches, addition of fine dining and family style restaurants and building of a canopy | Approval of Miami Building at MFW as part of Babylon Casino's extension has been obtained from DICJ   | Phased completions 4Q 2014 to 4Q 2015 |

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

During the year ended 31 December 2014, many of the above projects which have been progressing through the design and government approval submission stages have been redesigned and/or modified to reduce construction costs and improve operational efficiencies.



These procedures have resulted in adjustments of some target completion dates. The Group believes that these design adjustments and modifications will enhance the end product in terms of quality and functionality of the completed developments.

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

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

(d) *Cooperation with Dynam*

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

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

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

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

## **Outlook**

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

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

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

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

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

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

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

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

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

### **Liquidity and Capital Resources**

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

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

### ***Bank Balances and Cash***

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

The Company completed a global offering with its Shares listed on the Stock Exchange with effect from 5 July 2013 on which the Company raised net proceeds of approximately HK\$2.1 billion. In addition, the Company completed a top-up placement of 188,000,000 new Shares and raised net proceeds of approximately HK\$1,350.8 million in January 2014. In order to enhance better yield for the portion of the proceeds raised from the Listing and top-up placement which are not expected to be utilised in the near term, the Group has placed these funds at banks in Hong Kong and Macau as HK\$ or RMB fixed deposits with maturities ranging from 1 to 12 months. As at 31 December 2014, a total of approximately HK\$3,829.5 million had been placed as fixed deposits at banks in Hong Kong and Macau, including approximately HK\$3,520.1 million in RMB and approximately HK\$309.3 million mainly in HK\$, at an average annualised interest rate of approximately 2.5%.

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

### ***Borrowings***

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

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

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

### **Use of Proceeds from the Global Offering**

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

### **Charge on the Group's Assets**

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

### **Gearing**

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

### **Hedging, Acquisitions and Disposals and Significant Investments**

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

### **Contingent Liabilities**

Details of contingent liabilities of the Group as at 31 December 2014 are set out in note 20 to the consolidated financial statements of the Group for the year ended 31 December 2014.

## **Capital Commitments**

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

## **Employees and Remuneration Policies**

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

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES**

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

## **CORPORATE GOVERNANCE**

### **Compliance with Corporate Governance Code**

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board is committed to strengthening the Group's corporate governance practices and ensuring transparency and accountability of the Company's operations. During the year ended 31 December 2014, the Company has complied with the CG Code except for code provision A.2.1.

#### ***Code provision A.2.1***

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Currently, Mr David Chow and Mr Tong Ka Wing, Carl are co-chairmen of the Board and responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely

and constructive manner. In addition, Mr David Chow is the chief executive officer of the Company, taking care of the day-to-day management of the Group's business and implementing the Group's policies, strategic plans and business goals formulated by the Board. Although Mr David Chow is both a co-chairman and the chief executive officer of the Company, the powers and authorities of the co-chairman have not been concentrated as the responsibilities have been shared between the co-chairmen. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number of Directors being non-executive Directors.

## **REVIEW OF ANNUAL RESULTS**

The Group's consolidated financial statements for the year ended 31 December 2014 have been reviewed by the Audit Committee of the Company, which currently comprises three independent non-executive Directors, namely Mr Fong Chung, Mark, Mr Xie Min and Madam Tam Wai Chu, Maria, and the non-executive Director, Mr Tong Ka Wing, Carl.

## **SCOPE OF WORK OF MESSRS DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Company's auditor, Messrs Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs Deloitte Touche Tohmatsu on the preliminary announcement.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

|                   |   |
|-------------------|---|
| “Adjusted EBITDA” | the Group's earnings before interest income, finance costs, income taxes, depreciation, release of prepaid lease payments, amortisation, loss on disposal of property and equipment, unrealised exchange gain/loss, share-based payments, pre-opening expenses and one-off costs incurred or associated with corporate exercises including the Listing/ placement of the Shares |
| “ADR”             | average daily room rate   |
| “All Landmark”    | All Landmark Properties Limited, a controlled corporation of Mr David Chow  |

|                        |  |
|------------------------|--|
| “Board”                | the board of Directors   |
| “CG Code”              | the Corporate Governance Code contained in Appendix 14 to the Listing Rules  |
| “Company”              | Macau Legend Development Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange |
| “Corporate Guarantors” | the Company and the Material Subsidiaries  |
| “DICJ”                 | Direcção de Inspeção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau  |
| “Directors”            | the directors of the Company   |
| “Elite Success”        | Elite Success International Limited, a company in which each of Mr Li Chi Keung and Ms Wong Hoi Ping, the spouse of Mr Li Chi Keung, held 44.5% of the total issued capital          |
| “Facility”             | a five-year transferable term loan facility in the amount of HK\$4,221,000,000 provided by the Lenders to MFW Investment   |
| “Facility Agreement”   | the facility agreement dated 8 April 2014 and entered into among MFW Investment, the Corporate Guarantors, ICBC Macau and the other Lenders relating to the Facility                 |
| “Grand Bright”         | Grand Bright Holdings Limited, a controlled corporation of Madam Lam   |
| “Group”                | the Company and its subsidiaries   |
| “HK\$”                 | Hong Kong dollars, the lawful currency of Hong Kong  |
| “HKFRSs”               | Hong Kong Financial Reporting Standards  |
| “HKICPA”               | Hong Kong Institute of Certified Public Accountants  |
| “Hong Hock”            | Hong Hock Development Company Limited, a company incorporated in Macau and a subsidiary of the Company   |
| “ICBC Macau”           | Industrial and Commercial Bank of China (Macau) Limited  |
| “Lenders”              | the lenders of the Facility which are banks and financial institutions   |

|                         |  |
|-------------------------|--|
| “Listing”               | the listing of the Shares on the Main Board of the Stock Exchange with effect from 5 July 2013   |
| “Listing Rules”         | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Madam Lam”             | Madam Lam Fong Ngo, the vice chairman, an executive Director and a controlling shareholder (as defined in the Listing Rules) of the Company  |
| “Material Subsidiaries” | New Macau Landmark and Hong Hock   |
| “MFW”                   | Macau Fisherman’s Wharf operated by MFW Investment   |
| “MFW Group”             | MFW Investment and its subsidiaries  |
| “MFW Investment”        | Macau Fisherman’s Wharf International Investment Limited, a company incorporated in Macau and a subsidiary of the Company  |
| “MFW Redevelopment”     | the redevelopment of MFW   |
| “MOP”                   | Macau Pataca, the lawful currency of Macau   |
| “Mr David Chow”         | Mr Chow Kam Fai, David, a co-chairman, an executive Director and the chief executive officer of the Company and a controlling shareholder (as defined in the Listing Rules) of the Company |
| “Mr Frederick Yip”      | Mr Yip Wing Fat, Frederick, the sole shareholder and sole director of New Legend and the executive vice president, head of casino operations of the Company                                |
| “New Legend”            | New Legend VIP Club Limited, a company incorporated in Macau by Mr Frederick Yip   |
| “New Macau Landmark”    | New Macau Landmark Management Limited, a company incorporated in Macau and a subsidiary of the Company   |
| “PRC”                   | the People’s Republic of China   |
| “Prospectus”            | the prospectus of the Company dated 17 June 2013   |
| “REVPAR”                | revenue per available room   |
| “RMB”                   | Renminbi, the lawful currency of the PRC   |



|                           |   |
|---------------------------|---|
| “Service Agreement”       | the service agreement dated 25 September 2006 and its related amendments entered into between Hong Hock and SJM, under which the Group provides gaming services to SJM in the Group’s two major casinos, namely Pharaoh’s Palace Casino in The Landmark Macau and Babylon Casino in MFW   |
| “Share(s)”                | ordinary share(s) of HK\$0.1 each in the share capital of the Company   |
| “SJM”                     | Sociedade de Jogos de Macau, S.A.   |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited   |
| “Supplemental Prospectus” | the supplemental prospectus of the Company dated 26 June 2013   |
| “VIE Agreements”          | the exclusive management and consultancy services agreement, the exclusive undertaking to sell agreement, the transfer of profit and loan agreement, the share and equity pledge agreement and the power of attorney entered into among Hong Hock, New Legend and Mr Frederick Yip, where appropriate, further details of which are set out in the Company’s circular dated 9 June 2014 |
| “VIE Structure”           | the structure established through the entering into of the VIE Agreements, which enables the Group to indirectly participate in the gaming promotion business operations in Macau through New Legend  |
| “%”                       | per cent  |

By Order of the Board  
**Macau Legend Development Limited**  
**Chow Kam Fai, David**  
*Co-chairman, executive Director*  
*and chief executive officer*

Hong Kong, 26 March 2015

*As at the date of this announcement, the executive Directors are Chow Kam Fai, David, Lam Fong Ngo and Sheldon Trainor-DeGirolamo; the non-executive Director is Tong Ka Wing, Carl; and the independent non-executive Directors are Fong Chung, Mark, Xie Min and Tam Wai Chu, Maria.*

\* *For identification purposes only*