



澳門勵駿創建有限公司\*  
Macau Legend Development Limited

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

Stock Code: 1680

# 2015 ANNUAL REPORT

*\* for identification purposes only*



An aerial photograph of a modern cityscape. In the foreground, there is a large marina with numerous white yachts docked at wooden piers. The water is a deep blue. In the middle ground, there are several large, modern buildings with glass facades and some with unique architectural features like curved roofs. A prominent yellow circular building is visible. In the background, there are green hills and a city skyline under a clear sky.

# CONTENTS

- 2 **Corporate Information**
- 4 **Corporate Profile**
- 7 **Chairman's Statement**
- 12 **Management Discussion and Analysis**
- 29 **Directors and Senior Management**
- 36 **Corporate Governance Report**
- 47 **Directors' Report**
- 74 **Independent Auditor's Report**
- 76 **Consolidated Statement of Profit or Loss and Other Comprehensive Income**
- 77 **Consolidated Statement of Financial Position**
- 79 **Consolidated Statement of Changes in Equity**
- 80 **Consolidated Statement of Cash Flows**
- 82 **Notes to the Consolidated Financial Statements**
- 141 **Financial Summary**
- 142 **Particulars of Major Properties**
- 143 **Definitions**



# CORPORATE INFORMATION

## PLACE OF INCORPORATION

Cayman Islands

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

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

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUTHORISED REPRESENTATIVES

Mr Sheldon Trainor-DeGirolamo  
Mr Tong Ka Wing, Carl

## COMPANY SECRETARY

Mr Chan Kin Man

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## CORPORATE INFORMATION

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG LEGAL ADVISERS

Norton Rose Fulbright Hong Kong

### INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

### PRINCIPAL BANKERS

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

### LISTING INFORMATION

#### Place of Listing

Main Board of The Stock Exchange of Hong Kong Limited

#### Stock Code

1680

#### Board Lot

1,000 Shares

### INVESTOR RELATIONS

Tel: (853) 2822 2211  
Fax: (853) 2822 2266  
Email: [ir@macaulegend.com](mailto:ir@macaulegend.com)

### WEBSITE

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



# CORPORATE PROFILE

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

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

The MFW Redevelopment will increase the offerings of MFW and should attract a wider range of customers. The MFW Redevelopment involves the redevelopment of existing facilities as well as the addition of new facilities, such as Harbourview Hotel, which was opened on 2 February 2015, Legend Palace Hotel, Legendale Hotel, two new casinos, general entertainment and cultural facility, a canopied open-air shopping, dining and entertainment colonnade, a yacht club at the marina and other attractions.

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

On 5 July 2013, 934,827,000 new Shares, representing 15% of its enlarged issued share capital immediately after the completion of the global offering, were issued at HK\$2.35 per Share for cash through an initial public offering by way of Hong Kong public offer and international placing. Effective as of that date, the Shares have been listed on the Main Board of the Stock Exchange. The Company raised net proceeds of approximately HK\$2,056.5 million from the global offering.

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

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

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

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

## CORPORATE PROFILE

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

On 22 July 2015, the Company entered into agreements with the Government of Cape Verde for Project Cape Verde, with an investment amount of approximately €250.0 million (equivalent to approximately HK\$2,150.0 million). The lease of the designated land for Project Cape Verde is 75 years. The Group has been granted a 25 years gaming concession on Santiago Island (of which the first 15 years is on an exclusive basis). In addition, the Group has been granted an exclusive nationwide operation of online gaming, physical and online sports betting for a period of 10 years from the commencement of the operation of the online gaming business by the Group in Cape Verde. On 8 February 2016, the Company held a ground-breaking ceremony for Project Cape Verde on site with the honorary attendance of the Prime Minister of Cape Verde and over 300 representatives and guests from Macau, China and Cape Verde. President of Cape Verde also met the senior management team of the Company in Cape Verde and reaffirmed the country's support to develop Project Cape Verde into an integrated leisure, tourism and entertainment complex.

On 23 March 2016, the Company entered into a letter of intent with a connected person (as defined under the Listing Rules) of the Company, pursuant to which, subject to the entering into of a definitive investment agreement within 6 months from the date of the signing of the letter of intent or any later period to be agreed by the parties concerned in writing, the Group will dispose of The Landmark Macau to a company invested by the connected person at a consideration to be agreed between the parties with reference to the valuation report to be issued by an independent professional valuer to be appointed by the Company with valuation date of three months or less before the date of the definitive investment agreement. In addition, according to the letter of intent, the Group, on terms and conditions acceptable to the parties, may provide management services for The Landmark Macau. Other than the provisions relating to exclusivity, confidentiality, expenses and governing law, the letter of intent is not legally binding in respect of the proposed disposal.

CERIMÓNIA DE INÍCIO DAS OBRAS  
PROJETO INTEGRADO DO ILHÉU DE ST. MARIA E GAMBOA  
CIDADE DA PRAIA, CABO VERDE

合洲閣旅遊娛樂項目動土儀式



Ground-breaking ceremony for Project Cape Verde on 8 February 2016





# CHAIRMAN'S STATEMENT

## CHAIRMAN'S STATEMENT



The past year proved to be a very challenging environment in Macau. The combination of the economic situation in China, the increase in new hotel and casino capacity in Macau, and the changing profile of the visitors to Macau were among the key issues that negatively impacted our gaming and non-gaming businesses.

During the year under review, Macau generated gross gaming revenue of approximately MOP230.8 billion, representing an approximately 34.3% decrease over that of 2014. The Group has unavoidably been affected by the general downturn and has recorded similar decreases which affected its profitability. Overall, the Group's business achieved a total reported revenue for the year of approximately HK\$1,436.1 million, representing a decrease of approximately 20.7% over that of 2014. Adjusted EBITDA for the year was approximately HK\$268.3 million, representing a decrease of approximately 64.7% over that of 2014 excluding the one-off profit of New Legend of approximately HK\$81.7 million transferred to the Group for the period from the commencement of business of New Legend until the establishment of the VIE Structure over New Legend. The VIE Structure was established on 3 July 2014 and the Group has since then consolidated the results of New Legend.

In response to the recent situation in Macau, the Group has embarked on several key initiatives to both better position our prospect in Macau and expand our business outside Macau.

Harbourview Hotel, our first new hotel at MFW, continues to ramp up since its opening in February 2015 and has contributed to an increase in non-gaming revenue of the Group. Another driver of upcoming growth will be New Legend, our self-run VIP operation, which has continued to gain importance by increasing its revenue contribution to the Group in 2015. It is the intention of the Group that this self-run VIP operation be further expanded to the new five-star luxury hotel project at MFW, Legend Palace Hotel, construction of which is expected to be completed in around June 2016. This new five-star integrated hotel and casino will add new luxury hotel, gaming, retail, and food and beverage capacity into the Macau Peninsula market and should allow the Group to be much more competitive in the premium mass and VIP market.

## CHAIRMAN'S STATEMENT

In December 2015, the State Council approved a new draft of a demarcation of Macau's administrative domain that will effectively allow territorial waters of Macau be extended eastwards and southwards, and allow for development of the city's waterfront area, which plans to boost its maritime and tourism economy. It is expected that our marina at MFW will be greatly benefited by this new development.

On the other hand, the Group is keen to engage in the continued expansion of our business overseas. In July 2015, we entered into agreements with the Government of Cape Verde to develop an integrated leisure, tourism and entertainment complex in Cape Verde. We are delighted with the progress being made for Project Cape Verde. We held a ground-breaking ceremony for the project on 8 February 2016 and we expect that the construction work will be completed in 3 years.

The Group will continue to look for overseas destinations which could offer to the Group good development and investment potential and casino management opportunities to cope with its vision to create new market for business development. We will focus on Southeast Asian destinations where the "One Belt, One Road" policy from China is supporting new investment in tourism and tourism related infrastructure and will also focus on Portuguese-speaking countries, like Cape Verde, to make good use of the Sino-Portuguese platform for our business diversification overseas.

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

**CHOW KAM FAI, DAVID**

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

**TONG KA WING, CARL**

*Co-chairman and non-executive Director*

23 March 2016



*Legend Palace Hotel*



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF RESULTS

For the year ended 31 December 2015, the Group achieved a total reported revenue of approximately HK\$1,436.1 million, representing a decrease of approximately HK\$375.0 million or approximately 20.7% over that of the year ended 31 December 2014 of approximately HK\$1,811.1 million. Breakdown of the Group's reported revenue for the years ended 31 December 2015 and 2014 is as follows:

	For the year ended	
	2015	2014
	HK\$'000	HK\$'000
Gaming services:		
– Pharaoh's Palace Casino		
– Mass market tables	594,270	961,313
– VIP tables		
– Self-run (New Legend)	106,474	53,076
– Outsourced	35,219	117,783
– Slot machines	8,478	8,538
	744,441	1,140,710
– Babylon Casino		
– Mass market tables	117,235	133,465
– VIP tables		
– Self-run (New Legend)	35,607	5,115
– Slot machines	118	695
	152,960	139,275
<b>Sub-total for gaming services</b>	<b>897,401</b>	<b>1,279,985</b>
Non-gaming operations:		
– The Landmark Macau	223,961	325,345
– MFW	314,781	205,782
<b>Sub-total for non-gaming operations</b>	<b>538,742</b>	<b>531,127</b>
<b>Total reported revenue</b>	<b>1,436,143</b>	<b>1,811,112</b>

For the year ended 31 December 2015, gaming revenue and non-gaming revenue of the Group decreased by approximately 29.9% to approximately HK\$897.4 million and increased by approximately 1.4% to approximately HK\$538.7 million, respectively, when compared to the year ended 31 December 2014. The decrease in gaming revenue was primarily due to the decrease in reported revenue from mass market tables of approximately HK\$383.3 million and outsourced VIP tables of approximately HK\$82.6 million, which was offset by the reported revenue contributed by New Legend, self-run VIP operation of the Group, of approximately HK\$142.1 million for the year ended 31 December 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

The increase in non-gaming revenue was primarily due to the revenue of approximately HK\$115.2 million for the year ended 31 December 2015 contributed by Harbourview Hotel at MFW, which has commenced its operation since 2 February 2015. Such revenue was offset by the decrease in revenue generated at The Landmark Macau of approximately HK\$101.4 million which was mainly due to the decrease in income from hotel rooms, food and beverage businesses, and building management services of the hotel.

Adjusted EBITDA for the year ended 31 December 2015 was approximately HK\$268.3 million, representing a decrease of approximately HK\$491.9 million or approximately 64.7% over that of the year ended 31 December 2014 of approximately HK\$760.3 million excluding the Pre-consolidation Profit (as defined below) of New Legend in 2014. The following table reconciles Adjusted EBITDA to the profit (loss) attributable to owners of the Company.

	For the year ended 31 December					
	2015			2014		
	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000
Profit (loss) attributable to owners of the Company	81,389	(349,897)	(268,508)	634,406	(155,465)	478,941
Adjustments for:						
Finance costs	—	84,749	84,749	16,653	72,224	88,877
Depreciation of investment properties	3,841	7,715	11,556	3,841	4,237	8,078
Depreciation of property and equipment	103,410	129,442	232,852	97,910	67,720	165,630
Release of prepaid lease payments	11,734	41,729	53,463	11,733	40,349	52,082
Amortisation of other intangible assets	33,168	—	33,168	15,356	—	15,356
Loss on disposal of property and equipment	18	84	102	1,184	19,934	21,118
Share-based payments	12,718	—	12,718	33,524	—	33,524
Exchange loss (gain) arising from non-operating activities (remark i)	20,988	96,822	117,810	76,851	(8,338)	68,513
Pre-opening expenses (remark ii)	73,885	9,674	83,559	—	24,084	24,084
Interest income	(34,345)	(53,802)	(88,147)	(55,198)	(54,074)	(109,272)
Tax charge (credit)	1,650	(6,629)	(4,979)	1,650	(6,629)	(4,979)
<b>Adjusted EBITDA</b>	<b>308,456</b>	<b>(40,113)</b>	<b>268,343</b>	837,910	4,042	841,952

Remarks:

- (i) Included in the exchange loss (gain) arising from non-operating activities of the Group for the year ended 31 December 2015 is realised exchange loss arising from conversion of RMB deposits into HK\$ of approximately HK\$117.5 million (2014: unrealised exchange loss arising from retranslation of RMB deposits into HK\$ of approximately HK\$67.9 million).
- (ii) Pre-opening expenses represent mainly staff related costs, marketing and other administrative expenses incurred prior to the opening of new or expanded operations of the Group for the relevant periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the year ended 31 December					
	2015			2014		
	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000
Gaming services	384,378	(31,185)	353,193	848,077	14,163	862,240
For the year Pre-consolidation Profit of New Legend (remark)	384,378	(31,185)	353,193	766,378	14,163	780,541
	—	—	—	81,699	—	81,699
Non-gaming operations	(28,129)	(8,928)	(37,057)	46,483	(10,121)	36,362
Sub-total	356,249	(40,113)	316,136	894,560	4,042	898,602
Unallocated corporate expenses	(47,793)	—	(47,793)	(56,650)	—	(56,650)
<b>Adjusted EBITDA</b>	<b>308,456</b>	<b>(40,113)</b>	<b>268,343</b>	837,910	4,042	841,952

Adjusted EBITDA from gaming services decreased by approximately 54.8% to approximately HK\$353.2 million for the year ended 31 December 2015 from approximately HK\$780.5 million for the year ended 31 December 2014 excluding the Pre-consolidation Profit of New Legend. Adjusted EBITDA from operations of the Group excluding MFW Group and unallocated corporate expenses, mainly arising from the operations at The Landmark Macau, decreased by approximately 56.2% to approximately HK\$356.2 million for the year ended 31 December 2015 from approximately HK\$812.9 million for the year ended 31 December 2014 excluding the Pre-consolidation Profit of New Legend.

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 for the period from its commencement of business until the establishment of the VIE Structure (the "Pre-consolidation Period"). The VIE Structure was established on 3 July 2014 and the Group has since then consolidated the results of New Legend. New Legend recorded a net profit of approximately HK\$81.7 million in the Pre-consolidation Period (the "Pre-consolidation Profit") which was transferred to the Group and was recognised as profit (and Adjusted EBITDA) of the gaming services of the Group in the year ended 31 December 2014.





## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's loss for the year ended 31 December 2015 was approximately HK\$268.5 million while the Group recorded a profit of approximately HK\$478.9 million for the year ended 31 December 2014. The loss for the year ended 31 December 2015 was mainly due to (i) a decrease in revenue from gaming services provided by the Group due to a decrease in overall gross gaming revenue generated from the gaming tables in the casinos within the Group's properties; (ii) an increase in overall operating expenses of the Group, particularly staff costs; (iii) an increase in overall depreciation and amortisation charges, particularly the depreciation of Harbourview Hotel, which has commenced its operations since 2 February 2015, and the amortisation of other intangible assets arisen from the consolidation of the financial results of New Legend since 3 July 2014; and (iv) the recognition of net exchange loss as a result of the conversion of RMB into HK\$.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2015 and 2014, the Group had the following number of gaming tables and slot machines in its two casinos which were put into operation:

	As at 31 December					
	2015			2014		
	Pharaoh's Palace Casino	Babylon Casino	Total	Pharaoh's Palace Casino	Babylon Casino	Total
Mass market tables	60	32	92	60	21	81
VIP tables	23	12	35	55	6	61
Total gaming tables	83	44	127	115	27	142
Slot machines	156	29	185	161	—	161

As at 31 December 2015, the Group had a total of 179 gaming tables (31 December 2014: 185), of which 127 (31 December 2014: 142) were put into operation.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2015, the Group recorded approximately HK\$897.4 million revenue from gaming services, representing a decrease of approximately HK\$382.6 million or approximately 29.9% over that of the year ended 31 December 2014 of approximately HK\$1,280.0 million. Breakdown of the Group's revenue from gaming services for the years ended 31 December 2015 and 2014 is as follows:

	For the year ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Mass market tables:		
– Pharaoh's Palace Casino	594,270	961,313
– Babylon Casino	117,235	133,465
	711,505	1,094,778
Self-run VIP tables:		
– Pharaoh's Palace Casino	106,474	53,076
– Babylon Casino	35,607	5,115
	142,081	58,191
Outsourced VIP tables:		
– Pharaoh's Palace Casino	35,219	117,783
	177,300	175,974
Slot machines:		
– Pharaoh's Palace Casino	8,478	8,538
– Babylon Casino	118	695
	8,596	9,233
<b>Total revenue from gaming services</b>	<b>897,401</b>	<b>1,279,985</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

The following tables set out certain key operational data of mass market tables, VIP tables and slot machines for the years ended 31 December 2015 and 2014:

### Mass Market Tables

	Pharaoh's Palace Casino			Babylon Casino		
	For the year ended 31 December			For the year ended 31 December		
	2015	2014	Change	2015	2014	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop	<b>4,735,977</b>	5,880,731	(19.5)	<b>1,450,367</b>	1,326,206	9.4
Net win	<b>1,080,491</b>	1,747,842	(38.2)	<b>213,154</b>	242,664	(12.2)
Hold rate	<b>22.81%</b>	29.72%	(6.9)	<b>14.70%</b>	18.30%	(3.6)
Average number of tables	<b>60</b>	60	—	<b>27</b>	22	22.7
Net win per table per day	<b>49</b>	80	(38.8)	<b>22</b>	30	(26.7)

The Group's revenue from mass market tables for the year ended 31 December 2015 was approximately HK\$711.5 million, representing a decrease of approximately HK\$383.3 million or approximately 35.0% over that of the year ended 31 December 2014 of approximately HK\$1,094.8 million. Revenue from mass market tables at Pharaoh's Palace Casino decreased by approximately 38.2% to approximately HK\$594.3 million while revenue at Babylon Casino decreased by approximately 12.2% to approximately HK\$117.2 million. For the year ended 31 December 2015, net win per table per day of mass market tables at Pharaoh's Palace Casino and Babylon Casino decreased by approximately 38.8% to approximately HK\$49,000 and approximately 26.7% to approximately HK\$22,000 over that of the year ended 31 December 2014 of approximately HK\$80,000 and HK\$30,000, respectively.

### VIP Tables

	Pharaoh's Palace Casino				Babylon Casino			
	For the year ended 31 December				For the year ended 31 December			
	2015	2014	Change	2015	2014	Change		
	Outsourced	Self-run (New Legend)	Total	Total	Self-run (New Legend)	Self-run (New Legend)	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
							%	
Games turnover	<b>47,669,399</b>	<b>5,945,111</b>	<b>53,614,510</b>	194,390,215	<b>1,329,914</b>	109,590	1,113.5	
Net win	<b>1,557,003</b>	<b>200,850</b>	<b>1,757,853</b>	5,981,554	<b>62,701</b>	9,320	572.8	
Win percentage	<b>3.27%</b>	<b>3.38%</b>	<b>3.28%</b>	3.08%	<b>4.71%</b>	8.50%	(3.8)	
Average number of tables	<b>32</b>	<b>7</b>	<b>39</b>	61	<b>9</b>	6	50.0	
Net win per table per day	<b>133</b>	<b>79</b>	<b>123</b>	269	<b>19</b>	34	(44.1)	

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue from VIP tables for the year ended 31 December 2015 was approximately HK\$177.3 million, representing an increase of approximately HK\$1.3 million or approximately 0.8% over that of the year ended 31 December 2014 of approximately HK\$176.0 million. During the year ended 31 December 2015, approximately HK\$142.1 million contributed from New Legend through the VIE Structure. Revenue from outsourced VIP tables decreased by approximately HK\$82.6 million or approximately 70.1%. For the year ended 31 December 2015, net win per table per day of VIP tables at Pharaoh's Palace Casino decreased by approximately 54.3% to approximately HK\$123,000 over that of the year ended 31 December 2014 of approximately HK\$269,000. Net win per table per day of VIP tables at Babylon Casino decreased by approximately 44.1% to approximately HK\$19,000 over that of the year ended 31 December 2014 of approximately HK\$34,000. Babylon Casino has commenced its VIP operation since November 2014.

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 to 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 enhances its market footprint and receives a higher percentage of gross gaming revenue generated by the gaming tables in these VIP rooms. During the year ended 31 December 2015, New Legend contributed a gaming revenue of approximately HK\$142.1 million (the period from 3 July 2014 to 31 December 2014: approximately HK\$58.2 million) to the Group 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		
	2015 HK\$'000	2014 HK\$'000	Change %	2015 HK\$'000	2014 HK\$'000	Change %
Slot handle	<b>765,135</b>	758,957	0.8	<b>4,495</b>	39,939	(88.7)
Net win	<b>28,301</b>	33,891	(16.5)	<b>364</b>	1,671	(78.2)
Hold rate	<b>3.70%</b>	4.47%	(0.8)	<b>8.10%</b>	4.18%	3.9
Average number of slot machines	<b>159</b>	183	(13.1)	<b>29</b>	120	(75.8)
Net win per slot machine per day	<b>0.5</b>	0.5	—	<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 2015 decreased by approximately 0.7% to approximately HK\$8.5 million and by approximately 83.0% to approximately HK\$0.1 million, respectively, when compared to the year ended 31 December 2014.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2015, the Group recorded a total non-gaming revenue of approximately HK\$538.7 million, representing an increase of approximately HK\$7.6 million or approximately 1.4% over that of the year ended 31 December 2014 of approximately HK\$531.1 million. Out of the total non-gaming revenue, revenue from The Landmark Macau accounted for approximately HK\$224.0 million or approximately 41.6% of the total non-gaming revenue (for the year ended 31 December 2014: approximately HK\$325.3 million or approximately 61.3%); and MFW accounted for approximately HK\$314.8 million or approximately 58.4% of the total non-gaming revenue (for the year ended 31 December 2014: approximately HK\$205.8 million or approximately 38.7%). The increase in the percentage contribution to the Group’s revenue by MFW Group was mainly due to the revenue contributed by Harbourview Hotel at MFW, which has commenced its operation since 2 February 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the year ended 31 December					
	2015			2014		
	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000	The Group excluding MFW Group HK\$'000	MFW Group HK\$'000	Consolidated HK\$'000
Rental income from hotel rooms	90,772	105,848	196,620	156,573	26,693	183,266
Licensing income from investment properties	53,151	76,302	129,453	51,821	48,154	99,975
Income from building management services	37,392	23,947	61,339	53,831	21,479	75,310
Food and beverage	38,410	87,399	125,809	57,845	74,271	132,116
Sales of merchandise	—	17,998	17,998	—	32,890	32,890
Others	4,236	3,287	7,523	5,275	2,295	7,570
Total revenue from non-gaming operations	223,961	314,781	538,742	325,345	205,782	531,127

The increase in non-gaming revenue was primarily attributable to the revenue of approximately HK\$115.2 million for the year ended 31 December 2015 contributed by Harbourview Hotel at MFW, which has commenced its operation since 2 February 2015, and such revenue was offset by the decrease in the income from hotel rooms and building management services of The Landmark Macau.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out certain key operational data on hotel operations of the Group for the years ended 31 December 2015 and 2014:

	For the year ended 31 December	
	2015	2014
The Landmark Macau		
Occupancy rate (%)	67.2	84.6
ADR (HK\$)	1,268.4	1,544.2
REVPAR (HK\$)	852.3	1,306.4
Rocks Hotel		
Occupancy rate (%)	78.4	85.3
ADR (HK\$)	1,148.4	1,457.0
REVPAR (HK\$)	900.3	1,242.8
Harbourview Hotel (opened on 2 February 2015)		
Occupancy rate (%)	65.6	n/a
ADR (HK\$)	933.1	n/a
REVPAR (HK\$)	612.1	n/a

### The Landmark Macau

The occupancy rate of The Landmark Macau for the year ended 31 December 2015 was approximately 67.2%, an approximately 17.4% decrease over that of the year ended 31 December 2014 of approximately 84.6%. For the year ended 31 December 2015, ADR and REVPAR of The Landmark Macau decreased by approximately 17.9% and approximately 34.8%, respectively, when compared to those of the year ended 31 December 2014.

### Macau Fisherman's Wharf

#### Rocks Hotel

The occupancy rate of Rocks Hotel for the year ended 31 December 2015 was approximately 78.4%, an approximately 6.9% decrease over that of the year ended 31 December 2014 of approximately 85.3%. For the year ended 31 December 2015, ADR and REVPAR of Rocks Hotel decreased by approximately 21.2% and approximately 27.6%, respectively, when compared to those of the year ended 31 December 2014.

#### Harbourview Hotel

Harbourview Hotel was opened on 2 February 2015. The occupancy rate of Harbourview Hotel for the period from its opening to 31 December 2015 was approximately 65.6%. ADR and REVPAR of Harbourview Hotel were approximately HK\$933.1 and approximately HK\$612.1, respectively.



# MANAGEMENT DISCUSSION AND ANALYSIS

## C. Corporate and Business Updates

### (a) MFW Redevelopment

#### Harbourview Hotel

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

#### Legend Palace Hotel

Legend Palace Hotel, the second new hotel under the MFW Redevelopment, is a five-star deluxe-themed hotel in the style of Central/Northern Asian medieval architecture with 223 opulent guest rooms including suites. The hotel will include a new in-house casino.

In July 2015, construction licence of superstructure of Legend Palace Hotel was issued by the relevant government authority, and construction work of superstructure has commenced with an expected construction completion in around June 2016.

#### Legendale Hotel

Legendale Hotel, the third new hotel under the MFW Redevelopment, will be 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 and a new in-house casino.

Design concepts of the hotel have been developed. We have applied to the relevant government authority in Macau for increasing the height of the hotel and are awaiting for its decision. Once the approval for the height application has been obtained, construction of the hotel will commence accordingly with a target construction completion by the end of 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other redevelopment

In addition to the above progress of the three new hotels of the MFW Redevelopment, the Group has also made progress on other projects of the MFW Redevelopment. The table below provides further details on the status of ongoing construction projects as part of the MFW Redevelopment:

Buildings/Facilities	Brief Description	Progress	Target Completion Date
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. Detailed design is significantly developed	2Q 2017
	A newly developed multi-purpose entertainment and performance theatre holding more than 1,000 seats	The design stage is currently revised to follow comments from the Macau government. Submission will be made in May 2016	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	4Q 2016
		Phase 2 — further pontoons and wave attenuator wall in design stage incorporating comments from the Macau government	
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 approval for construction from the Macau government has been obtained. Construction commenced in 4Q 2015	1Q 2016
		For the canopy on Main Boulevard, design has been completed and approval for construction from the Macau government has been obtained. Construction commenced in February 2016	3Q 2016

## MANAGEMENT DISCUSSION AND ANALYSIS

### (b) Project Cape Verde

On 22 July 2015, the Company entered into agreements with the Government of Cape Verde for Project Cape Verde, with an investment amount of approximately €250 million (equivalent to approximately HK\$2,150 million). The lease of the designated land for Project Cape Verde is 75 years. The Group has been granted a 25 years gaming concession on Santiago Island (of which the first 15 years is on an exclusive basis). In addition, the Group has been granted an exclusive nationwide operation of online gaming, physical and online sports betting for a period of 10 years from the commencement of operation of the online gaming business by the Group in Cape Verde. Further details of Project Cape Verde are set out in the Company's announcement dated 22 July 2015.

On 8 February 2016, the Company held a ground-breaking ceremony for Project Cape Verde on site.

### (c) Cooperation with Dynam

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

## OUTLOOK

On 8 February 2016, the Company held a ground-breaking ceremony for Project Cape Verde with the honorary attendance of the Prime Minister of Cape Verde and over 300 representatives and guests from Macau, China and Cape Verde. President of Cape Verde also met the senior management team of the Company in Cape Verde and reaffirmed the country's support to develop Project Cape Verde into an integrated leisure, tourism and entertainment complex.

Project Cape Verde is the first overseas project of the Group. The Group will continue to look for investments in, and development of, integrated resort projects outside Macau. We will focus on Southeast Asian destinations where the "One Belt, One Road" policy from China is supporting new investment in tourism and tourism related infrastructure and will also focus on Portuguese-speaking countries, like Cape Verde, to make good use of the Sino-Portuguese platform for the Group's business diversification overseas.

Regarding the MFW Redevelopment, we remain firmly committed to the successful completion of the project. Our second new hotel under the MFW Redevelopment, Legend Palace Hotel, has an expected construction completion in around June 2016 and is expected to provide 223 opulent guest rooms and suites, and an in-house casino to increase the diversity of offerings to enrich MFW's leisure facilities. This new five-star integrated hotel and casino will add new luxury hotel, gaming, retail, and food and beverage capacity into the Macau Peninsula market and should allow the Group to be much more competitive in the premium mass and VIP market.

The Group will continue to actively seek opportunities and create new markets for its business expansion so as to maximise value for its shareholders, partners and customers.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND CAPITAL RESOURCES

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

As at 31 December 2015, the consolidated net assets attributable to owners of the Company amounted to approximately HK\$7,093.1 million, representing a decrease of approximately HK\$366.6 million from approximately HK\$7,459.7 million as at 31 December 2014. The decrease in consolidated net assets during the year ended 31 December 2015 was mainly due to the Group's loss for the year of approximately HK\$268.5 million and the reduction in capital of approximately HK\$110.8 million as a result of the share repurchases for the year.

### Bank Balances and Cash

As at 31 December 2015, bank balances and cash held by the Group amounted to approximately HK\$3,245.6 million (including pledged bank deposits of approximately HK\$24.8 million), which was denominated mainly in HK\$ and MOP. Given MOP is pegged to HK\$, the Group considers the exposure to exchange rate risk is nominal for its bank balances and cash denominated in MOP.

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\$2,056.5 million. 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 from the portion of the proceeds raised from the global offering and the top-up placement which are not expected to be utilised in the near term, the Group has placed these funds at banks in Macau and Hong Kong as fixed deposits.

In view of the recent volatility of the exchange rate of RMB, the Group resolved to convert its RMB deposits into HK\$, the functional currency of the Group, so as to minimise the Group's exposure to the RMB exchange rate risk. The Group had started to reduce its holding of RMB deposits since late 2014 and up to 31 December 2015, the Group converted all its RMB deposits into HK\$. During the year ended 31 December 2015, the Group has recognised a net exchange loss of approximately HK\$117.5 million as a result of the conversion of RMB into HK\$ in the year. Since such exchange loss was not arisen from operating activities of the Group, it has been excluded from the Group's Adjusted EBITDA for the year ended 31 December 2015.

However, taking into account the cumulative interest income earned of approximately HK\$194.3 million and the net exchange loss recognised of approximately HK\$166.2 million from the Group's investment in RMB, the Group recognised a total net gain of approximately HK\$28.1 million over the whole period of holding the RMB deposits.

As at 31 December 2015, a total of approximately HK\$2,913.9 million was placed as fixed deposits at banks in Macau with maturities ranging from 1 to 6 months which are mainly in HK\$, at an average annualised interest rate of approximately 1.71%.

### Borrowings

As at 31 December 2015, the Group had outstanding secured and unguaranteed bank borrowings of approximately HK\$3,974.6 million and unsecured, interest-free and unguaranteed other borrowings of approximately HK\$72.5 million.

In respect of the bank borrowings of approximately HK\$3,974.6 million, the maturity profile is spread over a period of less than 5 years with approximately HK\$580.0 million repayable within one year, approximately HK\$984.2 million repayable in the second year and approximately HK\$2,410.4 million repayable in the third to fifth years. The other borrowings of approximately HK\$72.5 million are repayable within one year.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 2015 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 2015.

### USE OF PROCEEDS FROM THE GLOBAL OFFERING AND TOP-UP PLACEMENT

Trading of the Shares on the Stock Exchange commenced on 5 July 2013, and the Group raised net proceeds of approximately HK\$2,056.5 million 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 2015, the Group had applied approximately HK\$1,530.6 million (31 December 2014: approximately HK\$1,257.4 million), approximately HK\$199.7 million (31 December 2014: approximately HK\$199.7 million) and approximately HK\$97.5 million (31 December 2014: 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.

On 16 January 2014, the Group completed a top-up placement of 188,000,000 new Shares to certain independent, institutional and other investors at HK\$7.25 per Share (with a net price of approximately HK\$7.19, and the closing price of HK\$7.86 per Share quoted on the Stock Exchange on 16 January 2014) and raised net proceeds of approximately HK\$1,350.8 million. The reasons for the top-up placement are to (i) increase the amount of Shares held by public investors which may in turn enhance the trading liquidity of the Shares; (ii) introduce new investors to the Company and hence further optimise and diversify the shareholder base of the Company; and (iii) help to raise new proceeds for the finance of the MFW Redevelopment and as the Group's general working capital. The Group intends to apply such net proceeds for financing the MFW Redevelopment and as the Group's general working capital. Up to 31 December 2015, the Group had applied approximately HK\$574.9 million (31 December 2014: approximately HK\$79.8 million) of the net proceeds for financing the MFW Redevelopment.

In order to enhance better yield from the portion of the proceeds raised from the global offering and the top-up placement which are not expected to be utilised in the near term, the Group has placed these funds at banks in Macau and Hong Kong as fixed deposits.

As at 31 December 2015, approximately HK\$228.7 million (31 December 2014: approximately HK\$501.9 million) of the proceeds raised from the global offering, and approximately HK\$775.9 million (31 December 2014: approximately HK\$1,271.0 million) of the proceeds raised from the top-up placement have been placed at banks in Macau as fixed deposits.

### CHARGE ON THE GROUP'S ASSETS

As at 31 December 2015, 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\$370.2 million, buildings with a total carrying amount of approximately HK\$2,337.4 million, prepaid lease payments with a total carrying amount of approximately HK\$1,818.7 million, trade receivables of approximately HK\$108.0 million and bank deposits of approximately HK\$24.8 million.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 57.1% as at 31 December 2015 (31 December 2014: approximately 56.7%). Total borrowings of the Group as at 31 December 2015 decreased by approximately HK\$179.3 million when compared to that as at 31 December 2014 as a result of net repayment of borrowings during the year ended 31 December 2015. On the other hand, total equity of the Group as at 31 December 2015 decreased by approximately HK\$366.6 million when compared to that as at 31 December 2014 mainly due to reduction of capital of approximately HK\$110.8 million as a result of the share repurchases for the year ended 31 December 2015 and net loss for the year ended 31 December 2015 of approximately HK\$268.5 million. Overall, it resulted in the increase of the Group's gearing ratio by 0.4% to 57.1% as at 31 December 2015.

## HEDGING, ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

Save as disclosed in this annual report, during the year ended 31 December 2015, 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 2015 are set out in note 34 to the consolidated financial statements of the Group for the year ended 31 December 2015.

## CAPITAL COMMITMENTS

As at 31 December 2015, the Group had capital commitments which are authorised but not contracted for in respect of the renovation work of The Landmark Macau, the MFW Redevelopment and Project Cape Verde of approximately HK\$27.7 million, approximately HK\$5,972.4 million and approximately HK\$1,998.1 million, respectively. In addition, as at 31 December 2015, 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\$897.2 million.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total of approximately 3,210 employees, including approximately 1,330 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, pension funds and sponsorship for external education and training programmes are offered to eligible employees.

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr Chow Kam Fai, David**, age 65, has been a Director since October 2006 and the chief executive officer of the Company since December 2006. Mr David Chow became a co-chairman of the Company and an executive Director on 31 May 2012. He is also a member of both the Remuneration Committee and the Nomination Committee. He has had more than 30 years of experience in the gaming, gaming promotion, entertainment and hospitality industries prior to founding the Company's business. He was engaged in the provision of gaming promotion services for junket room operations for Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") in the 1980s. In 1992, Mr David Chow, together with Madam Lam and Mr Li Chi Keung, established Hong Hock to engage in real estate operations in Macau. Under Mr David Chow's management, Hong Hock opened The Landmark Macau to provide rental, management and dining services for the use of the premises, facilities and services of the Group to SJM for their VIP room operations. In 2006, Mr David Chow expanded Hong Hock's operations and caused Hong Hock to enter into the Service Agreement with SJM and has since managed and directed Hong Hock's gaming services provision operations. In 2000, Mr David Chow, together with Dr Stanley Ho and Madam Lam, incorporated MFW Investment to develop and operate MFW. He has been instrumental to the development and operations and the proposed redevelopment of the hotels and entertainment facilities in MFW.

Mr David Chow has been actively involved in community service. He founded Macau Association of Retailers and Tourism Services (澳門旅遊零售服務業總商會) in 1998. Mr David Chow was elected as a legislator of the Macau Government in 1996, 2001 and 2005, and has been a member of the Macau Chief Executive Election Committee in 2004, 2009 and 2014. He established the Travel Industry Council of Macau in 2001. He also established the Federal General Commercial Association of Macau Small and Medium Enterprises and has been serving as its president since 2012. In 2007, Mr David Chow's experience and contribution to Macau's tourism industry were recognised when he was awarded the title of Top Ten Talent (Construction) in China for the year 2006 (2006年中國十大建設英才) and the Order of Merit for Tourism (旅遊功績勳章) by the Macau government for his contribution to the tourism industry. In February 2013, Mr David Chow's contribution to Macau and the PRC was further recognised by his appointment as a member of the 12th National Committee of Chinese People's Political Consultative Conference of the PRC.

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

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

## DIRECTORS AND SENIOR MANAGEMENT

**Madam Lam Fong Ngo**, age 88, has been a Director since December 2006. Madam Lam became an executive Director and the vice chairman of the Company on 31 May 2012. She is also a member of the Remuneration Committee. She has also been the vice chairman of MFW Investment since August 2000. Madam Lam has more than 30 years of experience in the Macau gaming industry and has worked for STDM since the 1980s. Madam Lam founded Associação Geral de Ópera Chinesa e Arte Musical de Macau (澳門粵劇曲藝總會) in 2004 and has since served as its chairperson. Madam Lam participates in community work in Macau and has served as a member of the Macau Chief Executive Election Committee in 2004 and 2009. She was awarded the Medal of Cultural Merit (文化功績勳章) in 2009 by the Macau government and was conferred the title of honorary citizen of Guangzhou (廣州市榮譽市民) by the Guangzhou People's Congress.

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

**Mr Sheldon Trainor-DeGirolamo**, age 52, has been a Director since 18 May 2012. He is also a member of the Nomination Committee. Mr Trainor has been licensed by the Securities and Futures Commission since 1994 as an investment representative before the SFO came into effect and as a representative under the SFO to carry out Type 6 Regulated Activity (Advising on Corporate Finance). He obtained a bachelor's degree in commerce at the University of British Columbia in 1988 and has more than 20 years of experience in financial advisory services. He served a number of leading investment banks and has extensive experience in raising capital for casino, leisure and property companies in Asia. He worked at Credit Suisse Management (Australia) PTY Limited between 1990 and 1994 and last served as an associate in the investment banking division. He then served within Morgan Stanley group of companies between 1994 and 2005 and last served as a managing director in the investment banking division of Morgan Stanley Asia Pacific Holding Ltd. Mr Trainor worked at Merrill Lynch between 2005 and 2009 as a managing director and had been involved in the Group's financing projects in such capacity since 2005. He founded PacBridge Capital Partners (HK) Limited in 2009. As its director and responsible officer, Mr Trainor is primarily responsible for the execution of both corporate advisory and principal investment transactions.

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



## DIRECTORS AND SENIOR MANAGEMENT

### Non-executive Director

**Mr Tong Ka Wing, Carl**, age 65, was appointed as a co-chairman of the Company and non-executive Director on 18 May 2012. He is also a member of the Audit Committee. Mr Tong became an associate of the HKICPA in 1981, an associate of the Institute of Chartered Accountants in England and Wales in 1980 and an associate member of the Institute of Motor Industry in 1973. He worked with Arthur Andersen between 1977 and 1985 and as vice president of Citibank, N.A. between 1985 and 1987. He was a director of Asia Television Limited between 1990 and 1991. He founded Carl Tong & Associates Management Consultancy Limited in 1987 which is engaged in management consultancy business. He is also a director and chief executive officer of UNIR (HK) Management Limited, a management service company wholly-owned by Ms Chan Un Chan. In addition, Mr Tong has been actively engaged in community service. He served as Member for the Central and Western District Board of Hong Kong between 1982 and 1988, and was a member of the Legislative Council of Hong Kong between 1984 and 1985. Mr Tong has been an executive director and chief executive officer of Creative Master Bermuda Limited between 2003 and 2013, and was the chairman and chief executive officer of Creative Master International Inc. between 1997 and 2000. He served as an independent non-executive director of eSun Holdings Limited (SEHK: 0571) between 2004 and 2011, and a director at Crocodile Garments Limited (SEHK: 0122) between 2007 and 2012.

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

### Independent non-executive Directors

**Mr Fong Chung, Mark**, age 64, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee on 5 June 2013. Mr Fong obtained a bachelor's degree in science from the University College, London in August 1972 and a master's degree in science from the University of Surrey in December 1973. Mr Fong has over 40 years of experience in professional accountancy. He has been a fellow of the Institute of Chartered Accountants in England and Wales since January 1983 and a fellow of HKICPA since March 1986. He was the president of HKICPA in 2007 and is currently the chairman of its audit committee. Mr Fong served as the executive director of China Development of Grant Thornton International Ltd. between 2009 and 2013.

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

Mr Fong has been an independent non-executive director of Sinopec Kantons Holdings Limited (SEHK: 0934) since 2004, New China Life Insurance Company Ltd. (SEHK: 1336) since 2011 and China Oilfield Services Limited (SEHK:2883) since 2015. He is also a non-executive director of Worldsec Limited (LON: WSL).

## DIRECTORS AND SENIOR MANAGEMENT

**Mr Xie Min**, age 57, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee on 5 June 2013. Mr Xie obtained a master's degree in economics from the University of International Business and Economics of the PRC in 1987. In 1993, he was awarded a master's degree in business administration by New York University. Between 1993 and 1994, he completed the International Tax Program at Harvard Law School and the Investment Appraisal and Management Program at the Harvard Institute for International Development, and obtained a master's degree in public administration from Harvard Kennedy School of Government. Mr Xie has over 20 years of experience in private equity and mergers and acquisitions. He has extensive experience in deal structuring, post-deal business integration and restructuring of both Chinese state-owned entities and private enterprises. He also held senior positions at various listed enterprises and international private equity funds and institutions. He served as the chief investment officer of TOM.COM INTERNATIONAL LIMITED, a wholly-owned subsidiary of TOM Group Limited (SEHK: 2383) between 2001 and 2004. He was the managing director and head of private equity division at BOCI Asia Limited between 2004 and 2006. He became the managing director of Avenue Asia HK, Limited – Hong Kong Representative Office between 2008 and 2011. Mr Xie is currently a director of China Capital Advisors Limited and has been the vice chairman of the Investment Review Committee of Chinastone Capital Management Limited since April 2012.

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

**Madam Tam Wai Chu, Maria**, age 70, was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee on 5 June 2013. Madam Tam obtained an Honorary Doctor in Laws from the Chinese University of Hong Kong in 1989. She has over 40 years of experience practicing as a barrister. She has been a member of The Honourable Society of Gray's Inn, a professional association for barristers and judges in England, since 1973, and was admitted to the bar in the United Kingdom and Hong Kong in 1972 and 1974, respectively. She has been the honorary advisor of the Hong Kong Mediation Centre since 2006.

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

## DIRECTORS AND SENIOR MANAGEMENT

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

### SENIOR MANAGEMENT

*Executive vice president, chief financial officer, company secretary*

**Mr Chan Kin Man**, age 40, was appointed as the executive vice president, chief financial officer and company secretary of the Company on 5 June 2013. Mr Chan was awarded a bachelor's degree in business administration in accounting and finance from The University of Hong Kong in July 1997. He has approximately 18 years of accounting and finance work experience. He has been an associate of the HKICPA since October 2000 and a fellow of the Association of Chartered Certified Accountants since August 2005. Mr Chan has extensive work experience in accounting, financial advisory and management. Prior to joining the Group, he worked with an international accounting firm between 1997 and 2006. He served as the deputy financial controller in both Lai Sun Development Company Limited (SEHK: 0488) between 2006 and 2008 and eSun Holdings Limited (SEHK: 0571) between 2008 and 2012. He joined the Group in 2012 as chief financial officer.

*Executive vice president, head of hotel operations*

**Mr Michael Andrew Gibb**, age 63, joined the Group as the executive vice president, head of hotel operations in October 2013. He has more than 30 years hospitality experience covering the United States of America, the Middle East, Asia, the United Kingdom, Mexico, Africa, Japan and the Caribbean in strategic management, operations, design and development and project management in hotels, resorts and restaurants.

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

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

## DIRECTORS AND SENIOR MANAGEMENT

### Executive vice president, head of casino operations

**Mr Yip Wing Fat, Frederick**, age 60, was appointed as the executive vice president, head of casino operations of the Company on 5 June 2013. Mr Yip was awarded a diploma in accounting by Lingnan College in Hong Kong in November 1979. He also obtained a master's degree in business administration from the Macau University of Science and Technology in June 2005. Mr Yip has over 20 years of work experience in the Macau gaming industry. Prior to joining the Group, he worked as an assistant shift pit boss at STDM between 1979 and 1982. He later served as accounting manager at Macau Horse Racing Co. Ltd. in 1988. Mr Yip founded Tak Tai Fomento Predial (德泰地產貿易投資有限公司), a real estate agency, in 1991, and is currently its managing director. Mr Yip joined the Group in 1997 as security controller of the security department, and became deputy general manager in 1999. Between 2003 and 2007, Mr Yip served as executive vice president for mass market and slot machine gaming at Pharaoh's Palace Casino and Babylon Casino.

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

### Corporate development director and Babylon Casino director

**Mr Chow Wan Hok, Donald**, age 25, was appointed as the corporate development director and Babylon Casino director of the Company in July 2014 and May 2015, respectively. Mr Donald Chow was awarded a bachelor's degree of science in business administration from the University of Southern California in May 2013. He joined the Group in July 2013 as a corporate finance analyst. Mr Donald Chow is involved in the new and current business development projects of the Group and supervises the gaming operation of Babylon Casino. He also leads the installation and implementation of new casino management system and assists in the investor relations of the Group.

Mr Donald Chow is the son of Mr David Chow and Ms Melinda Chan, and the grandson of Madam Lam.

### General manager of Harbourview Hotel

**Mr Hans-Peter Betz**, age 47, was appointed as the general manager of Harbourview Hotel in March 2014. Mr Betz commenced his career in the culinary field where he obtained a German Chef's Diploma. Mr Betz later went on to obtain European and German Management Diplomas. During his career, he worked in the United States of America, Caribbean, Europe, Thailand, China, South Korea and Saudi Arabia. During the period from 2009 to 2014, he managed and opened five new hotel properties in China and South Korea. Mr Betz is responsible for the day-to-day operations of Harbourview Hotel.

## DIRECTORS AND SENIOR MANAGEMENT

### General manager of Legend Palace Hotel

**Mr Yeung Ka Ming**, age 56, was appointed as the general manager of Legend Palace Hotel on 16 February 2016. Mr Yeung was awarded an honorary doctorate degree in business management from Trinity International University in the United States of America in 2006. He has over 30 years of work experience in the hospitality industry throughout Macau, Hong Kong and China. Mr Yeung has become an associate of The Association of Cost and Executive Accountants in the United Kingdom since 2001 and a fellow member of the Association of Business Management Academics in the United Kingdom since 2006.

Mr Yeung previously served the Group during 2003 to 2008 for various positions including the President of The Landmark Macau. Prior to re-joining the Group, Mr Yeung worked as general manager of InterContinental Huizhou Resort in China from 2012 to 2016 and general manager of Dragon Lake Princess Hotel in China from 2011 to 2012. Mr Yeung is responsible for the day-to-day operations of Legend Palace Hotel.

# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH THE 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 2015, the Company has complied with the CG Code, except for code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarised below.

### A. The Board

#### A1. Responsibilities and Delegation

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## A2. Board Composition

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

### Executive Directors:

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

### Non-executive Director:

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

### Independent Non-executive Directors:

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

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

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

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

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

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

## CORPORATE GOVERNANCE REPORT

### A3. Chairman and Chief Executive Officer

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

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

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

### A4. Appointment and Re-election of Directors

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

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

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

At the 2016 AGM, Madam Lam, Mr Tong Ka Wing, Carl and Madam Tam Wai Chu, Maria shall retire and, being eligible, will offer themselves for re-election at the meeting. The Board and the Nomination Committee recommended their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above Directors as required by the Listing Rules.



# CORPORATE GOVERNANCE REPORT

## A5. Training and Continuing Development of Directors

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

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

During the year ended 31 December 2015, the Directors complied with the code provision A.6.5 of the CG Code and all Directors received regular briefings and updates from the professional firm/company secretary on the Group's business/operations/corporate governance matters which are relevant to their duties and responsibilities.

## A6. Model Code for Securities Transactions

The Company has adopted the Model Code as its code of conduct governing directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Model Code during the year ended 31 December 2015.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by relevant employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the year ended 31 December 2015.

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

## A7. Corporate Governance Functions

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

During the year ended 31 December 2015, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## CORPORATE GOVERNANCE REPORT

### A8. Directors' Attendance Records

The attendance records of each Director at the Board meetings, Board committees meetings and annual general meeting of the Company held during the year ended 31 December 2015 are set out below:

Name of Directors	Attendance/Number of Meetings				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Mr David Chow	5/5	—	1/1	1/1	1/1
Madam Lam	4/5	—	1/1	—	1/1
Mr Sheldon Trainor-DeGirolamo	5/5	—	—	1/1	0/1
Mr Tong Ka Wing, Carl	5/5	3/4	—	—	1/1
Mr Fong Chung, Mark	5/5	4/4	1/1	1/1	1/1
Mr Xie Min	5/5	4/4	1/1	1/1	0/1
Madam Tam Wai Chu, Maria	5/5	4/4	1/1	1/1	1/1

### B. Board Committees

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

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

#### B1. Audit Committee

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

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

# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, the Audit Committee has performed the following major tasks:

- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2014, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes and recommendation of the re-appointment of the external auditors;
- Review and report on continuing connected transactions carried out during the year ended 31 December 2014;
- Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2015 and the related accounting principles and practices adopted by the Group;
- Review and approval of the engagement letters of Deloitte Touche Tohmatsu as the auditor of the Company, the nature and scope of the audit for the year ended 31 December 2015, their reporting obligations and their work plan; and
- Consideration of the internal audit plan and report.

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

## B2. Remuneration Committee

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

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

During the year ended 31 December 2015, the Remuneration Committee has performed the following major tasks:

- Assessment of the performance of executive Directors; and
- Review of remuneration packages of Directors and senior management and to make any appropriate adjustments, approve the terms of service agreement/appointment letters as appropriate.

## CORPORATE GOVERNANCE REPORT

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management other than Directors (including those set out in the section headed “Directors and Senior Management” in this annual report and Mr Peter John Meacock, the Company’s executive vice president, head of projects, who retired on 31 December 2015, but excluding Mr Yeung Ka Ming, who joined the Group on 16 February 2016) by bands for the year ended 31 December 2015 is set out below:

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

Details of the remuneration of each of the Directors for the year ended 31 December 2015 are set out in note 10 to the consolidated financial statements of the Group.

### B3. Nomination Committee

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

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

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

## CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, the Nomination Committee has performed the following major tasks:

- Review of the structure, size, composition and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Group;
- Recommendation of the re-election of the retiring Directors standing for re-election at the Company's 2015 annual general meeting; and
- Assessment of the independence of all the independent non-executive Directors.

### C. Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015.

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

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

### D. Internal Control

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

Since March 2015, the Group has employed additional staff to establish its own internal audit team, which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems (including financial, operational and compliance controls) and report to the Board. Prior to the establishment of the Group's internal audit team, the Group engaged Mazars CPA Limited and Mazars Corporate Recovery & Forensic Services Limited to perform certain agreed-upon procedures to review the Group's compliance and internal controls as a whole.

During the year under review, the Board has conducted reviews of the effectiveness of the risk management and internal control system of the Company. To ensure compliance with the CG Code, the internal audit team has performed reviews on, among others, human resources system and payroll reporting structure and inventory management of the Group and anti-money laundering enhancement in connection with gaming operations of the Group.

## CORPORATE GOVERNANCE REPORT

The Audit Committee has reviewed the report prepared by the internal audit team, the actions taken and the plans formulated to remedy the deficiencies, and is not aware of any material defect or weakness of the internal systems and controls in relation to anti-money laundering and counter-terrorist financing which would have an adverse impact on the operations of the Group.

### E. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2015 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to the Group's external auditor in respect of audit services and non-audit services for the year ended 31 December 2015 are analysed below:

	Fees paid/ payable (HK\$'000)
Audit services:	
– Audit fee for the year ended 31 December 2015	2,480
Non-audit services:	
– Interim review for the six months ended 30 June 2015	450
– Tax compliance services	405
Total	3,335

### F. Company Secretary

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

### G. Communications with Shareholders and Investors

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

## CORPORATE GOVERNANCE REPORT

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

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

Fax No.: (853) 2822 2266

Email: ir@macaulegend.com

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

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

### H. Shareholders’ Rights

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

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

## CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2015, the Company has not made any changes to the Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

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



# DIRECTORS' REPORT

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

## BUSINESS REVIEW

A review of the business of the Group during the year, which includes an analysis of the Group's performance using financial key performance indicators, a discussion on the Group's future business development and principal risks and uncertainties that the Group may be facing and discussion on the relationships with its key stakeholders are provided in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report. Particulars of important events affecting the Group that have occurred since the end of the reporting period are set out in note 42 to the consolidated financial statements. The review forms part of the directors' report.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 76 of this annual report.

No interim dividend was paid during the year.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2015 (2014: nil).

## FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 141 of this annual report.

## DIRECTORS' REPORT

### INVESTMENT PROPERTIES AND PROPERTY AND EQUIPMENT

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

### SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the consolidated financial statements.

### EQUITY-LINKED AGREEMENTS

Details of (i) the share options of the Company are disclosed under the below section headed "Share Options" and in note 38 to the consolidated financial statements; and (ii) the Directors' reward shares of the Company are disclosed in note 35 to the consolidated financial statements.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased a total of 97,042,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$110,811,000 (including transaction costs). Details of the repurchases are as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration paid (including transaction costs) HK\$'000
		Highest HK\$	Lowest HK\$	
August 2015	5,300,000	1.61	1.51	8,250
September 2015	74,000,000	1.19	1.08	84,085
November 2015	10,531,000	1.10	1.03	11,009
December 2015	7,211,000	1.06	1.00	7,467
	<u>97,042,000</u>			<u>110,811</u>

## DIRECTORS' REPORT

The above repurchases were made, pursuant to the general mandate granted to the Board at the last annual general meeting of the Company, for the purpose of enhancing the net asset value per Share and earnings per Share.

Saved as disclosed above, neither the Company nor any of its subsidiaries sold or redeemed any of its listed securities during the year ended 31 December 2015.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2015, the Company's reserves available for distribution to shareholders amounted to approximately HK\$3,194.5 million comprising share premium of approximately HK\$4,328.3 million and other reserve of approximately HK\$202.3 million which are offset by debit balance of accumulated losses of approximately HK\$1,336.1 million.

Under the Cayman Companies Law, subject to the provisions of memorandum of association of the Company or the Articles of Association, the Company's share premium account may be applied to pay distributions or dividends to shareholders, provided that immediately following the date the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

## DIRECTORS

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

### Executive Directors

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

Madam Lam (*Vice chairman*)

Mr Sheldon Trainor-DeGirolamo

### Non-executive Director

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

### Independent Non-executive Directors

Mr Fong Chung, Mark

Mr Xie Min

Madam Tam Wai Chu, Maria

In accordance with Article 84 of the Articles of Association, Madam Lam, Mr Tong Ka Wing, Carl and Madam Tam Wai Chu, Maria will retire from office by rotation and, being eligible, will offer themselves for re-election at the 2016 AGM.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2016 AGM has a service contract with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' REPORT

### PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as referred to the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force throughout the year.

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

As at 31 December 2015, the interests and short position of the Directors and chief executives of the Company in the Shares and underlying Shares and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Directors	Capacity	Number of Shares	*Approximate percentage of total issued Shares
Mr David Chow	Beneficial owner	1,509,072,689	23.70%
	Controlled corporations	401,653,780 <sup>(1)</sup>	6.31%
	Interest of spouse	129,690,066 <sup>(2)</sup>	2.04%
		2,040,416,535	32.05%
Madam Lam	Controlled corporation	812,704,500 <sup>(3)</sup>	12.76%
Mr Sheldon Trainor-DeGirolamo	Beneficial owner	16,390,730	0.26%
	Controlled corporation	70,631,345 <sup>(4)</sup>	1.11%
		87,022,075	1.37%
Mr Tong Ka Wing, Carl	Beneficial owner	8,372,365	0.13%

Notes:

1. These Shares were held by All Landmark.
  2. Mr David Chow was deemed to be interested in 129,690,066 Shares through the interest of his spouse, Ms Melinda Chan.
  3. These Shares were held by Grand Bright.
  4. These Shares were held by PacBridge Capital Partners (HK) Limited, a controlled corporation of Mr Sheldon Trainor-DeGirolamo.
- \* The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 December 2015.

## DIRECTORS' REPORT

### (2) Long Position in Underlying Shares of the Company

Share options — physically settled unlisted equity derivatives

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

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

\* The percentage represents the number of underlying Shares interested divided by the number of the issued Shares as at 31 December 2015.

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

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

Notes:

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

## DIRECTORS' REPORT

### (4) Short Position in Shares of the Company

Name of Directors	Capacity	Number of Shares	*Approximate percentage of total issued Shares
Mr David Chow	Beneficial owner	1,458,631,654	22.91%
	Controlled corporation	319,696,000 <sup>(1)</sup>	5.02%
		1,778,327,654	27.93%
Madam Lam	Controlled corporation	700,000,000 <sup>(2)</sup>	11.00%

Notes:

(1) The short position in the Shares was held by All Landmark.

(2) The short position in the Shares was held by Grand Bright.

\* The percentage represents the number of Shares involved in the short position divided by the number of the issued Shares as at 31 December 2015.

Save as disclosed above, none of the Directors or chief executive of the Company, as at 31 December 2015, had registered an interest or a short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

### (1) David Chow Share Options

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

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

Name of participant	Date of grant	As at 1 January 2015	Granted during the year	Exercise/ forfeited/ expired during the year	As at 31 December 2015	Exercise period	Exercise price per share
Mr David Chow	23.11.2011	24,412,724	—	—	24,412,724	23.11.2011– 22.11.2016	HK\$2.0

## DIRECTORS' REPORT

### (2) Share Option Scheme

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

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

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

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

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

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

The total number of Shares currently available for issue under the Share Option Scheme is 598,805,063 Shares, representing approximately 9.5% of the issued share capital of the Company as at the date of this annual report.

## **DIRECTORS' REPORT**

### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

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

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

Other than as disclosed under the paragraph headed "Connected Transactions" in this annual report and in notes 10 and 36 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **CONTRACT OF SIGNIFICANCE**

Other than as disclosed under the paragraph headed "Connected Transactions" in this annual report and in notes 10 and 36 to the consolidated financial statements, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries during the year under review.

Other than as disclosed under the paragraph headed "Connected Transactions" in this annual report and in notes 10 and 36 to the consolidated financial statements, there is no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries.

### **MANAGEMENT CONTRACTS**

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



## DIRECTORS' REPORT

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

As at 31 December 2015, so far as the Directors are aware, the following parties (other than the Directors and chief executives of the Company) had interests or short position in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

#### (1) Long position in Shares of the Company

Name of substantial shareholders	Capacity	Number of Shares	*Approximate percentage of total issued Shares
All Landmark	Beneficial owner	401,653,780 <sup>(1)</sup>	6.31%
Ms Melinda Chan	Beneficial owner	129,690,066	2.04%
	Interest of spouse	1,910,726,469 <sup>(2)</sup>	30.01%
		2,040,416,535	32.05%
Grand Bright	Beneficial owner	812,704,500 <sup>(3)</sup>	12.76%
Elite Success	Beneficial owner	710,925,750	11.17%
Mr Li Chi Keung	Beneficial owner	75,339,429	1.18%
	Controlled corporation	710,925,750 <sup>(4)</sup>	11.17%
		786,265,179	12.35%
Ms Wong Hoi Ping	Controlled corporation	710,925,750 <sup>(4)</sup>	11.17%
	Interest of spouse	75,339,429 <sup>(5)</sup>	1.18%
		786,265,179	12.35%
Ms Chan Un Chan	Beneficial owner	77,664,000	1.22%
	Founder of discretionary trust	934,269,609 <sup>(6)</sup>	14.67%
	Controlled corporation	2,835,000 <sup>(7)</sup>	0.04%
		1,014,768,609	15.93%
Earth Group Ventures Ltd.	Beneficial owner	934,269,609 <sup>(6)</sup>	14.67%
UBS TC (Jersey) Ltd.	Trustee/controlled corporation	934,269,609 <sup>(6)</sup>	14.67%

## DIRECTORS' REPORT

### Notes:

1. The interest of All Landmark was disclosed as the interest of Mr David Chow in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company and its Associated Corporations".
2. Ms Melinda Chan was deemed to be interested in 1,910,726,469 Shares through the interest of her spouse, Mr David Chow.
3. The interest of Grand Bright was disclosed as the interest of Madam Lam in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company and its Associated Corporations".
4. These Shares were held by Elite Success (a company in which each of Mr Li Chi Keung and Ms Wong Hoi Ping, spouse of Mr Li Chi Keung, held 44.5% of the total issued capital).
5. Ms Wong Hoi Ping was deemed to be interested in 75,339,429 Shares through the interest of her spouse, Mr Li Chi Keung.
6. These Shares were held directly by UBS Nominees Limited, which is a nominee holding the Shares for Earth Group Ventures Ltd., a company wholly-owned by UBS TC (Jersey) Ltd. as trustee of the Earth Settlement. Earth Settlement is a discretionary trust set up by Ms Chan Un Chan as founder for her assets planning purposes.
7. These Shares were held by UNIR (HK) Management Limited, a controlled corporation of Ms Chan Un Chan.

\* The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 December 2015.

## (2) Long Position in Underlying Shares of the Company

### Share options — physically settled unlisted equity derivatives

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

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

\* The percentage represents the number of underlying Shares interested divided by the number of issued Shares as at 31 December 2015.

## DIRECTORS' REPORT

### (3) Short Position in Shares of the Company

Name of substantial shareholders	Capacity	Number of Shares	*Approximate percentage of total issued Shares
Ms Melinda Chan	Interest of spouse	1,778,327,654 <sup>(1)</sup>	27.93%
All Landmark	Beneficial owner	319,696,000 <sup>(2)</sup>	5.02%
Grand Bright	Beneficial owner	700,000,000 <sup>(3)</sup>	11.00%

Notes:

- (1) Ms Melinda Chan was deemed to have a short position in 1,778,327,654 Shares through the short position of her spouse, Mr David Chow. Details of the above short position in Shares have been disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company and its Associated Corporations".
  - (2) The short position of All Landmark was disclosed as the short position of Mr David Chow in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company and its Associated Corporations".
  - (3) The short position of Grand Bright was disclosed as the short position of Madam Lam in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company and its Associated Corporations".
- \* The percentage represents the number of Shares involved in the short position divided by the number of the issued Shares as at 31 December 2015.

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at 31 December 2015, had registered an interest or a short position in the Shares or underlying Shares as recorded in the register of interests required to be kept pursuant to section 336 of the SFO.

### INDEPENDENCE CONFIRMATION

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

## **DIRECTORS' REPORT**

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

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

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

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

### **TRANSFER RESTRICTIONS AMONG CERTAIN SHAREHOLDERS**

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

### **ENVIRONMENTAL POLICIES**

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize the environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

# DIRECTORS' REPORT

## CONNECTED TRANSACTIONS

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

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

### (1) Legendale Beijing Hotel Service Agreement

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

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

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

The amount paid/payable by the Group to Beijing Hua Hai Jin Bao for the provision of hotel rooms and meeting convention venues and event management services under the Legendale Agreements for the year ended 31 December 2015 was approximately HK\$0.1 million.

### (2) Amigo Travel Service Agreement

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

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

## DIRECTORS' REPORT

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

The amount paid/payable by the Group to Amigo Travel for the provision of travelling, ticketing and transportation services under the Amigo Agreements for the year ended 31 December 2015 was approximately HK\$2.4 million.

### (3) Macau Landmark Office Rental Agreement

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

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

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

The amount of rental paid/payable by the Group to MLML for the provision of office premises under the Macau Landmark Agreements for the year ended 31 December 2015 was approximately HK\$2.4 million.

## DIRECTORS' REPORT

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

### (1) Connected Procurement Agreements

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

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

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

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

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

## DIRECTORS' REPORT

The amounts paid/payable by the Group to the following connected persons under the Connected Procurement Agreements and the Supplemental Connected Procurement Agreements for the year ended 31 December 2015 were as follows:

	HK\$' million
Ou Kei Cleaning	17.2
On Kei Management	22.0
Royal Garden	6.2
NLC Laundry	13.1
<b>Total</b>	<b>58.5</b>

### (2) Chong Son Construction Services Agreement

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

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

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

The amount of construction and renovation fees paid/payable by the Group to Chong Son for the provision of construction services under the Chong Son Agreements for the year ended 31 December 2015 was approximately HK\$10.8 million.

The independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2015 and have confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.



## DIRECTORS' REPORT

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

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

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

#### Information of New Legend

New Legend is a company incorporated in Macau by Mr Frederick Yip, as the sole shareholder and sole director, which engages in the gaming promotion business in Macau. New Legend first obtained a gaming promoter licence from the DICJ on 10 June 2013, which was subsequently renewed by the DICJ on 12 December 2013. The current gaming promoter licence of New Legend is valid until 31 December 2016 and has to be renewed upon submission of an application to the DICJ each year.

Mr Frederick Yip is the sole shareholder and sole director of New Legend. He was appointed as the executive vice president, head of casino operations of the Company on 5 June 2013. For further information of his background, please refer to the section headed "Directors and Senior Management" of this annual report.

#### Revenue and assets subject to the VIE Agreements

The amount of revenue and assets subject to the VIE Agreements attributable to the Group accounted for approximately 9.9% and approximately 4.9% of the consolidated revenue and consolidated assets, respectively, of the Group for the year ended 31 December 2015.

#### Summary of the major terms of the VIE Agreements

The VIE Agreements currently in effect comprise (i) the Exclusive Management and Consultancy Services Agreement; (ii) the Exclusive Undertaking to Sell Agreement; (iii) the Transfer of Profit and Loan Agreement; (iv) the Share and Equity Pledge Agreement; and (v) the Power of Attorney entered into among Hong Hock, New Legend and Mr Frederick Yip, where appropriate.

## DIRECTORS' REPORT

A summary of the major terms of the VIE Agreements are set out below:

(i) **Exclusive Management and Consultancy Services Agreement**

Date:	16 April 2014
Parties:	(a) Hong Hock; and (b) New Legend
Term:	Effective upon the satisfaction of the conditions precedent under the VIE Agreements (the "Conditions") and shall terminate upon the termination of the Service Agreement. Hong Hock may terminate the Exclusive Management and Consultancy Services Agreement at any time by delivering a written notice to New Legend. In no circumstances shall New Legend have any right to terminate the Exclusive Management and Consultancy Services Agreement other than as required by applicable law.
Subject:	New Legend shall engage Hong Hock on an exclusive basis to provide comprehensive management and consultancy services in relation to the VIP room(s) promoted by New Legend for SJM from time to time (the "Consultancy Services").

In consideration of the provision of the Consultancy Services, New Legend agrees to pay the fees due from SJM to Hong Hock, which will be equivalent to 100% of the total before-income-tax consolidated profits of New Legend (such profits to be calculated after deducting all reasonably incurred costs, expenses and taxes (except income taxes) in connection with the business operation of New Legend).

In the event of a gross gaming loss incurred in the VIP room(s) promoted by New Legend for any given month, Hong Hock agrees that New Legend shall not be required to reimburse and indemnify Hong Hock any amount as New Legend's pro-rata share in the losses and expenses of such VIP room(s) promoted by New Legend pursuant to the cooperation agreement entered into between Hong Hock and New Legend dated 3 July 2013. As a result, in the event of a gross gaming loss incurred in the VIP room(s) promoted by New Legend, Hong Hock shall bear 57% (that is, including the share of gross gaming loss of New Legend prior to the VIE Structure) of the gross gaming loss incurred in such VIP room(s).

## DIRECTORS' REPORT

### (ii) Exclusive Undertaking to Sell Agreement

Date: 16 April 2014

Parties: (a) Hong Hock; (b) New Legend; and (c) Mr Frederick Yip

Term: Effective upon the satisfaction of the Conditions and shall terminate upon the termination of the Service Agreement. Hong Hock may, at its discretion, terminate the Exclusive Undertaking to Sell Agreement by written notice to Mr Frederick Yip and New Legend. In no circumstances shall Mr Frederick Yip and/or New Legend have any right to terminate the Exclusive Undertaking to Sell Agreement other than as required by applicable law.

Subject: Mr Frederick Yip shall irrevocably and unconditionally undertake to sell to Hong Hock or any person or persons designated by Hong Hock (the "Designated Persons") at its option at any time and from time to time, to the extent permitted under the laws and regulations of Macau and subject to the consent from the DICJ, all or a portion of Mr Frederick Yip's share and equity interests in New Legend (including all present and future rights and benefits based on the current share and equity interests in New Legend held by Mr Frederick Yip and any additional interests in New Legend acquired by Mr Frederick Yip subsequent to the date of the Exclusive Undertaking to Sell Agreement).

New Legend shall irrevocably and unconditionally undertake to sell to Hong Hock or the Designated Persons at its option at any time and from time to time, to the extent permitted under the laws and regulation of Macau and subject to the consent from the DICJ, all or a portion of the assets of New Legend (including all existing assets and any additional assets of New Legend acquired subsequent to the date of the Exclusive Undertaking to Sell Agreement).

Hong Hock may exercise its rights under the Exclusive Undertaking to Sell Agreement at any time and in any manner at its sole discretion, and the exercise price of each of the rights would be one hundred thousand Patacas (MOP100,000).

Mr Frederick Yip shall undertake that, among other things, he shall not sell, transfer, mortgage, create any security interest in, or dispose of in any other form, any legal or beneficial interest in his share and equity interest in New Legend, and that, among other things, he shall not alter, amend or revise the articles of association of New Legend in any way, increase or decrease the registered capital of New Legend, or change the structure of the registered capital of New Legend, in any form.

## DIRECTORS' REPORT

### (iii) Transfer of Profit and Loan Agreement

Date:	16 April 2014
Parties:	(a) Hong Hock; (b) New Legend; and (c) Mr Frederick Yip
Term:	Effective upon the satisfaction of the Conditions and shall terminate upon repayment in full of the loan by New Legend and the performance and discharge of all of its obligations under the Transfer of Profit and Loan Agreement. In no circumstances shall New Legend or Mr Frederick Yip be entitled to cancel or terminate the Transfer of Profit and Loan Agreement.
Subject:	New Legend agrees to transfer and pay to Hong Hock all profits (if any) accrued by New Legend from 3 July 2013 until the commencement of the VIE Structure within five days following the satisfaction of the Conditions.

In support of the day-to-day operations of New Legend, Hong Hock agrees to, at its discretion, make available an interest-free revolving loan to New Legend from time to time (the "Loan") as working capital for the operation of the gaming promotion business of New Legend, including, but not limited to, for the purposes of extending credits to its VIP patrons and paying its share of gross gaming loss suffered by New Legend (if any) in conducting its gaming promotion business in VIP room(s) promoted by New Legend for SJM from time to time.

The Loan shall be repayable upon the occurrence of an accelerating event, for example, Mr Frederick Yip's employment with the Group is terminated or otherwise ceases, Mr Frederick Yip or New Legend becomes bankrupt or insolvent, or bankruptcy or insolvency proceedings are initiated with respect to Mr Frederick Yip or New Legend, or in the sole opinion of Hong Hock, the Loan should be immediately repayable by New Legend.

In the event that the Loan becomes repayable and New Legend fails to repay all or part of the Loan and such failure continues for a period of 10 days after a written notice from Hong Hock to New Legend specifying such failure is served on Hong Hock, Hong Hock shall be entitled to enforce the share and equity pledge under the Share and Equity Pledge Agreement, and a default interest rate of 2% per annum shall be applied to the outstanding Loan.

## DIRECTORS' REPORT

### (iv) Share and Equity Pledge Agreement

Date:	16 April 2014
Parties:	(a) Hong Hock; (b) New Legend; and (c) Mr Frederick Yip
Term:	Effective upon the satisfaction of the Conditions and shall remain in effect until all of the obligations of Mr Frederick Yip and New Legend under the Exclusive Management and Consultancy Services Agreement, the Exclusive Undertaking to Sell Agreement, the Transfer of Profit and Loan Agreement and the Power of Attorney (including each and every renewal or replacement of such agreements or any such agreements as amended, modified or supplemented from time to time) (the "Secured Obligations") are satisfied and discharged in full. Hong Hock shall be entitled to enforce the pledge against Mr Frederick Yip in accordance with the terms of the Share and Equity Pledge Agreement in the event that Mr Frederick Yip fails to pay or perform any of the Secured Obligations.
Subject:	Mr Frederick Yip shall agree to pledge all share and equity interests in New Legend legally held by Mr Frederick Yip (including all present and future rights and benefits derived from such share and equity interests), and any additional interests in New Legend acquired or held by Mr Frederick Yip subsequent to the date of the Share and Equity Pledge Agreement to Hong Hock, as continuing first priority collateral security for the performance of the Secured Obligations at a fixed sum, which the amount is set in the Share and Equity Pledge Agreement for registration purposes.

### (v) Power of Attorney

Date:	16 April 2014
Parties:	(a) Mr Frederick Yip; and (b) Hong Hock
Term:	Effective upon execution and shall continue to be valid during the period Mr Frederick Yip remains a shareholder of New Legend.
Subject:	Mr Frederick Yip shall, among other things, irrevocably and unconditionally undertake to authorise Hong Hock or any members of the board of directors of Hong Hock and their respective estates, successors, assignees or liquidators to exercise on his behalf the full shareholder's rights under the articles of association of New Legend and applicable Macau laws and regulations in respect of his share and equity interest in New Legend, including but not limited to (i) the right to request for, convene and attend shareholder's meetings, and pass and execute shareholder's resolutions of New Legend, (ii) the right to vote in a shareholder's meeting, sign minutes, and file documents with the relevant companies registry, and (iii) all shareholder's rights prescribed by applicable laws and regulations and the articles of association of New Legend, including, without limitation to, the right to appoint and remove directors and senior management, voting rights, the rights to sell, transfer, pledge or otherwise dispose of all or part of the rights relating to his share and equity interest in New Legend and/or assets of New Legend, the right to receive surplus assets (if any) after settlement of all outstanding liabilities upon liquidation of New Legend and the right to demand payment of, and receive dividends declared by, New Legend.

## DIRECTORS' REPORT

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

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

The independent non-executive Directors reviewed the VIE Structure annually and confirmed that: (i) the transactions carried out during the year ended 31 December 2015 have been entered into in accordance with the relevant provisions of the VIE Structure, so that the revenue generated by New Legend (after deducting all reasonably incurred costs, expenses, taxes and working capital) has been substantially retained by Hong Hock, (ii) no dividends or other distributions have been made by New Legend to the holder(s) of its share and equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new contracts have been entered into, renewed and/or cloned between the Group and New Legend during the year ended 31 December 2015.

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

### Risks associated with the VIE Structure

The risks associated with the VIE Structure were set out on pages 21 to 23 of the Company's circular dated 9 June 2014 and are set out below:

#### (1) Risks relating to the exposure to potentially higher gross gaming loss

Under the current profit and loss sharing arrangements with the designated gaming promoters, including New Legend prior to the VIE Structure, the Group receives only 2% of the gross gaming revenue generated from the VIP rooms operated by such gaming promoters who receive 40% of the gross gaming revenue and up to 15% of the gross gaming revenue for expense reimbursement. In the event of a gross gaming loss incurred in the VIP rooms, the Group is responsible for only 2% and the gaming promoters are responsible for 55% of the gross gaming loss incurred in such VIP rooms promoted by them. While the indirect participation in the gaming promotion business would allow the Group to increase its share of the gross gaming revenue generated from the VIP room(s) operated by New Legend to 42% and receive expense reimbursement of up to 15% of the gross gaming revenue, in the event of a gross gaming loss incurred in the VIP room(s) operated by New Legend for any given month, the Group shall bear 57% of the gross gaming loss incurred in such VIP room(s).

## DIRECTORS' REPORT

### (2) Risks relating to the potential conflict of interests of Mr Frederick Yip

Under the VIE Structure, the Group relies on New Legend and Mr Frederick Yip's performance of their contractual obligations to exercise effective control. However, Mr Frederick Yip may not act in the best interests of the Group or may not perform his obligations under the VIE Agreements. Such risks exist and are expected to continue to exist throughout the period in which the Company intends to indirectly participate in the gaming promotion business through the VIE Structure. In addition, as the Company is advised by its insurance brokers that the enforcement of the VIE Agreement is considered as a business or trade risk, which is generally not a subject which is capable to be insured, the Company has not purchased any insurance to cover the risks relating to the enforcement of the VIE Agreements. Therefore, the VIE Structure may not be as effective as direct ownership in providing the Company with control over New Legend.

Mr Frederick Yip is the sole shareholder and sole director of New Legend. The Company provides no incentives to Mr Frederick Yip for the purpose of encouraging him to act in the Company's best interests in his capacity as the sole shareholder and sole director of New Legend. Although the Company may, upon approval from the DICJ, replace the shareholder of New Legend pursuant to the Exclusive Undertaking to Sell Agreement, and Mr Frederick Yip has executed the Power of Attorney to authorise Hong Hock or members of the board of directors of Hong Hock and their respective estates, successors, assignees or liquidators to exercise on his behalf the full shareholder's rights in respect of his share and equity interests in New Legend, the Company cannot assure that when conflicts arise, Mr Frederick Yip will act in the best interests of the Company or that the conflicts will be resolved in favour of the Company.

### (3) Risks relating to the obtaining of DICJ approval

The Company adopts the VIE Structure in order to indirectly participate in the gaming promotion business and will unwind the VIE Structure as soon as the law allows the gaming promotion business in Macau to be operated without the VIE Structure. However, the Company's acquisition of Mr Frederick Yip's share and equity interest in New Legend and/or assets of New Legend may only be conducted to the extent as permitted by applicable Macau laws and will be subject to the required approvals and procedures under applicable Macau laws and may also be subject to substantial costs.

### (4) Risks relating to the loss of gaming promoter licence

The current gaming promoter licence of New Legend is valid until 31 December 2016 and has to be renewed upon submission of an application to the DICJ each year. The renewal application must include a declaration duly signed by the legal representative of SJM stating an interest in working with New Legend in the year after the renewal application. The DICJ may, at its discretion, set conditions for renewal of the gaming promoter licence. The gaming promoter licence of New Legend may or may not be successfully renewed each year. If New Legend fails to renew its gaming promoter licence, it will be prohibited from conducting gaming promotion activities, which will affect the implementation of the VIE Structure. In this event, the business, financial condition and results of operations of the Group may be materially and adversely affected.

### (5) Risks relating to the termination of the gaming promotion agreement

Pursuant to the gaming promotion agreement entered into between New Legend and SJM dated 20 June 2013, the agreement may be terminated (i) by mutual agreement, or (ii) if any party to the agreement cannot carry out its obligations under the agreement and this results in a material breach of the terms of the agreement. If New Legend fails to carry out its obligations under the gaming promotion agreement and this results in a material breach of the terms of the agreement, SJM may terminate the gaming promotion agreement. If the gaming promotion agreement is terminated, New Legend may not be able to conduct its gaming promotion business until a new gaming promotion agreement is entered into with SJM, which will affect the implementation of the VIE Structure. In this event, the business, financial condition and results of operations of the Group may be materially and adversely affected.

## DIRECTORS' REPORT

### (6) Risks relating to the VIE Agreements

The Company is not allowed under Macau laws to participate directly in the gaming promotion business through a subsidiary. According to Article 4.1 of Macau Administration Regulation No. 6/2002 (as amended by Macau Administration Regulation No. 27/2009), shareholders of any corporate gaming promoter must be natural persons. Given the legal restrictions and after having considered the business potential of gaming promotion, the Company intends to participate in the gaming promotion business indirectly through the VIE Structure in order to diversify its business and increase the revenue contribution from the VIP tables. The Group obtained the requisite approval from the DICJ on 6 February 2014. Notwithstanding that the Group has obtained approval from the DICJ, the DICJ may withdraw or revoke the approval at their discretion if they consider that the VIE Structure does not comply with applicable laws and regulations which are in force in Macau from time to time, and the Company may be prohibited from indirectly participating in the gaming promotion business through the VIE Structure. In this event, the business, financial condition and results of operations of the Group may be materially and adversely affected.

### (7) Risks relating to collaborators and VIP patrons

New Legend relies on the services of the collaborators which work with it to market its business and attract VIP patrons. The collaborators may choose to work with any licensed gaming promoters in Macau. There is no assurance that the collaborators will not work with competitors of New Legend and New Legend may lose the services of its collaborators in the future. If New Legend loses a significant number of its collaborators to its competitors, the business, financial condition and results of operations of New Legend and the Group may be materially and adversely affected.

The Group recognises the possibility that VIP patrons may attempt or commit fraud or cheat in order to increase winnings, at times in collusion with the employees in the VIP room(s) promoted by New Legend. Failure to discover such schemes in a timely manner could result in losses in the VIP room(s) promoted by New Legend. In addition, negative publicity related to such schemes could have a material and adverse effect on the Group's reputation, thereby adversely affecting the business, cash flow, financial condition, results of operations and prospects of the Group.

### (8) Risks relating to the exposure to credit risk on credit extended to VIP patrons by New Legend

As a licensed gaming promoter, New Legend may extend credits to its VIP patrons. However, New Legend may not have access to a forum in which it will be able to collect gaming debts because, among other reasons, courts of many jurisdictions, including China, do not enforce gaming debts. Further, it may be unable to locate assets in other jurisdictions against which to seek recovery of gaming debts. The collectability of gaming debts from international customers could be negatively affected by future business or economic trends or by significant events in the countries in which these customers reside. Failure to minimize such risk exposure may materially and adversely affect the business, financial condition and results of operations of the Group.



## DIRECTORS' REPORT

### Actions taken to mitigate the above risks

The Group has adopted the following measures to mitigate the above risks:

- (a) the Board has reviewed on a regular basis major issues arising from implementation of the VIE Agreements as part of the internal control measures;
- (b) the Board has discussed and reviewed regularly to ensure that the operations of the VIE Structure comply with the applicable laws and regulations;
- (c) the Group has adopted internal control and anti-money laundering policies and related procedures in relation to the gaming promotion business which are currently adopted by New Legend since the commencement of the VIE Structure;
- (d) the independent non-executive Directors had conducted and will continue to conduct annual reviews on the VIE Agreements to ensure that they are fair and reasonable and in the best interests of the Group and its Shareholders as a whole;
- (e) the auditors of the Company had been engaged to provide annual confirmations regarding the VIE Agreements as disclosed in this annual report;
- (f) the Group has retained legal adviser and/or other professionals to assist the Group in dealing with specific issues arising from the VIE Agreements; and
- (g) the senior management of the Company has regularly reported to the Board on the operations of New Legend.

### Change of circumstances

As at the date of this annual report, there has been no material change in the VIE Agreements and/or the circumstances under which they were adopted. The restriction under Macau laws for participation directly in the gaming promotion business through a subsidiary of the Company is still in existence.

## EMOLUMENT POLICY

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

Pursuant to the respective service agreements/appointment letter, the Company has agreed to issue reward shares to certain Directors on 31 December 2013, 31 December 2014 and 31 December 2015 (subject to certain conditions). The total number of these reward shares is 43,625,244 Shares, of which 14,541,747 reward shares were issued on each of 31 December 2013 and 31 December 2014, and 14,541,750 reward shares were issued on 31 December 2015. In addition, the Company has adopted a share option scheme as an incentive to Directors and other eligible participants, details of the scheme is set out in the above section headed "Share Options" and note 38 to the consolidated financial statements.

## **DIRECTORS' REPORT**

### **PRE-EMPTIVE RIGHTS**

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

### **TAX RELIEF AND EXEMPTION**

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

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **MAJOR CUSTOMERS AND SUPPLIERS**

In 2015, the five largest customers of the Group accounted for approximately 65.7% of the Group's revenue with the largest customer, SJM, accounted for approximately 59.4% of the Group's revenue.

In 2015, the five largest suppliers of the Group accounted for approximately 46.4% of the Group's total purchases with the largest supplier accounted for approximately 35.6% of the Group's total purchases.

Apart from NLC Laundry which was one of the five largest suppliers of the Group in 2015, at no time during the year did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

### **DIRECTOR'S INTERESTS IN COMPETING BUSINESS**

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

## DIRECTORS' REPORT

### DEED OF NON-COMPETITION

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

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

### COMPLIANCE WITH ANTI-MONEY LAUNDERING LAWS AND REGULATIONS

SJM has provided with the Group a confirmation dated 1 February 2016 that its anti-money laundering policies and procedures implemented in the casinos and gaming premises at The Landmark Macau and MFW were in full compliance with the applicable legal and regulatory requirements of the Macau government for the financial year ended 31 December 2015.

### AUDITOR

A resolution will be submitted to the 2016 AGM to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Chow Kam Fai, David**

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

23 March 2016

# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF MACAU LEGEND DEVELOPMENT LIMITED

澳門勵駿創建有限公司

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

We have audited the consolidated financial statements of Macau Legend Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 140, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

23 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	6	1,436,143	1,811,112
Cost of sales and services		(1,015,609)	(881,828)
		420,534	929,284
Other income, gains and losses	8	2,047	138,715
Marketing and promotional expenses		(133,883)	(89,511)
Operating, administrative and other expenses		(477,436)	(415,649)
Finance costs	9	(84,749)	(88,877)
(Loss) profit before taxation	12	(273,487)	473,962
Taxation credit	13	4,979	4,979
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company		(268,508)	478,941
(Loss) earnings per share	15		
— Basic (HK cents)		(4.2)	7.5
— Diluted (HK cents)		N/A	7.4

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Investment properties	16	370,159	248,906
Property and equipment	17	4,231,161	3,653,802
Prepaid lease payments	18	1,764,648	1,770,626
Goodwill	19	681,986	681,986
Other intangible assets	20	269,043	302,211
Deposits paid	22	770,485	705,317
		<b>8,087,482</b>	7,362,848
Current assets			
Inventories	23	37,787	54,423
Prepaid lease payments	18	54,043	52,648
Trade and other receivables	24	439,863	499,822
Pledged bank deposits	25	24,830	20,581
Bank balances and cash			
— Cash at banks and on hand	25	2,918,231	4,047,398
— Short-term bank deposits with original maturity over three months	25	302,536	500,200
		<b>3,777,290</b>	5,175,072
Current liabilities			
Trade and other payables	26	544,702	665,326
Taxation		1,650	1,650
Bank and other borrowings — due within one year	27	652,484	448,601
		<b>1,198,836</b>	1,115,577
Net current assets		<b>2,578,454</b>	4,059,495
Total assets less current liabilities		<b>10,665,936</b>	11,422,343
Non-current liabilities			
Bank borrowings — due after one year	27	3,394,638	3,777,815
Deferred tax liabilities	28	178,207	184,836
		<b>3,572,845</b>	3,962,651
Net assets		<b>7,093,091</b>	7,459,692

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Capital and reserves			
Share capital	29	636,676	644,926
Reserves		6,456,415	6,814,766
Equity attributable to owners of the Company		7,093,091	7,459,692

The consolidated financial statements on pages 76 to 140 were approved and authorised for issue by the Board of Directors on 23 March 2016 and are signed on its behalf by:

**Chow Kam Fai, David**  
*Director*

**Sheldon Trainor-DeGirolamo**  
*Director*



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Share options reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014	624,672	3,034,967	(323,835)	37,862	2,222,811	5,596,477
Profit and total comprehensive income for the year	—	—	—	—	478,941	478,941
Share-based payments (note 35)	—	—	—	33,524	—	33,524
Issue of shares	20,254	1,375,465	—	(32,719)	—	1,363,000
Transaction cost attributable to issue of new shares	—	(12,250)	—	—	—	(12,250)
At 31 December 2014	644,926	4,398,182	(323,835)	38,667	2,701,752	7,459,692
Loss and total comprehensive expense for the year	—	—	—	—	(268,508)	(268,508)
Share-based payments (note 35)	—	—	—	12,718	—	12,718
Issue of shares	1,454	31,265	—	(32,719)	—	—
Repurchase and cancellation of shares	(9,704)	(101,107)	—	—	—	(110,811)
At 31 December 2015	636,676	4,328,340	(323,835)	18,666	2,433,244	7,093,091

Note: The other reserve of the Group represents the difference between the nominal value of the shares of subsidiaries acquired by the Company and the nominal value of the shares of the Company issued for acquisition at the time of group reorganisation in December 2006.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Operating activities			
(Loss) profit before taxation		(273,487)	473,962
Adjustments for:			
Interest income		(88,147)	(109,272)
Interest expense		84,749	88,877
Profit transfer from New Legend VIP Club Limited ("New Legend")		—	(81,699)
Unrealised exchange loss, net		343	68,513
Allowance for bad and doubtful debts		—	327
(Reversal of allowance) allowance for inventories		(893)	311
Depreciation of investment properties		11,556	8,078
Depreciation of property and equipment		232,852	165,630
Loss on disposal of property and equipment		102	21,118
Amortisation of other intangible assets		33,168	15,356
Release of prepaid lease payments		53,463	52,082
Share-based payments		12,718	33,524
Operating cash flows before movements in working capital		66,424	736,807
Decrease (increase) in inventories		17,529	(13,740)
(Increase) decrease in trade and other receivables		(46,122)	93,142
(Decrease) increase in trade and other payables		(33,386)	65,614
Cash from operations		4,445	881,823
Macau Complementary Tax paid		(1,650)	(1,650)
Net cash from operating activities		2,795	880,173
Investing activities			
Decrease in short-term bank deposits with original maturity over three months		197,664	346,920
Placement of pledged bank deposits		(4,249)	—
Interest received		103,875	104,004
Net cash inflow from consolidation of New Legend	37	—	52,794
Proceeds from disposal of property and equipment		—	32
Purchase of property and equipment		(934,178)	(1,272,368)
Deposits paid		(14,523)	(705,317)
Addition to prepaid lease payments		(48,880)	(48,880)
Net cash used in investing activities		(700,291)	(1,522,815)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Financing activities		
New bank borrowings raised	197,000	3,938,152
Repayment of bank and other borrowings	(398,500)	(1,443,000)
Proceeds from placement of shares	—	1,363,000
Payment for repurchase of shares	(110,811)	—
Interest paid	(118,915)	(79,276)
Share issue expenses	—	(12,250)
Net cash (used in) from financing activities	(431,226)	3,766,626
Net (decrease) increase in cash and cash equivalents	(1,128,722)	3,123,984
Cash and cash equivalents at beginning of the year	4,047,398	1,006,527
Effect of foreign exchange rate changes	(445)	(83,113)
Cash and cash equivalents at end of the year	2,918,231	4,047,398
Analysis of the cash and cash equivalents:		
Bank balances and cash	3,220,767	4,547,598
Less: Short-term bank deposits with original maturity over three months	(302,536)	(500,200)
	2,918,231	4,047,398

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 1. GENERAL INFORMATION

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

The Company is an investment holding company. Details of the principal activities of its principal subsidiaries are set out in note 39. The Group is one of the leading owners of entertainment and casino gaming facilities in Macau. The Group currently has two major properties in Macau, The Landmark Macau and Macau Fisherman’s Wharf (“MFW”). The Landmark Macau is an award-winning integrated hotel, casino and luxury shopping complex, featuring a five-star hotel and Macau’s first themed casino. MFW is a waterfront integrated gaming, hotel, convention and entertainment complex located on the outer harbour of the Macau Peninsula. In 2015, the Group entered into agreements with the Government of Cape Verde and has commenced to develop an integrated leisure, tourism and entertainment complex in Praia, the capital city of Cape Verde.

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

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

The Group has applied the following amendments to HKFRSs and the Hong Kong Accounting Standards (“HKASs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

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

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of preparation

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

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

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

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

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

The principal accounting policies are set out below.

### Basis of consolidation

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

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

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

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

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

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

### Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations (Continued)

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

### Goodwill

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

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

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

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

### Revenue recognition

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

### Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### Property and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over (i) in the case of gaming machinery, the shorter of their estimated useful lives and the remaining term of the service agreement dated 25 September 2006 and its related amendments ("Service Agreement"); and (ii) in the case of other property and equipment, their estimate useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property and equipment (Continued)

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

### Leasing

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

#### The Group as lessor

Licensing income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### The Group as lessee

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

### Leasehold land and building

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

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

### Foreign currencies

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Retirement benefit costs

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### Taxation

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

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

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

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

### Inventories

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

### Intangible assets acquired in a business combination

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of tangible assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

### Share-based payment arrangements

#### Equity-settled share-based payment transactions

##### Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 35.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share-based payment arrangements (Continued)

#### Equity-settled share-based payment transactions (Continued)

#### Share-based payment transactions of the Company (Continued)

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

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

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

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

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

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### Loans and receivables

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

##### Impairment of loans and receivables

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial liabilities and equity instruments

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

#### Equity instruments

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

#### Financial liabilities

Financial liabilities, including trade and other payables and bank and other borrowings, are subsequently measured at amortised cost using the effective interest method.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### Derecognition

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial guarantee contracts

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

## 4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

### Income taxes

No deferred tax asset was recognised in the consolidated financial statements in relation to the unused tax losses available as at 31 December 2015 to offset against future profits of HK\$660,968,000 (2014: HK\$606,764,000). The realisation of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. Where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the consolidated statement of profit or loss and other comprehensive income for the year in which such a recognition takes place.

### Depreciation and amortisation

The carrying amounts of the Group's property and equipment (other than construction in progress), investment properties and other intangible assets as at 31 December 2015 are HK\$3,404,178,000 (2014: HK\$2,340,613,000), HK\$370,159,000 (2014: HK\$248,906,000) and HK\$269,043,000 (2014: HK\$302,211,000), respectively. The Group depreciates the property and equipment (other than construction in progress) and investment properties over their estimated useful lives, or, where appropriate, a shorter period of the remaining terms of the Service Agreement for gaming machinery, using the straight-line method commencing from the date of property and equipment (other than construction in progress) and investment properties are ready for the intended use. The Group amortises other intangible assets with reference to the remaining terms of the Service Agreement using the straight-line method from date of initial recognition. The estimated useful life reflects the Directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property and equipment (other than construction in progress), investment properties and other intangible assets. The depreciation and amortisation charges are adjusted on a prospective basis if there are significant changes from previous estimates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 4. KEY SOURCE OF ESTIMATION UNCERTAINTY (Continued)

### Impairment of trade receivables from individual VIP gaming patrons

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables from individual VIP gaming patrons. Allowances are made on the balances whenever there is objective evidence that the balances may not be collectible. In determining whether an allowance for doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection based on credit reviews of the outstanding balances. Following the identification of doubtful debts, the credit team will discuss with the relevant individual VIP gaming patrons, evaluate the amounts expected to be recovered with reference to the payables to, and deposits received from the relevant individual VIP gaming patrons at the end of the reporting period and the continuous business relationship. Specific allowance is only made for the receivables that are unlikely to be collected after the aforesaid credit review process. Where the expectation on the recoverability of the receivables is different from the original estimate, such difference will impact the carrying amounts of trade receivables from individual VIP gaming patrons and allowance for doubtful debts in the periods in which such estimate has been changed. As at 31 December 2015, the carrying amounts of trade receivables from individual VIP gaming patrons are HK\$232,096,000 (2014: HK\$198,950,000).

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

The carrying amount of the Group's goodwill as at 31 December 2015 and 2014 is HK\$681,986,000. Determining whether goodwill is impaired requires an estimation of the recoverable amount, which is the higher of the fair value less costs to sell and value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the value in use calculation are set out in note 21.

Determining whether the investment properties, property and equipment, other intangible assets and prepaid lease payments are impaired requires an estimation of the recoverable amount of the individual asset or respective CGUs in which these assets belong, which is the higher of the value in use and fair value less costs to sell. Where the actual future cash flows or fair value less cost to sell are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amounts of investment properties, prepaid lease payments, property and equipment relating to MFW and other intangible assets arising from consolidation of New Legend are HK\$122,668,000 (2014: HK\$126,906,000), HK\$1,406,356,000 (2014: HK\$1,399,205,000), HK\$3,429,826,000 (2014: HK\$2,748,170,000) and HK\$269,043,000 (2014: HK\$302,211,000), respectively.

## 5. FINANCIAL INSTRUMENTS

### Capital risk management

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

The capital structure of the Group consists of debt, which includes bank and other borrowings disclosed in note 27, respectively and equity attributable to owners of the Company, comprising issued share capital disclosed in note 29 and reserves.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 5. FINANCIAL INSTRUMENTS (Continued)

### Capital risk management (Continued)

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

### Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	3,649,610	5,048,146
Financial liabilities		
Amortised cost	4,591,824	4,891,742

### Financial risk management objectives and policies

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

#### Market risk

##### (i) Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank deposits, and fair value interest rate risk in relation to fixed-rate pledged bank deposits, short-term bank deposits and other borrowings which are non-interest bearing.

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

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

##### Sensitivity analysis

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 5. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### (i) Interest rate risk (Continued)

###### Sensitivity analysis (Continued)

A 50 basis point (2014: 50 basis point) increase or decrease is used, which represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK\$19,873,000 (2014: HK\$19,777,000).

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

##### (ii) Currency risk

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

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

	Assets	
	2015 HK\$'000	2014 HK\$'000
Macau Pataca ("MOP")	215,728	208,011
EURO	3,994	4,371
Renminbi ("RMB")	34	3,563,118

  

	Liabilities	
	2015 HK\$'000	2014 HK\$'000
MOP	302,168	570,918

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 5. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### (ii) Currency risk (Continued)

###### Sensitivity analysis

The following table details the Group's sensitivity to a 3% increase and decrease in RMB against HK\$. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency dominated monetary items. As at 31 December 2014, a negative number below indicates a decrease in post-tax profit for the year when the HK\$ strengthens 3% against RMB. For a 3% weakening of the HK\$ against RMB, there would be an equal and opposite impact on the post-tax profit for the year. No sensitivity analysis is presented in 2015 as the currency risk is insignificant as at 31 December 2015.

	2015 HK\$'000	2014 HK\$'000
Decrease in post-tax profit for the year	—	(106,894)

#### Credit risk

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

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts, if any. The Group reviews the recoverable amount of each individual debt, advance and credit risk associated with guarantees to gaming promoters at the end of the reporting period to ensure that adequate impairment losses or provision are made for irrecoverable amounts or guaranteed amounts.

In relation to the gaming business, the Group has concentration of credit risk on trade receivable as 17% (2014: 22%) of the total trade receivables is due from the Group's largest customer within the gaming segment, which is a gaming operator in Macau. The Group also has concentration of credit risk on other receivable as 33% (2014: 71%) of the total other receivables is due from this customer as at 31 December 2015. Having considered the continuous subsequent settlements and no historical default of payments by this customer, the Directors consider that the credit risk is significantly reduced.

In addition, the Group has concentration of credit risk on the Group's advances to individual VIP gaming patrons. The Group will review the recoverable amount of advances to individual VIP gaming patrons at the end of the reporting period based on the management knowledge of individual VIP gaming patrons and their creditability and repayment record to ensure that adequate impairment losses are made for irrecoverable amounts. As a result, the Directors consider that the Group's exposure to credit risk on these advances is significantly reduced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 5. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

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

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

#### Liquidity risk

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

#### Liquidity table

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

	Weighted average effective interest rate %	Repayable on demand or within 3 months HK\$'000	Between 3 months to 1 year HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>At 31 December 2015</b>							
Non-interest bearing instruments	N/A	617,202	—	—	—	617,202	617,202
Variable interest rate instruments	2.87%	128,019	579,048	1,082,406	2,471,589	4,261,062	3,974,622
		745,221	579,048	1,082,406	2,471,589	4,878,264	4,591,824
<b>At 31 December 2014</b>							
Non-interest bearing instruments	N/A	934,457	1,869	—	—	936,326	936,326
Variable interest rate instruments	2.95%	27,099	285,024	1,776,773	2,269,511	4,358,407	3,955,416
		961,556	286,893	1,776,773	2,269,511	5,294,733	4,891,742

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table (Continued)

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

Fair values

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

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

## 6. REVENUE

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

	2015 HK\$'000	2014 HK\$'000
Revenue from provision of gaming related facilities and gaming related general management services under the Service Agreement (as defined in note 7) in respect of:		
– Mass market tables	711,505	1,094,778
– Outsourced VIP rooms	35,219	117,783
– Indirect participation in the gaming promotion business through New Legend under the VIE Structure (as defined in note 8)	142,081	58,191
– Slot machines	8,596	9,233
	897,401	1,279,985
Revenue from non-gaming operations:		
Rental income from hotel rooms	196,620	183,266
Licensing income from investment properties	129,453	99,975
Income from building management services	61,339	75,310
Food and beverage	125,809	132,116
Sales of merchandise	17,998	32,890
Others	7,523	7,570
	538,742	531,127
	1,436,143	1,811,112

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 7. SEGMENT INFORMATION

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

For the 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. 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 dated 25 September 2006 and its related amendments (collectively the “Service Agreement”) entered into between Hong Hock Development Company Limited (“Hong Hock”) and gaming operator, Sociedade de Jogos de Macau, S.A. (“SJM”), whereby the revenue is derived based on net gaming wins. Revenue from the indirect participation in the gaming promotion business represents the sharing of gross gaming revenue generated by gaming tables in VIP rooms operated by a subsidiary, New Legend VIP Club Limited (“New Legend”), whose the financial results are consolidated into the Group upon implementation of the VIE Structure (as defined in note 8).

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. For segment reporting under HKFRS 8, financial information of these operations with similar economic characteristics has been aggregated into a single operating segment named “non-gaming”.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 7. SEGMENT INFORMATION (Continued)

#### 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 2015

	Gaming HK\$'000	Non-gaming HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External revenue	897,401	538,742	1,436,143	—	1,436,143
Inter-segment revenue	—	67,254	67,254	(67,254)	—
Segment revenue	897,401	605,996	1,503,397	(67,254)	1,436,143
Segment profit (loss)	205,133	(74,641)	130,492	—	130,492
Unallocated depreciation, release of prepaid lease payments and amortisation					(100,602)
Unallocated corporate expenses					(100,818)
Unallocated exchange loss, net					(117,810)
Finance costs					(84,749)
Loss before taxation					(273,487)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2014

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 7. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2015

	Gaming HK\$'000	Non-gaming HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Depreciation of property and equipment	37,032	165,176	30,644	232,852
Depreciation of investment properties	—	9,963	1,593	11,556
Amortisation of other intangible assets	—	—	33,168	33,168
Release of prepaid lease payments	—	18,266	35,197	53,463
Reversal of allowance for inventories	—	(893)	—	(893)
Pre-opening expenses	73,884	9,675	—	83,559
Loss on disposal of property and equipment	—	102	—	102

For the year ended 31 December 2014

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

Geographical information

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

Over 90% of non-current assets of the Group are located in Macau based on geographical location of the assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 7. SEGMENT INFORMATION (Continued)

### Information about major customers

A customer from gaming segment contributes revenue to the Group amounting to HK\$853,704,000 for the year ended 31 December 2015 (2014: HK\$1,151,630,000), which represents over 10% of the total revenue of the Group.

## 8. OTHER INCOME, GAINS AND LOSSES

	2015 HK\$'000	2014 HK\$'000
Bank interest income	88,147	109,272
Profit transfer from New Legend (note)	—	81,699
Realised exchange (loss) gain, net	(116,497)	5,818
Unrealised exchange loss, net	(343)	(68,513)
Loss on disposal of property and equipment	(102)	(21,118)
Allowance for bad and doubtful debts	—	(327)
Others	30,842	31,884
	2,047	138,715

Note: Pursuant to the transfer of profit and loan agreement, one of the VIE agreements, New Legend agreed to, among others, transfer to Hong Hock, all profits accrued by New Legend from its commencement of business until the establishment of the structure established through the entering of the VIE agreements ("the VIE Structure") for support of the day-to-day operations of New Legend. The VIE Structure was established on 3 July 2014. Accordingly, the amount of approximately HK\$81,699,000 was recognised in profit or loss for the year ended 31 December 2014. Further details regarding the VIE Structure of New Legend is disclosed in note 37.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 9. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on bank borrowings	118,320	88,588
Amortisation of finance costs on bank borrowings	22,205	23,905
Other finance costs	3,711	2,835
Total borrowing costs	144,236	115,328
Less: Capitalised borrowing costs in construction in progress (included in property and equipment)	(59,487)	(26,451)
	84,749	88,877

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 3.4% (2014: 3.7%) per annum to expenditure on qualifying assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 10. DIRECTORS' BENEFITS AND INTERESTS

Directors' remuneration and chief executive's emoluments

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

	Executive Directors			Non-Executive Director	Independent non-Executive Directors			Total
	Chow Kam Fai, David ("David Chow")	Lam Fong Ngo	Sheldon Trainor-DeGirolamo	Tong Ka Wing, Carl	Fong Chung, Mark	Xie Min	Tam Wai Chu, Maria	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the year ended 31 December 2015</b>								
Fee	—	—	—	—	500	480	480	1,460
Salaries and allowances	8,000	2,500	2,000	2,000	—	—	—	14,500
Performance related incentive payments	3,350	208	167	167	35	35	35	3,997
Share-based payments	5,905	—	4,542	2,271	—	—	—	12,718
Contributions to retirement benefits scheme	—	—	17	—	—	—	—	17
<b>Total remuneration</b>	<b>17,255</b>	<b>2,708</b>	<b>6,726</b>	<b>4,438</b>	<b>535</b>	<b>515</b>	<b>515</b>	<b>32,692</b>
<b>For the year ended 31 December 2014</b>								
Fee	—	—	—	—	500	480	480	1,460
Salaries and allowances	16,000	5,000	4,000	4,000	—	—	—	29,000
Performance related incentive payments	8,802	—	—	—	61	61	61	8,985
Share-based payments	15,565	—	11,973	5,986	—	—	—	33,524
Contributions to retirement benefits scheme	—	—	—	—	—	—	—	—
<b>Total remuneration</b>	<b>40,367</b>	<b>5,000</b>	<b>15,973</b>	<b>9,986</b>	<b>561</b>	<b>541</b>	<b>541</b>	<b>72,969</b>

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 10. DIRECTORS' BENEFITS AND INTERESTS (Continued)

### Directors' remuneration and chief executive's emoluments (Continued)

The Executive Directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The emoluments of the non-Executive Director and independent non-Executive Directors shown above were mainly for their services as Directors.

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

### Transactions, arrangements or contracts in which the Directors have material interests

Agreement	Connected party	Relationship with the Group	Nature of transactions and major terms	Transaction amount	
				2015 HK\$'000	2014 HK\$'000
Legendale Beijing Hotel Service Agreement	Beijing Hua Hai Jin Bao Real Estate Development Co. Ltd. (北京華海金寶房地產開發有限公司)	An associate of Mr. David Chow, a co-chairman, an Executive Director, the chief executive officer and one of the controlling shareholders of the Company	Renting of hotel rooms and convention venues and the procurement of event management services to the Group till 31 December 2016 at prices determined on an arm's length basis and the prevailing market price for comparable types of services in the same industry	140	221
Amigo Travel Service Agreement	Amigo Travel (Macau) Ltd. ("Amigo Travel")	An associate of Mr. David Chow as one of the shareholders of Amigo Travel is Madam Tang Lai long, the mother-in-law of Mr. David Chow	Procurement of travelling, ticketing and transportation services to the Group till 31 December 2016 at the service fees as determined on an arm's length basis and by reference to the prevailing market price for comparable types of services in the same industry	2,365	2,486

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 10. DIRECTORS' BENEFITS AND INTERESTS (Continued)

Transactions, arrangements or contracts in which the Directors have material interests (Continued)

Agreement	Connected party	Relationship with the Group	Nature of transactions and major terms	Transaction amount	
				2015 HK\$'000	2014 HK\$'000
Macau Landmark Office Rental Agreement	Macau Landmark Management Limited	A company owned by Mr. David Chow and Madam Lam, Executive Directors and the controlling shareholders of the Company, and Mr. Li Chi Keung, a substantial shareholder of the Company	Leasing of certain office premises at the Macau Landmark Building by the Group till 31 December 2016 at the rental rates as determined on an arm's length negotiation and by reference to prevailing market rates	2,381	2,201
Connected Procurement Agreements	Ou Kei Cleaning Services Limited ("Ou Kei Cleaning"); On Kei Management Services Company Ltd. ("On Kei Management"); Royal Garden Flower and Fruit Company Limited ("Royal Garden"); New Legend Club Laundry Company Ltd. ("NLC Laundry")	Each of Ou Kei Cleaning, On Kei Management and Royal Garden is owned by Madam Tang Lai long, the mother-in law of Mr. David Chow, and certain independent third parties and all of them are associates of Mr. David Chow; NLC Laundry is owned by Mr. Yip Wing Fat, Frederick, and Million Up Investments Limited which is jointly owned by Ms. Melinda Chan and her uncle, Mr. Tang Mun Kong	Procurement of various services and supplies required for operations and administration of the Group till 31 December 2016 at the service fees or purchase prices as shall be determined based on an arm's length negotiation and by reference to prevailing market rates for comparable types of services in the same industry	58,437	51,568



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 10. DIRECTORS' BENEFITS AND INTERESTS (Continued)

Transactions, arrangements or contracts in which the Directors have material interests (Continued)

Agreement	Connected party	Relationship with the Group	Nature of transactions and major terms	Transaction amount	
				2015 HK\$'000	2014 HK\$'000
Chong Son Construction Services Agreement	Chong Son Construction Company Ltd. ("Chong Son")	Chong Son is owned by Mr. Tang Mun Kong and Madam Tang Lai Ngo, each of whom is an associate of Mr. David Chow	Procurement of construction and renovation for the Group's certain construction projects till 31 December 2016 at the fees as determined based on an arm's length negotiation and by reference to the prevailing market price for comparable types of services in the same industry	10,779	43,484
Acquisition of a subsidiary — The Legend Club Limited	Mr. David Chow and his spouse	Mr. David Chow is a co-chairman, an Executive Director, the chief executive officer and one of the controlling shareholders of the Company	Acquisition of a subsidiary which mainly holds 2 vessels at the acquisition date	5,576	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 11. EMPLOYEES' REMUNERATION

The emoluments of the five individuals, three (2014: four) were Directors, with highest emoluments in the Group were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits	17,662	32,033
Performance related incentive payments	4,115	9,186
Contributions to retirement benefits scheme	52	—
Share-based payments	12,718	33,524
	<b>34,547</b>	74,743

Their emoluments were within the following bands:

	2015 No. of individuals	2014 No. of individuals
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	—
HK\$4,500,001 to HK\$5,000,000	—	1
HK\$6,500,001 to HK\$7,000,000	1	—
HK\$9,500,001 to HK\$10,000,000	—	1
HK\$15,500,001 to HK\$16,000,000	—	1
HK\$17,000,001 to HK\$17,500,000	1	—
HK\$40,000,001 to HK\$40,500,000	—	1
	<b>5</b>	5

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 12. (LOSS) PROFIT BEFORE TAXATION

	2015 HK\$'000	2014 HK\$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Staff costs		
Directors' remuneration	31,205	72,969
Other staff costs		
– salaries and other benefits	308,521	341,590
– contributions to retirement benefits schemes	7,415	485
Total staff costs	347,141	415,044
Auditor's remuneration	2,480	2,480
Amortisation of other intangible assets	33,168	15,356
Cost of inventories recognised as an expense (included in cost of sales and services)	58,424	63,878
Depreciation of investment properties	11,556	8,078
Depreciation of property and equipment	232,852	165,630
Operating lease rentals in respect of leasehold land and buildings	4,808	9,517
Pre-opening expenses	83,559	24,084
Release of prepaid lease payments	53,463	52,082
(Reversal of allowance) allowance for inventories	(893)	311
Gross licensing income from investment properties	(129,453)	(99,975)
Less: Direct operating expenses that generate licensing income	11,556	8,078
Net licensing income	(117,897)	(91,897)

### 13. TAXATION CREDIT

	2015 HK\$'000	2014 HK\$'000
Current tax charge	(1,650)	(1,650)
Deferred taxation credit (note 28)	6,629	6,629
Income tax credit	4,979	4,979

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 13. TAXATION CREDIT (Continued)

Pursuant to the Dispatch of the Macau Financial Services Bureau dated 17 November 2006 and a confirmation letter issued by the Macau Financial Services Bureau dated 14 January 2013, gaming related revenue generated from the Service Agreement is not subject to Macau Complementary Tax since it is derived from SJM gaming revenue, which gaming revenue is exempt pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Dispatch no. 30/2004 of 23 February 2004 and further by Dispatch no. 378/2011 of 23 November 2011.

Pursuant to the Dispatch of the Macau Financial Services Bureau dated 28 June 2013, Hong Hock, a wholly-owned subsidiary of the Company, is allowed to pay an annual lump sum dividend withholding tax of MOP1,700,000 (equivalent to approximately HK\$1,650,000) for each of the years ended 31 December 2012 through to 2016 as payment in lieu of Macau Complementary Tax otherwise due by the shareholders of Hong Hock on dividend distributions from gaming profits generated in relation to the operation of the casinos at The Landmark Macau and MFW. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether Hong Hock has distributable profits in the relevant years. During the year ended 31 December 2015, provision for taxation of HK\$1,650,000 (2014: HK\$1,650,000) has been made.

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

	2015 HK\$'000	2014 HK\$'000
(Loss) profit before taxation	(273,487)	473,962
Tax (credit) charge at Macau Complementary Tax rate at 12%	(32,818)	56,875
Tax effect of expenses not deductible for tax purpose	110,533	79,157
Tax effect of income not taxable for tax purpose	(10,368)	(18,720)
Tax effect of tax exemption granted to gaming related revenue	(107,688)	(153,598)
Tax effect of estimated tax losses not recognised	32,584	29,146
Lump sum dividend tax	1,650	1,650
Others	1,128	511
Taxation credit	(4,979)	(4,979)

As at 31 December 2015, the Group has tax losses of HK\$660,968,000 (2014: HK\$606,764,000) from non-gaming operations available for offset against future profit that will expire in three years from the year of assessment. For the year ended 31 December 2015, approximately HK\$217,326,000 (2014: HK\$128,420,000) of tax losses have expired.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 14. DIVIDENDS

No dividend was paid, declared or proposed for both years ended 31 December 2015 and 2014.

## 15. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2015 HK\$'000	2014 HK\$'000
(Loss) profit for the year for the purposes of basic and diluted (loss) earnings per share	(268,508)	478,941

Number of shares

	2015 '000	2014 '000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	6,426,475	6,422,913
Effect of dilutive potential ordinary shares (note)		
– Share options	N/A	15,132
– Directors' Reward Shares (as defined in note 35)	N/A	29,044
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	N/A	6,467,089

Note: The computation of diluted loss per share for the year ended 31 December 2015 does not assume the conversion of the Company's outstanding share options and directors' reward shares since their exercise would result in a decrease in loss per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 16. INVESTMENT PROPERTIES

	HK\$'000
<b>COST</b>	
At 31 December 2014 and 1 January 2015	330,031
Transfer from property and equipment	132,809
At 31 December 2015	462,840
<b>DEPRECIATION</b>	
At 1 January 2014	73,047
Provided for the year	8,078
At 31 December 2014	81,125
Provided for the year	11,556
At 31 December 2015	92,681
<b>CARRYING AMOUNTS</b>	
At 31 December 2015	370,159
At 31 December 2014	248,906

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

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

As at 31 December 2015 and 2014, all the Group's investment properties were pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 27 and 30.

As at 31 December 2015, the fair values of the Group's investment properties together with the leasehold interest in land included in the Group's prepaid lease payments amounted to HK\$3,629,000,000 (2014: HK\$3,573,000,000). The fair value has been arrived based on an estimation carried out by management.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 16. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties together with the leasehold interest in land and information about the fair value hierarchy as at 31 December 2015 are as follows:

Fair value as at 31 December 2015

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Commercial property units located in Macau	—	—	3,629,000	3,629,000

Fair value as at 31 December 2014

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 17. PROPERTY AND EQUIPMENT

	Buildings	Aircraft	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Vessels	Machinery	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST</b>									
At 1 January 2014	1,862,822	97,500	338,365	412,486	5,749	—	245,168	426,894	3,388,984
Additions	971	—	36,868	129,061	2,880	—	27,855	1,101,184	1,298,819
Disposals	—	—	(10,978)	(55,121)	—	—	(91,902)	—	(158,001)
Transfer	—	—	51,354	162,940	—	—	595	(214,889)	—
At 31 December 2014	1,863,793	97,500	415,609	649,366	8,629	—	181,716	1,313,189	4,529,802
Additions	—	—	45,049	4,646	—	5,973	6,564	880,890	943,122
Disposals	—	—	(841)	(21)	(28)	—	(49)	—	(939)
Transfer	763,496	—	54,575	334,617	—	—	81,599	(1,367,096)	(132,809)
At 31 December 2015	2,627,289	97,500	514,392	988,608	8,601	5,973	269,830	826,983	5,339,176
<b>DEPRECIATION</b>									
At 1 January 2014	178,219	29,454	73,826	368,266	2,829	—	194,627	—	847,221
Provided for the year	45,921	12,188	36,500	59,373	1,071	—	10,577	—	165,630
Eliminated on disposals	—	—	(10,473)	(55,025)	—	—	(71,353)	—	(136,851)
At 31 December 2014	224,140	41,642	99,853	372,614	3,900	—	133,851	—	876,000
Provided for the year	65,747	12,188	49,070	89,935	1,574	100	14,238	—	232,852
Eliminated on disposals	—	—	(742)	(19)	(28)	—	(48)	—	(837)
At 31 December 2015	289,887	53,830	148,181	462,530	5,446	100	148,041	—	1,108,015
<b>CARRYING AMOUNTS</b>									
At 31 December 2015	2,337,402	43,670	366,211	526,078	3,155	5,873	121,789	826,983	4,231,161
At 31 December 2014	1,639,653	55,858	315,756	276,752	4,729	—	47,865	1,313,189	3,653,802



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 17. PROPERTY AND EQUIPMENT (Continued)

Included in the amount of additions during the year ended 31 December 2015 was an amount of HK\$5,973,000 arising from an acquisition of a subsidiary in November 2015. This transaction is for the purpose of acquiring the vessels to facilitate the Group's ordinary course of business, and has been accounted for as a purchase of assets rather than business combination. On the date of acquisition, the assets and liabilities of the subsidiary include bank balances and cash and prepayments of HK\$149,000, and other payables of HK\$546,000. Net asset value on acquisition of the subsidiary amounted to HK\$5,576,000.

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

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

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

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

At 31 December 2015 and 2014, all the Group's buildings are pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 27 and 30.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 18. PREPAID LEASE PAYMENTS

	2015 HK\$'000	2014 HK\$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in Macau	1,818,691	1,823,274
Analysed for reporting purposes as:		
Current assets	54,043	52,648
Non-current assets	1,764,648	1,770,626
	1,818,691	1,823,274

At 31 December 2015 and 2014, all the Group's prepaid lease payments were pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 27 and 30.

Pursuant to the Macau Official Gazette dated 26 September 2012, MFW Investment accepted the terms and conditions of revised land concession contract, in which MFW Investment agreed to pay land premium of MOP208,658,000 (equivalent to approximately HK\$202,581,000) as consideration for revising the land area covered and the change of use of the land. The land premium together with annual interest at 5% per annum was paid semi-annually by six equal instalments starting from date of the Macau Official Gazette mentioned above. During each of the year ended 31 December 2015 and 2014, land premium with related interest of MOP50,346,000 (equivalent to approximately HK\$48,880,000) was paid.

### 19. GOODWILL

	HK\$'000
<b>COST AND CARRYING VALUE</b>	
At 1 January 2014, 31 December 2014 and 31 December 2015	681,986

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 20. OTHER INTANGIBLE ASSETS

	Gaming promoter operating rights HK\$'000	Referral relationship HK\$'000	Customer relationship HK\$'000	Total HK\$'000
<b>COST</b>				
Arising from consolidation of New Legend, balance at 31 December 2014 and 31 December 2015 (note 37)	274,142	26,053	17,372	317,567
<b>AMORTISATION</b>				
At 1 January 2014	—	—	—	—
Provided for the year	11,580	2,265	1,511	15,356
At 31 December 2014	11,580	2,265	1,511	15,356
Provided for the year	25,616	4,531	3,021	33,168
At 31 December 2015	37,196	6,796	4,532	48,524
<b>CARRYING AMOUNTS</b>				
At 31 December 2015	236,946	19,257	12,840	269,043
At 31 December 2014	262,562	23,788	15,861	302,211

## 21. IMPAIRMENT TESTING

### Goodwill from the acquisition of the MFW Group

The Group acquired 48.2% equity interest in MFW Investment, it then became a wholly-owned subsidiary of the Company on 18 May 2012. The MFW Group operates MFW, a waterfront integrated gaming, hotel, convention and entertainment complex. The carrying amount of goodwill had been allocated to the business relating to provision of gaming related facilities and gaming related general management services carried out by the MFW Group. Management considered this as a single CGU for the purpose of impairment testing of the goodwill.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 21. IMPAIRMENT TESTING (Continued)

### Goodwill from the acquisition of the MFW Group (Continued)

The Group prepared cash flows forecasts derived from the most recent financial budgets approved by management for the next five years. Cash flows beyond five years are extrapolated using a steady 3.0% (2014: 3.0%) growth rate for the CGU. This growth rate does not exceed the average long-term growth rate for the relevant industry. The rate used to discount the forecast cash flows for the CGU is 15.7% (2014: 15.7%) per annum. In the opinion of the Directors, no impairment loss is required for the year ended 31 December 2015. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of this CGU.

## 22. DEPOSITS PAID

	2015 HK\$'000	2014 HK\$'000
Deposits paid for acquisition of property and equipment	58,036	7,493
Refundable deposit for a potential long-term investment project	697,824	697,824
Deposits for an investment project in Cape Verde (note)	14,625	—
	770,485	705,317

Note: Amount included a payment of approximately HK\$9,991,000 for a gaming concession with a term of 25 years from the first day of operation of the casino operated by the Group under the project in Cape Verde.

## 23. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Food and beverage	8,602	8,972
Retail merchandise	22,839	27,441
Operating supplies	6,346	18,010
	37,787	54,423

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 24. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	340,187	309,836
Less: Allowance for doubtful debts	(14)	(14)
	<b>340,173</b>	309,822
Other receivables and deposits	30,561	35,915
Prepayments	35,850	19,855
Receivables from gaming operator received on behalf of gaming promoters	33,279	134,230
Total trade and other receivables	<b>439,863</b>	499,822

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

At the end of the reporting period, included in the Group's trade receivables balance are aggregate carrying amount of HK\$5,833,000 (2014: HK\$1,609,000), which are due from Directors in relation to hotel services and gaming chips provided by the Group. Such amounts due from directors are unsecured, non-interest bearing and repayable on demand.

Before accepting any new customers, the Group assesses the potential customer's credit quality by evaluating their historical credit records and defines credit limits by customers. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK\$92,706,000 (2014: HK\$92,167,000), which are neither past due nor impaired. The Directors considered that trade receivables which are neither past due nor impaired are of good credit quality given the continuous subsequent settlements from gaming operator and other customers.

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

	2015 HK\$'000	2014 HK\$'000
Within 3 months	128,303	194,646
Over 3 months but within 6 months	40,100	6,496
Over 6 months but within 1 year	44,865	49,429
Over 1 year	126,905	59,251
	<b>340,173</b>	309,822

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 24. TRADE AND OTHER RECEIVABLES (Continued)

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$247,467,000 (2014: HK\$217,655,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables which are past due but not impaired were either settled subsequent to the end of the reporting period or amounts due from debtors which do not have historical default of payments. The Group does not hold any collateral over these balances.

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

	2015 HK\$'000	2014 HK\$'000
Over 1 month but within 3 months	35,597	102,479
Over 3 months but within 6 months	40,100	6,496
Over 6 months but within 1 year	44,865	49,429
Over 1 year	126,905	59,251
	247,467	217,655

Movement in the allowance for bad and doubtful debts

	2015 HK\$'000	2014 HK\$'000
Balance at beginning of the year	14	14
Impairment losses recognised on receivables	—	327
Amount written off	—	(327)
Balance at end of the year	14	14

At the end of the reporting period, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$14,000 (2014: HK\$14,000) which are either aged over one year or placed under liquidation or in severe financial difficulty. In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The Directors believe that no further credit provision is required in excess of the allowance for bad and doubtful debts.

At the end of the reporting period, the carrying amount of the trade receivables, which have been pledged to banks to secure the bank borrowings granted to the Group, is HK\$105,962,000 (2014: HK\$108,475,000). Details are set out in notes 27 and 30.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

### Pledged bank deposits

At the end of the reporting period, pledged bank deposits represent deposits pledged to banks as security for use of electricity granted by a third party to the MFW Group and for the arrangement of letter of credit of the MFW Group. The balance carried an average fixed interest rate of 0.76% (2014: 0.85%) per annum.

### 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 1.7% (2014: 2.9%) per annum. As at 31 December 2015, short-term bank deposits with maturity over three months carry average fixed interest at 2.0% (2014: 3.6%) per annum.

At the end of the reporting period, included in bank balances and cash are restricted bank balances of HK\$214,403,000 (2014: HK\$656,463,000). Pursuant to the banking facility agreement with the banks, the Group is required to deposit all operating income and revenue generated from The Landmark Macau and MFW into designated bank accounts. In case, the bank borrowings become due, the banks can apply all deposits in the designated bank accounts for the payment and discharge of all financial indebtedness created under the banking facility agreement.

## 26. 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.

	2015 HK\$'000	2014 HK\$'000
Trade payables	45,501	59,554
Deposits received from tenants	51,322	56,641
Accrued staff costs	107,202	117,568
Other accruals	32,399	39,184
Other payables	290,235	280,818
Amounts due to gaming promoters	18,043	111,561
Total trade and other payables	544,702	665,326

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 26. TRADE AND OTHER PAYABLES (Continued)

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

	2015 HK\$'000	2014 HK\$'000
Within 3 months	44,351	57,686
Over 3 months but within 6 months	283	1,570
Over 6 months but within 1 year	243	264
Over 1 year	624	34
	<b>45,501</b>	<b>59,554</b>

### 27. BANK AND OTHER BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank borrowings, secured (note i)	3,974,622	3,955,416
Other borrowings (note ii)	72,500	271,000
	<b>4,047,122</b>	<b>4,226,416</b>
Analysed for reporting purposes as:		
Current liabilities	652,484	448,601
Non-current liabilities	3,394,638	3,777,815
	<b>4,047,122</b>	<b>4,226,416</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 27. BANK AND OTHER BORROWINGS (Continued)

Notes:

- (i) Bank borrowings, secured

	2015 HK\$'000	2014 HK\$'000
Secured bank borrowings due		
— within one year	579,984	177,601
— more than one year, but not exceeding two years	984,238	579,846
— more than two years, but not more than five years	2,410,400	3,197,969
	<b>3,974,622</b>	3,955,416
Less: Amount due within one year shown under current liabilities	<b>(579,984)</b>	(177,601)
Amount due after one year	<b>3,394,638</b>	3,777,815

The bank borrowings are denominated in HK\$.

During the year ended 31 December 2014, the Group entered into a facility agreement with banks relating to a new five-year syndicated bank term loan facility in the amount of HK\$4,221.0 million, of which HK\$1,324.0 million was used to repay the then outstanding bank borrowings and the remaining HK\$2,897.0 million was to partially finance the redevelopment project costs of MFW. As at 31 December 2015, the Group has fully drawn down the whole amount (2014: HK\$4,024.0 million) under the facility.

As at 31 December 2015, the bank borrowings bear interests at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5% per annum (2014: HIBOR plus 2.5% per annum) and the weighted average effective interest rate was 2.97% (2014: 2.95%) per annum.

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

- (a) the mortgage over the investment properties, buildings and prepaid lease payments as set out in notes 16, 17 and 18;
  - (b) all the assets of three subsidiaries, MFW, New Macau Landmark and Hong Hock;
  - (c) all the designated bank balances held by three subsidiaries, MFW, New Macau Landmark and Hong Hock. Details are set out in note 25;
  - (d) a corporate guarantee by Hong Hock, New Macau Landmark and the Company as guarantors to guarantee punctual payment and performance;
  - (e) all rights and interests in leases, tenancy agreements, proceeds from hotel operation and management, rental income and other proceeds of the pledged properties; and
  - (f) all receivables arising from leases, rental income, disposal, hotel operations and other proceeds of the pledged properties.
- (ii) Other borrowings represent the amount due to a gaming operator which is denominated in HK\$ and is non-interest bearing, unsecured and repayable within one year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 28. DEFERRED TAX LIABILITIES

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

	Fair value adjustment on investment properties HK\$'000	Fair value adjustment on property and equipment HK\$'000	Fair value adjustment on prepaid lease payments HK\$'000	Total HK\$'000
At 1 January 2014	4,315	39,324	147,826	191,465
Credit to profit or loss	(190)	(2,215)	(4,224)	(6,629)
At 31 December 2014	4,125	37,109	143,602	184,836
Credit to profit or loss	(190)	(2,215)	(4,224)	(6,629)
At 31 December 2015	3,935	34,894	139,378	178,207

### 29. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Ordinary shares of HK\$0.10 each</b>		
Authorised:		
At 1 January 2014, 31 December 2014 and 31 December 2015	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2014	6,246,719,623	624,672
Placement of shares (note i)	188,000,000	18,800
Issue of shares as a part of Directors' Reward Shares (note ii)	14,541,747	1,454
At 31 December 2014	6,449,261,370	644,926
Repurchase and cancellation of shares (note iii)	(97,042,000)	(9,704)
Issue of shares as a part of Directors' Reward Shares (note ii)	14,541,750	1,454
At 31 December 2015	6,366,761,120	636,676

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 29. SHARE CAPITAL (Continued)

Notes:

- (i) On 16 January 2014, All Landmark, a controlling shareholder of the Company, entered into a placing agreement for the placement of up to 188,000,000 ordinary shares of the Company (the "Placing Shares") to certain independent professional, institutional and other investors (the "Placees") at HK\$7.25 per share. On the same date, All Landmark also entered into a conditional subscription agreement with the Company for the subscription of 188,000,000 ordinary shares of the Company (the "Subscription Shares") at HK\$7.25 per share.

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

- (ii) On each of 31 December 2014 and 31 December 2015, the Company issued 14,541,747 ordinary shares and 14,541,750 ordinary shares, respectively, pursuant to the service contracts or letter of appointment dated 5 June 2013 entered into between the Company and each of Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl. Details are set out in note 35(b).

- (iii) During the year ended 31 December 2015, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased '000	Price per share		Aggregate consideration paid (including transaction costs) HK\$'000
		Highest HK\$	Lowest HK\$	
August 2015	5,300	1.61	1.51	8,250
September 2015	74,000	1.19	1.08	84,085
November 2015	10,531	1.10	1.03	11,009
December 2015	7,211	1.06	1.00	7,467
	<u>97,042</u>			<u>110,811</u>

The above shares were cancelled subsequently after their repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2015.

All the shares issued during the year ended 31 December 2015 and 31 December 2014 rank pari passu with the then existing shares of the Company in all respects.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 30. PLEDGE OF ASSETS

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

	2015 HK\$'000	2014 HK\$'000
Trade receivables	108,013	108,475
Pledged bank deposits	24,830	20,581
Buildings	2,337,402	1,639,653
Investment properties	370,159	248,906
Prepaid lease payments	1,818,691	1,823,274
	<b>4,659,095</b>	3,840,889

### 31. RETIREMENT BENEFITS PLANS

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

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

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

The Group also operates a defined contribution retirement scheme for all qualifying employees since 1 January 2015. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees. The Group contributes 5% of relevant payroll costs to the plan (maximum MOP1,500) per month for each qualifying employee.

During the year ended 31 December 2015, the total expense recognised in profit or loss of HK\$7,415,000 (2014: HK\$485,000) represents contributions paid or payable to above retirement benefit schemes by the Group at rates specified in the rules of the schemes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 32. 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:

	2015 HK\$'000	2014 HK\$'000
Within one year	23,062	62,420
In the second to fifth year inclusive	13,203	15,542
Over five years	18,567	—
	54,832	77,962

Operating lease payments represent rental payable by the Group for certain of its leasehold land (see note 18), office properties, warehouse and staff quarters. Lease term of leasehold land in Macau is negotiated for a term of 25 years at a fixed rental and is subject for renewal in accordance with applicable laws and regulations. Lease term of leasehold land in Cape Verde is negotiated for a term of 75 years at a fixed rental and is subject to review on an annual basis. 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:

	2015 HK\$'000	2014 HK\$'000
Within one year	116,564	133,081
In the second to fifth year inclusive	273,713	308,492
Over five years	149,568	200,772
	539,845	642,345

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 is 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 33. 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 but not provided for of HK\$897,219,000 (2014: HK\$773,871,000).

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\$27,695,000 (2014: HK\$36,621,000); (ii) redevelopment plan of MFW of HK\$5,972,405,000 (2014: HK\$6,877,337,000); and (iii) the investment project in Cape Verde of HK\$1,998,108,000.

### 34. 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 fulfil their obligations relating to gaming promotion agreements as entered into 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 2015 and 2014.
- (ii) 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. The Macau Court of First Instance dismissed the counterclaim from the former tenant on 29 April 2013 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 appealed against such decision and the case was sent to the Macau Court of Second Instance, which made decision in favour of MFW Investment on 18 February 2016. The former tenant appealed against the decision of the Macau Court of Second Instance in March 2016 and the case was sent to the Macau Last Instance Court. 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 2015. Accordingly, no provision has been made in the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 34. CONTINGENT LIABILITIES (Continued)

- (iii) 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 to 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 and agreed to award MFW Investment the amount of damages. The contractor lodged an appeal to the Macau Court at Last Instance but it did not submit the legal arguments. 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 2015. Accordingly, no provision has been made in the consolidated financial statements.

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

### 35. SHARE-BASED PAYMENTS

Other than the share option disclosed in note 38, the Company has the following share-based payment transactions during the year.

Pursuant to (i) two four-year employment contracts signed on 20 December 2006 and 21 December 2010 between the Company and Mr. David Chow; and (ii) the service contracts or letter of appointment dated 5 June 2013 entered into between the Company and each of Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl, the Company issued the following share options and ordinary shares up to 31 December 2015:

- (i) 25,296,468 share options to Mr. David Chow during the year ended 31 December 2011. Details are set out below in note (a) below.
- (ii) 14,541,750 ordinary shares of the Company to Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl on 31 December 2015 (31 December 2014: 14,541,747). Details are set out below in note (b) below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 35. SHARE-BASED PAYMENTS (Continued)

Notes:

- (a) On 23 November 2011, the Company granted a total of 25,296,468 share options at an exercise price of HK\$2 per share to Mr. David Chow. The fair value of the share options at the date of grant was HK\$18,666,000. Share options can be exercised from the date of grant to 22 November 2016. No share options have been exercised up to 31 December 2015.

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

- (b) Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl are entitled to receive an aggregate 43,625,244 ordinary shares of the Company (the "Directors' Reward Shares") during the term of respective service contracts or appointment letter dated 5 July 2013 (as applicable) individually entered into with the Company. The Directors' Reward Shares will be issued to each of Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl in three equal tranches on 31 December 2013, 31 December 2014 and 31 December 2015, provided that they remain as the Director at the time such shares are issued. On 31 December 2015, the Company issued 14,541,750 (31 December 2014: 14,541,747) ordinary shares to them in aggregate.

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

During the year ended 31 December 2015, share-based payments of HK\$12,718,000 (2014: HK\$33,524,000) were recognised in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 36. RELATED PARTY TRANSACTIONS

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

### (a) Nature of transactions

	2015 HK\$'000	2014 HK\$'000
Related companies significantly influenced by certain shareholders and directors: Other expenses*	140	221
Related companies controlled by certain shareholders and Directors: Licensing fee expenses*	2,381	2,201
Related company controlled by a senior management: Revenue from provision of gaming related facilities and gaming related general service to New Legend <sup>#</sup>	—	3,950
A director of the Company and his close family member: Acquisition of a subsidiary (note 17) <sup>^</sup>	5,576	—

(b) On 31 December 2015, the Company issued 14,541,750 (31 December 2014: 14,541,747) ordinary shares in aggregate to Mr. David Chow, Mr. Sheldon Trainor-DeGirolamo and Mr. Tong Ka Wing, Carl, Directors of the Company. Details of the issue of shares are set out in note 35(b).

(c) Compensation to key management personnel of the Group which represents Directors is set out in note 10.

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

<sup>#</sup> The transaction for the year ended 31 December 2014 was carried out prior to the consolidation of New Legend by the Group and did not constitute a connected transaction for the purpose of Chapter 14A of the Listing Rules.

<sup>^</sup> This transaction constitutes a connected transaction for the purpose of chapter 14A of the Listing Rules which is exempt from reporting requirements under Chapter 14 of the Listing Rules.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 37. CONSOLIDATION OF NEW LEGEND

Further to the disclosures in prospectus of the Company dated 17 June 2013 and the Company's announcement dated 31 December 2013, the Company diversified its business and has indirectly participated 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 has had control over the gaming promotion business of New Legend and rights to consolidate the financial results of New Legend since 3 July 2014 as if it was the Group's wholly-owned subsidiary, which allows the economic benefit of New Legend's business flow to the Group.

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

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

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

  

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 38. SHARE OPTION SCHEME

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

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

## 39. LIST OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital, registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			2015	2014	
Hong Hock*	Macau 8 June 1992	Ordinary shares MOP1,000,000	100%	100%	Provision of gaming related facilities and gaming related general management services
New Macau Landmark	Macau 9 December 2002	Ordinary shares MOP100,000	100%	100%	Operating hotel business
Macau Legend Development (Hong Kong) Limited*	Hong Kong 4 May 2007	Ordinary share HK\$1	100%	100%	Provision of management services to group companies
Triumphant Time Limited*	British Virgin Islands (“BVI”) 13 March 2012	Ordinary share US\$1	100%	100%	Investment holding
Star Pyramid Limited*	BVI 16 March 2012	Ordinary share US\$1	100%	100%	Investment holding
MFW Investment*	Macau 28 August 2000	Ordinary shares MOP10,000,000	100%	100%	Operating theme park
Grand Merit Retail Group Limited	Macau 25 August 2006	Quota shares MOP100,000	100%	100%	Retail of clothing, footwear and accessories
The Legend Club Limited <sup>#</sup>	Macau 6 August 1997	Quota shares MOP130,000	100%	—	Holding two vessels

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 39. LIST OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital, registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			2015	2014	
Macau Legend Development CV Limited	BVI 8 June 2015	Ordinary share US\$1	100%	—	Investment holding
MLD Entertainment CV Limited	BVI 8 June 2015	Ordinary share US\$1	100%	—	Investment holding
MLD Resorts CV Limited	BVI 8 June 2015	Ordinary share US\$1	100%	—	Investment holding

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

# The subsidiary was acquired on 11 November 2015 by MFW Investment.

In addition to the list above, upon the adoption of the VIE Structure as disclosed in note 37, the financial results of New Legend, in which 100% of the issued shares are owned by Mr. Yip Wing Fat, Frederick, was consolidated by the Group effectively as a Company's wholly-owned subsidiary.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Investments in subsidiaries	4,247,005	4,247,005
Deposit paid	697,824	697,824
	<b>4,944,829</b>	4,944,829
Current assets		
Prepayments	6,569	10,209
Amounts due from subsidiaries	1,390,457	1,425,714
Bank balances	651	7,410
	<b>1,397,677</b>	1,443,333
Current liabilities		
Accrued expenses	1,138	6,107
Amounts due to subsidiaries	2,491,445	2,409,507
	<b>2,492,583</b>	2,415,614
Net current liabilities	<b>(1,094,906)</b>	(972,281)
Net assets	<b>3,849,923</b>	3,972,548
Capital and reserves		
Share capital	636,676	644,926
Reserves	3,213,247	3,327,622
Equity attributable to owners of the Company	<b>3,849,923</b>	3,972,548

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 41. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

Movement in share capital and reserves

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2014	624,672	3,034,967	202,312	37,862	(1,257,676)	2,642,137
Loss and total comprehensive expense for the year	—	—	—	—	(53,863)	(53,863)
Share-based payments (note 35)	—	—	—	33,524	—	33,524
Issue of shares	20,254	1,375,465	—	(32,719)	—	1,363,000
Transaction cost attributable to issue of new shares	—	(12,250)	—	—	—	(12,250)
<b>At 31 December 2014</b>	<b>644,926</b>	<b>4,398,182</b>	<b>202,312</b>	<b>38,667</b>	<b>(1,311,539)</b>	<b>3,972,548</b>
Loss and total comprehensive expense for the year	—	—	—	—	(24,532)	(24,532)
Share-based payments (note 35)	—	—	—	12,718	—	12,718
Issue of shares	1,454	31,265	—	(32,719)	—	—
Repurchase and cancellation of shares	(9,704)	(101,107)	—	—	—	(110,811)
<b>At 31 December 2015</b>	<b>636,676</b>	<b>4,328,340</b>	<b>202,312</b>	<b>18,666</b>	<b>(1,336,071)</b>	<b>3,849,923</b>

Note: The other reserve of the Group represents the difference between the nominal value of the shares of subsidiaries acquired by the Company and the nominal value of the shares of the Company issued for acquisition at the time of group reorganisation in December 2006 less dividends distributed from pre-acquisition reserves of the subsidiaries.

## 42. EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 23 March 2016, the Company entered into a letter of intent with a connected person (as defined under the Listing Rules) of the Company, pursuant to which, subject to the entering into of a definitive investment agreement within 6 months from the date of the signing of the letter of intent or any later period to be agreed by the parties concerned in writing, the Group will dispose of The Landmark Macau to a company invested by the connected person at a consideration to be agreed between the parties with reference to the valuation report to be issued by an independent professional valuer to be appointed by the Company with valuation date of three months or less before the date of the definitive investment agreement. In addition, according to the letter of intent, the Group, on terms and conditions acceptable to the parties, may provide management services for The Landmark Macau. Other than the provisions relating to exclusivity, confidentiality, expenses and governing law, the letter of intent is not legally binding in respect of the proposed disposal.

Further details of the proposed disposal are set out in the Company's announcement dated 23 March 2016.

# FINANCIAL SUMMARY

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

	Year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Results</b>					
Revenue	1,436,143	1,811,112	1,763,754	1,501,088	1,345,930
Cost of sales and services	(1,015,609)	(881,828)	(777,179)	(664,672)	(418,712)
Other income, gains and losses	420,534	929,284	986,575	836,416	927,218
Marketing and promotional expenses	2,047	138,715	62,695	36,057	3,401
Operating, administrative and other expenses	(133,883)	(89,511)	(44,156)	(45,587)	(31,472)
Finance costs	(477,436)	(415,649)	(439,593)	(232,788)	(200,696)
	(84,749)	(88,877)	(58,971)	(62,862)	(50,009)
(Loss) profit before taxation	(273,487)	473,962	506,550	531,236	648,442
Taxation credit	4,979	4,979	3,329	4,105	—
(Loss) profit and total comprehensive (expense) income for the year	(268,508)	478,941	509,879	535,341	648,442

	At 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Assets and liabilities</b>					
Total assets	11,864,772	12,537,920	7,813,406	7,921,308	3,361,791
Total liabilities	(4,771,681)	(5,078,228)	(2,216,929)	(2,596,818)	(2,085,438)
Net assets	7,093,091	7,459,692	5,596,477	5,324,490	1,276,353

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

## PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties of the Group as at 31 December 2015 are set out below:

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



# DEFINITIONS

In this report, the following expressions shall, unless the content otherwise requires, have the following meanings:

“2016 AGM”	the annual general meeting of the Company to be held on 8 June 2016
“Adjusted EBITDA”	the Group’s earnings before interest income, finance costs, income taxes, depreciation, release of prepaid lease payments, amortisation, gain/loss on disposal of property and equipment, exchange gain/loss arising from non-operating activities, share-based payments, pre-opening expenses and one-off costs incurred or associated with corporate exercises, where applicable
“ADR”	average daily room rate
“All Landmark”	All Landmark Properties Limited, a controlled corporation of Mr David Chow
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“Cape Verde”	the Republic of Cabo Verde
“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, New Macau Landmark and Hong Hock
“David Chow Share Options”	the option to subscribe for 24,412,724 Shares, as adjusted, granted by the Company to Mr David Chow in November 2011
“DICJ”	Direcção de Inspeção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
“Directors”	the directors of the Company
“Elite Success”	Elite Success International Limited, a company in which each of Mr Li Chi Keung and Ms Wong Hoi Ping, the spouse of Mr Li Chi Keung, held 44.5% of the total issued capital
“Exclusive Management and Consultancy Services Agreement”	the exclusive management and consultancy services agreement dated 16 April 2014 entered into between Hong Hock and New Legend
“Exclusive Undertaking to Sell Agreement”	the exclusive undertaking to sell agreement dated 16 April 2014 entered into among Hong Hock, New Legend and Mr Frederick Yip
“Facility”	a five-year transferable term loan facility in the amount of HK\$4,221.0 million provided by the Lenders to MFW Investment

## DEFINITIONS

“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
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Companies Ordinance”	the Hong Kong Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“ICBC Macau”	Industrial and Commercial Bank of China (Macau) Limited
“Lenders”	the lenders of the Facility which are banks and financial institutions
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange with effect from 5 July 2013
“Listing Date”	the date when the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madam Lam”	Madam Lam Fong Ngo, the vice chairman, an executive Director and a controlling shareholder (as defined in the Listing Rules) of the Company
“Majority Lenders”	Lenders who have participated in 66 <sup>2</sup> / <sub>3</sub> % or more of the total commitments, or if the Facility has been drawn, 66 <sup>2</sup> / <sub>3</sub> % or more of the total outstanding under the Facility
“MFW”	Macau Fisherman’s Wharf operated by MFW Investment
“MFW Group”	MFW Investment and its subsidiaries
“MFW Investment”	Macau Fisherman’s Wharf International Investment Limited, a company incorporated in Macau and a subsidiary of the Company
“MFW Redevelopment”	the redevelopment of MFW
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr David Chow”	Mr Chow Kam Fai, David, a co-chairman, an executive Director and the chief executive officer of the Company and a controlling shareholder (as defined in the Listing Rules) of the Company

## DEFINITIONS

“Mr Frederick Yip”	Mr Yip Wing Fat, Frederick, the sole shareholder and sole director of New Legend and the executive vice president, head of casino operations of the Company
“Ms Melinda Chan”	Ms Chan Mei Yi, Melinda, the spouse of Mr David Chow
“New Legend”	New Legend VIP Club Limited, a company incorporated in Macau by Mr Frederick Yip, and consolidated as a subsidiary of the Company under the VIE Structure
“New Macau Landmark”	New Macau Landmark Management Limited, a company incorporated in Macau and a subsidiary of the Company
“Nomination Committee”	the nomination committee of the Company
“Power of Attorney”	the power of attorney dated 16 April 2014 executed by Mr Frederick Yip in favour of Hong Hock
“PRC”	the People’s Republic of China
“Project Cape Verde”	the project of developing an integrated leisure, tourism and entertainment complex in Praia, the capital city of Cape Verde
“Prospectus”	the prospectus of the Company dated 17 June 2013
“Remuneration Committee”	the remuneration committee of the Company
“REVPAR”	revenue per available room
“RMB”	Renminbi, the lawful currency of the PRC
“Service Agreement”	the service agreement dated 25 September 2006 and its related amendments entered into between Hong Hock and SJM, under which the Group provides gaming services to SJM in the Group’s two major casinos, namely Pharaoh’s Palace Casino in The Landmark Macau and Babylon Casino in MFW
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share and Equity Pledge Agreement”	the share and equity pledge agreement dated 16 April 2014 entered into among Hong Hock, New Legend and Mr Frederick Yip
“Share Option Scheme”	the share option scheme adopted by the Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“SJM”	Sociedade de Jogos de Macau, S.A.
“Stock Exchange” or “SEHK”	The Stock Exchange of Hong Kong Limited
“Supplemental Prospectus”	the supplemental prospectus of the Company dated 26 June 2013
“The Landmark Macau”	the hotel, dining, conference and casino complex and the car parks located at 549–567 Avenida da Amizade, Macau

## DEFINITIONS

“Transfer of Profit and Loan Agreement”	the transfer of profit and loan agreement dated 16 April 2014 entered into among Hong Hock, New Legend and Mr Frederick Yip
“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
“€”	Euro, the lawful currency of the European Union
“%”	per cent