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

Macau Legend Development Limited

澳門勵駿創建有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1680)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

RESULTS

The Board announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2016 as follows:

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

For the six months ended 30 June 2016

	<i>Notes</i>	Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
REVENUE	3	666,022	698,229
Cost of sales and services		<u>(526,245)</u>	<u>497,406</u>
		139,777	200,823
Other income, gains and losses		19,937	65,754
Marketing and promotional expenses		(79,789)	(64,832)
Operating, administrative and other expenses		(235,061)	(229,881)
Finance costs	5	<u>(22,643)</u>	<u>(42,795)</u>
LOSS BEFORE TAXATION	6	(177,779)	(70,931)
Taxation credit	7	<u>2,490</u>	<u>2,490</u>
LOSS FOR THE PERIOD		<u>(175,289)</u>	<u>(68,441)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (Continued)**

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Other comprehensive expense:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
— exchange differences arising on translation of foreign operations		<u>(18)</u>	<u>—</u>
Other comprehensive expense for the period		<u>(18)</u>	<u>—</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		<u>(175,307)</u>	<u>(68,441)</u>
Loss per Share	9		
Basic (HK cents)		<u>(2.8)</u>	<u>(1.1)</u>
Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>
NON-CURRENT ASSETS			
Investment properties		364,223	370,159
Property and equipment	10	5,480,598	4,231,161
Prepaid lease payments		1,737,627	1,764,648
Goodwill		681,986	681,986
Other intangible assets		252,459	269,043
Deposits paid	11	<u>777,835</u>	<u>770,485</u>
		<u>9,294,728</u>	<u>8,087,482</u>
CURRENT ASSETS			
Inventories		35,997	37,787
Prepaid lease payments		54,043	54,043
Trade and other receivables	12	500,081	439,863
Pledged bank deposits		21,088	24,830
Bank balances and cash			
— Cash at banks and on hand		1,726,364	2,918,231
— Short-term bank deposits with original maturity over three months		<u>—</u>	<u>302,536</u>
		<u>2,337,573</u>	<u>3,777,290</u>
CURRENT LIABILITIES			
Trade and other payables	13	765,240	544,702
Taxation		825	1,650
Bank and other borrowings — due within one year	14	<u>840,183</u>	<u>652,484</u>
		<u>1,606,248</u>	<u>1,198,836</u>
NET CURRENT ASSETS		<u>731,325</u>	<u>2,578,454</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 30 June 2016*

		At 30 June 2016 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,026,053</u>	<u>10,665,936</u>
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year	<i>14</i>	3,003,402	3,394,638
Deferred tax liability		<u>174,892</u>	<u>178,207</u>
		<u>3,178,294</u>	<u>3,572,845</u>
NET ASSETS		<u><u>6,847,759</u></u>	<u><u>7,093,091</u></u>
CAPITAL AND RESERVES			
Share capital		630,241	636,676
Reserves		<u>6,217,518</u>	<u>6,456,415</u>
Equity attributable to owners of the Company		<u><u>6,847,759</u></u>	<u><u>7,093,091</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The Group is one of the leading owners of entertainment and casino gaming facilities in Macau. The Group currently has two major properties, The Landmark Macau and MFW. The Landmark Macau is an award-winning integrated hotel, casino and luxury shopping complex, featuring a five-star hotel and Macau's first themed casino. MFW is a waterfront integrated gaming, hotel, convention and entertainment complex located on the outer harbour of the Macau Peninsula. In 2015, the Group entered into agreements with the Government of Cape Verde and commenced to develop an integrated leisure, tourism and entertainment complex in Praia, the capital city of Cape Verde.

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computations used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs and Hong Kong Accounting Standards ("HKASs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 14	Regulatory deferral accounts
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception

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

3. REVENUE

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from provision of gaming related facilities and gaming related general management services under the Service Agreement in respect of:		
— Mass market tables	326,235	360,701
— Outsourced VIP rooms	10,549	22,824
— Indirect participation in the gaming promotion business through New Legend under the VIE Structure	78,158	62,178
— Slot machines	<u>4,505</u>	<u>4,229</u>
	<u>419,447</u>	<u>449,932</u>
Revenue from non-gaming operations:		
— Rental income from hotel rooms	89,167	91,517
— Licensing income from investment properties	62,166	60,557
— Income from building management services	28,445	32,874
— Food and beverage	56,323	50,057
— Sales of merchandise	7,514	10,472
— Others	<u>2,960</u>	<u>2,820</u>
	<u>246,575</u>	<u>248,297</u>
	<u><u>666,022</u></u>	<u><u>698,229</u></u>

4. SEGMENT INFORMATION

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

For provision of gaming related facilities and gaming related general management services, and the indirect participation in the gaming promotion business, the executive Directors regularly analyse gaming related revenue in terms of service income from mass market tables, VIP rooms and slot machines. The executive Directors review separately the entire revenues and operating results attributable to gaming related services and non-gaming operations. As such, the executive Directors have identified the operating and reportable segments under HKFRS 8 "Operating segments" as gaming and non-gaming operations.

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

Gaming — gaming related services for mass market tables, VIP rooms and slot machines under the Service Agreement, whereby the revenue is derived based on net gaming wins. Revenue from the indirect participation in the gaming promotion business represents the sharing of gross gaming revenue generated by gaming tables in VIP rooms operated by New Legend, under the VIE Structure.

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

Segment revenue and results:

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

For the six months ended 30 June 2016 (unaudited):

	Gaming HK\$'000	Non-gaming HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External revenue	419,447	246,575	666,022	—	666,022
Inter-segment revenue	<u>—</u>	<u>36,876</u>	<u>36,876</u>	<u>(36,876)</u>	<u>—</u>
Segment revenue	<u>419,447</u>	<u>283,451</u>	<u>702,898</u>	<u>(36,876)</u>	<u>666,022</u>
Segment profit (loss)	<u>7,950</u>	<u>(63,788)</u>	<u>(55,838)</u>	<u>—</u>	<u>(55,838)</u>
Unallocated depreciation, release of prepaid lease payments and amortisation					(50,301)
Unallocated corporate expenses					(49,210)
Unallocated unrealised exchange gain, net					213
Finance costs					<u>(22,643)</u>
Loss before taxation					<u>(177,779)</u>

For the six months ended 30 June 2015 (unaudited):

	Gaming	Non-gaming	Segment	Elimination	Consolidated
	HK\$'000	HK\$'000	total	HK\$'000	HK\$'000
			HK\$'000		
External revenue	449,932	248,297	698,229	—	698,229
Inter-segment revenue	<u>—</u>	<u>32,058</u>	<u>32,058</u>	<u>(32,058)</u>	<u>—</u>
Segment revenue	<u>449,932</u>	<u>280,355</u>	<u>730,287</u>	<u>(32,058)</u>	<u>698,229</u>
Segment profit (loss)	<u>122,712</u>	<u>(45,493)</u>	<u>77,219</u>	<u>—</u>	<u>77,219</u>
Unallocated depreciation, release of prepaid lease payments and amortisation					(51,414)
Unallocated corporate expenses					(48,338)
Unallocated unrealised exchange loss, net					(5,603)
Finance costs					<u>(42,795)</u>
Loss before taxation					<u>(70,931)</u>

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the results of each segment without allocation of depreciation of investment properties and property and equipment, release of prepaid lease payments arising from the fair value adjustments on acquisition of MFW Group, amortisation of other intangible assets, expenses relating to 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.

5. FINANCE COSTS

Six months ended 30 June

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest on bank borrowings	57,435	58,997
Amortisation of finance costs on bank borrowings	10,463	11,186
Other finance costs	<u>1,250</u>	<u>545</u>
Total borrowing costs	69,148	70,728
Less: Capitalised borrowing costs in construction in progress (included in property and equipment)	<u>(46,505)</u>	<u>(27,933)</u>
	<u><u>22,643</u></u>	<u><u>42,795</u></u>

Borrowing costs capitalised during the period arose from the general borrowing pool and are calculated by applying a capitalisation rate of approximately 3.5% (six months ended 30 June 2015: 3.5%) per annum to expenditure on qualifying assets.

6. LOSS BEFORE TAXATION

Six months ended 30 June

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of investment properties	5,936	5,633
Depreciation of property and equipment	126,558	112,499
Amortisation of other intangible assets	16,584	17,698
Release of prepaid lease payments	27,021	26,557
Operating lease rentals in respect of leasehold land and buildings	2,383	6,369
Reversal of allowance for inventories	(58)	(204)
Cost of inventories recognised as an expense (included in cost of sales and services)	25,884	26,784
Unrealised exchange (gain) loss, net	(213)	5,603
Loss on disposal of property and equipment	43	16
Interest income	(16,847)	(54,869)
Gross licensing income from investment properties	(62,166)	(60,557)
Less: Direct operating expenses that generate licensing income	5,936	5,633
Net licensing income	<u><u>(56,230)</u></u>	<u><u>(54,924)</u></u>

7. TAXATION CREDIT

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax charge	(825)	(825)
Deferred taxation credit	<u>3,315</u>	<u>3,315</u>
Income tax credit	<u><u>2,490</u></u>	<u><u>2,490</u></u>

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

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

Pursuant to the Dispatch of the Macau Financial Services Bureau dated 28 June 2013, Hong Hock is allowed to pay an annual lump sum dividend withholding tax of MOP1,700,000 (equivalent to approximately HK\$1,650,000) for each of the years ended 31 December 2012 to 2016 as payment in lieu of Macau Complementary Tax otherwise due by the shareholders of Hong Hock on dividend distributions from gaming profits generated in relation to the operation of the casinos at The Landmark Macau and MFW. Such annual lump sum tax payments are required regardless of whether dividends were actually distributed or whether Hong Hock has distributable profits in the relevant years. During the six months ended 30 June 2016, provision for taxation of HK\$825,000 (six months ended 30 June 2015: HK\$825,000) has been made.

8. DIVIDEND

No dividends were paid, declared or proposed in respect of both interim periods.

9. LOSS PER SHARE

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

Loss

Six months ended 30 June

2016 2015

HK\$'000 HK\$'000

(unaudited) (unaudited)

Loss for the period for the purpose of basic and diluted loss per Share	<u>(175,289)</u>	<u>(68,441)</u>
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Number of Shares

Six months ended 30 June

2016 2015

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Weighted average number of ordinary shares for the purpose of basic loss per Share	6,311,716	6,449,261
Effect of diluted potential ordinary shares (<i>remark</i>)		
— Share options	N/A	N/A
— Directors' reward shares	<u>—</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted loss per Share	<u>N/A</u>	<u>N/A</u>

Remark: The computation of diluted loss per Share for the six months ended 30 June 2016 does not assume the conversion of the Company's outstanding share options (for the six months ended 30 June 2015: outstanding share options and Directors' reward shares) since their exercise would result in a decrease in loss per Share.

10. PROPERTY AND EQUIPMENT

The addition of property and equipment during the period includes amounts of HK\$1,312,398,000 and HK\$16,429,000 for MFW Redevelopment and investment project in Cape Verde, respectively (six months ended 30 June 2015: amounts of HK\$15,233,000 and HK\$251,901,000 for renovation of The Landmark Macau and MFW Redevelopment, respectively).

11. DEPOSITS PAID

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Deposits paid for acquisition of property and equipment	47,925	58,036
Refundable deposit for a potential long-term investment project	697,824	697,824
Deposits for an investment project in Cape Verde (remark)	24,318	14,625
Deposit for an investment project in the Lao PDR	<u>7,768</u>	<u>—</u>
	<u><u>777,835</u></u>	<u><u>770,485</u></u>

Remark: The amount included a payment of approximately HK\$10,168,000 (31 December 2015: 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.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Trade receivables	347,814	340,187
Less: Allowance for doubtful debts	<u>(14)</u>	<u>(14)</u>
	347,800	340,173
Other receivables and deposits	49,869	30,561
Prepayments	45,779	35,850
Receivables from gaming operator received on behalf of gaming promoters	<u>56,633</u>	<u>33,279</u>
Total trade and other receivables	<u><u>500,081</u></u>	<u><u>439,863</u></u>

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

The Group generally 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 VIP players, 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 or the date of credit granted at the end of the reporting period:

	At 30 June 2016 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>
Within 3 months	151,032	128,303
Over 3 months but within 6 months	22,698	40,100
Over 6 months but within 1 year	26,852	44,865
Over 1 year	147,218	126,905
	347,800	340,173

13. TRADE AND OTHER PAYABLES

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

	At 30 June 2016 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>
Trade payables	35,805	45,501
Deposits received from tenants	47,578	51,322
Accrued staff costs	85,291	107,202
Other accruals	35,534	32,399
Other payables	531,785	290,235
Amounts due to gaming promoters	29,247	18,043
Total trade and other payables	765,240	544,702

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

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

	At 30 June 2016 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>
Within 3 months	34,726	44,351
Over 3 months but within 6 months	203	283
Over 6 months but within 1 year	557	243
Over 1 year	<u>319</u>	<u>624</u>
	<u>35,805</u>	<u>45,501</u>

14. BANK AND OTHER BORROWINGS

	At 30 June 2016 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>
Bank borrowings, secured (<i>remark i</i>)	3,785,085	3,974,622
Other borrowings (<i>remark ii</i>)	<u>58,500</u>	<u>72,500</u>
	<u>3,843,585</u>	<u>4,047,122</u>
Analysed for reporting purposes as:		
Current liabilities	840,183	652,484
Non-current liabilities	<u>3,003,402</u>	<u>3,394,638</u>
	<u>3,843,585</u>	<u>4,047,122</u>

Remarks:

- (i) Bank borrowings, secured

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Secured bank borrowings due		
— within one year	781,683	579,984
— more than one year, but not exceeding two years	1,187,171	984,238
— more than two years, but not more than five years	<u>1,816,231</u>	<u>2,410,400</u>
	3,785,085	3,974,622
Less: Amount due within one year shown under current liabilities	<u>(781,683)</u>	<u>(579,984)</u>
Amount due after one year	<u><u>3,003,402</u></u>	<u><u>3,394,638</u></u>

The bank borrowings are denominated in HK\$.

- (ii) Other borrowings represent the amount due to a gaming operator which is denominated in HK\$ and is non-interest bearing, unsecured and repayable within one year.

15. 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 leasehold land, office properties, warehouse and staff quarters rented under non-cancellable operating leases which fall due as follows:

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Within one year	8,302	23,062
In the second to fifth year inclusive	10,648	13,203
Over five years	<u>18,897</u>	<u>18,567</u>
	<u><u>37,847</u></u>	<u><u>54,832</u></u>

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

	At 30 June 2016 HK\$'000 (<i>unaudited</i>)	At 31 December 2015 HK\$'000 (<i>audited</i>)
Within one year	113,325	116,564
In the second to fifth year inclusive	326,801	273,713
Over five years	<u>144,940</u>	<u>149,568</u>
	<u>585,066</u>	<u>539,845</u>

Operating lease income represents licensing income receivable by the Group from certain of its rented premises. Licensing arrangements are negotiated for an average term of five years and licensing fees are fixed for an average term of two years. In addition to the fixed licensing income which 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 reporting periods.

16. 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 in the amount of approximately HK\$1,925,875,000 (31 December 2015: approximately HK\$897,219,000).

17. 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 six months ended 30 June 2016 and the year ended 31 December 2015.
- (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 but was rejected. The Directors believe the aforementioned case would not result in any material adverse effect on the financial position of the Group as at 30 June 2016. Accordingly, no provision has been made in the condensed consolidated financial statements.

- (iii) MFW Investment received a claim for outstanding payments on construction work 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 of Last Instance but it did not submit the legal arguments. The Directors believe the aforementioned case would not result in any material adverse effect on the financial position of the Group as at 30 June 2016. Accordingly, no provision has been made in the condensed consolidated financial statements.

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

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

- (i) On 13 May 2016, the Company entered into the project development agreement with the Government of the Lao PDR in respect of the acquisition of the Savan Vegas Hotel and Entertainment Complex at the consideration of US\$42.0 million (equivalent to approximately HK\$325.9 million). The project development agreement shall have an initial term of 50 years. Further details of the investment project in the Lao PDR are set out in the Company's announcement dated 13 May 2016. The Group obtained the approval from the shareholders of the Company at an extraordinary general meeting of the Company held on 18 August 2016.
- (ii) On 7 July 2016, the Company entered into the memorandum of understanding with the Setúbal Municipality for the proposed development at the riverfront area at Setúbal in Portugal. The Company also entered into the heads of agreement with independent third parties in relation to (i) the formation of a joint venture company, and (ii) the transfer of the Tróia Casino and its gaming concession pursuant to which, subject to its terms and conditions and among other things, one of the independent third parties and the Company will form the joint venture company and shall transfer to the joint venture company the Tróia Casino and its gaming concession at the value of €40.0 million (equivalent to approximately HK\$343.6 million) or inject cash in the same amount to the joint venture company. Further details of the memorandum of understanding are set out in the Company's announcement dated 7 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Interim Results

For the six months ended 30 June 2016, the Group achieved a total reported revenue of approximately HK\$666.0 million, representing a decrease of approximately HK\$32.2 million or approximately 4.6% over that of the last corresponding period of approximately HK\$698.2 million. A breakdown of the Group's reported revenue for the six months ended 30 June 2016 and 2015 is as follows:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Gaming services:		
— Pharaoh's Palace Casino		
— Mass market tables	265,408	309,307
— VIP tables		
— Self-run (New Legend)	51,904	49,531
— Outsourced	10,549	22,824
— Slot machines	4,200	4,200
	332,061	385,862
— Babylon Casino		
— Mass market tables	60,827	51,394
— VIP tables		
— Self-run (New Legend)	26,254	12,647
— Slot machines	305	29
	87,386	64,070
<i>Sub-total for gaming services</i>	419,447	449,932
Non-gaming operations:		
— The Landmark Macau	97,590	115,958
— MFW	148,985	132,339
	246,575	248,297
<i>Sub-total for non-gaming operations</i>	246,575	248,297
Total reported revenue	666,022	698,229

For the six months ended 30 June 2016, gaming revenue and non-gaming revenue of the Group decreased by approximately 6.8% to approximately HK\$419.4 million and approximately 0.7% to approximately HK\$246.6 million, respectively, when compared to the last corresponding period. The decrease in gaming revenue was primarily due to the decrease in reported revenue from mass market tables of approximately HK\$34.5 million and outsourced VIP tables of approximately HK\$12.3 million, which was offset by the increase in reported revenue contributed by New Legend, a self-run VIP operation of the Group, for the six months ended 30 June 2016 of approximately HK\$16.0 million when compared to the last corresponding period.

The decrease in non-gaming revenue was primarily due to the decrease in revenue from The Landmark Macau of approximately HK\$18.4 million which in turn was mainly due to the decreases in income from hotel rooms and building management services of the hotel. The decrease in non-gaming revenue of the Group was offset by the revenue of Harbourview Hotel at MFW, which has commenced its operation since 2 February 2015.

Adjusted EBITDA for the six months ended 30 June 2016 was approximately HK\$46.6 million, representing a decrease of approximately HK\$81.8 million or approximately 63.7% over that of the last corresponding period of approximately HK\$128.4 million. The following table reconciles the Adjusted EBITDA to the profit (loss) attributable to owners of the Company.

	Six months ended 30 June					
	2016			2015		
	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	(48,972)	(126,317)	(175,289)	81,068	(149,509)	(68,441)
Adjustments for:						
Finance costs	—	22,643	22,643	—	42,795	42,795
Depreciation of investment properties	1,920	4,016	5,936	1,920	3,713	5,633
Depreciation of property and equipment	53,188	73,370	126,558	50,913	61,586	112,499
Release of prepaid lease payments	5,867	21,154	27,021	5,867	20,690	26,557
Amortisation of other intangible assets	16,584	—	16,584	17,698	—	17,698
Loss on disposal of property and equipment	34	9	43	7	9	16
Share-based payments	—	—	—	6,359	—	6,359
Exchange loss (gain) arising from non-operating activities (remark i)	(142)	(71)	(213)	1,143	4,460	5,603
Pre-opening expenses (remark ii)	40,519	2,175	42,694	30,627	6,424	37,051
Interest income	(6,188)	(10,659)	(16,847)	(21,767)	(33,102)	(54,869)
Tax charge (credit)	825	(3,315)	(2,490)	825	(3,315)	(2,490)
Adjusted EBITDA	63,635	(16,995)	46,640	174,660	(46,249)	128,411

Remarks:

- (i) Included in the exchange loss (gain) arising from non-operating activities of the Group for the six months ended 30 June 2015 is unrealised exchange loss arising from retranslation of RMB deposits into HK\$ of HK\$5.6 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.

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

	Six months ended 30 June					
	2016			2015		
	The Group excluding MFW Group			The Group excluding MFW Group		
	MFW Group	MFW Group	Consolidated	MFW Group	MFW Group	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gaming services	106,428	(4,914)	101,514	208,130	(25,580)	182,550
Non-gaming operations	(13,654)	(12,081)	(25,735)	(11,496)	(20,669)	(32,165)
Sub-total	92,774	(16,995)	75,779	196,634	(46,249)	150,385
Unallocated corporate expenses	(29,139)	—	(29,139)	(21,974)	—	(21,974)
Adjusted EBITDA	63,635	(16,995)	46,640	174,660	(46,249)	128,411

Adjusted EBITDA from the Group excluding the MFW Group and unallocated corporate expenses, mainly arising from the operations at The Landmark Macau, for the six months ended 30 June 2016 decreased by approximately 52.8% to approximately HK\$92.8 million when compared to the last corresponding period. The shortfall was mainly due to the decrease in Adjusted EBITDA of gaming services at Pharaoh's Palace Casino of approximately HK\$101.7 million or approximately 48.9% when compared to the last corresponding period. For the six months ended 30 June 2016, MFW Group operated at a loss of approximately HK\$17.0 million, representing a decrease in loss of approximately HK\$29.3 million or approximately 63.3% when compared to the last corresponding period.

The Group's loss for the six months ended 30 June 2016 was approximately HK\$175.3 million, representing an increase of approximately HK\$106.8 million when compared to the last corresponding period. The increase in loss for the six months ended 30 June 2016 was mainly due to (i) declining revenue from mass market tables and outsourced VIP tables due to a decrease in overall gross gaming revenue generated from these gaming tables in the casinos within the Group's properties, and (ii) a decrease in interest income arising from fixed deposits.

Interim Dividend

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2016.

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 rooms and slot machines.

As at 30 June 2016 and 2015, the Group had the following number of gaming tables and slot machines in its two casinos which were put into operation:

	<u>At 30 June 2016</u>			<u>At 30 June 2015</u>		
	Pharaoh's Palace Casino	Babylon Casino	Total	Pharaoh's Palace Casino	Babylon Casino	Total
Mass market tables	60	34	94	60	31	91
VIP tables	24	17	41	37	12	49
Total gaming tables	<u>84</u>	<u>51</u>	<u>135</u>	<u>97</u>	<u>43</u>	<u>140</u>
Slot machines	<u>128</u>	<u>118</u>	<u>246</u>	<u>142</u>	<u>29</u>	<u>171</u>

As at 30 June 2016, the Group had a total of 179 gaming tables (30 June 2015: 185), of which 135 (30 June 2015: 140) were put into operation.

For the six months ended 30 June 2016, the Group recorded revenue from gaming services of approximately HK\$419.4 million, representing a decrease of approximately HK\$30.5 million or approximately 6.8% over that of the last corresponding period of approximately HK\$449.9 million. A breakdown of the Group's revenue from gaming services for the six months ended 30 June 2016 and 2015 is as follows:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Mass market tables:		
— Pharaoh's Palace Casino	265,408	309,307
— Babylon Casino	<u>60,827</u>	<u>51,394</u>
	<u>326,235</u>	<u>360,701</u>
Self-run VIP tables:		
— Pharaoh's Palace Casino	51,904	49,531
— Babylon Casino	<u>26,254</u>	<u>12,647</u>
	78,158	62,178
Outsourced VIP tables:		
— Pharaoh's Palace Casino	<u>10,549</u>	<u>22,824</u>
	<u>88,707</u>	<u>85,002</u>
Slot machines:		
— Pharaoh's Palace Casino	4,200	4,200
— Babylon Casino	<u>305</u>	<u>29</u>
	<u>4,505</u>	<u>4,229</u>
Total revenue from gaming services	<u><u>419,447</u></u>	<u><u>449,932</u></u>

The following tables set out certain key operational data of mass market tables, VIP tables and slot machines for the six months ended 30 June 2016 and 2015:

Mass Market Tables

	Pharaoh's Palace Casino			Babylon Casino		
	Six months ended 30 June			Six months ended 30 June		
	2016	2015	Change	2016	2015	Change
	<i>HK'000</i>	<i>HK'000</i>	%	<i>HK'000</i>	<i>HK'000</i>	%
Games drop	2,165,068	2,382,057	(9.1)	688,464	709,722	(3.0)
Net win	482,561	562,376	(14.2)	110,594	93,443	18.4
Hold rate	22.29%	23.61%	(1.32)	16.06%	13.17%	2.89
Average number of tables	60	60	—	32	26	23.1
Net win per table per day	44	52	(15.4)	19	20	(5.0)

The Group's revenue from mass market tables for the six months ended 30 June 2016 was approximately HK\$326.2 million, representing a decrease of approximately HK\$34.5 million or approximately 9.6% over that of the last corresponding period of approximately HK\$360.7 million. Revenue from mass market tables at Pharaoh's Palace Casino decreased by approximately 14.2% to approximately HK\$265.4 million while revenue at Babylon Casino increased by approximately 18.4% to approximately HK\$60.8 million. For the six months ended 30 June 2016, net win per table per day of mass market tables at Pharaoh's Palace Casino and Babylon Casino decreased by approximately 15.4% to approximately HK\$44,000 and approximately 5.0% to approximately HK\$19,000 over that of the last corresponding period of approximately HK\$52,000 and HK\$20,000, respectively.

VIP Tables

Pharaoh's Palace Casino							
Six months ended 30 June							
	2016			2015			Change
	Outsourced	Self-run	Total	Outsourced	Self-run	Total	
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Games turnover	10,685,000	4,641,879	15,326,879	32,662,234	2,769,542	35,431,776	(56.7)
Net win	259,716	124,498	384,214	1,113,661	87,384	1,201,045	(68.0)
Win percentage	2.43%	2.68%	2.51%	3.41%	3.16%	3.39%	(0.88)
Average number of tables	15	9	24	39	7	46	(47.8)
Net win per table per day	95	76	88	158	69	144	(38.9)

Babylon Casino			
Six months ended 30 June			
	2016	2015	Change
	Self-run	Self-run	
	(New Legend)	(New Legend)	%
	<i>HK'000</i>	<i>HK'000</i>	
Games turnover	646,652	484,327	33.5
Net win	43,409	22,274	94.9
Win percentage	6.71%	4.60%	2.11
Average number of tables	15	9	66.7
Net win per table per day	16	14	14.3

The Group's revenue from VIP tables for the six months ended 30 June 2016 was approximately HK\$88.7 million, representing an increase of approximately HK\$3.7 million or approximately 4.4% over that of the last corresponding period of approximately HK\$85.0 million. During the six months ended 30 June 2016, approximately HK\$78.2 million contributed from New Legend through the VIE Structure, representing an increase of approximately HK\$16.0 million or approximately 25.7% over that of the last corresponding period of approximately HK\$62.2 million. Revenue from outsourced VIP tables decreased by approximately HK\$12.3 million or approximately 53.8% to approximately HK\$10.5 million. For the six months ended 30 June 2016, net win per table per day of VIP tables at Pharaoh's Palace Casino decreased by approximately 38.9% to approximately HK\$88,000 over that of the six months ended 30 June 2015 of approximately HK\$144,000. Net win per table per day of VIP tables at Babylon Casino increased by approximately 14.3% to approximately HK\$16,000 over that of the last corresponding period of approximately HK\$14,000.

Slot Machines

	Pharaoh's Palace Casino			Babylon Casino		
	Six months ended 30 June			Six months ended 30 June		
	2016	2015	Change	2016	2015	Change
	HK'000	HK'000	%	HK'000	HK'000	%
Slot handle	407,103	409,330	(0.5)	19,559	948	1,963.2
Net win	11,616	14,035	(17.2)	743	69	976.8
Hold rate	2.85%	3.43%	(0.58)	3.80%	7.28%	(3.48)
Average number of slot machines	128	149	(14.1)	74	29	155.2
Net win per slot machine per day	0.5	0.5	—	0.1	0.01	900.0

The Group's revenue from slot machines at Pharaoh's Palace Casino and Babylon Casino for the six months ended 30 June 2016 increased by approximately HK\$0.3 million or approximately 6.5% to approximately HK\$4.5 million over that of the last corresponding period of approximately HK\$4.2 million.

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 in Babylon Casino since February 2015. Implementation will be in phases to correspond to the expected expansion of gaming capacities of the Group.

B. Non-gaming Operations

For the six months ended 30 June 2016, the Group recorded a total non-gaming revenue of approximately HK\$246.6 million, decreased by approximately HK\$1.7 million or approximately 0.7% over that of the last corresponding period of approximately HK\$248.3 million. Out of the total non-gaming revenue, revenue from The Landmark Macau accounted for approximately HK\$97.6 million or approximately 39.6% of the total non-gaming revenue (six months ended 30 June 2015: approximately HK\$116.0 million or approximately 46.7%); and MFW accounted for approximately HK\$149.0 million or approximately 60.4% of the total non-gaming revenue (six

months ended 30 June 2015: approximately HK\$132.3 million or approximately 53.3%). Improved 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.

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

	Six months ended 30 June					
	2016			2015		
	The Group excluding MFW Group		Consolidated	The Group excluding MFW Group		Consolidated
	MFW Group	MFW Group	Consolidated	MFW Group	MFW Group	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental income from hotel rooms	36,586	52,581	89,167	47,500	44,017	91,517
Licensing income from investment properties	25,303	36,863	62,166	26,719	33,838	60,557
Income from building management services	16,091	12,354	28,445	20,979	11,895	32,874
Food and beverage	17,502	38,821	56,323	18,516	31,541	50,057
Sales of merchandise	—	7,514	7,514	—	10,472	10,472
Others	2,108	852	2,960	2,244	576	2,820
Total revenue from non-gaming operations	97,590	148,985	246,575	115,958	132,339	248,297

The shortfall in non-gaming revenue was primarily due to the decrease in revenue from The Landmark Macau of approximately HK\$18.4 million which in turn was mainly caused by the decrease in income from hotel rooms of approximately HK\$10.9 million or approximately 23.0% and income from building management services by approximately HK\$4.9 million or approximately 23.3%. Such shortfall in non-gaming revenue of The Landmark Macau was offset by revenue of Harbourview Hotel at MFW, which has commenced its operation since 2 February 2015. For the six months ended 30 June 2016, Harbourview Hotel contributed revenue of approximately HK\$62.9 million to the Group, increased by approximately HK\$19.2 million or approximately 43.8% over that of the last corresponding period of approximately HK\$43.7 million.

The following table sets out certain key operational data on hotel operations of the Group for the six months ended 30 June 2016 and 2015:

	Six months ended 30 June	
	2016	2015
The Landmark Macau		
Occupancy rate (%)	68.1	64.5
ADR (HK\$)	1,040.2	1,390.9
REVPAR (HK\$)	708.4	897.1
Rocks Hotel		
Occupancy rate (%)	70.6	78.0
ADR (HK\$)	1,019.3	1,161.1
REVPAR (HK\$)	719.6	905.6
Harbourview Hotel (opened on 2 February 2015)		
Occupancy rate (%)	69.7	57.2
ADR (HK\$)	809.4	975.4
REVPAR (HK\$)	564.2	557.9

The Landmark Macau

The occupancy rate of The Landmark Macau for the six months ended 30 June 2016 was approximately 68.1%, increased by approximately 3.6% over that of the last corresponding period of approximately 64.5%. For the six months ended 30 June 2016, ADR and REVPAR of The Landmark Macau decreased by approximately 25.2% and approximately 21.0%, respectively, when compared to those of the last corresponding period.

Macau Fisherman's Wharf

Rocks Hotel

The occupancy rate of Rocks Hotel for the six months ended 30 June 2016 was approximately 70.6%, decreased by approximately 7.4% over that of the last corresponding period of approximately 78.0%. For the six months ended 30 June 2016, ADR and REVPAR of Rocks Hotel decreased by approximately 12.2% and approximately 20.5%, respectively, when compared to those of the last corresponding period.

Harbourview Hotel

Harbourview Hotel was opened on 2 February 2015. The occupancy rate of Harbourview Hotel for the six months ended 30 June 2016 was approximately 69.7%, increased by approximately 12.5% over that of the last corresponding period of approximately 57.2%. For the six months ended 30 June 2016, ADR and REVPAR of Harbourview Hotel decreased by approximately 17.0% and increased by approximately 1.1%, respectively, when compared to those of the last corresponding period.

C. *Corporate and Business Updates*

(a) *MFW Redevelopment*

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, the construction licence of the superstructure of Legend Palace Hotel was issued by the relevant government authority, and the construction work of the superstructure has commenced with an expected construction completion in September 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.

Other redevelopment

In addition to the above progress of the two 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 the 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 2H 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	
		Phase 2 — further pontoons and wave attenuator wall in design stage incorporating comments from the Macau government.	4Q 2016
		Approval of immigration facilities has been obtained from the Macau government with effect from 1 April 2016	
Canopied open-air shopping, dining and entertainment colonnade	Development of fixed canopy structures on Main Boulevard and Jackson Square providing all-weathered protection with integrated lighting entertainment shows	Construction for the canopy on Jackson Square completed in May 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	4Q 2016

(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) *Proposed disposal of The Landmark Macau*

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.

(d) *Development project in the Lao PDR*

On 13 May 2016, the Company entered into the project development agreement (the "PDA") with the Government of the Lao PDR, pursuant to which, subject to its terms and conditions and among other things, the Government of the Lao PDR agreed to (i) procure the existing operator (which is a company wholly-owned by the Ministry of Finance of the Lao PDR) to sell, and the Company agreed to purchase, the Savan Vegas Hotel and Entertainment Complex ("Savan Vegas") at the consideration of US\$42.0 million (equivalent to approximately HK\$325.9 million), and (ii) approve the issuance to the Company's project company of a concession certificate upon closing authorising the Company's project company to engage in concession activities including gaming activities and hotel and hospitality services during the term of the PDA. The PDA shall have an initial term of 50 years and may be extended for an additional period of not exceeding 49 years subject to the applicable laws of the Lao PDR and

fulfillment of obligations of the Company's project company during the initial term. Savan Vegas is a full-service casino, hotel and resort located in Nongdeune Village, Kaisonphomvihanh District, Savannakhet Province of the Lao PDR. In addition to Savan Vegas, the Company is interested in developing an integrated resort at an area in the Savan Seno Special Economic Zone of Savannakhet Province of the Lao PDR. The Government of the Lao PDR and the Company are in preliminary discussions on the potential development of this site. Further details of the investment project in the Lao PDR are set out in the Company's announcement dated 13 May 2016.

(e) *Memorandum of understanding with China Gezhouba Real Estate Corporation Ltd for strategic cooperation*

On 31 May 2016, the Company entered into a non-legally binding memorandum of understanding for strategic cooperation with China Gezhouba Real Estate Corporation Ltd (中國葛洲壩集團房地產開發有限公司) (“**China Gezhouba Real Estate**”), pursuant to which, the Company and China Gezhouba Real Estate agreed to be strategic partners in relation to the future cooperation in the investment and development of prospective integrated tourism projects that the Company is developing. China Gezhouba Real Estate is under the group of China Gezhouba Group Company Limited (中國葛洲壩集團股份有限公司).

(f) *Development project in Portugal*

On 7 July 2016, the Company entered into the memorandum of understanding with the Setúbal Municipality for the proposed development at the riverfront area at Setúbal in Portugal. The Company also entered into the heads of agreement with independent third parties in relation to (i) the formation of a joint venture company, and (ii) the transfer of the Tróia Casino and its gaming concession pursuant to which, subject to its terms and conditions and among other things, one of the independent third parties and the Company will form the joint venture company and shall transfer to the joint venture company the Tróia Casino and its gaming concession at the value of €40.0 million (equivalent to approximately HK\$343.6 million) or inject cash in the same amount to the joint venture company. Further details of the memorandum of understanding are set out in the Company's announcement dated 7 July 2016.

Outlook

During the period under review, visitor arrivals to Macau totaled 14.8 million, which is consistent with last corresponding period. Overnight visitors rose by 8.3% to 7.2 million which can be a positive indicator to our two new hotels on the Macau peninsula.

The Group remains optimistic in the long-term prospect of the Macau gaming market especially with the upcoming completion of Hong Kong-Zhuhai-Macau Bridge, the Zhuhai and Macau 24-hour check point, the expansion of Hengqin border gate capacity, and the further expansion of our Marina capacities. All these will complement the development of the MFW and will bring positive contributions.

At the same time, the Group is vigorously engaged in strategic overseas expansion, during this temporary lull in Macau developments. In May 2016, the Group has entered into a conditional US\$42.0 million project development agreement with the Government of the Lao PDR to purchase Savan Vegas Hotel and Entertainment Complex, a fully operational integrated resort entertainment complex which features gaming facilities with 92 tables and 493 slot machines; a contemporary hotel and convention centre with 472 guest rooms, restaurants, bars and other facilities. Savan Vegas Hotel and Entertainment Complex is located just on the border with Thailand and is also near to an international airport which can cater for visitors from Thailand, Vietnam and China as well as the visitors from Cambodia, Malaysia and Singapore. Savan Vegas Hotel and Entertainment Complex is already in operation, and we expect to utilise our experience and connections to build it into a regional entertainment hub in the Southeast Asia.

With the opening of Legend Palace Hotel, the Group is expanding its self-run VIP business to the second new hotel in MFW, and celebrates a first landmark phase of the revitalization of the whole area.

The Group has also entered into a memorandum of understanding with the Setúbal Municipality in Portugal for the proposed development of an integrated leisure, tourism and entertainment project. The first phase of this project will include a hotel, a shopping area, a residential area, a marina, a parking lot, a new multi-sport pavilion and a gaming arcade with slot machines.

The Group will continue to focus on the Southeast Asian destinations where the “One Belt, One Road” policy from China is supporting new investment in tourism and tourism related infrastructure and also in Portuguese-speaking countries where there is a similar policy initiative.

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 30 June 2016, the consolidated net assets attributable to owners of the Company amounted to approximately HK\$6,847.8 million, representing a decrease of approximately HK\$245.3 million from approximately HK\$7,093.1 million as at 31 December 2015. The decrease in consolidated net assets during the six months ended 30 June 2016 was mainly due to the Group’s loss for the period of approximately HK\$175.3 million and the reduction in capital of approximately HK\$70.0 million as a result of share repurchases for the period.

Bank balances and cash

As at 30 June 2016, bank balances and cash held by the Group amounted to approximately HK\$1,747.5 million (including pledged bank deposits of approximately HK\$21.1 million), which was denominated mainly in HK\$ and MOP. Given MOP are pegged to HK\$, the Group considers the exposure to exchange rate risk is nominal for its bank balances and cash denominated in MOP.

The 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 placed these funds at banks in Hong Kong and Macau 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\$.

As at 30 June 2016, a total of approximately HK\$1,392.5 million was placed as fixed deposits at banks in Macau with maturities ranging from 1 week to 1 month which are mainly in HK\$, at an average annualised interest rate of approximately 0.83%.

Borrowings

As at 30 June 2016, the Group had outstanding secured and unguaranteed bank borrowings of approximately HK\$3,785.1 million and unsecured, interest-free and unguaranteed other borrowings of approximately HK\$58.5 million.

In respect of the bank borrowings of approximately HK\$3,785.1 million, the maturity profile was spread over a period of less than 5 years with approximately HK\$781.7 million repayable within one year, approximately HK\$1,187.2 million repayable in the second year and approximately HK\$1,816.2 million repayable in the third to fifth years. The other borrowings of approximately HK\$58.5 million are repayable within one year.

The Group's bank borrowings carried interest at prevailing market rates and on floating rate basis. In addition, the bank borrowings and the other borrowings as at 30 June 2016 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 30 June 2016.

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 30 June 2016, the Group had applied approximately HK\$1,658.3 million, HK\$199.7 million and 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 the 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 30 June 2016, the Group had applied all the net proceeds for financing the MFW Redevelopment.

Charge on the Group's Assets

As at 30 June 2016, 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\$364.2 million, buildings with a total carrying amount of approximately HK\$2,352.8 million, prepaid lease payments with a total carrying amount of approximately HK\$1,791.7 million, trade receivables of approximately HK\$93.7 million and bank deposits of approximately HK\$21.1 million.

Gearing

The Group's gearing ratio (expressed as a percentage of total borrowings over total equity as at the end of the reporting period) was approximately 56.1% as at 30 June 2016 (31 December 2015: approximately 57.1%). Total borrowings of the Group as at 30 June 2016 decreased by approximately HK\$203.5 million when compared to that as at 31 December 2015 as a result of net repayment of borrowings during the six months ended 30 June 2016. On the other hand, total equity of the Group as at 30 June 2016 decreased by approximately HK\$245.3 million when compared to that as at 31 December 2015 which was mainly due to reduction of capital of approximately HK\$70.0 million as a result of the share repurchases for the six months ended 30 June 2016 and net loss for the six months ended 30 June 2016 of approximately HK\$175.3 million. Overall, it resulted in the decrease of the Group's gearing ratio by 1.0% to 56.1% as at 30 June 2016.

Hedging, Acquisitions and Disposals and Significant Investments

Save as disclosed in this announcement, during the six months ended 30 June 2016, 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.

Capital Commitments

Details of capital commitments of the Group as at 30 June 2016 are set out in note 16 to the condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

Contingent Liabilities

Details of contingent liabilities of the Group as at 30 June 2016 are set out in note 17 to the condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

Employees and Remuneration Policies

As at 30 June 2016, the Group had a total of approximately 3,160 employees, including approximately 1,310 gaming operation employees who were 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2016, the Company repurchased a total of 69,444,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$70.0 million (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\$ (in million)
		Highest HK\$	Lowest HK\$	
January 2016	54,615,000	1.04	0.97	54.9
March 2016	1,206,000	1.10	1.07	1.3
April 2016	5,574,000	1.13	1.04	6.0
May 2016	2,957,000	0.95	0.94	2.8
June 2016	<u>5,092,000</u>	1.01	0.94	<u>5.0</u>
	<u>69,444,000</u>			<u>70.0</u>

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

Save as disclosed above, neither the Company nor any of its subsidiaries sold or redeemed any of its listed securities during the six months ended 30 June 2016.

CORPORATE GOVERNANCE

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. Throughout the six months ended 30 June 2016, the Company has complied with the CG Code except for code provision A.2.1.

Code provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Currently, Mr David Chow and Mr Tong Ka Wing, Carl are co-chairmen of the Board and responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. In addition, Mr David Chow is the chief executive officer of the Company, taking care of the day-to-day management of the Group's business and implementing the Group's policies, strategic plans and business goals formulated by the Board. Although Mr David Chow is both a co-chairman and the chief executive officer of the Company, the powers and authorities of the co-chairman have not been concentrated as the responsibilities have been shared between the co-chairmen. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number of Directors being non-executive Directors.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 have been reviewed by the audit committee of the Company, which currently comprises three independent non-executive Directors, namely Mr Fong Chung, Mark, Mr Xie Min and Madam Tam Wai Chu, Maria, and the non-executive Director, Mr Tong Ka Wing, Carl, and by the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

INVESTOR RELATIONS

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

DEFINITIONS

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

“Adjusted EBITDA”	the Group’s earnings before interest income, finance costs, income taxes, depreciation, release of prepaid lease payments, amortisation, loss on disposal of property and equipment, 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
“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
“Directors”	the directors of the Company
“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
“Lao PDR”	the Lao People’s Democratic Republic

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MFW”	Macau Fisherman’s Wharf operated by MFW Investment
“MFW Group”	MFW Investment and its subsidiaries
“MFW Investment”	Macau Fisherman’s Wharf International Investment Limited, a company incorporated in Macau and a subsidiary of the Company
“MFW Redevelopment”	the redevelopment of MFW
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr David Chow”	Mr Chow Kam Fai, David, a co-chairman, an executive Director and the chief executive officer of the Company and a controlling shareholder (as defined in the Listing Rules) of the Company
“Mr Frederick Yip”	Mr Yip Wing Fat, Frederick, the sole shareholder and sole director of New Legend and the executive vice president, head of casino operations of the Company
“New Legend”	New Legend VIP Club Limited, a company incorporated in Macau by Mr Frederick Yip, and consolidated as a subsidiary of the Company under the VIE Structure
“REVPAR”	revenue per available room
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Service Agreement”	the service agreement dated 25 September 2006 and its related amendments entered into between Hong Hock and SJM, under which the Group provides gaming services to SJM in the Group’s two major casinos, namely Pharaoh’s Palace Casino in The Landmark Macau and Babylon Casino in MFW
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“SJM”	Sociedade de Jogos de Macau, S.A.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Prospectus”	the supplemental prospectus of the Company dated 26 June 2013
“US\$”	United States dollars, the lawful currency of the United States of America

“VIE Structure”	the structure established through the entering into of the VIE agreements (that is, 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), 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

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

Hong Kong, 18 August 2016

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

* *for identification purposes only*