

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



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

Macau Legend Development Limited

澳門勵駿創建有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1680)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

RESULTS

The Board announces the audited consolidated annual results of the Group for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
REVENUE	4	1,471,461	1,436,143
Cost of sales and services		<u>(1,058,447)</u>	<u>(1,015,609)</u>
		413,014	420,534
Other income, gains and losses	6	21,702	2,047
Marketing and promotional expenses		(154,325)	(133,883)
Operating, administrative and other expenses		(513,522)	(477,436)
Finance costs	7	<u>(23,491)</u>	<u>(84,749)</u>
LOSS BEFORE TAXATION	8	(256,622)	(273,487)
Taxation (charge) credit	9	<u>(20,873)</u>	<u>4,979</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(277,495)	(268,508)
Other comprehensive expense			
<i>Items that may be reclassified to profit and loss:</i>			
Exchange differences on translation of foreign operation		<u>(18,162)</u>	<u>—</u>
Total comprehensive expenses for the year attributable to the owners of the Company		<u>(295,657)</u>	<u>(268,508)</u>
Loss per Share			
— Basic (HK cents)	11	<u>(4.4)</u>	<u>(4.2)</u>
— Diluted (HK cents)	11	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		358,287	370,159
Property and equipment		6,541,742	4,231,161
Prepaid lease payments		1,728,821	1,764,648
Goodwill		681,986	681,986
Other intangible assets		314,704	269,043
Deposits paid	<i>12</i>	847,936	770,485
		10,473,476	8,087,482
CURRENT ASSETS			
Inventories		44,687	37,787
Prepaid lease payments		54,416	54,043
Trade and other receivables	<i>13</i>	466,788	439,863
Pledged bank deposits		21,088	24,830
Bank balances and cash			
— Cash at banks and on hand	<i>14</i>	207,878	2,918,231
— Short-term bank deposits with original maturity over three months	<i>14</i>	—	302,536
		794,857	3,777,290
CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	949,516	544,702
Taxation		1,650	1,650
Bank and other borrowings — due within one year	<i>16</i>	1,042,932	652,484
		1,994,098	1,198,836
NET CURRENT (LIABILITIES) ASSETS		(1,199,241)	2,578,454

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2016*

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,274,235</u>	<u>10,665,936</u>
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year	<i>16</i>	2,410,235	3,394,638
Deferred tax liabilities		<u>171,576</u>	<u>178,207</u>
		<u>2,581,811</u>	<u>3,572,845</u>
NET ASSETS		<u><u>6,692,424</u></u>	<u><u>7,093,091</u></u>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	626,758	636,676
Reserves		<u>6,065,666</u>	<u>6,456,415</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u><u>6,692,424</u></u>	<u><u>7,093,091</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Group is one of the leading owners of entertainment and casino gaming facilities in Macau. The Group 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 has commenced to develop Project Cape Verde. In 2016, the Group has acquired the Business Operation which is engaged in hotel and casino business in Lao PDR.

2. BASIS OF PREPARATION

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

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

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

In preparing the Group's consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK\$1,199,241,000, and the Group has commitments of approximately HK\$892,094,000 as at 31 December 2016. The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 31 December 2016 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations that will be due in the coming twelve months from 31 December on the basis that:

- (i) Subsequent to 31 December 2016, the Group has entered into long-term loan facility agreements totalling amounting to HK\$720,000,000 with a controlling shareholder of the Company to provide additional financing to the Group. HK\$490,000,000 and HK\$220,000,000 were drawn down by the Group in January 2017 and March 2017 respectively.
- (ii) As at 31 December 2016, the fair value of the Group's investment properties together with the leasehold interest in land included in the Group's prepaid lease payments amounted to HK\$3,181,000,000. In addition, the Group has been approached by and is currently in negotiation with interested buyers on the potential disposal of The Landmark Macau and the management remains positive on disposal. In the opinion of the Directors, cash inflows for the Group can be generated from future sales of properties including, but not limited to, The Landmark Macau when necessary.

- (iii) The Group has been negotiating with banks for the possibility of restructuring existing bank borrowings to long-term financing. The Directors are of the opinion that there are good track records and relationship with banks which would enhance the Group's ability on restructuring its borrowing facilities.

Based on the aforesaid factors and together with the undertaking from controlling and substantial shareholders to provide financial support when necessary, the Directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

The Group has applied the following amendments to HKFRSs and the Hong Kong Accounting Standards ("HKASs") issued by the HKICPA for the first time in the current year:

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 HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2017

Except for the possibility that the application of HKFRS 9, HKFRS 15 and HKFRS 16 in the future may have a potential impact on the consolidated financial information of the Group, the Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. REVENUE

An analysis of the Group's revenue is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue from gaming related operations:		
(i) from provision of gaming related facilities and gaming related general management services under the Service Agreement in respect of:		
— Mass market tables	652,089	711,505
— Outsourced VIP rooms	24,831	35,219
— Indirect participation in the gaming promotion business through New Legend under the VIE Structure	175,400	142,081
— Slot machines	<u>9,118</u>	<u>8,596</u>
	<u>861,438</u>	<u>897,401</u>
(ii) from operation of casino in respect of:		
— Mass market tables	38,596	—
— VIP rooms	16,828	—
— Slot machines	<u>35,555</u>	<u>—</u>
	<u>90,979</u>	<u>—</u>
<i>Total gaming revenue</i>	<u>952,417</u>	<u>897,401</u>
Revenue from non-gaming related operations:		
Rental income from hotel rooms	206,964	196,620
Licensing income from investment properties	106,854	129,453
Income from building management services	54,324	61,339
Food and beverage	127,553	125,809
Sales of merchandise	13,851	17,998
Others	<u>9,498</u>	<u>7,523</u>
<i>Total non-gaming revenue</i>	<u>519,044</u>	<u>538,742</u>
	<u><u>1,471,461</u></u>	<u><u>1,436,143</u></u>

5. SEGMENT INFORMATION

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. For the operation of casino, the executive Director regularly analyse gaming related revenue in terms of net differences between gaming wins and loses 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 — 1) 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 a subsidiary, New Legend, through the VIE Structure; and 2) Casino operation in Lao PDR.

Non-gaming — operations at The Landmark Macau, MFW and Business Operation in Lao PDR 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".

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 2016

	Gaming <i>HK\$'000</i>	Non-gaming <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External revenue	952,417	519,044	1,471,461	—	1,471,461
Inter-segment revenue	<u>—</u>	<u>70,695</u>	<u>70,695</u>	<u>(70,695)</u>	<u>—</u>
Segment revenue	<u>952,417</u>	<u>589,739</u>	<u>1,542,156</u>	<u>(70,695)</u>	<u>1,471,461</u>
Segment profit (loss)	<u>152,061</u>	<u>(171,451)</u>	<u>(19,390)</u>	<u>—</u>	<u>(19,390)</u>
Unallocated depreciation, release of prepaid lease payments and amortisation					(101,062)
Unallocated corporate expenses					(112,829)
Unallocated exchange gain, net					150
Finance costs					<u>(23,491)</u>
Loss before taxation					<u>(256,622)</u>

For the year ended 31 December 2015

	Gaming <i>HK\$'000</i>	Non-gaming <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External revenue	897,401	538,742	1,436,143	—	1,436,143
Inter-segment revenue	<u>—</u>	<u>67,254</u>	<u>67,254</u>	<u>(67,254)</u>	<u>—</u>
Segment revenue	<u>897,401</u>	<u>605,996</u>	<u>1,503,397</u>	<u>(67,254)</u>	<u>1,436,143</u>
Segment profit (loss)	<u>205,133</u>	<u>(74,641)</u>	<u>130,492</u>	<u>—</u>	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					<u>(84,749)</u>
Loss before taxation					<u>(273,487)</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 and 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.

Other segment information:

For the year ended 31 December 2016

	Gaming HK\$'000	Non-gaming HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Depreciation of property and equipment	40,620	196,185	30,567	267,372
Depreciation of investment properties	—	10,279	1,593	11,872
Amortisation of other intangible assets	—	—	33,705	33,705
Release of prepaid lease payments	—	18,973	35,197	54,170
Pre-opening expenses	89,792	9,602	—	99,394
Reversal of allowance for inventories	—	(29)	—	(29)
Loss on disposal of property and equipment	—	986	—	986

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
Pre-opening expenses	73,884	9,675	—	83,559
Reversal of allowance for inventories	—	(893)	—	(893)
Loss on disposal of property and equipment	—	102	—	102

6. OTHER INCOME, GAINS AND LOSSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank interest income	18,951	88,147
Realised exchange loss, net	(3,679)	(116,497)
Unrealised exchange loss, net	(148)	(343)
Loss on disposal of property and equipment	(986)	(102)
Others	<u>7,564</u>	<u>30,842</u>
	<u>21,702</u>	<u>2,047</u>

7. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank borrowings	112,282	118,320
Amortisation of finance costs on bank borrowings	20,045	22,205
Other finance costs	<u>1,350</u>	<u>3,711</u>
Total borrowing costs	133,677	144,236
Less: Capitalised borrowing costs in construction in progress (included in property and equipment)	<u>(110,186)</u>	<u>(59,487)</u>
	<u>23,491</u>	<u>84,749</u>

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of approximately 3.5% (2015: 3.4%) per annum to expenditure on qualifying assets.

8. LOSS BEFORE TAXATION

2016
HK\$'000

2015
HK\$'000

Loss before taxation has been arrived at after charging (crediting):

Staff costs

Directors' remuneration	20,797	32,692
Other staff costs		
— salaries and other benefits	277,941	307,051
— contributions to retirement benefits schemes	6,434	7,398
Total staff costs	305,172	347,141
Auditor's remuneration	3,262	2,480
Amortisation of other intangible assets	33,705	33,168
Cost of inventories recognised as an expense (included in cost of sales and services)	54,916	58,424
Depreciation of investment properties	11,872	11,556
Depreciation of property and equipment	267,372	232,852
Operating lease rentals in respect of leasehold land and buildings	5,146	4,808
Pre-opening expenses	99,394	83,559
Release of prepaid lease payments	54,170	53,463
Reversal of allowance for inventories	(29)	(893)
Gross licensing income from investment properties	(106,854)	(129,453)
Less: Direct operating expenses that generate licensing income	11,872	11,556
Net licensing income	(94,982)	(117,897)

9. TAXATION (CHARGE) CREDIT

2016
HK\$'000

2015
HK\$'000

Current tax charge

— Macau Complementary Tax	(1,650)	(1,650)
— Lao PDR Flat Tax	(25,854)	—
	(27,504)	(1,650)
Deferred taxation credit	6,631	6,629
Income tax (charge) credit	(20,873)	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.

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

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

Pursuant to the Lao PDR Flat Tax Agreement (the "Agreement") signed between Savan Legend and the Ministry of Finance of the Lao PDR (the "Laos Government") dated 13 May 2016, the Laos Government agreed Savan Legend to pay a flat tax in an amount of US\$10,000,000 (equivalent to approximately HK\$77,600,000) per annum (the "Flat Tax"). The Flat Tax shall be paid for the period from 1 September 2016 to 31 August 2019 with a conditional extension for a period of two years, given that the Group commits to carry out, a hotel resort complex project on a site owned by Savan Legend. Under the Agreement, Savan Legend is not subject to other taxes, including income tax.

10. DIVIDENDS

No dividend was paid, declared or proposed for both years ended 31 December 2016 and 2015.

11. 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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year for the purpose of basic and diluted loss per Share	<u>(277,495)</u>	<u>(268,508)</u>

Number of Shares

	2016 <i>'000</i>	2015 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per Share	<u>6,294,988</u>	<u>6,426,475</u>

Remark: The computation of diluted loss per share for the year ended 31 December 2016 and 2015 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share. The share options were lapsed on 22 November 2016.

12. DEPOSITS PAID

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Deposits paid for acquisition of property and equipment	125,631	58,036
Refundable deposit for a potential long-term investment project	697,824	697,824
Deposits for Project Cape Verde	<u>24,481</u>	<u>14,625</u>
	<u><u>847,936</u></u>	<u><u>770,485</u></u>

13. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	346,624	340,187
Less: Allowance for doubtful debts	<u>(14)</u>	<u>(14)</u>
	346,610	340,173
Other receivables and deposits	47,722	30,561
Prepayments	35,234	35,850
Receivables from gaming operator received on behalf of gaming promoters	<u>37,222</u>	<u>33,279</u>
Total trade and other receivables	<u><u>466,788</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 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	128,179	128,303
Over 3 months but within 6 months	42,572	40,100
Over 6 months but within 1 year	22,001	44,865
Over 1 year	<u>153,858</u>	<u>126,905</u>
	<u><u>346,610</u></u>	<u><u>340,173</u></u>

14. BANK BALANCES AND CASH

Cash at banks and on hand comprise cash held by the Group and short-term bank deposits at variable interest rates with an original maturity of three months or less and carry interest at market rate of 0.001% (2015: 1.7%) per annum. As at 31 December 2016, the Group does not hold any short-term bank deposit with maturity over three months. As at 31 December 2015, short-term bank deposits with maturity over three months carried average fixed interest at 2.0% per annum.

15. TRADE AND OTHER PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	41,808	45,501
Deposits received from tenants	45,889	51,322
Accrued staff costs	110,484	107,202
Other accruals	32,951	32,399
Construction and retention payables	513,136	101,472
Other payables	178,984	188,763
Amounts due to gaming promoters	<u>26,264</u>	<u>18,043</u>
Total trade and other payables	<u><u>949,516</u></u>	<u><u>544,702</u></u>

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	39,952	44,351
Over 3 months but within 6 months	622	283
Over 6 months but within 1 year	1,192	243
Over 1 year	<u>42</u>	<u>624</u>
	<u><u>41,808</u></u>	<u><u>45,501</u></u>

16. BANK AND OTHER BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank borrowings, secured (<i>remark i</i>)	3,394,667	3,974,622
Other borrowings (<i>remark ii</i>)	<u>58,500</u>	<u>72,500</u>
	<u>3,453,167</u>	<u>4,047,122</u>
Analysed for reporting purposes as:		
Current liabilities	1,042,932	652,484
Non-current liabilities	<u>2,410,235</u>	<u>3,394,638</u>
	<u>3,453,167</u>	<u>4,047,122</u>

Remarks:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(i) Bank borrowings, secured		
Secured bank borrowings due		
— within one year	984,432	579,984
— more than one year, but not exceeding two years	1,390,490	984,238
— more than two years, but not exceeding five years	<u>1,019,745</u>	<u>2,410,400</u>
	3,394,667	3,974,622
Less: Amount due within one year shown under current liabilities	<u>(984,432)</u>	<u>(579,984)</u>
Amount due after one year	<u>2,410,235</u>	<u>3,394,638</u>

The bank borrowings are denominated in HK\$.

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

17. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 January 2015, 31 December 2015 and 31 December 2016	<u>10,000,000,000</u>	<u>1,000,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2015	6,449,261,370	644,926
Repurchase and cancellation of Shares (<i>remark i</i>)	(97,042,000)	(9,704)
Issue of Shares as a part of Directors' reward shares (<i>remark ii</i>)	<u>14,541,750</u>	<u>1,454</u>
At 31 December 2015	6,366,761,120	636,676
Repurchase and cancellation of Shares (<i>remark i</i>)	<u>(99,185,000)</u>	<u>(9,918)</u>
At 31 December 2016	<u>6,267,576,120</u>	<u>626,758</u>

Remarks:

- (i) During the year ended 31 December 2015 and 2016, the Company repurchased its own Shares through the Stock Exchange as follows:

For the year ended 31 December 2016

Month of repurchase	Number of Shares repurchased '000	Price per Share		Aggregate consideration paid (including transaction costs) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2016	54,615	1.04	0.97	54,903
March 2016	1,206	1.10	1.07	1,301
April 2016	5,574	1.13	1.04	6,015
May 2016	2,957	0.95	0.94	2,824
June 2016	5,092	1.01	0.94	4,981
July 2016	2,851	1.07	1.02	2,975
August 2016	12,631	1.10	1.03	13,560
September 2016	10,071	1.39	1.08	12,504
October 2016	1,777	1.61	1.57	2,827
November 2016	<u>2,411</u>	1.32	1.26	<u>3,120</u>
	<u>99,185</u>			<u>105,010</u>

For the year ended 31 December 2015

Month of repurchase	Number of 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	<u>7,211</u>	1.06	1.00	<u>7,467</u>
	<u>97,042</u>			<u>110,811</u>

- (ii) On 31 December 2015, the Company issued 14,541,750 Shares, pursuant to the service contracts or letter of appointment dated 5 June 2013 entered into between the Company and each of Mr David Chow, Mr Sheldon Trainor-DeGirolamo and Mr Tong Ka Wing, Carl.

18. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2016 HK\$'000	2015 HK\$'000
Within one year	10,452	23,062
In the second to fifth year inclusive	12,136	13,203
Over five years	<u>17,868</u>	<u>18,567</u>
	<u>40,456</u>	<u>54,832</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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	101,716	116,564
In the second to fifth year inclusive	297,337	273,713
Over five years	<u>112,069</u>	<u>149,568</u>
	<u><u>511,122</u></u>	<u><u>539,845</u></u>

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

19. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments in respect of the acquisition of property and equipment and construction in progress which are contracted for but not provided of HK\$892,094,000 (2015: HK\$897,219,000).

20. CONTINGENT LIABILITIES

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

- (i) Pursuant to the amendment in the Service Agreement on 16 December 2011, in the event of any non-payment by the gaming promoters or any failure to fulfill their obligations 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 2016 and 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 in March 2016. The case was closed with a definitive decision in favour of MFW and the final court bill was settled on 17 October 2016. The Court has condemned the former tenant to pay the amount of approximately MOP66,919,000 (equivalent to approximately HK\$64,970,000) plus interest. Accordingly, no provision has been made in the consolidated financial statements for the years ended 31 December 2016 and 2015.

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

21. ACQUISITION OF THE BUSINESS OPERATION

During the year ended 31 December 2016, the Group entered into agreements with the Government of Lao PDR, pursuant of which the Group acquired an integrated set of activities and assets that are engaged in operation of an integrated resorts in Lao PDR (the “Business Operation”) at a cash consideration of US\$42,000,000 (equivalent to approximately HK\$325,920,000) (the “Acquisition”). The Acquisition enables the Group to tap into the gaming business and the tourism market in Lao PDR. The Acquisition is accounted for using the acquisition method in accordance with HKFRS 3 Business Combination as the Directors consider that the acquired items constitute a business in accordance with HKFRS 3. The Acquisition was approved by the shareholders of the Company at the extraordinary general meeting held on 18 August 2016 and was completed on 1 September 2016. Further details of the Acquisition are set out in the circular of the Company dated 1 August 2016.

Assets acquired and liabilities recognised at the date of Acquisition are as follows:

	HK\$'000
Fair value of net assets acquired:	
Property and equipment	216,504
Prepaid lease payments	19,400
Intangible assets	82,270
Inventories	9,627
Trade and other receivables	4,542
Bank balances and cash	8,066
Trade and other payables	<u>(14,489)</u>
Fair value of total identifiable net assets	<u><u>325,920</u></u>
Satisfied by:	
Cash	<u><u>325,920</u></u>
Net cash outflow on acquisition of the Business Operation:	
Cash consideration paid	325,920
Less: Bank balances and cash acquired	<u>(8,066)</u>
	<u><u>317,854</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Results

For the year ended 31 December 2016, the Group achieved a total reported revenue of approximately HK\$1,471.5 million, representing an increase of approximately HK\$35.3 million or approximately 2.5% over that of the year ended 31 December 2015 of approximately HK\$1,436.1 million. Breakdown of the Group's reported revenue for the years ended 31 December 2016 and 2015 is as follows:

	For the year ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
Gaming services:		
— Pharaoh's Palace Casino		
— Mass market tables	539,948	594,270
— VIP tables		
— Self-run (New Legend)	134,530	106,474
— Outsourced	24,831	35,219
— Slot machines	8,439	8,478
	707,748	744,441
— Babylon Casino		
— Mass market tables	112,141	117,235
— VIP tables		
— Self-run (New Legend)	40,870	35,607
— Slot machines	679	118
	153,690	152,960
— Savan Vegas Casino		
— Mass market tables	38,596	—
— VIP tables	16,828	—
— Slot machines	35,555	—
	90,979	—
<i>Sub-total for gaming services</i>	952,417	897,401
Non-gaming operations:		
— The Landmark Macau	208,918	223,961
— MFW	302,899	314,781
— Savan Legend	7,227	—
<i>Sub-total for non-gaming operations</i>	519,044	538,742
Total reported revenue	1,471,461	1,436,143

For the year ended 31 December 2016, gaming revenue of the Group increased by approximately 6.1% to approximately HK\$952.4 million and non-gaming revenue decreased by approximately 3.7% to approximately HK\$519.0 million, when compared to the year ended 31 December 2015. The increase in gaming revenue was primarily due to (i) the reported revenue contributed from Savan Vegas Casino since Acquisition of approximately HK\$91.0 million and (ii) the increase in reported revenue from New Legend, self-run VIP operation of the Group, of approximately HK\$33.3 million. It was offset by the decrease in reported revenue from mass market tables of approximately HK\$59.4 million in Pharaoh's Palace Casino and Babylon Casino and outsourced VIP tables of approximately HK\$10.4 million for the year ended 31 December 2016.

The decrease in non-gaming revenue was primarily due to the decrease in revenue from (i) The Landmark Macau of approximately HK\$15.0 million and (ii) MFW of approximately HK\$11.9 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 contribution of revenue from Savan Legend of approximately HK\$7.2 million.

Adjusted EBITDA for the year ended 31 December 2016 was approximately HK\$215.6 million, representing a decrease of approximately HK\$52.8 million or approximately 19.7% over that of the year ended 31 December 2015 of approximately HK\$268.3 million. The following table reconciles Adjusted EBITDA to the profit (loss) attributable to owners of the Company:

	For the year ended 31 December							
	2016				2015			
	The Group excluding MFW Group and Savan Legend HK\$'000	MFW Group HK\$'000	Savan Legend HK\$'000	Consolidated HK\$'000	The Group excluding MFW Group and Savan Legend HK\$'000	MFW Group HK\$'000	Savan Legend HK\$'000	Consolidated HK\$'000
Profit (loss) attributable to owners of the Company	(22,843)	(264,039)	9,387	(277,495)	81,389	(349,897)	—	(268,508)
Adjustments for:								
Finance costs	—	23,491	—	23,491	—	84,749	—	84,749
Depreciation of investment properties	3,841	8,031	—	11,872	3,841	7,715	—	11,556
Depreciation of property, plant and equipment	108,196	146,594	12,582	267,372	103,410	129,442	—	232,852
Release of prepaid lease payments	11,734	42,310	126	54,170	11,734	41,729	—	53,463
Amortisation of other intangible assets	33,168	—	537	33,705	33,168	—	—	33,168
Loss on disposal of property and equipment	66	920	—	986	18	84	—	102
Share-based payments	—	—	—	—	12,718	—	—	12,718
Unrealised exchange loss/(gain)	—	148	—	148	(102)	445	—	343
Realised exchange loss arising from selling of RMB deposits (<i>remark i</i>)	—	—	—	—	21,090	96,377	—	117,467
Pre-opening expenses (<i>remark ii</i>)	83,788	15,606	—	99,394	73,885	9,674	—	83,559
Interest income	(6,898)	(12,053)	—	(18,951)	(34,345)	(53,802)	—	(88,147)
Tax (credit)/charge	1,650	(6,631)	25,854	20,873	1,650	(6,629)	—	(4,979)
Adjusted EBITDA	212,702	(45,623)	48,486	215,565	308,456	(40,113)	—	268,343

Remarks:

- (i) Included in the exchange loss for the year ended 31 December 2015 was the realised exchange loss arising from conversion of RMB deposits into HK\$ of approximately HK\$117.5 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 Adjusted EBITDA by segments (after elimination of inter-segment results) is as follows:

	For the year ended 31 December							
	2016				2015			
	The Group excluding MFW Group and Savan Legend HK\$'000	MFW Group HK\$'000	Savan Legend HK\$'000	Consolidated HK\$'000	The Group excluding MFW Group and Savan Legend HK\$'000	MFW Group HK\$'000	Savan Legend HK\$'000	Consolidated HK\$'000
Gaming services	294,065	(19,810)	76,443	350,698	384,378	(31,185)	—	353,193
Non-gaming operations	(9,246)	(25,813)	(27,957)	(63,016)	(28,129)	(8,928)	—	(37,057)
Sub-total	284,819	(45,623)	48,486	287,682	356,249	(40,113)	—	316,136
Unallocated corporate expenses	(72,117)	—	—	(72,117)	(47,793)	—	—	(47,793)
Adjusted EBITDA	212,702	(45,623)	48,486	215,565	308,456	(40,113)	—	268,343

Adjusted EBITDA from gaming services decreased by approximately 0.7% to approximately HK\$350.7 million for the year ended 31 December 2016 from approximately HK\$353.2 million for the year ended 31 December 2015. Adjusted EBITDA from operations of the Group excluding MFW Group, Savan Legend and unallocated corporate expenses, mainly arising from the operations at The Landmark Macau, decreased by approximately 20.1% to approximately HK\$284.8 million for the year ended 31 December 2016 from approximately HK\$356.2 million for the year ended 31 December 2015. Adjusted EBITDA of Savan Legend for the four months period ended 31 December 2016 amounted to approximately HK\$48.5 million.

The Group's loss for the year ended 31 December 2016 was approximately HK\$277.5 million representing an increase of approximately HK\$9.0 million when compared to that of the year ended 31 December 2015. The loss for the year ended 31 December 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.

Financial and Operational Reviews

A. Gaming Services

The Group's revenue from gaming services consisted of (i) service income received from SJM for services and facilities provided relating to mass market tables, VIP tables and slot machines and (ii) casino operations in the Lao PDR.

As at 31 December 2016 and 2015, the Group had the following number of gaming tables and slot machines in its three casinos which were put into operation:

	As at 31 December							
	2016				2015			
	Pharaoh's Palace Casino	Babylon Casino	Savan Vegas Casino	Total	Pharaoh's Palace Casino	Babylon Casino	Savan Vegas Casino	Total
Mass market tables	60	34	45	139	60	32	—	92
VIP tables	22	17	39	78	23	12	—	35
Total gaming tables	82	51	84	217	83	44	—	127
Slot machines	121	74	466	661	156	29	—	185

As at 31 December 2016, the Group had a total of 179 gaming tables in Macau (31 December 2015: 179), of which 133 (31 December 2015: 127) were put into operation. The Group had 84 gaming tables which were put into operation in the Lao PDR.

For the year ended 31 December 2016, the Group recorded approximately HK\$952.4 million revenue from gaming services, representing an increase of approximately HK\$55.0 million or approximately 6.1% over that of the year ended 31 December 2015 of approximately HK\$897.4 million. Breakdown of the Group's revenue from gaming services for the years ended 31 December 2016 and 2015 is as follows:

	For the year ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mass market tables:		
— Pharaoh's Palace Casino	539,948	594,270
— Babylon Casino	112,141	117,235
— Savan Vegas Casino	38,596	—
	<u>690,685</u>	<u>711,505</u>
Self-run VIP tables (under VIE Structure):		
— Pharaoh's Palace Casino	134,530	106,474
— Babylon Casino	40,870	35,607
	175,400	142,081
Self-run VIP tables:		
— Savan Vegas Casino	16,828	—
Outsourced VIP tables:		
— Pharaoh's Palace Casino	24,831	35,219
	<u>217,059</u>	<u>177,300</u>
Slot machines:		
— Pharaoh's Palace Casino	8,439	8,478
— Babylon Casino	679	118
— Savan Vegas Casino	35,555	—
	<u>44,673</u>	<u>8,596</u>
Total revenue from gaming services	<u>952,417</u>	<u>897,401</u>

The following tables set out certain key operational data of mass market tables, VIP tables and slot machines for the years ended 31 December 2016 and 2015:

Mass Market Tables

	Pharaoh's Palace Casino			Babylon Casino			Savan Vegas Casino		
	For the year ended 31 December			For the year ended 31 December			For the year ended 31 December		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop	4,488,268	4,735,977	(5.2%)	1,284,672	1,450,367	(11.4%)	166,411	—	N/A
Net win	981,724	1,080,491	(9.1%)	203,870	213,154	(4.4%)	39,756	—	N/A
Hold rate	21.87%	22.81%	(0.9%)	15.87%	14.70%	1.2%	23.89%	—	N/A
Average number of tables	60	60	—	32	27	18.5%	46	—	N/A
Net win per table per day	45	49	(8.2%)	17	22	(22.7%)	7	—	N/A

The Group's revenue from mass market tables for the year ended 31 December 2016 was approximately HK\$690.7 million, representing a decrease of approximately HK\$20.8 million or approximately 2.9% over that of the year ended 31 December 2015 of approximately HK\$711.5 million. Revenue from mass market tables at Pharaoh's Palace Casino decreased by approximately 9.1% to approximately HK\$539.9 million while revenue at Babylon Casino decreased by approximately 4.3% to approximately HK\$112.1 million. Savan Vegas Casino has contributed a total of approximately HK\$38.6 million of revenue at mass market tables since Acquisition. For the year ended 31 December 2016, net win per table per day of mass market tables at Pharaoh's Palace Casino and Babylon Casino decreased by approximately 8.2% to approximately HK\$45,000 and approximately 22.7% to approximately HK\$17,000 over that of the year ended 31 December 2015 of approximately HK\$49,000 and HK\$22,000, respectively.

VIP Tables

	Pharaoh's Palace Casino						
	For the year ended 31 December						
	2016			2015			Change
	Outsourced	Self-run (New Legend)	Total	Outsourced	Self-run (New Legend)	Total	%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Games turnover	17,767,000	8,058,803	25,825,803	47,669,399	5,945,111	53,614,510	(51.8%)
Net win	499,918	301,136	801,054	1,557,003	200,850	1,757,853	(54.4%)
Win percentage	2.81%	3.74%	3.10%	3.27%	3.38%	3.28%	(0.2%)
Average number of tables	14	9	23	32	7	39	(41.0%)
Net win per table per day	98	91	95	133	79	123	(22.8%)

	Babylon Casino			Savan Vegas Casino		
	For the year ended 31 December			For the year ended 31 December		
	2016	2015	Change	2016	2015	Change
	Self-run	Self-run		Self-run	Self-run	
	(New	(New		Self-run	Self-run	
	Legend)	Legend)		Self-run	Self-run	
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games turnover	1,270,827	1,329,914	(4.4%)	1,120,794	—	N/A
Net win	65,971	62,701	5.2%	37,656	—	N/A
Win percentage	5.19%	4.71%	0.5%	3.36%	—	N/A
Average number of tables	15	9	66.7%	40	—	N/A
Net win per table per day	12	19	(36.8%)	8	—	N/A

The Group's revenue from VIP tables for the year ended 31 December 2016 was approximately HK\$217.1 million, representing an increase of approximately HK\$39.8 million or approximately 22.4% over that of the year ended 31 December 2015 of approximately HK\$177.3 million. During the year ended 31 December 2016, approximately HK\$175.4 million was contributed from New Legend through the VIE Structure. While during the four months period ended 31 December 2016, approximately HK\$16.8 million was contributed by Savan Vegas Casino. Revenue from outsourced VIP tables decreased by approximately HK\$10.4 million or approximately 29.5%. For the year ended 31 December 2016, net win per table per day of VIP tables at Pharaoh's Palace Casino decreased by approximately 22.8% to approximately HK\$95,000 over that of the year ended 31 December 2015 of approximately HK\$123,000. Net win per table per day of VIP tables at Babylon Casino decreased by approximately 36.8% to approximately HK\$12,000 over that of the year ended 31 December 2015 of approximately HK\$19,000. Win percentage and net win per table per day of VIP tables at Savan Vegas Casino were 3.4% and HK\$8,000 respectively.

Slot Machines

	Pharaoh's Palace Casino			Babylon Casino			Savan Vegas Casino		
	For the year ended 31 December			For the year ended 31 December			For the year ended 31 December		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Slot handle	816,619	765,135	6.7%	52,330	4,495	1,064.2%	948,300	—	N/A
Net win	23,861	28,301	(15.7%)	1,752	364	381.3%	35,547	—	N/A
Hold rate	2.92%	3.70%	(0.8%)	3.35%	8.10%	(4.8%)	3.75%	—	N/A
Average number of slot machines	121	159	(23.9%)	74	29	155.2%	466	—	N/A
Net win per slot machines per day	0.5	0.5	—	0.1	0.1	—	1	—	N/A

The Group's revenue from slot machines at Pharaoh's Palace Casino and Babylon Casino for the year ended 31 December 2016 decreased by approximately 0.5% to approximately HK\$8.4 million and increased by approximately 475.4% to approximately HK\$0.7 million, respectively, when compared to the year ended 31 December 2015. The Group's revenue from slot machines at Savan Vegas Casino for the four months period ended 31 December 2016 was approximately HK\$35.6 million.

B. *Non-gaming Operations*

For the year ended 31 December 2016, the Group recorded a total non-gaming revenue of approximately HK\$519.0 million, representing a decrease of approximately HK\$19.7 million or approximately 3.7% over that of the year ended 31 December 2015 of approximately HK\$538.7 million. Out of the total non-gaming revenue, revenue from (i) The Landmark Macau accounted for approximately HK\$208.9 million or approximately 40.3% of the total non-gaming revenue (for the year ended 31 December 2015: approximately HK\$224.0 million or approximately 41.6%); (ii) MFW accounted for approximately HK\$302.9 million or approximately 58.3% of the total non-gaming revenue (for the year ended 31 December 2015: approximately HK\$314.8 million or approximately 58.4%); and (iii) Savan Legend accounted for approximately HK\$7.2 million or approximately 1.4% of total non-gaming revenue (for the year ended 31 December 2015: Nil).

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

	As at 31 December							
	2016				2015			
	The Group excluding MFW Group and Savan Legend				The Group excluding MFW Group and Savan Legend			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental income from hotel rooms	86,631	119,443	890	206,964	90,772	105,848	—	196,620
Licensing income from investment properties	49,978	56,876	—	106,854	53,151	76,302	—	129,453
Income from building management services	31,526	22,798	—	54,324	37,392	23,947	—	61,339
Food and beverage	36,544	86,129	4,880	127,553	38,410	87,399	—	125,809
Sales of merchandise	—	13,851	—	13,851	—	17,998	—	17,998
Others	4,239	3,802	1,457	9,498	4,236	3,287	—	7,523
Total revenue from non-gaming operations	<u>208,918</u>	<u>302,899</u>	<u>7,227</u>	<u>519,044</u>	<u>223,961</u>	<u>314,781</u>	<u>—</u>	<u>538,742</u>

The shortfall in non-gaming revenue was primarily due to the decrease in revenue from The Landmark Macau of approximately HK\$15.0 million which in turn was mainly caused by the decrease in income from hotel rooms of approximately HK\$4.1 million or approximately 4.6% and income from building management services by approximately HK\$5.9 million or approximately 15.7%. The decrease in non-gaming revenue of MFW Group was approximately of HK\$11.9 million or approximately 3.8% primarily due to the decrease in licensing income from investment properties of approximately HK\$19.4 million. The overall shortfall in non-gaming revenue was offset by increase in (i) revenue of Harbourview Hotel at MFW of approximately HK\$25.7 million or approximately 22.3%, which commenced its operation since 2 February 2015 and (ii) revenue contributed by Savan Legend of approximately HK\$7.2 million since Acquisition.

The following table sets out certain key operational data on hotel operations of the Group for the years ended 31 December 2016 and 2015:

	For the year ended	
	31 December	
	2016	2015
The Landmark Macau		
Occupancy rate (%)	78.1	67.2
ADR (HK\$)	999.4	1,268.4
REVPAR (HK\$)	780.5	852.3
Rocks Hotel		
Occupancy rate (%)	78.4	78.4
ADR (HK\$)	995.2	1,148.4
REVPAR (HK\$)	780.2	900.3
Harbourview Hotel		
Occupancy rate (%)	77.9	65.6
ADR (HK\$)	822.1	933.1
REVPAR (HK\$)	640.4	612.1
Savan Legend Resorts*		
Occupancy rate (%)	52.2	—
ADR (HK\$)	159.1	—
REVPAR (HK\$)	83.0	—

* The management and operations were taken over on 1 September 2016

The Landmark Macau

The occupancy rate of The Landmark Macau for the year ended 31 December 2016 was approximately 78.1%, an increase of approximately 10.9% over that of the year ended 31 December 2015 of approximately 67.2%. For the year ended 31 December 2016, ADR and REVPAR of The Landmark Macau decreased by approximately 21.2% and approximately 8.4%, respectively, when compared to those of the year ended 31 December 2015.

Macau Fisherman's Wharf

Rocks Hotel

The occupancy rate of Rocks Hotel for the year ended 31 December 2016 was approximately 78.4%, remain stable than that of the year ended 31 December 2015. For the year ended 31 December 2016, ADR and REVPAR of Rocks Hotel both decreased by approximately 13.3% when compared to those of the year ended 31 December 2015.

Harbourview Hotel

The occupancy rate of Harbourview Hotel for the for the year ended 31 December 2016 was approximately 77.9% increased of approximately 12.3% over that of the period from its opening to 31 December 2015. For the year ended 31 December 2016, ADR and REVPAR of Harbourview Hotel decreased by approximately 11.9% and increased by approximately 4.6%, respectively, when compared to those of the period from its opening to 31 December 2015.

Savan Legend Resorts

The management and operations of Savan Legend Resorts was taken over by the Group on 1 September 2016. The occupancy rate of Savan Legend Resorts for the four months period ended 31 December 2016 was approximately 52.2%. ADR and REVPAR of Savan Legend Resorts were approximately HK\$159.1 and approximately HK\$83.0, respectively.

C. Corporate and Business Updates

(a) MFW Redevelopment

Legend Palace Hotel

Legend Palace Hotel, the second new hotel under the MFW Redevelopment, opened on 27 February 2017. It 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 includes a new in-house casino.

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 June 2019.

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 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	4Q 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	4Q 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	2Q 2018
		Phase 2 — further pontoons and wave attenuator wall in design stage incorporating comments from the Macau government.	
		Approval of immigration facilities has been obtained from the Macau government with effect from 1 April 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) *Development project in the Lao PDR*

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 ("Savan Vegas") 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 and circular dated 1 August 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. On 1 September 2016, the Company has taken over the management and operation of Savan Vegas.

(d) *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

On 27 February 2017, the Company held a ceremony that celebrates the opening of Legend Palace, the second new hotel at the MFW Redevelopment. This 5-star addition to the Company's portfolio houses 223 guestrooms and suites, 6 brand new food and beverage outlets, and a new casino which houses up to 80 gaming tables. This, together with the other properties of the Company in MFW, is reinforcing the area as a distinguishing landmark on Macau peninsular waterfront.

The Company actively supports the efforts of the Macau government to build a world tourism and leisure center and to promote diversified tourism in Macau. Efforts are being made to upgrade state of the art lighting and visual effects to the newly completed canopy for an enhanced open-air shopping, dining and entertainment experience. The progress of construction of the dinosaur museum is smooth with a completion target within 2017. Future plans include the construction of an opera house and an intelligent exhibition centre.

Visitations to Macau in 2016 grew slightly reaching approximately 31 million, and overnight visitations were up 10% year on year to 15.7 million. The opening of Legend Palace coincides with this gradual but steady recovery of the Macau gaming market which started from the second quarter last year. The Company intends to target visitors from South East Asia at which it already begun to create an operation and marketing hub in Laos.

In Savannakhet in Laos, the rebranded Savan Legend Resorts has been contributing positive EBITDA since the Company took over management and operation since September 2016. 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.

At Cape Verde, the first overseas project of the Company, construction for the integrated resort has commenced. 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.

The Group will continue to focus on Southeast Asian destinations where the "One Road, One Belt" 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.

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.

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 2016, the consolidated net assets attributable to owners of the Company amounted to approximately HK\$6,692.4 million, representing a decrease of approximately HK\$400.7 million from approximately HK\$7,093.1 million as at 31 December 2015. The decrease in consolidated net assets during the year ended 31 December 2016 was mainly due to the Group's loss for the year of approximately HK\$277.5 million and the reduction in capital of approximately HK\$105.0 million as a result of the share repurchases during the year.

Bank Balances and Cash

As at 31 December 2016, bank balances and cash held by the Group amounted to approximately HK\$229.0 million (including pledged bank deposits of approximately HK\$21.1 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.

As at 31 December 2016, a total of approximately HK\$3.7 million had been placed as fixed deposits at banks in Macau with maturity of one month which are in EUR, at an average annualised interest rate of approximately 0.001%.

Borrowings

As at 31 December 2016, the Group had outstanding secured and unguaranteed bank borrowings of approximately HK\$3,394.7 million and an unsecured, interest-free and unguaranteed other borrowings of approximately HK\$58.5 million.

Charge on the Group's Assets

As at 31 December 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\$358.3 million (31 December 2015: approximately HK\$370.2 million), buildings with a total carrying amount of approximately HK\$2,320.9 million (31 December 2015: approximately HK\$2,337.4 million), prepaid lease payments with a total carrying amount of approximately HK\$1,764.6 million (31 December 2015: approximately HK\$1,818.7 million), trade receivables of approximately HK\$118.0 million (31 December 2015: approximately HK\$108.0 million) and bank deposits of approximately HK\$21.1 million (31 December 2015: approximately HK\$24.8 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 51.6% as at 31 December 2016 (31 December 2015: approximately 57.1%).

Employees and Remuneration Policies

As at 31 December 2016, the Group had a total of approximately 4,796 employees, including approximately 1,316 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.

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board is committed to strengthening the Group's corporate governance practices and ensuring transparency and accountability of the Company's operations. During the year ended 31 December 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 ANNUAL RESULTS

The Group's consolidated financial statements for the year ended 31 December 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 two non-executive Directors, namely Mr Tong Ka Wing, Carl and Ms. Ho Chiulin, Laurinda.

SCOPE OF WORK OF MESSRS DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Company's auditor, Messrs Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs Deloitte Touche Tohmatsu on the preliminary announcement.

DEFINITIONS

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

“Acquisition”	the Group has taken over the management and operations of Savan Legend on 1 September 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
“Board”	the board of Directors
“Business Operation”	an integrated set of activities and assets that are engaged in operation of integrated resorts in Lao PDR
“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
“Project Cape Verde”	the project of developing an integrated leisure, tourism and entertainment complex in Praia, the capital city of Cape Verde

“REVPAR”	revenue per available room
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Savan Legend”	Savan Legend Resorts Sole Company Limited, a company incorporated in the Lao PDR and a wholly-owned subsidiary of the Company, which operates Savan Vegas Hotel and Entertainment Complex
“Savan Vegas Casino”	a casino operated by Savan Legend inside Savan Vegas Hotel and Entertainment Complex in the Lao PDR
“Savan Legend Resorts”	a resort operated by Savan Legend inside Savan Vegas Hotel and Entertainment Complex in the Lao PDR
“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
“The Landmark Macau”	the hotel, dining, conference and casino complex, and the car parks, located at Macau Landmark Building, 555 Avenida da Amizade, Macau
“US\$”	United States dollars, the lawful currency of the United States of America
“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

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

Hong Kong, 28 March 2017

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

* *For identification purposes only*