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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 2022;
AND RESUMPTION TRADING**

Reference is made to (i) the announcement of the Company dated 24 August 2022 in relation to, among others, possible delay in publication of the 2022 Interim Results; and (ii) the announcement on suspension of trading dated 31 August 2022 (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

* *for identification purposes only*

RESULTS

The Board announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022 as follows:

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

For the six months ended 30 June 2022

		For the six months ended 30 June	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE	3	543,751	527,439
Cost of sales and services		<u>(729,043)</u>	<u>(697,995)</u>
		(185,292)	(170,556)
Other income, gains and losses, net		(6,604)	19,621
Impairment losses on financial assets, net		(984)	(7,744)
Impairment losses on non-financial assets	5	–	(241,000)
Marketing and promotional expenses		(62,474)	(59,110)
Operating, administrative and other expenses		(137,438)	(152,104)
Finance costs	6	(49,128)	(29,591)
Share of results of an associate		<u>(7,084)</u>	<u>(11,695)</u>
LOSS BEFORE TAX	7	(449,004)	(652,179)
Income tax expenses	8	<u>(36,504)</u>	<u>(36,464)</u>
LOSS FOR THE PERIOD		<u>(485,508)</u>	<u>(688,643)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME:			
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations			
– subsidiaries		(2,312)	(17,299)
– an associate		–	950
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		<u>(2,312)</u>	<u>(16,349)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(487,820)</u>	<u>(704,992)</u>
LOSS PER SHARE			
Basic (HK cents)			
– For loss for the period	10	<u>(7.83)</u>	<u>(11.1)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	30 June	31 December
	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Investment properties	289,452	295,084
Property and equipment	5,218,284	5,383,120
Right-of-use assets	1,225,831	1,254,344
Other intangible assets	43,939	55,037
Investment in an associate	–	7,084
Loan to an associate	116,467	116,467
Deposits paid	227,131	226,909
Financial assets at fair value through profit or loss	186,486	208,338
	<u>7,307,590</u>	<u>7,546,383</u>
Total non-current assets		
CURRENT ASSETS		
Inventories	22,866	24,289
Trade and other receivables, deposits and prepayments	11 188,371	265,167
Pledged deposits	1,671	1,671
Cash and cash equivalents	65,844	132,596
	<u>278,752</u>	<u>423,723</u>
Total current assets		
CURRENT LIABILITIES		
Trade and other payables	12 317,390	355,285
Tax payable	667,514	641,103
Bank and other borrowings	2,533,083	206,733
Lease liabilities	10,217	8,291
	<u>3,528,204</u>	<u>1,211,412</u>
Total current liabilities		
NET CURRENT LIABILITIES	<u>(3,249,452)</u>	<u>(787,689)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,058,138</u>	<u>6,758,694</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2022

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Bank and other borrowings	–	2,201,956
Lease liabilities	95,225	102,752
Deferred tax liabilities	135,793	139,046
	<hr/>	<hr/>
Total non-current liabilities	231,018	2,443,754
	<hr/>	<hr/>
NET ASSETS	3,827,120	4,314,940
	<hr/>	<hr/>
EQUITY		
Share capital	620,119	620,119
Reserves	3,207,001	3,694,821
	<hr/>	<hr/>
TOTAL EQUITY	3,827,120	4,314,940
	<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

The interim condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated. It has been prepared under the historical cost convention except for financial assets at fair value through profit or loss which have been measured at fair value.

Pursuant to the Service Agreement dated 25 September 2006 and its related amendments entered into with SJM Resorts S.A. (formerly known as Sociedade de Jogos de Macau, S.A.) (“SJM”), being one of the three original concessionaires in Macau, the Group provides gaming services to SJM in its premises in Macau. The Service Agreement between the Group and SJM is due to expire on 26 June 2022 when the term of SJM concession agreement with the Macau government ends on the same date. On 16 June 2022, the Group entered into an amendment to the Service Agreement with SJM that the services period will extend to 31 December 2022.

In January 2022, the Macau government put forth a proposed bill to amend the existing gaming law (the “**Draft Bill**”) which is under review and pending final approval by the Macau Legislative Assembly. On 23 June 2022, the Macau government extended the term of concession agreements of SJM and all the other concessionaires and sub-concessionaires from 26 June 2022 to 31 December 2022 in order to allow more time to review and approve the gaming law amendment bill and to launch gaming concession retender process.

The Draft Bill has been passed by Macau’s Legislative Assembly on 21 June 2022 that it allows existing satellite casinos to continue to operate in premises not owned by Macau casino gaming concessionaires even beyond the already-agreed 3-year grace period. The Directors have expressed their willingness to continue with the provision of gaming service to SJM during the 3-year transition period if a new gaming concession is granted to SJM.

Pursuant to the Addendum dated 16 June 2022 signed between the Group and SJM, the Group's existing satellite casino operations will end upon the expiry of SJM's gaming concession extension on 31 December 2022. The Directors confirm that the Group intends to continue its satellite casino operations in Macau after 31 December 2022, and the Group is closely monitoring the Macau Government's published guidelines on the future operations of satellite casino in order to ensure our qualification and compliance with the requirements. The Group has also maintained regular discussion with SJM on the continuation of the satellite casino arrangement once SJM is expected to secure a new gaming license for the next 10 years from 2023. The Directors have confirmed that the Group intends to continue operating all of the Group's principal businesses in Macau for the foreseeable future.

The Group is monitoring the developments with respect to the Macau government's concession retender process. The failure to renew the concession agreement by Macau government with SJM and therefore the failure to renew our Service Agreement with SJM would have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

The Group had net current liabilities of approximately HK\$3,249 million as at 30 June 2022 and recorded a net loss of HK\$486 million for the period ended 30 June 2022. The Group's current liabilities included bank borrowings amounted to HK\$2,373 million, while its cash and cash equivalents amounted to HK\$66 million as at 30 June 2022.

As at 30 June 2022, the Group had breached certain loan covenant clauses. These non-compliances constituted events of default, such that Luso International Banking Limited ("**Luso**") and CMB Wing Lung Bank, Limited – Macau Branch ("**CMB**") (collectively as the "**Banks**") may exercise their rights to serve notice to demand immediate repayment of all outstanding bank borrowings including interest. Accordingly, the bank borrowings of HK\$2,136 million has been reclassified as current liabilities in the Group's consolidated statement of financial position as at 30 June 2022. The Group has been actively negotiating with the Banks to further amend the covenants and/or grant further waiver to the Group from compliance of the covenants.

The above conditions, together with other matters below, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. In view of such circumstances, the Directors of the Company have undertaken various plans and measures to maintain the Group's liquidity and financial position including, inter alia:

- (a) in prior year, on 27 August 2021, the Group had obtained an extension of an instalment repayment amount of HK\$95 million due on 4 September 2021 to 4 September 2022 from the Banks. Accordingly, this amount has been rolled over into an aggregate principal amount now repayable on 4 September 2022 of HK\$213 million, which the Group expects will be repaid on time;

- (b) on 1 April 2022 and 30 May 2022, the Group entered into loan agreements with certain substantial shareholders of the Company. The Group has drawn down HK\$110 million as at 30 June 2022 pursuant to these loan agreements and has further drawn down HK\$40 million subsequent to the end of the reporting period. The Group has fully drawn down an aggregate loan amount of HK\$150 million as at the date of approval of the interim condensed consolidated financial information. The amount of HK\$50 million and HK\$100 million are repayable on 31 March 2023 and 30 May 2023, respectively. The Directors expect the substantial shareholders will agree on loan rollover when the loans are due on repayment dates;
- (c) on 14 June 2022, the Group's controlling shareholder has agreed to extend the repayment of HK\$50 million to 30 June 2023. The Directors expect controlling shareholder will agree on loan rollover when the loans are due on repayment date;
- (d) subsequent to the end of the reporting period, on 9 August 2022, the Group disposed of its perpetual bond at a total consideration of HK\$200 million. The disposal proceeds will be used for the Group's working capital purpose;
- (e) subsequent to the end of reporting period, on 1 September 2022, a substantial shareholder of the Company provided a shareholder's loan of HK\$50 million to the Group. The Group has fully drawn down HK\$50 million as at the date of approval of the interim condensed consolidated financial information. This amount is repayable on 2 January 2023. The Directors expect the substantial shareholder will agree on loan rollover when the loan is due on repayment date;
- (f) the Group is considering to carry out other divestment transactions (in respect of its equity investments) with a view to improve the Group's working capital position; and
- (g) the Group has undertaken various mitigating measures to manage the current business environment, including a cost control program to minimise the cash outflow of non-essential items.

The Directors have reviewed the Group's cash flow forecast covering a period of 12 months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned plans and measures and upon their realisation, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the interim condensed consolidated financial information of the Group for the period ended 30 June 2022 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon, inter alia, the following:

- (i) the existing credit facilities be maintained and made available by the Banks to the Group;
- (ii) the successful negotiation with the Banks for further amendment of the covenants and/or granting a waiver on the breach of loan covenants and extension for repayment of the Group's bank borrowings; and
- (iii) the successful and timely completion of the Group's divestment plan.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial information.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from gaming related operations:		
(i) from provision of gaming related facilities and gaming related general management services under the Service Agreement and indirect participation in the gaming promotion business under the VIE Structure in respect of:		
– Mass market tables	367,353	344,574
– VIP tables*	68,519	64,028
– Slot machines	1,102	1,471
	<u>436,974</u>	<u>410,073</u>
(ii) from operation of a casino in respect of:		
– Mass market tables	6,960	5,935
– Slot machines	5,321	5,063
	<u>12,281</u>	<u>10,998</u>
Total gaming revenue	<u>449,255</u>	<u>421,071</u>
Revenue from non-gaming related operations:		
Income from hotel rooms	19,010	19,744
Income from building management services	8,987	9,007
	<u>27,997</u>	<u>28,751</u>
Food and beverage	39,940	47,072
Sales of merchandise	834	657
Others	4,735	4,926
	<u>45,509</u>	<u>52,655</u>
Licensing income from investment properties	<u>20,990</u>	<u>24,962</u>
Total non-gaming revenue	<u>94,496</u>	<u>106,368</u>
	<u><u>543,751</u></u>	<u><u>527,439</u></u>

* The amounts include the indirect participation in the gaming promotion business in Macau through New Legend VIP Club Limited (“**New Legend**”) under the VIE Structure.

4. SEGMENT INFORMATION

The executive Directors of the Company (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 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 tables and slot machines. For the operation of casinos, the executive Directors regularly analyse gaming related revenue in terms of net difference between gaming wins and losses from mass market tables, VIP tables 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 management has chosen to organise the Group based on different 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 tables and slot machines under the service agreement entered into between Hong Hock, a wholly-owned subsidiary of the Company and gaming operator, SJM (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 VIP gaming tables operated by a subsidiary, New Legend, through the structure established by entering into the VIE Agreements among Hong Hock, New Legend and Mr Frederick Yip, where appropriate, of which further details are set out in the Company’s circular dated 9 June 2014 (the “**VIE Structure**”); and 2) Casino operation in Lao PDR.

Non-gaming – operations at MFW, Savan Legend Resorts Hotel, 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 2022

	Gaming <i>HK\$'000</i> <i>(Unaudited)</i>	Non-gaming <i>HK\$'000</i> <i>(Unaudited)</i>	Segment total <i>HK\$'000</i> <i>(Unaudited)</i>	Elimination <i>HK\$'000</i> <i>(Unaudited)</i>	Consolidated <i>HK\$'000</i> <i>(Unaudited)</i>
External revenue	449,255	94,496	543,751	–	543,751
Intersegment revenue	–	41,797	41,797	(41,797)	–
Segment revenue	<u>449,255</u>	<u>136,293</u>	<u>585,548</u>	<u>(41,797)</u>	<u>543,751</u>
Segment loss	<u>(91,242)</u>	<u>(236,881)</u>	<u>(328,123)</u>	<u>–</u>	<u>(328,123)</u>
<i>Reconciliation:</i>					
Unallocated depreciation and amortisation					(35,983)
Unallocated corporate income and expenses, net					(28,686)
Share of results of an associate					(7,084)
Finance costs					<u>(49,128)</u>
Loss before tax					<u>(449,004)</u>

For the six months ended 30 June 2021

	Gaming <i>HK\$'000</i> <i>(Unaudited)</i>	Non-gaming <i>HK\$'000</i> <i>(Unaudited)</i>	Segment total <i>HK\$'000</i> <i>(Unaudited)</i>	Elimination <i>HK\$'000</i> <i>(Unaudited)</i>	Consolidated <i>HK\$'000</i> <i>(Unaudited)</i>
External revenue	421,071	106,368	527,439	–	527,439
Intersegment revenue	–	35,687	35,687	(35,687)	–
Segment revenue	<u>421,071</u>	<u>142,055</u>	<u>563,126</u>	<u>(35,687)</u>	<u>527,439</u>
Segment loss	<u>(75,583)</u>	<u>(236,320)</u>	<u>(311,903)</u>	<u>–</u>	<u>(311,903)</u>

Reconciliation:

Unallocated depreciation and amortisation					(41,583)
Unallocated corporate income and expenses, net					(16,407)
Unallocated impairment losses on non-financial assets					(241,000)
Share of results of an associate					(11,695)
Finance costs					<u>(29,591)</u>
Loss before tax					<u>(652,179)</u>

Intersegment 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 results represent the results of each segment without allocation of depreciation of certain investment properties, right-of-use assets and property and equipment arising from the fair value adjustments on acquisition of MFW Group and amortisation of other intangible assets, unallocated corporate income and expenses, net, share of results of an associate and finance costs. Unallocated 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. IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

The investment project in Cape Verde represents the construction of a new hotel and casino complex. No impairment loss in respect of the current period (six months ended 30 June 2021: HK\$241,000,000) on construction in progress was recorded for the excess of the carrying value over the estimated recoverable amount of HK\$44,000,000 (31 December 2021: HK\$34,000,000), which was determined to be the fair value less costs of disposal of the cash generating unit to which the assets have been allocated for the investment project in Cape Verde. The estimated fair value of the cash generating unit in Cape Verde was determined using level 3 inputs based on the current cost of replacing the assets less deduction for physical deterioration and all relevant forms of obsolescence and optimisation.

6. FINANCE COSTS

	For the six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	29,711	24,019
Interest on other borrowings	2,011	–
Interest on lease liabilities	3,013	3,233
Amortisation of finance costs on bank borrowings and other finance costs	14,393	2,339
	<u>49,128</u>	<u>29,591</u>

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reversal of write down of inventories to net realisable value	(2,221)	(96)
Amortisation of other intangible assets (included in cost of sales and services of HK\$517,000 (2021: HK\$560,000) and operating, administrative and other expenses of HK\$8,304,000 (2021: HK\$13,855,000))	8,821	14,415
Cost of inventories sold	41,761	36,672
Depreciation of investment properties	5,631	5,631
Depreciation of property and equipment	178,662	190,019
Depreciation of right-of-use assets (included in cost of sales and services of HK\$26,116,000 (2021: HK\$27,678,000) and operating, administrative and other expenses of HK\$726,000 (2021: HK\$731,000))	26,842	28,409
Loss on disposal of property and equipment	137	74
Impairment losses on non-financial assets	–	241,000
Gross licensing income from investment properties	(20,990)	(24,962)
Less: Direct operating expenses that generate licensing income from investment properties	5,631	5,631
Net licensing income from investment properties	(15,359)	(19,331)
Bank interest income	(8,047)	(7,984)
Foreign exchange differences, net	673	(914)
Loss/(gain) on change in fair value of financial assets at FVTPL	21,852	(301)

8. INCOME TAX

	For the six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Macau complementary tax		
– current period	<u>(376)</u>	<u>(671)</u>
	(376)	(671)
Lao PDR annual flat tax and income tax		
– current period	<u>(39,381)</u>	<u>(39,046)</u>
	(39,381)	(39,046)
Deferred tax credit	<u>3,253</u>	<u>3,253</u>
Income tax charge	<u><u>(36,504)</u></u>	<u><u>(36,464)</u></u>

9. DIVIDEND

The Directors of the Company have determined that no dividend will be paid in respect of the interim period in 2022 (2021: nil).

10. LOSS PER SHARE

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

Loss

	For the six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period for the purpose of basic loss per share calculation	<u><u>(485,508)</u></u>	<u><u>(688,643)</u></u>

Number of Shares

	For the six months ended	
	30 June	
	2022	2021
	'000	'000
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	6,201,187	6,201,187

Diluted loss per share amounts are not presented as the Group did not have any dilutive potential ordinary shares for both interim periods.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At	At
	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	184,826	238,849
Less: Impairment losses	(62,410)	(62,557)
	122,416	176,292
Other receivables	85,390	88,114
Less: Impairment losses	(67,134)	(67,132)
	18,256	20,982
Chips on hand	15,191	38,285
Deposits and prepayments	32,508	29,608
Total trade and other receivables, deposits and prepayments	188,371	265,167

An ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of allowance is as follow:

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Within 3 months	96,873	153,857
3 to 6 months	18,057	9,918
6 months to 1 year	1,555	9,217
Over 1 year	5,931	3,300
	<u>122,416</u>	<u>176,292</u>

12. TRADE AND OTHER PAYABLES

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Trade payables	74,787	97,752
Construction and retention payables	18,069	21,659
Other payables	95,045	81,384
Deposits received from tenants	22,110	21,668
Deposits received from gaming promoters	2,567	6,505
Accrued staff costs	64,677	90,766
Other sundry accruals	40,135	35,551
	<u>317,390</u>	<u>355,285</u>
Total trade and other payables	<u>317,390</u>	<u>355,285</u>

An ageing analysis of trade payables at the end of the reporting period, based on the invoice date, is as follow:

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Within 3 months	59,263	93,449
3 to 6 months	12,431	4,303
6 months to 1 year	3,093	–
	<u>74,787</u>	<u>97,752</u>

EXTRACTS OF INDEPENDENT AUDITOR'S REVIEW REPORT

The Company's independent auditors has disclaimed a conclusion in its report on review of financial information of the Group's condensed consolidated financial statements for the six months ended 30 June 2022, and extract of which is as follows:

Basis for disclaimer of conclusion

Multiple Uncertainties Relating to Going Concern

As set out in note 2.1 to the interim financial information, the Group had net current liabilities of approximately HK\$3,249 million as at 30 June 2022 and recorded a net loss of HK\$486 million for the six-month period ended 30 June 2022. The Group's total bank borrowings amounted to HK\$2,373 million, of which HK\$237 million will be due for repayment within the next 12 months from the reporting date, while its cash and cash equivalents amounted to HK\$66 million as at 30 June 2022. In addition, as at 30 June 2022, the Group had breached certain loan covenant clauses and, as at the date of approval of the interim financial information, the Group is in the process of applying for a further waiver from the creditor banks (the "**Banks**"). The non-compliance constituted an event of default, such that the Banks may exercise their rights to serve notice to demand immediate repayment of all outstanding bank borrowings including interest. Accordingly, the bank borrowings of HK\$2,136 million has been reclassified as current liabilities in the Group's consolidated statement of financial position as at 30 June 2022. These conditions, together with other matters set out in note 2.1 to the interim financial information, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have undertaken measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the interim financial information. The validity of the going concern assumption on which the interim financial information has been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) continuous credit facilities being made available to the Group by the Banks; (ii) obtaining the Banks' agreement for further amendment of the covenants and/or granting a waiver on the breach of loan covenants and extension for repayment of the Group's bank borrowings; and; (iii) the successful and timely completion of the Group's divestment plan.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments may have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected in the interim financial information.

Disclaimer of conclusion

We do not express a conclusion on the interim financial information of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we were unable to obtain sufficient appropriate evidence to form a conclusion on the interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Interim Results

For the six months ended 30 June 2022, the Group achieved a total reported revenue of approximately HK\$543.8 million, representing an increase of approximately HK\$16.4 million or approximately 3.1% over that of the last corresponding period of approximately HK\$527.4 million.

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.

Legend Palace Casino

	Mass Market Tables			VIP Tables ⁽¹⁾			Slot Machines		
	For the six months ended 30 June			For the six months ended 30 June			For the six months ended 30 June		
	2022	2021	change	2022	2021	change	2022	2021	change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop/Slot handle	1,021,249	1,123,016	(9.1)	N/A	N/A	N/A	40,570	50,114	(19.0)
Turnover	N/A	N/A	N/A	3,040,232	1,590,351	91.2	N/A	N/A	N/A
Net win	164,388	186,091	(11.7)	105,760	59,571	77.5	2,755	3,040	(9.4)
Hold rate	16.10%	16.57%	(0.5)	3.48%	3.75%	(0.3)	6.79%	6.07%	0.7
Average number of tables/ slot machines	58	63	(7.9)	14	15	(6.7)	36	38	(5.3)
Net win per table/slot machine per day	16	16	-	43	22	95.5	0.44	0.40	10.0
Reported revenue	93,594	105,990	(11.7)	60,459	32,125	88.2	1,102	1,216	(9.4)
No. of gaming tables/slot machines in operation as of period end	59	63	(6.3)	14	16	(12.5)	39	35	11.4

Babylon Casino

	Mass Market Tables			VIP Tables ⁽¹⁾			Slot Machines		
	For the six months ended 30 June			For the six months ended 30 June			For the six months ended 30 June		
	2022	2021	change	2022	2021	change	2022	2021	change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop/Slot handle	507,528	436,228	16.3	N/A	N/A	N/A	N/A	7,405	(100.0)
Turnover	N/A	N/A	N/A	626,345	1,282,258	(51.2)	N/A	N/A	N/A
Net win	67,840	60,307	12.5	14,603	56,835	(74.3)	N/A	638	(100.0)
Hold rate	13.37%	13.82%	(0.5)	2.33%	4.43%	(2.1)	N/A	8.62%	(8.6)
Average number of tables/ slot machines	25	24	4.2	9	10	(10.0)	N/A	20	(100.0)
Net win per table/slot machine per day	15	14	7.1	9	31	(71.0)	N/A	0.2	(100.0)
Reported revenue	38,355	33,169	15.6	7,970	31,131	(74.4)	N/A	255	(100.0)
No. of gaming tables/slot machines in operation as of period end	25	24	4.2	9	9	-	N/A	20	(100.0)

Landmark Casino

	Mass Market Tables			VIP Tables		
	For the six months ended 30 June			For the six months ended 30 June		
	2022	2021	change	2022	2021	change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop	1,824,398	1,491,538	22.3	N/A	N/A	N/A
Turnover	N/A	N/A	N/A	775,000	1,363,000	(43.1)
Net win	428,006	373,481	14.6	4,541	38,600	(88.2)
Hold rate	23.46%	25.04%	(1.6)	0.59%	2.83%	(2.3)
Average number of tables	75	69	8.7	3	9	(66.7)
Net win per table per day	32	30	6.7	9	24	(62.5)
Reported revenue	235,403	205,415	14.6	90	772	(88.3)
No. of gaming tables in operation as of period end	75	69	8.7	3	9	(66.7)

Savan Legend Casino⁽²⁾

	Mass Market Tables			VIP Tables			Slot Machines		
	For the six months ended 30 June			For the six months ended 30 June			For the six months ended 30 June		
	2022	2021	change	2022	2021	change	2022	2021	change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop/Slot handle	34,432	31,434	9.5	N/A	N/A	N/A	139,416	151,135	(7.8)
Turnover	N/A	N/A	N/A	-	-	N/A	N/A	N/A	N/A
Net win	7,295	6,450	13.1	-	-	N/A	5,406	5,277	2.4
Hold rate	21.19%	20.52%	0.7	-	-	N/A	3.88%	3.49%	0.4
Average number of tables/ slot machines	8	6	33.3	-	-	N/A	103	160	(35.7)
Net win per table/slot machine per day	1	6	(83.3)	-	-	N/A	0.1	0.2	(50.0)
Reported revenue	6,961	5,935	17.3	-	-	N/A	5,321	5,063	5.1
No. of gaming tables/slot machines in operation as of period end	14	7	100.0	-	-	N/A	182	117	55.6

Six months ended 30 June

2022 2021
HK\$'000 **HK\$'000**

Total reported revenue for gaming services

Mass Market Tables	374,313	350,509
VIP Tables ⁽¹⁾	68,519	64,028
Slot Machines	6,423	6,534
	<u>449,255</u>	<u>421,071</u>

Notes:

- (1) The amounts include outsourced VIP tables and indirect participation in the gaming promotion business in Macau through New Legend under the VIE Structure.
- (2) The amounts include the operating statistics of the Thakhek slot club which was opened 3 months (30 June 2021: 5 months) in the first 6 months of 2022. Casino in Savan Legend temporarily closed for 1.9 months in the first 6 months of 2022 in correspondence to COVID-19 pandemic, hence, 4.1 months (30 June 2021: 5 months) performance is only presented for the period ended 30 June 2022. VIP tables remained closed during the six months end 30 June 2021 and 30 June 2022.

For the six months ended 30 June 2022, gaming revenue of the Group increased by approximately 6.7% to approximately HK\$449.3 million when compared to the last corresponding period. The increase in gaming revenue was primarily due to the partial recovery in 2022 from COVID-19 pandemic which caused (i) increment in reported revenue contributed from Legend Palace Casino of approximately HK\$15.8 million, (ii) offset by decrement in reported revenue contributed by Babylon Casino of approximately HK\$18.2 million, and (iii) increment in reported revenue contributed by Landmark Casino of approximately HK\$29.3 million; (iv) and increment in reported revenue contributed by Savan Legend Casino of approximately HK\$1.3 million.

As at 30 June 2022, the Group had a total of 190 gaming tables in Macau (30 June 2021: 194), of which 190 (30 June 2021: 192) were put into operation. The Group had 7 (30 June 2021: 7) gaming tables which were put into operation in the Lao PDR.

B. Non-gaming Operations

For the six months ended 30 June 2022, the Group recorded total non-gaming revenue of approximately HK\$94.5 million, decreased by approximately HK\$11.9 million or approximately 11.2% below that of the last corresponding period of approximately HK\$106.4 million.

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

	Six months ended 30 June					
	2022			2021		
	The Group excluding Savan Legend HK\$'000	Savan Legend HK\$'000	Consolidated HK\$'000	The Group excluding Savan Legend HK\$'000	Savan Legend HK\$'000	Consolidated HK\$'000
Income from hotel rooms	18,920	90	19,010	19,515	229	19,744
Licensing income from investment properties	20,990	–	20,990	24,962	–	24,962
Income from building management services	8,987	–	8,987	9,007	–	9,007
Food and beverage	39,787	153	39,940	46,975	97	47,072
Sales of merchandise	834	–	834	657	–	657
Others	4,729	6	4,735	4,920	6	4,926
	<u>94,247</u>	<u>249</u>	<u>94,496</u>	<u>106,036</u>	<u>332</u>	<u>106,368</u>
Total revenue from non- gaming operations	<u>94,247</u>	<u>249</u>	<u>94,496</u>	<u>106,036</u>	<u>332</u>	<u>106,368</u>

The decrease in non-gaming revenue was primarily due to decrease in revenue from food and beverage as a result of the decrease in tourist visitation in the first half of 2022.

The following table sets out certain key operational data on our major hotel operations of the Group for the six months ended 30 June 2022 and 2021:

	For the six months ended 30 June			
	2022		2021	
	Legend Palace Hotel	Harbourview Hotel	Legend Palace Hotel	Harbourview Hotel
Occupancy rate (%)	64	70	63	58
ADR (HK\$)	730	290	832	301
REVPAR (HK\$)	466	200	524	174

Adjusted EBITDA

Adjusted EBITDA for the six months ended 30 June 2022 was a loss of approximately HK\$160.5 million, representing a deterioration of approximately HK\$27.6 million as compare with the last corresponding period a loss of approximately HK\$132.9 million. The following table reconciles the Adjusted EBITDA to the profit (loss) attributable to owners of the Company:

	Six months ended 30 June					
	2022			2021		
	The Group excluding Savan Legend	Savan Legend	Consolidated	The Group excluding Savan Legend	Savan Legend	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to owners of the Company	(437,245)	(48,263)	(485,508)	(630,692)	(57,951)	(688,643)
Adjustments for:						
Finance costs	48,502	626	49,128	28,772	819	29,591
Depreciation of investment properties	5,631	-	5,631	5,631	-	5,631
Depreciation of right-of-use assets	23,986	2,856	26,842	25,322	3,087	28,409
Depreciation of property and equipment	171,533	7,129	178,662	180,676	9,343	190,019
Amortisation of other intangible assets	8,303	518	8,821	13,855	560	14,415
(Gain)/loss on disposal of property and equipment	143	(6)	137	(37)	111	74
(Reversal of)/impairment losses on financial assets	1,842	(1,871)	(29)	5,913	1,831	7,744
Impairment losses on non-financial assets	-	-	-	241,000	-	241,000
Reversal of write down of inventories to net realisable value	(2,221)	-	(2,221)	(96)	-	(96)

	Six months ended 30 June					
	2022			2021		
	The Group excluding Savan Legend HK\$'000	Savan Legend HK\$'000	Consolidated HK\$'000	The Group excluding Savan Legend HK\$'000	Savan Legend HK\$'000	Consolidated HK\$'000
Loss/(Gain) on change in fair value of financial assets at FVTPL	21,852	–	21,852	(301)	–	(301)
Exchange (gain)/loss arising from non-operating activities	–	732	732	(43)	(884)	(927)
Share of results of an associate	7,084	–	7,084	11,695	–	11,695
Bank interest income	(8,045)	(2)	(8,047)	(7,979)	(5)	(7,984)
Compensation income	(70)	–	(70)	–	–	–
Income tax expenses	(2,876)	39,380	36,504	(2,581)	39,045	36,464
Adjusted EBITDA	(161,581)	1,099	(160,482)	(128,865)	(4,044)	(132,909)

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

	Six months ended 30 June					
	2022			2021		
	The Group excluding Savan Legend HK\$'000	Savan Legend HK\$'000	Consolidated HK\$'000	The Group excluding Savan Legend HK\$'000	Savan Legend HK\$'000	Consolidated HK\$'000
Gaming services	(37,230)	8,829	(28,401)	(16,619)	7,207	(9,412)
Non-gaming operations	(117,517)	(7,730)	(125,247)	(95,838)	(11,251)	(107,089)
Sub-total	(154,747)	1,099	(153,648)	(112,457)	(4,044)	(116,501)
Unallocated corporate expenses ⁽¹⁾	(6,834)	–	(6,834)	(16,408)	–	(16,408)
Adjusted EBITDA	(161,581)	1,099	(160,482)	(128,865)	(4,044)	(132,909)

Remark:

(1) The amounts represented the unallocated corporate expenses, offsetting with its inter-segment elimination.

Adjusted EBITDA from operations of the Group excluding Savan Legend and unallocated corporate expenses, mainly arising from the operations at MFW Group, for the six months ended 30 June 2022 was a loss of approximately HK\$154.7 million, as compared to the last corresponding period was a loss of approximately HK\$112.5 million.

The Group's loss for the six months ended 30 June 2022 was approximately HK\$485.5 million, as compared to the loss of approximately HK\$688.6 million in the last corresponding period. Results of both periods are significantly affected by the social distancing measures and travel restrictions imposed by the authority in response to the COVID-19 pandemic, the tally of visitor arrivals to Macau and Lao PDR have severely declined in both periods when comparing to 2019. The Group has been closely monitoring the impact of COVID-19 pandemic on its operations. The Group has undertaken various mitigating measures to manage the current environment, including active measures to control its operating costs and expenses.

Dividend

The Board does not declare any interim dividend for the six months ended 30 June 2022 (2021: nil).

OUTLOOK

While the overall Macau economy is still being affected by the COVID-19 pandemic since early 2020, tourist visitation has shown a downtrend during the first half of 2022, the Group's gaming revenue in Macau slightly increased by approximately 6.6% over the same period last year, while comparing with figures published by the Macau Gaming Inspection and Coordination Bureau, total gaming revenue of the Macau market decreased by approximately 46%.

The outbreak of COVID-19 in Macau which seriously attacked Macau economy since mid-June 2022. The Macau government issued executive orders to suspend the operations of all non-essential industrial and commercial companies (including all casinos) for the period from 11 July 2022 to 22 July 2022. The Group expects the economy to remain low for a certain period.

The Macau Government has passed the new gaming law on 21 June 2022, which served to provide new regulations and guidelines for the healthy and orderly development of the Macau gaming industry, including satellite casinos. Hence, we will continue to focus on providing gaming services to SJM under the amendment of Service Agreement up to 31 December 2022 and develop new opportunities within the constraints under the new law.

In terms of overseas business, the operation of the hotel and casino in the Savan Legend Resort in Savannakhet has resumed corresponding to the relaxation of travel measures in Laos PDR and Thailand.

Looking forward to the second half of 2022, the Group still face the challenges from the outbreak of the Omicron sub-variants and the enactment of the new gaming law in Macau. Along with the gradual relaxation of travel restrictions released by local governments, the Group remains confident that Macau's overall tourism and consumer market shall recover eventually. The Group is optimistic that it is well positioned to take the advantage of the recovery when the tourism industry rebounds.

Under the regulatory changes of the new gaming law, the Group shall stay tuned for the developments in Macau gaming industry.

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 2022, the consolidated net assets attributable to owners of the Company amounted to approximately HK\$3,827.1 million, representing a decrease of approximately HK\$487.8 million from approximately HK\$4,314.9 million as at 31 December 2021. The decrease in consolidated net assets during the six months ended 30 June 2022 was mainly due to the Group's loss for the period of approximately HK\$485.5 million.

The Group is in the process of negotiation for restructuring the repayment schedule of the existing bank borrowings and obtaining additional credit facility.

Cash and cash equivalents

As at 30 June 2022, cash and bank balances held by the Group amounted to approximately HK\$67.5 million (including pledged bank deposits of approximately HK\$1.7 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 cash and bank balances denominated in MOP.

Borrowings

As at 30 June 2022, the Group had outstanding (i) secured and guaranteed bank borrowings of approximately HK\$2,373.1 million, and (ii) unsecured and unguaranteed and interest bearing other borrowings of approximately HK\$160.0 million.

Charge on the Group's Assets

As at 30 June 2022, 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\$289.5 million (31 December 2021: approximately HK\$295.1 million), buildings with a total carrying amount of approximately HK\$3,940.7 million (31 December 2021: approximately HK\$4,010.0 million), right-of-use assets with a total carrying amount of approximately HK\$1,131.3 million (31 December 2021: approximately HK\$1,152.5 million), trade receivables of approximately HK\$70.3 million (31 December 2021: approximately HK\$148.8 million), bank deposits of approximately HK\$1.7 million (31 December 2021: approximately HK\$1.7 million) and rental deposits paid of approximately HK\$2.1 million (31 December 2021: approximately HK\$2.1 million).

Gearing

The Group's net gearing ratio is expressed as a percentage of total borrowing (e.g. bank and other borrowings) minus cash (eg. pledged bank deposits and cash and bank balances) over total equity. As at 30 June 2022, the Group's net gearing ratio was 64.4% (31 December 2021: 52.7%).

Purchase, Sale or Redemption of Listed Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the six months ended 30 June 2022.

Employees and Remuneration Policies

As at 30 June 2022, the Group had a total of approximately 3,457 (31 December 2021: 3,603) employees, including approximately 1,105 (31 December 2021: 1,122) 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. Since 27 June 2022, all gaming operation employees were still employed by SJM and the Group did not reimburse SJM in salaries and other benefits under the amendment to the Service Agreement with SJM.

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 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 2022, the Company has complied with the CG Code except for code provision C.2.1.

Code provision C.2.1

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

Prior to the resignation of Mr Chan Weng Lin as an executive Director, the co-chairman of the Board and the chief executive officer of the Company with effect from 31 January 2022, (1) Mr Chan Weng Lin and Mr David Chow were 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; and (2) Mr Chan Weng Lin took care of the day-to-day management of the Group's business and implementation of the Group's policies, strategic plans and business goals formulated by the Board.

Although Mr Chan Weng Lin was both a co-chairman of the Board and the chief executive officer of the Company, the powers had been shared between the co-chairmen and Mr David Chow would also exercise his power and authorities as a co-chairman in managing the affairs of the Board and the Company. 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 caliber individuals with sufficient number of Directors being non-executive Directors.

On 1 March 2022, Mr Li Chu Kwan and Ms Melinda Chan have been appointed as the co-chairman of the Board and chief executive officer of the Company respectively. Following the retirement of Mr David Chow as a non-executive Director and the co-chairman of the Board, Mr Li Chu Kwan has acted as the chairman of the Board.

REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Company's unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 have been reviewed by the audit committee of the Company, which currently comprises three independent non-executive Directors, namely Mr Lau Ngai Kee, Ricky, Mr Wang Hongxin and Mr Mak Ka Wing, Patrick and a non-executive Director, namely Ms Ho Chiulin, Laurinda, 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.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. 1 September 2022 pending publication of this 2022 Interim Results. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 13 September 2022.

DEFINITIONS

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

"Adjusted EBITDA"	the Group's adjusted earnings before interest income, finance costs, income taxes, depreciation, amortization and certain items
"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
"COVID-19"	Coronavirus Disease 2019
"Directors"	the directors of the Company

“FVTPL”	Fair value through profit and loss
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKASs”	Hong Kong Accounting Standards
“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
“Macau”	the Macau Special Administrative Region, PRC
“MFW”	Macau Fisherman’s Wharf operated by Macau Fisherman’s Wharf International Investment Limited, a company incorporated in Macau and a subsidiary of the Company
“MFW Group”	MFW Investment and its subsidiaries
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr Chan Weng Lin”	Mr Chan Weng Lin, a controlling shareholder (as defined in the Listing Rules) of the Company and the former co-chairman of the Board, the former executive Director and the former chief executive officer of the Company
“Mr David Chow”	Mr Chow Kam Fai, David, a former co-chairman of the Board and a former non-executive Director
“Mr Li Chu Kwan”	Mr Li Chu Kwan, a chairman of the Board and an executive Director of the Company
“Ms Melinda Chan”	Ms Chan Mei Yi, Melinda, an executive Director and the chief executive officer of the Company, and the spouse of Mr David Chow

“New Legend”	New Legend VIP Club Limited, a company incorporated in Macau by Mr Yip Wing Fat, Frederick (being the sole shareholder and sole director of New Legend and the executive vice president and head of casino operations of the Company), and consolidated as a subsidiary of the Company under the VIE Structure
“PRC” or “China”	the People’s Republic of China
“REVPAR”	revenue per available room
“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 Legend Resorts
“Savan Legend Casino”	a casino operated by Savan Legend inside Savan Legend Resorts
“Savan Legend Resorts”	Savan Legend Resorts Hotel and Entertainment Complex
“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 Legend Palace Casino, Babylon Casino and Landmark Casino
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“SJM”	SJM Resorts, S.A. (formerly known as Sociedade de Jogos de Macau, S.A.)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“VIE Structure”

the structure established through the entering into of 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 (further details of these agreements are set out in the Company’s circular dated 9 June 2014) which enables the Group to indirectly participate in the gaming promotion business operations in Macau through New Legend

“%”

per cent

By Order of the Board
Macau Legend Development Limited
Li Chu Kwan
Chairman and executive Director

Hong Kong, 9 September 2022

As at the date of this announcement, the executive Directors are Mr Li Chu Kwan, Ms Chan Mei Yi, Melinda and Mr Tsang Ka Hung; the non-executive Directors are Ms Ho Chiulin, Laurinda and Mr Li Chun Tak; and the independent non-executive Directors are Mr Wang Hongxin (alias Wang, Charles Hongxin), Mr Lau Ngai Kee, Ricky and Mr Mak Ka Wing, Patrick.

* *for identification purposes only*