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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 2021

RESULTS

The Board announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021 as follows:

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

For the six months ended 30 June 2021

		For the six months ended	
		30 June	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
REVENUE	3	527,439	364,086
Cost of sales and services		<u>(697,995)</u>	<u>(591,808)</u>
		(170,556)	(227,722)
Other income, gains and losses, net		19,621	16,359
Reversal of/(impairment losses on) financial assets, net		(7,744)	1,254
Impairment losses on non-financial assets	5	(241,000)	–
Marketing and promotional expenses		(59,110)	(45,553)
Operating, administrative and other expenses		(152,104)	(185,216)
Finance costs	6	(29,591)	(43,998)
Share of results of an associate		<u>(11,695)</u>	<u>(8,682)</u>

* for identification purposes only

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

For the six months ended 30 June 2021

		For the six months ended	
		30 June	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
LOSS BEFORE TAX	7	(652,179)	(493,558)
Income tax expenses	8	(36,464)	(56,629)
LOSS FOR THE PERIOD		(688,643)	(550,187)
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		(17,299)	(16,082)
— an associate		950	(3,200)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(16,349)	(19,282)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(704,992)	(569,469)
LOSS PER SHARE			
Basic (HK cents)			
— For loss for the period	10	(11.1)	(8.9)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
NON-CURRENT ASSETS			
Investment properties		300,715	306,346
Property and equipment		5,566,538	5,980,060
Right-of-use assets		1,283,249	1,313,907
Other intangible assets		70,990	88,898
Investment in an associate		19,463	30,208
Loan to an associate		116,467	116,467
Deposits paid		226,592	232,657
Financial assets at fair value through profit or loss		212,306	212,005
		<hr/>	<hr/>
Total non-current assets		7,796,320	8,280,548
CURRENT ASSETS			
Inventories		24,534	28,046
Trade and other receivables, deposits and prepayments	<i>11</i>	239,339	257,456
Pledged bank deposits		1,671	1,671
Cash and bank balances		124,673	125,257
		<hr/>	<hr/>
Total current assets		390,217	412,430
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	353,583	401,373
Tax payable		570,802	542,532
Bank and other borrowings — due within one year		2,195,906	193,622
Lease liabilities		7,945	9,815
		<hr/>	<hr/>
Total current liabilities		3,128,236	1,147,342
NET CURRENT LIABILITIES			
		<hr/> (2,738,019) <hr/>	<hr/> (734,912) <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 5,058,301 <hr/>	<hr/> 7,545,636 <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2021

	30 June 2021 <i>HK\$'000</i> (<i>unaudited</i>)	31 December 2020 <i>HK\$'000</i> (<i>audited</i>)
NON-CURRENT LIABILITIES		
Bank borrowings — due after one year	–	1,774,946
Lease liabilities	99,809	103,953
Deferred tax liabilities	142,299	145,552
	<hr/>	<hr/>
Total non-current liabilities	242,108	2,024,451
	<hr/>	<hr/>
NET ASSETS	4,816,193	5,521,185
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Share capital	620,119	620,119
Reserves	4,196,074	4,901,066
	<hr/>	<hr/>
TOTAL EQUITY	4,816,193	5,521,185
	<hr/> <hr/>	<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 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the 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 2020.

The interim condensed consolidated financial information is presented in 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, 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.

The Macau government has publicly commented that it is studying the process by which concessions may be renewed, extended or issued. The Group is monitoring the developments with respect to the Macau government’s concession renewal or extension process, and at this time believes that the concession with all the existing concessionaires will be renewed or extended beyond 26 June 2022, and that our Service Agreement with SJM will continue. The failure to extend or renew the concession agreement by Macau government with SJM and therefore the failure to continue 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 unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared on the going concern basis notwithstanding that the Group had net current liabilities of approximately HK\$2,738.0 million at 30 June 2021 and reported a net loss of approximately HK\$688.6 million for the six months ended 30 June 2021, as the Directors consider that the Group will have adequate funds available to enable it to operate as a going concern and have sufficient working capital to satisfy its present requirements for at least 12 months from the end of the reporting period, based on the Group’s profit forecast and cash flow projection which, inter alia, takes into account the following with a view to improving the Group’s liquidity:

- (a) subsequent to the end of the reporting period, on 27 August 2021, the Group has obtained a waiver of loan covenant from the Luso International Banking Limited and CMB Wing Lung Bank Limited — Macau Branch (collectively as the “**Banks**”) for a period of 12 months up to and including 30 June 2022, and that the Banks agreed not to demand early repayment of the loan before the end of June 2022 as a consequence of a breach of loan covenant;
- (b) subsequent to the end of the reporting period, on 27 August 2021, the Group has obtained an extension of repayment of the first principal amount of HK\$95.0 million due on 4 September 2021 to 4 September 2022 from the Banks, resulting in the total principal amounts being repayable on 4 September 2022 of HK\$213.0 million;
- (c) as at the end of the reporting period, the Group had an unutilised credit facility of HK\$100.0 million from the Banks. The total facility amount is HK\$2.3 billion, of which an amount of HK\$2.2 billion was drawn down and outstanding as at the end of the reporting period;
- (d) the Directors expect that the number of tourists traveling to Macau will gradually increase once the border between Hong Kong and Macau reopen. The Directors also expect the Group’s business will benefit and financial performance will improve from the relaxation of travel restrictions between mainland China and Macau;
- (e) during the period, the management has adjusted the Group’s business strategy by focusing on the premium mass market which is predominantly a cash business;
- (f) the Group has undertaken various mitigating measures to manage the current environment, including a cost control program to minimise cash outflow of non-essential items;
- (g) subsequent to the end of the reporting period and up to the date of approval of this interim condensed consolidated financial information, the Group is in the process of negotiation with the Banks for additional financing. The Directors are of the opinion that the Group has a good track record and relationship with the Banks which will enhance the Group’s ability to successfully obtain additional financing; and
- (h) subsequent to the end of the reporting period, on 31 August 2021, Mr Chan Weng Lin agreed to provide financial support to the Group to ensure that the Group will continue to operate as a going concern.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information for the six months ended 30 June 2021 are consistent with those applied in the preparation of the Group's annual consolidated financial statements of the Group for the year ended 31 December 2020, except for the adoption of the following amendments to HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

Except as described below, the adoption of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in this interim condensed consolidated financial information.

2.1 Impacts and accounting policies on early application of Amendment to HKFRS 16 “COVID19- Related Rent Concessions”

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$2,888,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(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	344,574	207,619
— VIP tables*	64,028	40,865
— Slot machines	1,471	1,864
	<u>410,073</u>	<u>250,348</u>
(ii) from operation of a casino in respect of:		
— Mass market tables	5,935	14,737
— VIP tables	—	9,218
— Slot machines	5,063	12,753
	<u>10,998</u>	<u>36,708</u>
Total gaming revenue	<u>421,071</u>	<u>287,056</u>
Revenue from non-gaming related operations:		
Income from hotel rooms	19,744	18,348
Income from building management services	9,007	11,757
	<u>28,751</u>	<u>30,105</u>
Food and beverage	47,072	19,726
Sales of merchandise	657	1,017
Others	4,926	3,736
	<u>52,655</u>	<u>24,479</u>
Licensing income from investment properties	<u>24,962</u>	<u>22,446</u>
Total non-gaming revenue	<u>106,368</u>	<u>77,030</u>
	<u>527,439</u>	<u>364,086</u>

* The amounts include outsourced VIP tables and indirect participation in the gaming promotion business in Macau through New Legend under the VIE Structure.

4. SEGMENT INFORMATION

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

For 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, 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 VIE Structure; and 2) Casino operation in Lao PDR.

Non-gaming — operations at MFW and Savan Legend Resorts, 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 2021 (unaudited)

	Gaming HK\$'000	Non-gaming HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
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>
<i>Reconciliation:</i>					
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					(29,591)
Loss before tax					<u>(652,179)</u>

For the six months ended 30 June 2020 (unaudited)

	Gaming HK\$'000	Non-gaming HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External revenue	287,056	77,030	364,086	–	364,086
Intersegment revenue	–	25,590	25,590	(25,590)	–
Segment revenue	<u>287,056</u>	<u>102,620</u>	<u>389,676</u>	<u>(25,590)</u>	<u>364,086</u>
Segment loss	<u>(88,741)</u>	<u>(280,147)</u>	<u>(368,888)</u>	<u>–</u>	<u>(368,888)</u>
<i>Reconciliation:</i>					
Unallocated depreciation and amortisation					(40,540)
Unallocated corporate income and expenses, net					(31,450)
Share of results of an associate					(8,682)
Finance costs					<u>(43,998)</u>
Loss before tax					<u><u>(493,558)</u></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, unallocated impairment losses on non-financial assets, 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. An impairment loss of HK\$241,000,000 (six months ended 30 June 2020: nil) on construction in progress was recorded for the excess of the carrying value over the estimated recoverable amount of HK\$35,000,000 (31 December 2020: HK\$282,000,000), 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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	24,019	39,451
Interest on lease liabilities	3,233	3,549
Amortisation of finance costs on bank borrowings and other finance costs	2,339	998
	<u>29,591</u>	<u>43,998</u>

7. LOSS BEFORE TAX

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

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Reversal of write down of inventories to net realisable value	(96)	(216)
Amortisation of other intangible assets (included in cost of sales and services of HK\$560,000 (2020: HK\$898,000) and operating, administrative and other expenses of HK\$13,855,000 (2020: HK\$12,478,000))	14,415	13,376
Cost of inventories sold	36,672	17,373
Depreciation of investment properties	5,631	5,631
Depreciation of property and equipment	190,019	187,637
Depreciation of right-of-use assets (included in cost of sales and services of HK\$27,678,000 (2020: HK\$28,012,000) and operating, administrative and other expenses of HK\$731,000 (2020: HK\$726,000))	28,409	28,738
Loss on disposal of property and equipment	74	53
Impairment losses on non-financial assets	241,000	–
Gross licensing income from investment properties	(24,962)	(22,446)
Less: Direct operating expenses that generate licensing income from investment properties	5,631	5,631
Net licensing income from investment properties	(19,331)	(16,815)
Bank interest income	(7,984)	(14,084)
Foreign exchange differences, net	(914)	683
(Gain)/loss on change in fair value of financial assets at FVTPL	(301)	4,841

8. INCOME TAX

	For the six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Macau complementary tax		
— current period	<u>(671)</u>	<u>(194)</u>
	(671)	(194)
Lao PDR annual flat tax and income tax		
— current period	(39,046)	(38,833)
— underprovision in prior year	<u>—</u>	<u>(20,855)</u>
	(39,046)	(59,688)
Deferred tax credit	<u>3,253</u>	<u>3,253</u>
Income tax charge	<u>(36,464)</u>	<u>(56,629)</u>

9. DIVIDEND

The Directors have determined that no dividend will be paid in respect of the interim period in 2021 (2020: 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 data:

Loss

	For the six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Loss for the period for the purpose of basic loss per Share	<u>(688,643)</u>	<u>(550,187)</u>

Number of Shares

	For the six months ended	
	30 June	
	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per Share	<u>6,201,187</u>	<u>6,209,361</u>

Diluted loss per Share is not presented as the Group does not have any dilutive potential ordinary shares in issue for both interim periods.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June	At 31 December
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	186,373	187,006
Less: Impairment losses	<u>(49,077)</u>	<u>(48,407)</u>
	<u>137,296</u>	<u>138,599</u>
Other receivables	85,251	115,372
Less: Impairment losses	<u>(67,133)</u>	<u>(67,202)</u>
	<u>18,118</u>	<u>48,170</u>
Chips on hand	44,984	30,617
Deposits and prepayments	<u>38,941</u>	<u>40,070</u>
Total trade and other receivables, deposits and prepayments	<u>239,339</u>	<u>257,456</u>

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

	At 30 June 2021 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2020 <i>HK\$'000</i> <i>(audited)</i>
Within 3 months	131,396	118,105
3 to 6 months	1,373	3,485
6 months to 1 year	3,127	5,448
Over 1 year	1,400	11,561
	<u>137,296</u>	<u>138,599</u>

12. TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2020 <i>HK\$'000</i> <i>(audited)</i>
Trade payables	52,455	49,407
Construction and retention payables	29,678	43,100
Other payables	142,849	143,631
Deposits received from tenants	22,363	25,409
Deposits received from gaming promoters	10,633	11,389
Accrued staff costs	28,133	97,443
Other sundry accruals	67,472	30,994
	<u>353,583</u>	<u>401,373</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 2021 <i>HK\$'000</i> <i>(unaudited)</i>	At 31 December 2020 <i>HK\$'000</i> <i>(audited)</i>
Within 3 months	51,295	48,249
3 to 6 months	1,139	1,137
Over 1 year	21	21
	<u>52,455</u>	<u>49,407</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Interim Results

For the six months ended 30 June 2021, the Group achieved a total reported revenue of approximately HK\$527.4 million, representing an increase of approximately HK\$163.3 million or approximately 44.9% over that of the last corresponding period of approximately HK\$364.1 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		
	2021	2020	change	2021	2020	change	2021	2020	change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop/Slot handle	1,123,016	846,615	32.6	N/A	N/A	N/A	50,114	65,858	(23.9)
Turnover	N/A	N/A	N/A	1,590,351	1,040,257	52.9	N/A	N/A	N/A
Net win	186,091	166,299	11.9	59,571	50,346	18.3	3,040	3,965	(23.3)
Hold rate	16.57%	19.64%	(3.1)	3.75%	4.84%	(1.1)	6.07%	6.02%	0.1
Average number of tables/slot machines	63	48	31.3	15	22	(31.8)	38	76	(50)
Net win per table/slot machine per day	16	19	(15.8)	22	13	69.2	0.4	0.3	33.3
Reported revenue	105,990	95,403	11.1	32,125	25,090	28.0	1,216	1,561	(22.1)
No. of gaming tables/slot machines in operation as of period end	63	40	57.5	16	18	(11.1)	35	51	(31.4)

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		
	2021	2020	change	2021	2020	change	2021	2020	change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop/Slot handle	436,228	345,686	26.2	N/A	N/A	N/A	7,405	9,524	(22.2)
Turnover	N/A	N/A	N/A	1,282,258	909,916	40.9	N/A	N/A	N/A
Net win	60,307	54,168	11.3	56,835	28,082	102.4	638	776	(17.8)
Hold rate	13.82%	15.67%	(1.9)	4.43%	3.09%	1.3	8.62%	8.15%	0.5
Average number of tables/slot machines	24	19	26.3	10	7	42.9	20	31	(35.5)
Net win per table/slot machine per day	14	16	(12.5)	31	22	40.9	0.2	0.1	100.0
Reported revenue	33,169	29,782	11.4	31,131	15,354	102.8	255	303	(15.8)
No. of gaming tables/slot machines in operation as of period end	24	14	71.4	9	5	80.0	20	20	-

Landmark Casino

	Mass Market Tables			VIP Tables		
	For the six months ended 30 June			For the six months ended 30 June		
	2021	2020	change	2021	2020	change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop	1,491,538	603,528	147.1	N/A	N/A	N/A
Turnover	N/A	N/A	N/A	1,363,000	1,139,000	19.7
Net win	373,481	149,880	149.2	38,600	21,075	83.2
Hold rate	25.04%	24.83%	0.2	2.83%	1.85%	1.0
Average number of tables	69	58	19.0	9	8	12.5
Net win per table per day	30	14	114.3	24	15	60.0
Reported revenue	205,415	82,434	149.2	772	422	82.9
No. of gaming tables in operation as of period end	69	47	46.8	9	6	50.0

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		
	2021	2020	change	2021	2020	change	2021	2020	change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Games drop/Slot handle	31,434	62,992	(50.1)	N/A	N/A	N/A	151,135	325,406	(53.6)
Turnover	N/A	N/A	N/A	-	735,853	(100)	N/A	N/A	N/A
Net win	6,450	16,004	(59.7)	-	25,309	(100)	5,277	13,457	(60.8)
Hold rate	20.52%	25.41%	(4.9)	-	3.44%	(100)	3.49%	4.14%	(0.7)
Average number of tables/slot machines	6	16	(62.5)	-	9	(100)	160	156	2.6
Net win per table/slot machine per day	6	6	-	-	16	(100)	0.2	0.5	(60.0)
Reported revenue	5,935	14,737	(59.7)	-	9,218	(100)	5,063	12,753	(60.3)
No. of gaming tables/slot machines in operation as of period end	7	30	(76.7)	-	18	(100)	117	133	(12)

Six months ended 30 June

2021	2020
HK\$'000	HK\$'000

Total reported revenue for gaming services

Mass Market Tables	350,509	222,356
VIP Tables ⁽¹⁾	64,028	50,083
Slot Machines	6,534	14,617
	421,071	287,056

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 in July 2020. Casino in Savan Legend was temporarily closed during May 2021 due to COVID-19 pandemic, while comparing to the same corresponding period in 2020, Casino in Savan Legend was closed from April to June. VIP tables remained closed during the six months ended 30 June 2021.

For the six months ended 30 June 2021, gaming revenue of the Group increased by approximately 46.7% to approximately HK\$421.1 million when compared to the last corresponding period. The increase in gaming revenue was primarily due to the partial recovery in 2021 on COVID-19 pandemic which caused (i) increment in the reported revenue contributed from Legend Palace Casino of approximately HK\$17.3 million, (ii) increment in reported revenue contributed by Babylon Casino of approximately HK\$19.1 million, and (iii) increment in reported revenue contributed by Landmark Casino of approximately HK\$123.3 million but offset by decrement in reported revenue contributed by Savan Legend Casino of approximately HK\$25.7 million.

As at 30 June 2021, the Group had a total of 194 gaming tables in Macau (30 June 2020: 194), of which 192 (30 June 2020: 130) were put into operation. The Group had 7 (30 June 2020: 48) gaming tables which were put into operation in the Lao PDR.

B. Non-gaming Operations

For the six months ended 30 June 2021, the Group recorded total non-gaming revenue of approximately HK\$106.4 million, increased by approximately HK\$29.4 million or approximately 38.1% above that of the last corresponding period of approximately HK\$77.0 million.

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

	Six months ended 30 June					
	2021			2020		
	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	19,515	229	19,744	17,305	1,043	18,348
Licensing income from investment properties	24,962	-	24,962	22,273	173	22,446
Income from building management services	9,007	-	9,007	11,757	-	11,757
Food and beverage	46,975	97	47,072	16,815	2,911	19,726
Sales of merchandise	657	-	657	1,000	17	1,017
Others	4,920	6	4,926	3,664	72	3,736
Total revenue from non-gaming operations	106,036	332	106,368	72,814	4,216	77,030

The increase in non-gaming revenue was primarily due to increase in revenue from food and beverage as a result of recovery from COVID-19 pandemic in 2021.

The following table sets out certain key operational data on our major hotel operations of the Group for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June			
	2021		2020	
	Legend Palace Hotel	Harbourview Hotel	Legend Palace Hotel	Harbourview Hotel
Occupancy rate (%)	63	58	44	32
ADR (HK\$)	832	301	1,780	920
REVPAR (HK\$)	524	174	781	294

Adjusted EBITDA

Adjusted EBITDA for the six months ended 30 June 2021 was a loss of approximately HK\$132.9 million, representing an improvement of approximately HK\$82.2 million or approximately 38.2% over that of the last corresponding period a loss of approximately HK\$215.1 million. The following table reconciles the Adjusted EBITDA to the profit (loss) attributable to owners of the Company:

	Six months ended 30 June					
	2021			2020		
	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 attributable to owners of the Company	(630,692)	(57,951)	(688,643)	(467,306)	(82,881)	(550,187)
Adjustments for:						
Finance costs	28,772	819	29,591	42,976	1,022	43,998
Depreciation of investment properties	5,631	-	5,631	5,631	-	5,631
Depreciation of right-of-use assets	25,322	3,087	28,409	25,426	3,312	28,738
Depreciation of property and equipment	180,676	9,343	190,019	174,470	13,167	187,637
Amortisation of other intangible assets	13,855	560	14,415	12,478	898	13,376
(Gain)/loss on disposal of property and equipment	(37)	111	74	53	-	53
(Reversal of)/impairment losses on financial assets	5,913	1,831	7,744	(2,678)	1,424	(1,254)
Impairment losses on non-financial assets	241,000	-	241,000	-	-	-
Reversal of write down of inventories to net realisable value	(96)	-	(96)	(216)	-	(216)

	Six months ended 30 June					
	2021			2020		
	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/(gain) on change in fair value of financial assets at FVTPL	(301)	-	(301)	4,841	-	4,841
Exchange (gain)/loss arising from non-operating activities	(43)	(884)	(927)	18	1,022	1,040
Share of results of an associate	11,695	-	11,695	8,682	-	8,682
Bank interest income	(7,979)	(5)	(7,984)	(13,964)	(120)	(14,084)
Compensation income	-	-	-	(16)	-	(16)
Income tax expenses	(2,581)	39,045	36,464	(3,059)	59,688	56,629
Adjusted EBITDA	(128,865)	(4,044)	(132,909)	(212,664)	(2,468)	(215,132)

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

	Six months ended 30 June					
	2021			2020		
	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
Gaming services	(16,619)	7,207	(9,412)	(59,870)	21,195	(38,675)
Non-gaming operations	(95,838)	(11,251)	(107,089)	(121,140)	(23,663)	(144,803)
Sub-total	(112,457)	(4,044)	(116,501)	(181,010)	(2,468)	(183,478)
Unallocated corporate expenses ⁽¹⁾	(16,408)	-	(16,408)	(31,654)	-	(31,654)
Adjusted EBITDA	(128,865)	(4,044)	(132,909)	(212,664)	(2,468)	(215,132)

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 2021 improved by approximately 37.9% to a loss of approximately HK\$112.5 million when compared to the last corresponding period.

The Group's loss for the six months ended 30 June 2021 was approximately HK\$688.6 million, as compared to the loss of approximately HK\$550.2 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. Performance for the first half of 2021 is gradually improving with visible increment in revenue generated. Impairment losses were recognised for the overseas project located in Cape Verde due to the adverse changes in economic situation under COVID-19 pandemic. 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 2021 (2020: nil).

Financial and Operational Reviews

Corporate and Business Updates

(a) *MFW Redevelopment*

Legendale Hotel

Re-design of the construction of the hotel is now in progress in order to meet the height requirements of the relevant government authority in Macau.

(b) *An Investment Project in Hengqin*

勵駿龐都廣場 PONTO, a large-scale shopping complex in Hengqin held by a subsidiary of Lai Ieng Investment, has commenced its operation for 1.5 years. Occupancy rate has reached around 50% by June 2021, with tenants including cinema, gymnasium and restaurants of different scale.

(c) *An Investment Project in Cape Verde*

The construction plan of the hotel and casino complex is currently being revisited. Construction work in Phase I is close to complete and work on Phase II is targeted to commence in later stage once construction plan and design works are finalised.

OUTLOOK

While the overall Macau economy is still being affected by the COVID-19 pandemic in 2021, Macau was fortunate enough to benefit from the gradual relaxation of travel restrictions from the PRC Government since the second half of 2020. Tourist visitation has rebounded during the first half of 2021, the Group's Macau gaming revenue increased by approximately 64% 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 increased by approximately 45%.

The pandemic in Macau begins to stabilise in the first half of 2021, consumption desires of Macau locals gradually resumed. Given the rising visitation, the Group has recorded a significant improvement on Macau food and beverage revenue during the period when comparing to the same period last year. Soda Port, our restaurant that commenced operations at the end of last year, also started to contribute profit to the Group during the period.

With the momentums generated by new investors and management joining us in 2020, the Group has been improving its management and reporting structure. Simultaneously, special teams have been set up for strategic planning, comprehensive data analysis, budget and resources allocation. The management also made several strategic moves with main focus on marketing and service/product quality under this pandemic. Corresponding to the new strategies, we are now committed in promoting our restaurants through different social media networks and strived to increase the market awareness of our latest products and services. Sustaining customers through the values they get through our products and services is also our key focus. Incentive program is set up as one of the motivations for front line service teams to improve customer experience.

Adhering to health and epidemic prevention measures, the Group will continue to introduce more non-gaming tourism activities and facilities in the premises, included reiterating the Legend Boulevard into a leisure avenue equipped with world-wide dining and comprehensive entertainment facilities. The improvement shall match Macau's reputation as "Creative City of Gastronomy", optimise leisure experiences of the public and improve quality of Macau's tourism industry.

In terms of overseas business, the hotel and casino in the Savan Legend Resort in Savannakhet shall resume operations corresponding to relevant measures in Laos and Thailand.

Looking forward to the second half of 2021, vaccination rate is expected to rise given measures taken by governments around the world to encourage vaccinations. A vaccination encouragement program is launched by us to encourage staffs to get vaccinated. Hopefully, by which, we can contribute to the epidemic prevention work in Macau and help building a barrier against COVID-19 pandemic. 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.

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 2021, the consolidated net assets attributable to owners of the Company amounted to approximately HK\$4,816.2 million, representing a decrease of approximately HK\$705.0 million from approximately HK\$5,521.2 million as at 31 December 2020. The decrease in consolidated net assets during the six months ended 30 June 2021 was mainly due to the Group's loss for the period of approximately HK\$688.6 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 bank balances

As at 30 June 2021, cash and bank balances held by the Group amounted to approximately HK\$126.3 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 2021, the Group had outstanding (i) secured and guaranteed bank borrowings of approximately HK\$2,165.9 million, and (ii) unsecured and unguaranteed, interest-free other borrowings of approximately HK\$30.0 million.

Charge on the Group's Assets

As at 30 June 2021, 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\$300.7 million (31 December 2020: approximately HK\$306.3 million), buildings with a total carrying amount of approximately HK\$4,077.7 million (31 December 2020: approximately HK\$4,148.7 million), right-of-use assets with a total carrying amount of approximately HK\$1,173.6 million (31 December 2020: approximately HK\$1,194.8 million), trade receivables of approximately HK\$78.6 million (31 December 2020: approximately HK\$99.5 million), bank deposits of approximately HK\$1.7 million (31 December 2020: approximately HK\$1.7 million) and rental deposits paid of approximately HK\$2.1 million (31 December 2020: approximately HK\$2.1 million).

Gearing

The Group's net gearing ratio (expressed as a percentage of total bank and other borrowings minus cash (eg. pledged bank deposits and cash and bank balances) over total equity. As at 30 June 2021, the Group's net gearing ratio was 43.0% (31 December 2020: 33.4%).

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 2021.

Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of approximately 3,803 (31 December 2020: 3,898) employees, including approximately 1,163 (31 December 2020: 1,193) gaming operation employees who were employed and paid by SJM but over whom the Group exercised oversight in accordance with the Service Agreement. The Group reimbursed SJM in full for the salaries and other benefits of these gaming operation employees.

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

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 2021, 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 separated and should not be performed by the same individual.

Currently, Mr Chan Weng Lin and Mr David Chow 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 Chan Weng Lin 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 Chan Weng Lin is both a co-chairman of the Board and the chief executive officer of the Company, the powers have 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 calibre individuals with sufficient number of Directors being non-executive Directors.

REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Company's unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 have been reviewed by the audit committee of the Company, which currently comprises three independent non-executive Directors, namely Madam Tam Wai Chu, Maria, Mr Wang Hongxin (alias Wang, Charles Hongxin) and Mr Lau Ngai Kee, Ricky 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.

DEFINITIONS

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

"Adjusted EBITDA"	the Group's adjusted earnings before bank interest income, finance costs, income taxes, depreciation, amortisation 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
"Executive Directors"	the executive 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
“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
“Lai Ieng Investment”	Lai Ieng Investment Company Limited (勵盈投資有限公司), a company incorporated in Macau and an associate 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 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 Chan Weng Lin”	Mr Chan Weng Lin, a co-chairman of the Board, 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 David Chow”	Mr Chow Kam Fai, David, a co-chairman of the Board and a non-executive Director 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 and 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
“PRC”	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”	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
Chan Weng Lin
Co-chairman, Executive Director
and chief executive officer

Hong Kong, 31 August 2021

As at the date of this announcement, the Executive Directors are Mr Chan Weng Lin, Mr Tsang Ka Hung, Ms Chan Mei Yi, Melinda and Mr Li Chu Kwan; the non-executive Directors are Mr Chow Kam Fai, David and Ms Ho Chiulin, Laurinda; and the independent non-executive Directors are Madam Tam Wai Chu, Maria, Mr Wang Hongxin (alias Wang, Charles Hongxin) and Mr Lau Ngai Kee, Ricky.