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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Macau Legend Development Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**MAJOR TRANSACTION
IN RELATION TO
THE SAVAN VEGAS HOTEL AND ENTERTAINMENT COMPLEX
IN THE LAO PEOPLE'S DEMOCRATIC REPUBLIC**

A letter from the Board (as defined in this circular) is set out on pages 7 to 26 of this circular.

A notice convening an extraordinary general meeting of the Company (the "EGM") to be held at The Lagoon, The Landmark Macau, 555 Avenida da Amizade, Macau at 1:00 p.m. on Thursday, 18 August 2016 or any adjournment of such meeting is set out on pages 92 to 93 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed on it and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment of such meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

* for identification purposes only

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DEFINITIONS

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

“Asset Purchase Agreement”	the asset purchase agreement to be entered into between the Government of the Lao PDR, the Operator, the Company and the Project Company in respect of the sale and purchase of the Project
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Assumed Tax Liability”	the amount of the tax liability assumed by the Company in respect of the Project and the Project Assets at the Closing payable to the Government of the Lao PDR, the amount of which will be notified by the Government of the Lao PDR at least five Business Days to the Company before the Closing and shall not exceed US\$42,000,000 (equivalent to approximately HK\$325,920,000)
“Board”	the board of Directors
“Business Day(s)”	any calendar day other than a Saturday, Sunday or any other holiday required under the applicable laws in the Lao PDR
“Cape Verde”	the Republic of Cabo Verde
“Closing”	the closing of the Project Development Agreement
“Company”	Macau Legend Development Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Concession Activities”	the concession activities approved by the Government of the Lao PDR which are set out in the Project Development Agreement and to be engaged by the Project Company, details of which are set out in paragraph 2.8 headed “The Concession Activities” of this circular
“Concession Licence”	the concession licence to be issued under the Revised Project Development Agreement at the Closing by the Government of the Lao PDR to the Project Company authorising it to, among others, engage in the Concession Activities, lease the Project Area, and engage in the operation and management of the Project
“Consideration”	the consideration for acquiring the Project (including the payment of the Assumed Tax Liability)

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“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Deposit”	US\$1,000,000 (equivalent to approximately HK\$7,760,000) paid by the Company to the Government of the Lao PDR upon the entering into of the Initial Project Development Agreement
“Director(s)”	the director(s) of the Company
“Effective Date”	the date of the signing of the Revised Project Development Agreement
“EGM”	the extraordinary general meeting to be held by the Company for the Shareholders to approve the entering into of the Project Development Agreement and the transactions contemplated under it
“Electronic Gaming Machine(s)”	any device, including its gaming programs and associated software, memory compartments, random number generators and any means of storage of gaming products, totally or partially operated by electric, electronic or mechanical means and conceived, adapted or programmed to (i) operate one or more types of Games of Chance or Wagers; (ii) accept payments in money or money’s worth in the form of bets; and (iii) make payments as a result of the bets placed in the form of cash prizes, tokens, tickets redeemable in cash, assets convertible in tokens, cash or equivalent values, but excluding fully or semi-automated gaming tables
“Flat Tax Agreement”	the flat tax agreement to be entered into between the Government of the Lao PDR and the Project Company in respect of the taxes to be paid by the Project Company
“Game(s) of Chance”	any game for which the outcome is exclusively contingent on chance or partially contingent on chance and partially contingent on a player’s skill
“Gaming Activities”	the commercial operation of Games of Chance or of Wagers, played for money or money’s worth, including the operation of gaming tables, semi-automated gaming tables and Electronic Gaming Machines, either in a casino or in the form of Interactive Gaming
“Gaming Licence”	the licence for the conduct of Gaming Activities
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party/ Parties”	a person or persons which is or are independent of, and not connected with, any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associate(s) (as defined under the Listing Rules)
“Initial Project Development Agreement”	the project development agreement dated 13 May 2016 (including Part I of the letter of record for the Project dated 13 May 2016) entered into between the Government of the Lao PDR and the Company in respect of the Project
“Instrument of Accession”	the instrument of accession to be entered into between the Government of the Lao PDR, the Project Company, and the Company in respect of the accession of the Project Company to become a party to the Initial Project Development Agreement, and to comply with and be bound by all the terms and conditions of the Initial Project Development Agreement
“Interactive Gaming”	all Games of Chance or Wagers on which a prize in money or money’s worth is offered or can be won under the respective rules and a player can play or participate through any means of telecommunication, namely through the phone, telefax, internet, data network, live broadcast or digital data and, in order to do so, makes or agrees to make payments in money or money’s worth
“Land Lease Contract”	the land lease contract to be entered into between the land authority of the Government of the Lao PDR and the Project Company in respect of the lease of the Project Area
“Lao PDR”	the Lao People’s Democratic Republic
“Latest Practicable Date”	29 July 2016, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Long Stop Date”	31 August 2016 (as agreed by the Government of the Lao PDR and the Company) which shall further be automatically extended until 10 September 2016 or such earlier date as agreed if any of the conditions precedent is unable to be satisfied
“Madam Lam”	Madam Lam Fong Ngo, the vice chairman and an executive Director of the Company
“MFW”	Macau Fisherman’s Wharf
“MFW Investment”	Macau Fisherman’s Wharf International Investment Limited, a company incorporated in Macau and a subsidiary of the Company
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr David Chow”	Mr Chow Kam Fai, David, a co-chairman, an executive Director, and the chief executive officer of the Company
“Operator”	Savan Vegas Lao Limited, the current owner and operator of the Project which is a company organised under the laws of the Lao PDR and wholly-owned by the Ministry of Finance of the Lao PDR
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“Project”	the Savan Vegas Hotel and Entertainment Complex
“Project Area”	the area consisting of the approximately 50 hectares of land located in Nongdeune Village, Kaisonphomvihanh District, Savannakhet Province of the Lao PDR and having the boundaries indicated in the Land Lease Contract
“Project Assets”	all tangible and intangible assets, property, rights and interests in respect of the Project set forth in the Asset Purchase Agreement, except that Project Assets shall exclude any and all cash other than cage cash (the amount in cash which will be in the cage on handover of the Project Assets at the Closing) in the amount of US\$1,000,000 (equivalent to approximately HK\$7,760,000)
“Project Company”	the project company to be formed by the Company under the laws of the Lao PDR for the acquisition of, and operation of the Concession Activities after the Closing for, the Project

DEFINITIONS

“Project Development Agreement”	the Initial Project Development Agreement and the Revised Project Development Agreement (as modified and supplemented)
“Project Liabilities”	all liabilities and obligations under the Asset Purchase Agreement other than (i) the liabilities or obligations of the former owners of the Project or (ii) the liabilities or obligations of the Operator other than the Project Liabilities
“Prospectus”	the prospectus issued by the Company dated 17 June 2013 which was supplemented by a supplemental prospectus of the Company dated 26 June 2013
“Revised Project Development Agreement”	the project development agreement to be entered into between the Government of the Lao PDR and the Project Company in respect of the Project before the Closing which will supersede the Initial Project Development Agreement
“Savan Vegas Hotel and Entertainment Complex”	a full-service casino, hotel and resort located in Nongdeune Village, Kaisonphomvihanh District, Savannakhet Province of the Lao PDR
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Site A”	an area in the Savan Seno Special Economic Zone of Savannakhet Province of the Lao PDR
“SJM”	Sociedade de Jogos de Macau, S.A.
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	share(s) of the Company
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Term”	the initial term of 50 years commencing from the Effective Date and any additional period to be granted by the Government of the Lao PDR
“US\$”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

“Wager”

a sum of money or money’s worth risked on an event for which the outcome is uncertain and that relates to animal races at speed or sporting events, regulated and subject to the authority of a government agency in the jurisdiction where they take place, either in the form of fixed odds or pari-mutuel betting

“%”

per cent

LETTER FROM THE BOARD



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)

Executive Directors:

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

Registered office:

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

Non-executive Director:

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

Principal place of business

in Hong Kong:

Independent non-executive Directors:

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

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

1 August 2016

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION
IN RELATION TO
THE SAVAN VEGAS HOTEL AND ENTERTAINMENT COMPLEX**

1. INTRODUCTION

Reference is made to the announcements of the Company dated 13 May 2016 and 29 July 2016 on the major transaction in relation to the Savan Vegas Hotel and Entertainment Complex in the Lao PDR.

On 13 May 2016 (after trading hours), the Government of the Lao PDR and the Company entered into the Initial Project Development Agreement pursuant to which, subject to its terms and conditions and among other things,

* *for identification purposes only*

LETTER FROM THE BOARD

- (1) the Government of the Lao PDR agreed to (i) procure the Operator to sell the Project to the Project Company at the Consideration of US\$42,000,000 (equivalent to approximately HK\$325,920,000) (including payment of the Assumed Tax Liability), and (ii) approve the issuance to the Project Company of the Concession Licence upon the Closing authorising the Project Company to engage in the Concession Activities in connection with the Project during the Term, and
- (2) the Company agreed to (i) form the Project Company, (ii) purchase the Project, and (iii) operate the Project Company to engage in the Concession Activities in connection with the Project during the Term.

2. THE PROJECT DEVELOPMENT AGREEMENT

The principal terms of the Initial Project Development Agreement are as follows:

2.1 *Date*

13 May 2016

2.2 *Parties*

- (i) the Government of the Lao PDR
- (ii) the Company

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Government of the Lao PDR is an Independent Third Party.

2.3 *Conditions precedent*

Closing of the Initial Project Development Agreement is conditional upon the following conditions precedent, among others:

- (i) the Project Company has received all approvals from the relevant governmental authorities of the Lao PDR necessary to ensure that it may conduct the Concession Activities as the same were conducted by the Operator on the Effective Date, including the Concession Licence and the Gaming Licence;
- (ii) the Project Company has received all approvals required from other relevant governmental authorities outside the Government of the Lao PDR;

LETTER FROM THE BOARD

- (iii) all of the following transaction documents have been executed and delivered by the relevant parties:
 - (a) the Instrument of Accession in respect of the accession of the Project Company to become a party to the Initial Project Development Agreement, and to comply with and be bound by all the terms and conditions of the Initial Project Development Agreement;
 - (b) the Asset Purchase Agreement in respect of the sale and purchase of the Project;
 - (c) the Flat Tax Agreement in respect of the taxes to be paid by the Project Company; and
 - (d) the Land Lease Contract in respect of the lease of the Project Area;
- (iv) the entering into of participation agreements with certain existing slot hall owners;
- (v) the Government of the Lao PDR and the Company have agreed on the Flat Tax Agreement, including a tax regime or mechanism for fixing taxes that will apply for the Term of the Initial Project Development Agreement beyond its initial three years, and the relevant tax provisions in the Initial Project Development Agreement and the Flat Tax Agreement are amended to reflect that agreement;
- (vi) all existing concession and other rights held by third parties in respect of Site A have been terminated, and no new rights shall have been granted to third parties;
- (vii) the regulatory requirements of the Company have been satisfied;
- (viii) the parties to the Initial Project Development Agreement have agreed as to the matters of (a) scope of Concession Activities, (b) government approvals, exemptions and opinions required in connection with and as conditions to the Closing, (c) required operating permits, (d) expropriation, force majeure (including political events) and termination or compensation, (e) material breach and termination or compensation, (f) change in law, (g) available remedies, (h) scope of indemnification, (i) liabilities assumed, and (j) representations and warranties; and
- (vix) the relevant transaction documents have been amended or modified to the extent necessary to reflect such agreement to the satisfaction of the parties to the Initial Project Development Agreement.

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It is not specifically stipulated in the Initial Project Development Agreement that any of the conditions precedent can be waived but each of the parties to the Initial Project Development Agreement shall take all actions within its reasonable control to facilitate the Closing, including the execution and delivery of any agreement, document or instrument, or the taking of any action, which may reasonably be requested by the other party. There is a general provision to the Initial Project Development Agreement that any amendment of the Initial Project Development Agreement shall be by written agreement of all the parties, and any waiver of any provision of the Initial Project Development Agreement by any party shall be express and in writing.

As at the Latest Practicable Date, all conditions precedent were yet to be satisfied but the Government of the Lao PDR and the Company are working closely to satisfy the conditions precedent for the purpose of the Closing. For conditions precedent (i), (ii) and (vii), the Company and the Project Company are still in the process of obtaining the relevant approvals. For conditions precedent (iii) and (iv), the relevant parties to the relevant agreements are still in the process of settling the contents of the agreements. In respect of condition precedent (iv), if any of the existing slot hall owners do not enter into agreements with the Company on or before the Closing, the Government of the Lao PDR will close the relevant slot hall(s) to ensure the Company's right of exclusivity for the conduct of the Gaming Activities in the Project Area. For condition precedent (v), the Government of the Lao PDR and the Company have come to a proposal of the flat tax payment in relation only to the Gaming Activities which will be US\$10,000,000 (equivalent to approximately HK77,600,000) per year to be paid quarterly for three years commencing from the Closing and ending on the third anniversary of the Closing. The period of the flat tax payment arrangement can be extended for another two years subject to certain conditions. As at the date of this circular, the Flat Tax Agreement has not been signed. For conditions precedent (vi), (viii) and (vix), they are still in progress and were expected to be fulfilled before the Closing.

2.4 Closing

The Closing of the Initial Project Development Agreement shall occur as soon as practicable after the date on which the conditions precedent are fulfilled, provided that the Closing shall not occur later than the Long Stop Date unless otherwise agreed by the parties to the Initial Project Development Agreement. The Long Stop Date has been extended from 29 July 2016 to 31 August 2016 (which shall further be automatically extended to 10 September 2016 if any of the conditions precedent is unable to be satisfied) as agreed by the Government of the Lao PDR and the Company.

The Project Assets to be acquired upon the Closing include the following:

- (i) facilities such as buildings, fixtures and furniture, power generators, fire alarm and hydrant systems, tools and repair and maintenance equipment, and general building equipment;

LETTER FROM THE BOARD

- (ii) hotel equipment and furniture such as hotel furniture and appliances, spa and gymnasium equipment, office equipment, kitchen equipment, food and beverage equipment, laundry equipment, and cleaning and housekeeping equipment;
- (iii) gaming equipment such as gaming tables, gaming table equipment (including shufflers and computer terminals), slot machines and slot machine equipment, and cage equipment (including counters, cash registers and safes);
- (iv) information technology equipment such as servers, personal computers and printers, surveillance cameras and related security and monitoring equipment, televisions, CD and DVD players, and other electronic entertainment equipment, and karaoke and KTV equipment;
- (v) inventories and supplies such as playing cards, gaming chips, retail inventory and supplies, general food and beverage inventory and supplies, office supplies, and gasoline and fuel supplies;
- (vi) transportation vehicles and heavy equipment such as cars, trucks, vans, sport utility vehicles, limousines, buses, minibuses, minivans, motorcycles, and motorbikes, water trucks, tractors, and other heavy equipment;
- (vii) intellectual property rights of the Project;
- (viii) all books and records relating to the Project; and
- (ix) current assets such as accounts receivables, deposits, prepaid rent and prepaid expenses.

The Project Liabilities to be assumed upon the Closing consist of all liabilities and obligations arising under, related to, or incurred in respect of the Project Assets, whenever arising or asserted, including the current liabilities at the Closing such as accounts payables, accruals, payroll tax payables, outstanding chips, and cage customer deposits but excluding the following:

- (i) tax obligations (other than the Assumed Tax Liability) to governmental authorities of the Lao PDR arising in respect of periods before the Effective Date;
- (ii) salary and other employee benefit obligations in respect of the executive-level employees of the Operator to be transferred to the Project Company;
- (iii) liabilities and obligations relating to the overdraft agreement dated 27 June 2015 between the former owner of the Project and a bank in the Lao PDR;
- (iv) liabilities and obligations relating to the management and sales and marketing contract dated 16 April 2015 between the Government of the Lao PDR and a company which is an Independent Third Party; and

LETTER FROM THE BOARD

- (v) liabilities and obligations relating to any claims or actions that may be asserted by the former owner of the Project against the Company, the Project Company and their respective officers, directors, employees, agents, affiliates, successors and permitted assigns.

2.5 Recent development for the Project

As at the date of this circular, the Government of the Lao PDR and the Company are in the process of settling the transaction documents, and currently expect that the Project Company will replace the Company and sign before the Closing the Revised Project Development Agreement with the Government of the Lao PDR in respect of the Project and the engagement in the Concession Activities during the Term, which will supersede the Initial Project Development Agreement since the Project Company will own the Project after the Closing and it will be more appropriate for the Project Company to directly enter into the Revised Project Development Agreement in respect of the Project.

The Revised Project Development Agreement has not been finalised but is expected to be on substantially similar terms with the Initial Project Development Agreement with the following proposed major modifications:

- (i) it is expected that the condition precedent for the entering into of the Instrument of Accession under the Initial Project Development Agreement will be dispensed with since the Project Company will be a direct party to the Revised Project Development Agreement;
- (ii) as a result of the proposed replacement of the Company by the Project Company as a party in the Revised Project Development Agreement, the Company is expected to enter into a performance guarantee to guarantee the payment obligations of the Project Company with an aggregate liability of not more than US\$30,000,000 (equivalent to approximately HK\$232,800,000) in respect of the initial guarantee provided by the Company under the Initial Project Development Agreement which is to guarantee the payment obligations of the Project Company as referred to in paragraph 2.10 headed “Guarantee” of this circular;
- (iii) it is expected that the Government of the Lao PDR will specify the concession rights of the Project Company such as the rights to implement the Project, engage in the operation and management of the Project, and lease the Project Area;
- (iv) the following obligations of the Government of the Lao PDR are expected to be specified such as the non-interference of the Government of the Lao PDR in the Project or the operation and management of the Project, and the timely grant of the authorisations to the Project Company which are necessary or appropriate pursuant to the applicable laws of the Lao PDR for (A) the lawful status and operation of the

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Project Company, (B) the implementation of the Project, (C) the operation and management of the Project, and (D) the fulfilment of the purposes and intents of the Revised Project Development Agreement; and

- (v) the other terms of the Revised Project Development Agreement such as force majeure, scope of indemnification from the Government of the Lao PDR and the termination events are expected to be agreed and modified to the benefit of the Project Company for the satisfaction of the condition precedent (viii) under paragraph 2.3 headed “Conditions precedent” of this circular.

2.6 The Project

The Savan Vegas Hotel and Entertainment Complex is erected on a parcel of land with a site area of approximately 50 hectares and a total gross floor area of approximately 49,116 sq.m. It comprises (i) a two-storey main casino and hotel building with a total gross floor area of approximately 19,141 sq.m., (ii) a three-storey hotel building with a total gross floor area of approximately 9,515 sq.m., (iii) a one-storey casino building with a total gross floor area of approximately 1,130 sq.m., and (iv) supporting facilities and staff dormitories with a total gross floor area of approximately 19,330 sq.m.

The Project consists of the Savan Vegas Hotel and Entertainment Complex which is a full-service casino, hotel and resort located in Nongdeune Village, Kaisonphomvihanh District, Savannakhet Province of the Lao PDR that features gaming and entertainment venues, a contemporary hotel and convention centre, restaurants, bars and other dining facilities, spa services, recreational facilities, retail shopping facilities, ATMs, and transportation and car rental services. It has been operated since December 2008.

As at the date of this circular, the Project was operated by the Operator which is a company organised under the laws of the Lao PDR and wholly-owned by the Ministry of Finance of the Lao PDR.

As at the Latest Practicable Date, the hotel at the Project had 472 guest rooms (including 23 suites) with an average room size of approximately 32 sq.m. The casino at the Project had 92 tables and 493 slot machines as at the Latest Practicable Date. The total gaming area is approximately 4,100 sq.m. There is also a casino grand stage of approximately 1,300 sq.m., and a boxing arena of approximately 225 sq.m. There are nine karaoke rooms, one hair salon, seven food and beverage outlets at the Project with a total of 881 seats, one duty-free shop with retail shopping facilities, a convention centre of approximately 2,400 sq.m., a spa and a fitness centre, ATMs, and transportation services. The recreational facilities included the karaoke rooms, hair salon, spa and fitness centre.

Based on the available information provided by the Operator, as at 31 December 2013, 2014, and 2015, and 30 April 2016, the number of visitors to the Savan Vegas Hotel and Entertainment Complex was 796,271, 810,484, 805,882 and 247,257, respectively, and the occupancy rate of the hotel at the Project was 41%, 35%, 40% and 37%, respectively.

LETTER FROM THE BOARD

The net book value of the Project as at 31 December 2015 and 30 April 2016 was approximately HK\$243,023,000 and approximately HK\$219,939,000, respectively. Based on the valuation report of the Savan Vegas Hotel and Entertainment Complex, the market value of the Savan Vegas Hotel and Entertainment Complex in its existing state as at 31 May 2016 was US\$42,400,000 (equivalent to approximately HK\$329,024,000).

The financial information of the Project for the two financial years ended 31 December 2014 and 2015 in accordance with International Financial Reporting Standards are as follows:

	For the year ended	
	31 December 2014	31 December 2015
Net loss for the year	HK\$(3,446,000)	HK\$(92,449,000)

The reasons for the significant deterioration of the financial performance of the Project during 2014 and 2015 are the following:

- (i) the exchange rate for Thai Baht to US dollars declined by approximately 5% as a result of economic downturn in Thailand;
- (ii) there was a decrease in the number of visitors from 2014 to 2015;
- (iii) the default of two junket operators in their credit with the casino of the Project;
- (iv) the cessation of the credit arrangement for these two junket operators caused a significant decrease in the VIP volume in 2015; and
- (v) there was a downturn in the revenue from mass market tables, VIP tables and slot machines.

From and after the Closing, the Project Company will be entitled to:

- (i) have full rights of access to the Project Area and use of the existing Project and Project Area infrastructure and facilities, including roads, electricity and power supply, water supply and telecommunication services, subject to the payment of applicable third party provider fees and service costs for use of such infrastructure and facilities; and
- (ii) further develop the infrastructure and facilities throughout the Project Area, whether by way of renovation or construction of new infrastructure and facilities, in accordance with the applicable laws of the Lao PDR and international best practices.

LETTER FROM THE BOARD

2.7 Consideration for the Project

The Consideration for the Project is US\$42,000,000 (equivalent to approximately HK\$325,920,000) (including payment of the Assumed Tax Liability). Upon the entering into of the Initial Project Development Agreement, the Company paid the Deposit of US\$1,000,000 (equivalent to approximately HK\$7,760,000) on 16 May 2016 to the bank account designated by the Government of the Lao PDR as security for the Company's fulfilment of the obligations of the Company and the Project Company before the Closing and the obligation to achieve the Closing.

If the Closing occurs, the Deposit shall be credited as partial payment of the Consideration for the Project. If the Closing does not occur by the Long Stop Date, the Deposit may be retained by the Government of the Lao PDR without prejudice to any further claim the Government of the Lao PDR may have against the Company for failure to achieve the Closing or for breach of its obligations before the Closing under the Initial Project Development Agreement, provided that if the failure to achieve the Closing is a result of a failure of one or more of the conditions precedent set forth under paragraphs 2.3 (iv) to (vix) above required to be satisfied before the Long Stop Date, or as a result of a breach by the Government of the Lao PDR of its obligations under the Initial Project Development Agreement, the Deposit shall be returned to the Company within 15 days after the Long Stop Date and the Company shall have no other liability for such failure to achieve the Closing.

The Consideration of US\$42,000,000 (equivalent to approximately HK\$325,920,000) shall be paid at the Closing by a wire transfer of immediately available funds to the bank account designated by the Government of the Lao PDR no later than three Business Days before the Closing.

Except for the Assumed Tax Liability, which shall be discharged in full by the payment above, the Project Company shall have no obligation to pay any tax obligations in respect of the Project or the Project Assets for the period before the Closing.

The Consideration for the Project was determined after arm's length negotiations between the Government of the Lao PDR and the Company, and taking into account of (i) the size of the Project, (ii) the location of the Project, (iii) the existing casino and hotel operations at the Savan Vegas Hotel and Entertainment Complex, and (iv) the area of gaming exclusivity to be granted to the Project.

2.8 The Concession Activities

The Concession Activities in connection with the Project shall be conducted within the Project Area except for item (ix) which can extend beyond the Project Area, and includes, among others:

- (i) Gaming Activities;

LETTER FROM THE BOARD

- (ii) hotel and hospitality services;
- (iii) entertainment services, including the presentation or hosting of musical performances, theatrical productions, comedy shows, sporting events or other live, recorded or broadcast entertainment, karaoke and KTV venues;
- (iv) convention services;
- (v) recreational services, including the operation of salons, spas, massage and treatment facilities, health clubs, gymnasiums, swimming pools, tennis courts, and a golf course;
- (vi) dining services, including the operation of restaurants, bars, nightclubs, cafés and other dining establishments and the service of liquor and alcoholic beverages for up to twenty-four hours per day;
- (vii) retail services incidental to (i) to (vi) above, including the operation of a duty free shop, markets, and gift shops;
- (viii) credit extension for the Gaming Activities and installation of ATMs;
- (ix) transportation and car rental services;
- (x) all lawful activities that are incidental or ancillary to the activities authorised under this paragraph 2.8 or that are useful, necessary or convenient to the operation of such activities; and
- (xi) such other activities as the Government of the Lao PDR may approve.

2.9 Term and Exclusivity

Subject to the other terms and conditions of the Project Development Agreement, the Project Development Agreement shall have an initial Term of 50 years commencing on the Effective Date. Subject to the applicable laws of the Lao PDR, in the event that the Project Company has fulfilled all its obligations for the initial term of 50 years, the Project Company may request the Government of the Lao PDR for an extension of an additional period of not exceeding 49 years.

For the duration of the Term, the Government of the Lao PDR shall not grant to any third party any licence, permit or concession authorising such third party to operate any Gaming Activities within the exclusivity zone (which consists of the provinces of Bolikhamsay, Khammouane and Savannakhet of the Lao PDR) without the prior written consent of the Project Company but such exclusivity right does not authorise the Project Company to conduct the Concession Activities outside the Project Area.

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2.10 Guarantee

In accordance with the applicable laws of the Lao PDR, as security for the Project Company's fulfilment of its obligations under the Project Development Agreement, the Company shall execute an irrevocable statutory guarantee in the amount of US\$30,000 (equivalent to approximately HK\$232,800).

In addition, the Company unconditionally guarantees the payment when due of all of the Project Company's obligations under the Initial Project Development Agreement and shall make available to the Project Company such financial and other resources as the Project Company may require to satisfy its obligations under the Initial Project Development Agreement.

The Project Company has to perform several obligations under the Project Development Agreement which include, among others, the following:

- (i) it shall not engage in any businesses other than the Concession Activities in the Project Area without the prior written consent of the Government of the Lao PDR and shall at all times conduct the Concession Activities in accordance with the terms of the Project Development Agreement, the Concession Licence, the Gaming Licence, and the applicable laws;
- (ii) it shall be responsible for financing the operation of the Project and the conduct of the Concession Activities;
- (iii) it shall maintain its books, accounts and financial statements in accordance with the applicable laws at a location in the Lao PDR approved by the Government of the Lao PDR;
- (iv) it must disclose to the Government of the Lao PDR, as soon as reasonably possible, (a) any fact or circumstance that may materially adversely affect the operation of the Gaming Activities or the governance of the Project Company, (b) any fact or circumstance that may materially adversely affect its financial situation, including but not limited to, any fact that, by itself or in conjunction with others, may lead to its bankruptcy, (c) the existence of any material dispute against the Project Company or its officers relating to the Concession Activities and the existence of any litigation between its shareholders holding five per cent of the share capital of the Project Company relating to the Project Company, and (d) any improper behavior against the Project Company or its officers by any agent or employee of a governmental authority of the Lao PDR; and
- (v) it shall pay taxes in accordance with the Flat Tax Agreement.

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In order to ensure that the Project Company performs its payment obligations under the Project Development Agreement, the Company provides such an unconditional guarantee and the aggregate liability of the Company for the payment obligations of the Project Company is expected to be not more than US\$30,000,000 (equivalent to approximately HK\$232,800,000) under the Revised Project Development Agreement.

2.11 Termination

The Initial Project Development Agreement shall be terminated, among others, in the following circumstances:

- (a) upon occurrence of any of the circumstances for cancellation or termination of an investment set forth in the relevant laws of the Lao PDR;
- (b) giving 30 days' written notice of termination by the Government of the Lao PDR if the Company or the Project Company fails to (i) make any monetary payment to the Government of the Lao PDR as required by the applicable laws of the Lao PDR or under the Initial Project Development Agreement, (ii) comply with any other material obligation under the Initial Project Development Agreement, or (iii) comply with a material obligation imposed by the applicable laws of the Lao PDR; or
- (c) giving immediate notice of termination by the Government of the Lao PDR if the Company or the Project Company goes into liquidation because of insolvency or makes a composition with its creditors.

Please refer to paragraph 2.5 headed "Recent development for the Project" of this circular.

3. TYPES OF GAMING ACTIVITIES INVOLVED IN THE PROJECT

Pursuant to the Project Development Agreement, the Project Company shall conduct the Gaming Activities in accordance with the Gaming Licence and international best practices adopted by casinos of similar size and nature, and in a manner that is fair, trustworthy and free from criminal influence and fraudulent practices. The Gaming Activities involved in the Project are the commercial operation of Games of Chance or of Wagers, played for money or money's worth, including the operation of gaming tables, semi-automated gaming tables and Electronic Gaming Machines, either in a casino or in the form of Interactive Gaming.

The conduct of the Interactive Gaming is expressly authorised by the Government of the Lao PDR in the Project Development Agreement. As at the Latest Practicable Date, the Company has yet had a detailed concrete plan on the conduct of the Interactive Gaming and has not decided when it will commence the conduct of the Interactive Gaming. Once the Company has formulated the

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business model of the Interactive Gaming, it will deploy measures and seek relevant advice before operation to ensure that the Interactive Gaming will only be accessible by customers who are based in the relevant areas which permit individuals in such areas to transact the Interactive Gaming.

Under the Project Development Agreement, the Government of the Lao PDR will grant at the Closing the Concession Licence and the Gaming Licence to the Project Company which are the express authority of the Government of the Lao PDR for the conduct of the Gaming Activities at the casino of the Savan Vegas Hotel and Entertainment Complex.

4. APPLICABLE REGULATORY OR LICENSING REQUIREMENTS

Licences must be issued by relevant departments of the Government of the Lao PDR based on the specific casino and gambling activities to be engaged in and the geographic area where those activities will be conducted. Licences must be applied for and are granted on an ad hoc basis to intended casino operators who are regarded by the Government of the Lao PDR as being suitable to carry out such operations. The Company has already been pre-qualified by the Government of the Lao PDR as a suitable casino operator in the Lao PDR, and has received an indication from the Government of the Lao PDR that its participation in this gaming sector is welcomed.

As at the Latest Practicable Date, the Company and the Project Company have not obtained the Gaming Licence for the Project. As the obtaining of the Gaming Licence, and the relevant licences and approvals for the conduct of the Gaming Activities of the Project is one of the conditions precedents to the Project Development Agreement, it is expected that upon the Closing, the Project Company will have the necessary licences to operate the casino and conduct the Gaming Activities.

In relation to the casino operation at the Savan Vegas Hotel and Entertainment Complex, as at the Latest Practicable Date, the Company has reviewed internal control procedures and measures on the prevention of money laundering and other serious criminal activity on the Savan Vegas Hotel and Entertainment Complex in the Lao PDR where gambling activities are to be conducted. The Company is in the process of formulating detailed internal control procedures and measures in this regard. Since the Company (i) has already had in place internal control procedures and measures on prevention of money laundering and other serious criminal activity on the premises of the Group in Macau where gambling activities are conducted, and (ii) has its own internal audit team which performs reviews on, among others, anti-money laundering enhancement in connection with gaming operations of the Group, the Company will deploy similar internal control procedures and measures on prevention of money laundering and other serious criminal activity on the Savan Vegas Hotel and Entertainment Complex in the Lao PDR where gambling activities are conducted, and will adjust and revise such internal control procedures and measures to ensure that they comply with the applicable laws and regulations in the Lao PDR.

5. SPECIFIC RISKS IN RELATION TO THE OPERATION OF THE GAMING ACTIVITIES INVOLVED IN THE PROJECT

5.1 Risks of political and governmental

Risks from the government include any change in policy that could have an adverse effect on the operation of the Project. While the laws of the Government of the Lao PDR contain a number of general prohibitions against casinos and gambling, exemptions from those prohibitions may legally be granted on a case by case basis. Casinos are also required to follow a number of regulations with respect to workforce levels and investment in their training. These regulations and others such as taxes could be changed which may affect the operation of the Project.

5.2 Risk of additional casino and resort competition

With no likely additional competition from new locations in Laos, the threat of competition turns towards Thailand and to a lesser degree, Vietnam. Thailand has a total ban on casino gambling and local people in Vietnam cannot gamble at casinos in Vietnam. If there is any change to the governmental policies and laws on gambling which allows casino gambling in Thailand or allows Vietnam nationals to gamble at casinos in Vietnam, there may be competition towards the Project.

Integrated resort developments in Vietnam such as Da Nang of Vietnam may also create competition to the Savan Vegas Hotel and Entertainment Complex. There has been continuing speculation that Vietnam may approve a large expansion of integrated resorts to increase tourism. If this expansion is materialised, there may be competition to the hotel and gaming operations of the Project.

5.3 Risk of lack of urban infrastructure

The infrastructure of Savannakhet Province requires improvement and expansion to cater for the development of the Project. At present, there is minimal infrastructure outside of the Savan Vegas Hotel and Entertainment Complex. Most of its existence is due to its location on the border and on the Mekong River. The lack of sufficient infrastructure and entertainment options may limit the location's appeal to visitors from further distances into Thailand or Vietnam.

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5.4 Risk of operation

The Savan Vegas Hotel and Entertainment Complex's nearly seven years of operations have created experienced managers and staff who are well attuned to the needs of the current customer base and can serve as key employees upon opening of new facilities. With further development of the Project, there will be a need to source new employees with suitable language skills and cultural understanding. If existing experienced managers and staff are not able to be retained or the new employees with suitable language skills are not able to be sourced, the operation of the Project may be affected.

5.5 Risk of suspension and cancellation of listing

The Company would use its best endeavours to ensure that the operation of the gambling activities at the Savan Vegas Hotel and Entertainment Complex must (i) comply with the applicable laws in the Lao PDR; and/or (ii) not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong). Pursuant to Guidance Letter HKEx-GL71-14 issued by the Stock Exchange relating to "Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers", should the operation of such gambling activities (i) fail to comply with the applicable laws in the Lao PDR, and/or (ii) contravene the Gambling Ordinance, there is a risk that the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules. Depending on the circumstances of the case, the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Company's securities pursuant to Rule 6.01 of the Listing Rules.

6. POTENTIAL DEVELOPMENT OF SITE A

In addition to the Project, the Company is interested in developing an integrated resort at Site A, an area in the Savan Seno Special Economic Zone of Savannakhet Province of the Lao PDR. The proposed integrated resort, which would be adjacent to the Project Area, may include two golf courses, 600 hotel rooms, villas, spa and pool facilities, staff quarters and training facilities. The proposed resort in Site A may also include a shopping arcade, an exhibition hall, medical tourism facilities, a floating restaurant, a botanical garden, a dinosaur exhibition and other resort-type facilities and activities. The Government of the Lao PDR and the Company are still in preliminary discussions on the potential development of Site A. If the potential development in Site A materialises, the Company will comply with the relevant requirements of the Listing Rules when the definitive agreement is entered into.

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7. INFORMATION ABOUT LAOS AND SAVANNAKHET PROVINCE, AND REASONS FOR AND BENEFITS OF THE PROJECT

Laos is very central to the Southeast Asia, and is also accessible in under two hours for a large portion of the Southern China. The Lao's international visitation is dominated by three of its neighbours, being Thailand, Vietnam and China. The total international visitation to Laos in 2014 was approximately 4.2 million, and the above three countries accounted for approximately 86% of international arrivals in 2014.

According to the Lao PDR visitation statistics, Savannakhet Province of the Lao PDR received over 1 million visitors in 2014. Savannakhet Province is located in the middle of Laos and borders Khammouane Province to the north, Quang Tri and Thua Thien-Hue Provinces of Vietnam to the east, Saravan Province to the south, and Nakhon Phanom and Mukdahan provinces of Thailand to the west. Savannakhet Province is rich with natural attractions and includes the Xe Bang Nouan National Biodiversity Conservation Area to the south, the Dong Phou Vieng National Protected Area to the southeast, and Phou Xang He National Protected Area to the north.

The Savan Vegas Hotel and Entertainment Complex received close to 1 million casino visits, meaning that most of the tourism in the region appears to be related to the presence of the casino. In 2015, most markets showed a continuing shift from VIP to mass market play with a few exceptions. The three largest gross gaming revenue markets, Macau, Las Vegas Strip and Singapore all had double digit percentage declines in VIP play in 2015, with Macau down approximately 38%.

Through the Project, the Group will be able to operate the Savan Vegas Hotel and Entertainment Complex in Savannakhet Province of the Lao PDR. The entering into of the Project Development Agreement and the transactions contemplated under it enable the Group to tap into the gaming business and the tourism market in the Lao PDR.

Although the financial performance of the Project deteriorates from 2014 to 2015, the decrease in revenue is mainly due to the default of two junket operators in their credit with the casino of the Project which is an one-off and isolated incident, and the general economic downturn in Thailand in 2015. The acquisition of the Project is considered to be fair because the Consideration represents approximately 1.56 times, 1.94 times, and 7.92 times of the adjusted EBITDA for each of the financial years ended 31 December 2013, 2014, and 2015, respectively. The deteriorated performance in 2015 is considered to be attributable to the mismanagement of the Project before the Operator takes it over. For details of the adjusted EBITDA, please refer to the paragraph headed "Adjusted EBITDA" in Appendix IV of this circular.

Although there have been audit qualifications and previous incidences such as investigation on former management on misappropriation of funds and the illegal and prohibited acts of the former owner of the Project for the Savan Vegas Hotel and Entertainment Complex as a result of mismanagement before the Operator takes it over, the Company considers that there would not be any continuing effect on the Project because (a) the acquisition of the Project will be directly from the Operator which is a company wholly-owned by the Ministry of Finance of the Lao PDR, (b) the previous incidences of the Project have been between the former owner of the Project and the

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Government of the Lao PDR, and (c) under the Asset Purchase Agreement, the Government of the Lao PDR will provide indemnification to the Project Company against any breach by the Operator and the Government of the Lao PDR, and any claims from the former owner of the Project in respect of the Project.

Taking into account of (a) the growth and development potential of the Savan Vegas Hotel and Entertainment Complex, (b) the location of the Project, (c) the concession term of 50 years granted by the Government of the Lao PDR to operate the Concession Activities at the Project Area, (d) the exclusivity zone that limits competition to the Project, (e) the ability of the Group to develop the Project into an attractive area for regional tourism, (f) the market value of the Project, and (g) the importance of the Project to the future potential corporate development strategies in the Lao PDR, the Board (including the independent non-executive Directors) considers that the entering into of the Project Development Agreement and the transactions contemplated under it will provide a viable and valuable opportunity for the Group to expand its business outside Macau.

The Group will fund the Consideration by internal resources. The Group may consider, while retaining management and operational control of the Project, investments by co-investor(s) for the Project, which may reduce proportionately the internal funding of the Group. As at the date of this circular, the Group has not identified any co-investor(s). The Company also plans to raise funds by bank financing or external debt/equity financing or a combination of any of these sources of funding through the Project at a later stage after the Closing but as at the date of this circular, the Company is not negotiating any fund raising activities to fund the Consideration.

Given the above, the Board (including the independent non-executive Directors) considers that the terms of the Project Development Agreement are fair and reasonable, and that the entering into of the Project Development Agreement and the transactions contemplated under it are in the interests of the Company and the Shareholders as a whole.

8. INFORMATION ON THE GROUP, THE GOVERNMENT OF THE LAO PDR AND THE OPERATOR

The Company is one of the leading owners of entertainment and casino gaming facilities in Macau. It is principally engaged in (i) the provision of gaming services to SJM through its subsidiary, Hong Hock Development Company Limited, in two casinos in its properties, namely Pharaoh's Palace Casino and Babylon Casino, and (ii) the operation of the hotels, entertainment and leisure facilities within the Group's properties.

In 2015, the Group entered into agreements with the Government of Cape Verde and has commenced to develop an integrated leisure, tourism and entertainment complex in Praia, the capital city of Cape Verde.

The Government of the Lao PDR is the governing authority of the Lao PDR, and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, is an Independent Third Party.

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The Operator is a company organised under the laws of the Lao PDR and wholly-owned by the Ministry of Finance of the Lao PDR, and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, is an Independent Third Party.

9. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Project Development Agreement and the transactions contemplated under it exceeds 25% but is less than 100%, the entering into of the Project Development Agreement constitutes a major transaction of the Company under the Listing Rules and is therefore subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. Accordingly, the Company will seek Shareholders' approval at the EGM by way of poll for the entering into of the Project Development Agreement and the transactions contemplated under it.

The Company confirms that, based on Lao legal advice obtained by the Company, and the Lao due diligence investigation conducted on the Company's behalf by its Lao legal counsel, the gambling activities contemplated by the Company and/or the Project Company are lawful in the Lao PDR. According to the Lao legal advice obtained by the Company, the operation of Games of Chance and Wagers, and gaming activities in the designated areas in the Lao PDR by entities that have been duly licensed (through concession or licence) for such activities by the Government of the Lao PDR does not violate the laws currently in force in the Lao PDR. By entering into of the Project Development Agreement and the Asset Purchase Agreement, the Company and/or the Project Company are entitled to operate Games of Chance and Wagers, and Gaming Activities in the designated areas in the Lao PDR and such operation does not represent a violation of the laws currently in force in the Lao PDR.

The Company has also been advised that the gambling activities to be conducted wholly in the Lao PDR do not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong). Shareholders and potential investors should note that, pursuant to Guidance Letter HKEx-GL71-14 issued by the Stock Exchange relating to "Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers", the Stock Exchange may direct the Company to take remedial actions and/or may suspend dealings in, or may cancel the listing of, the Company's securities pursuant to Rule 6.01 of the Listing Rules if the operation of the proposed gambling activities fails to comply with applicable laws in the Lao PDR and/or contravenes the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong).

10. EGM

A notice convening the EGM to be held at The Lagoon, The Landmark Macau, 555 Avenida da Amizade, Macau at 1:00 p.m. on Thursday, 18 August 2016 or any adjournment of such meeting is set out on pages 92 to 93 of this circular.

A form of proxy for use at the EGM is accompanied with this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instruction printed on it and return it to the Company's branch share registrar in Hong

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Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment of such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting if you so wish.

The vote of the Shareholders at the EGM will be taken by poll in accordance with Rule 13.39(4) of the Listing Rules and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder as at the Latest Practicable Date is required to abstain from voting under the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby a Shareholder has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM.

None of the Directors has a material interest in the Project Development Agreement and the transactions contemplated under it. Accordingly, no Director was required to abstain from voting on the relevant board resolutions.

11. CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 16 August 2016 to Thursday, 18 August 2016, both days inclusive, during which period no transfer of Shares will be registered. The record date for such purpose is Thursday, 18 August 2016.

In order to be eligible to attend and vote at the EGM, unregistered holders of the Shares should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 15 August 2016.

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12. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Project Development Agreement (including the transactions contemplated under it) are fair and reasonable, and in the interests of the Group and the Shareholders as a whole, and accordingly recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the entering into of the Project Development Agreement (including the transactions contemplated under it).

13. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Macau Legend Development Limited
Chow Kam Fai, David
Co-chairman, executive Director
and chief executive officer



1 August 2016

The Directors
Macau Legend Development Limited

Dear Sirs,

We set out below our report on the financial information of the hotel and gaming business of Savan Vegas Hotel and Entertainment Complex (the “**Complex**”) (the “**Relevant Business**”) in Lao People’s Democratic Republic (“**Lao PDR**”) for the three years ended 31 December 2013, 2014 and 2015 and four months ended 30 April 2016 (the “**Relevant Periods**”) (the “**Financial Information**”) carried out by Savan Vegas and Casino Co., Limited (“**SVC**”) for the period from 1 January 2013 to 28 September 2015, and currently by Savan Vegas Lao Limited (“**SVL**”) for period from 28 September 2015 to 30 April 2016 for inclusion in the circular issued by Macau Legend Development Limited (the “**Company**”) dated 1 August 2016 (the “**Circular**”) in connection with the proposed acquisition of the Relevant Business.

Both SVC and SVL (collectively referred to as the “**Entities**”) are private limited liability companies, incorporated and domiciled in Lao PDR. SVL was established on 28 September 2015 and is wholly-owned by the Ministry of Finance of Lao PDR (the “**Lao Government**”) for the purpose of holding the net assets and related operations of the Relevant Business transferred from SVC, the original entity owning and operating the Relevant Business, and then to sell the said net assets and related operations to a new investor.

The Complex is located in Nongdeune Village, Kaishonephomvihan District, Savannakhet Province, Lao PDR.

The audited financial statements of SVC for the year ended 31 December 2013 were prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”), and were audited by Grant Thornton. The audited financial statements of SVC for the financial year ended 31 December 2014 and for the period from 1 January 2015 to 28 September 2015 as well as the audited financial statements of SVL for the period from 28 September 2015 to 31 December 2015 were audited by RSM Audit Services (Thailand) Limited (“**RSM**”). Both Grant Thornton and RSM are certified public accountants registered in respective jurisdictions. For the purpose of this report, the directors of SVL have prepared the financial statements of SVL for the four months ended 30 April 2016 in

accordance with IFRSs, which were audited by us in accordance with International Standards on Auditing. The above mentioned audited financial statements are collectively referred to as the "Underlying Financial Statements".

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 2 of Section E and after making such adjustments which are considered necessary in reporting the Financial Information of the Relevant Business for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the respective Entities who approved their issue. The directors of Macau Legend Development Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). However, for the purpose of this report, we were unable to carry out the procedures we considered necessary to assess the impact of the matters described below on the Financial Information relating to the Relevant Business in this report to form the basis for an opinion on the Financial Information.

As mentioned above, RSM was appointed as auditor of SVC in 2015 for the audit of the financial statements of SVC for the year ended 31 December 2014 and for the period from 1 January 2015 to 28 September 2015. RSM issued a disclaimer of opinion on those financial statements. RSM also issued a qualified opinion in respect of the financial statements of SVL for the period from 28 September 2015 to 31 December 2015.

Details of RSM's qualifications relevant to the financial information of the Relevant Business incorporated in the Underlying Financial Statements and our qualifications after examining the Underlying Financial Statements and performing necessary procedures are as follows:

(i) Related party transactions and balances

RSM was unable to obtain any supporting documents for all of the related party transactions entered into during the year ended 31 December 2014 and balances with related parties as shown in the statement of financial position. Furthermore, no direct confirmation was allowed to be arranged for all outstanding related party balances as at 31 December 2014, and transactions from 1 January 2013 to 28 September 2015 since the former management of the Entities is currently under investigation by the Lao Government with the allegation of misappropriation of the Relevant Business' funds. We were also unable to obtain sufficient supporting evidence for all the related party transactions and balances therefore unable to conclude as to whether these related party transactions for the years ended 31 December 2013,

2014 and for the period from 1 January 2015 to 28 September 2015; and the balances with related parties as at 31 December 2013 and 2014, as well as the related disclosures set out in note 22 are free from material misstatements

(ii) Property, plant and equipment

RSM was unable to obtain sufficient supporting evidence and perform alternative procedures with respect to acquisition costs of the property, plant and equipment with carrying values of approximately HK\$308.6 million and HK\$273.5 million as at 1 January 2014 and 31 December 2014, respectively, since the management of the Entities had not maintained appropriate supporting documents in this regard. We were also unable to obtain sufficient supporting evidence as to the carrying values of the property, plant and equipment of SVL as at 31 December 2015 and 30 April 2016 amounting to HK\$244.8 million and HK\$235.9 million respectively. We were unable to perform alternative procedures to satisfy ourselves as to whether the above mentioned property, plant and equipment as at 31 December 2013, 2014, 2015 and 30 April 2016 and the depreciation thereon amounting to HK\$51.8 million, HK\$38.5 million, HK\$33.1 million and HK\$11.3 million for the years ended 31 December 2013, 2014, 2015 and four months ended 30 April 2016; and impairment loss of nil, nil, HK\$3.5 million and nil for the years ended 31 December 2013, 2014, 2015 and four months ended 30 April 2016 respectively, are free from material misstatements.

(iii) Physical cage bankroll

RSM did not observe the counting of physical bankroll (included in the bank balances and cash line item in the statement of financial position of the Relevant Business) of approximately HK\$12.5 million and HK\$9.3 million on 1 January 2014 and 31 December 2014 respectively as RSM was appointed as auditor on 3 September 2015. RSM was unable to satisfy themselves by alternative audit procedures concerning cage bankroll balances held at those dates. We were also unable to perform alternative procedures in respect of the physical bankroll of approximately HK\$12.5 million and HK\$9.3 million on 31 December 2013 and 2014 respectively. Since the balances of cage bankroll enter into the determination of casino revenues and also chips liability, we were also unable to satisfy ourselves whether the revenues for the years ended 31 December 2013, 2014 and 2015, and chips liability as at 31 December 2013 and 2014 are free from material misstatements.

(iv) Bank balances

RSM was unable to satisfy themselves as to the correct titles and ownership of certain bank balances which amounted to approximately HK\$14.3 million and HK\$1.9 million as at 1 January 2014 and 31 December 2014, respectively since these bank deposits have been registered under other parties' titles. We were also unable to perform alternative procedures in respect of these bank balances at those dates. As such, we were unable to satisfy ourselves as

to the ownership of these bank accounts amounting to approximately HK\$14.3 million and HK\$1.9 million as at 31 December 2013 and 2014, and whether those balances are free from material misstatements.

(v) Inventories

RSM did not observe the inventory counts as at 1 January 2014 and 31 December 2014 because those dates were prior to the date that they were first engaged as auditor of SVC. The inventory balances at those dates were approximately HK\$13.7 million and HK\$13.4 million, respectively. RSM was also unable to test inventory valuation and perform alternative audit procedures for certain inventories amounting to approximately HK\$9.0 million and HK\$8.9 million as at 1 January 2014 and 31 December 2014, respectively because SVC did not prepare the stock movement reports and could not provide the supporting documents for testing inventory valuation. Besides, as at 31 December 2015, RSM was unable to obtain sufficient supporting evidence regarding to the quantities and valuation of certain inventories amounting to approximately HK\$10.8 million since SVL could not provide supporting documents for these inventories. We were unable to satisfy ourselves by alternative audit procedures as to whether inventories amounting to HK\$13.7 million, HK\$13.4 million and HK\$8.3 million as at 31 December 2013, 2014 and 2015 respectively, are free from material misstatements. Since the balances of these inventories enter into determination of costs of sales for the year ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016, we are unable to conclude whether there will be any impact to profit or loss for the Relevant Periods.

(vi) Professional and consultant fees

RSM was unable to obtain sufficient supporting evidence from the management of the Entities with respect to professional and consultant fees totalling approximately HK\$15.1 million and HK\$12.4 million for the year ended 31 December 2014 and for the period from 1 January 2015 to 28 September 2015, respectively. We were also unable to perform alternative procedures to satisfy ourselves that the professional and consultant fees for the years ended 31 December 2013, 2014 and for the period from 1 January 2015 to 28 September 2015 amounting to HK\$15.3 million, HK\$15.1 million and HK\$12.4 million respectively are free from material misstatements.

Disclaimer of opinion as at 31 December 2013, 2014 and for the year ended 31 December 2013, 2014 and 2015:

Because of the significance of the possible effects of the limitations in the scope of our examination work described in items (i) to (vi) above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion and hence, we do not express an opinion as to whether the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Relevant Business as at 31 December 2013, 2014, and of its financial performance and cash flows for the year ended 31 December 2013, 2014 and 2015.

Qualified opinion as at 31 December 2015 and 30 April 2016, and for the four months ended 30 April 2016:

In our opinion, on the basis of presentation set out in note 2 of Section E, except for the possible effects of items (ii) and (v) as described above, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Relevant Business as at 31 December 2015 and 30 April 2016, and of the financial performance and cash flows of the Relevant Business for the four months ended 30 April 2016.

Disclaimer of review conclusion for the four months ended 30 April 2015:

The comparative statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity in relation to the Relevant Business for the four months ended 30 April 2015 together with the notes thereon have been extracted from SVC's unaudited financial information for the same period (the "**Financial Information for 30 April 2015**") which was prepared by the directors of SVC solely for the purpose of this report. We conduct our review on Financial Information for 30 April 2015 in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity". However, because of the significance of the possible effects of the limitation in the scope of our examination work as set out below, we were unable to obtain sufficient appropriate evidence to form a conclusion on the Financial Information for 30 April 2015.

(i) Related party transactions

The management of SVC could not provide supporting documents on all the related party transactions for the four months ended 30 April 2015 and balances as at that date. We were unable to conclude as to whether these related party transactions for the four months ended 30 April 2015 as set out in note 22 are free from material misstatements.

(ii) Impairment loss and depreciation of property, plant and equipment

We were unable to obtain sufficient supporting evidence with respect to acquisition costs of the property, plant and equipment with carrying values of approximately HK\$273.5 million and HK\$265.3 million, as at 31 December 2014 and 30 April 2015 respectively, since the management of the Entities had not maintained appropriate supporting documents. We were unable to perform alternative procedures to satisfy ourselves as to whether the impairment loss amounting to nil and depreciation amounting to HK\$11.3 million for the four months ended 30 April 2015 are free from material misstatements.

(iii) Professional and consultant fees

We were unable to obtain sufficient supporting evidence from the management with respect to professional and consultant fees totalling approximately HK\$12.2 million for the four months ended 30 April 2015, since the management of SVC had not maintained appropriate supporting documents in this regard. We were unable to perform alternative procedures to satisfy ourselves that the professional and consultant fees for the four months ended 30 April 2015 amounting to HK\$12.2 million are free from material misstatements.

(iv) Inventories

In addition to the absence of supporting documents for inventories with carrying amount of HK\$13.4 million at 31 December 2014 as mentioned above, we were unable to obtain sufficient supporting evidence regarding to the quantities and valuation of certain inventories amounting to approximately HK\$8.6 million as at 30 April 2015 since we were not provided with supporting documents for these inventories. We were unable to perform alternative procedures to satisfy ourselves whether the inventory balance as at 30 April 2015 is free from material misstatements. Since the balance of the inventory enter into determination of cost of sales for the four months ended 30 April 2015, we are unable to conclude whether there will be any impact to profit or loss for the four months ended 30 April 2015.

(v) Physical cage bankroll

We did not observe the counting of physical bankroll (included in the bank balances and cash line item in the statement of financial position of the Relevant Business) on 30 April 2015 and were also unable to perform alternative procedures in respect of the physical bankroll as of those dates. Since the balances of cage bankroll enter into the determination of casino revenues and also chips liability, we were also unable to satisfy ourselves whether the revenues for the four months ended 30 April 2015 are free from material misstatements.

(A) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December			Four months ended 30 April	
		2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	8	511,855	548,071	391,866	128,865	133,115
Business tax	9	<u>(5,782)</u>	<u>(92,003)</u>	<u>(105,057)</u>	<u>(34,419)</u>	<u>(35,719)</u>
		506,073	456,068	286,809	94,446	97,396
Cost of sales on non- gaming operations		<u>(19,980)</u>	<u>(17,168)</u>	<u>(18,067)</u>	<u>(5,173)</u>	<u>(4,595)</u>
Gross profit		486,093	438,900	268,742	89,273	92,801
Other income		472	439	836	126	132
General and administrative expenses		(204,683)	(193,289)	(209,597)	(62,337)	(61,525)
Selling and distribution costs		(146,487)	(136,598)	(122,329)	(34,193)	(40,410)
Other losses	10	(3,060)	(2,411)	(5,177)	(1,412)	(906)
Finance costs	11	<u>(115,356)</u>	<u>(110,487)</u>	<u>(24,924)</u>	<u>(24,134)</u>	<u>(520)</u>
Profit (loss) and total comprehensive income (expense) for the year/ period	12	<u>16,979</u>	<u>(3,446)</u>	<u>(92,449)</u>	<u>(32,677)</u>	<u>(10,428)</u>

(B) STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 31 December			At
		2013	2014	2015	30 April
		HK\$'000	HK\$'000	HK\$'000	2016
					HK\$'000
Non-current assets					
Property, plant and equipment	14	308,637	273,484	244,827	235,890
Deposits paid for property, plant and equipment		<u>—</u>	<u>2,073</u>	<u>3,685</u>	<u>1,714</u>
		<u>308,637</u>	<u>275,557</u>	<u>248,512</u>	<u>237,604</u>
Current assets					
Inventories	15	13,723	13,439	12,414	11,640
Trade and other receivables	16	16,170	17,570	12,786	6,775
Bank balances and cash	17	<u>29,702</u>	<u>17,594</u>	<u>33,847</u>	<u>31,371</u>
		<u>59,595</u>	<u>48,603</u>	<u>59,047</u>	<u>49,786</u>
Current liabilities					
Trade and other payables	18	27,192	94,206	48,953	55,779
Amount due to a related company	19	475,666	414,965	—	—
Bank overdraft	20	<u>—</u>	<u>—</u>	<u>15,583</u>	<u>11,672</u>
		<u>502,858</u>	<u>509,171</u>	<u>64,536</u>	<u>67,451</u>
Net current liabilities		<u>(443,263)</u>	<u>(460,568)</u>	<u>(5,489)</u>	<u>(17,665)</u>
Net (liabilities) assets		<u>(134,626)</u>	<u>(185,011)</u>	<u>243,023</u>	<u>219,939</u>
Net (liabilities) assets attributable to owners of the Relevant Business		<u>(134,626)</u>	<u>(185,011)</u>	<u>243,023</u>	<u>219,939</u>

(C) STATEMENT OF CHANGES IN EQUITY

	Net (liabilities) assets attributable to owners of the Relevant Business <i>HK\$'000</i>
At 1 January 2013	(147,484)
Profit for the year	16,979
Other movement of the net liabilities attributable to owners (<i>Note</i>)	<u>(4,121)</u>
At 31 December 2013	(134,626)
Loss for the year	(3,446)
Other movement of the net liabilities attributable to owners (<i>Note</i>)	<u>(46,939)</u>
At 31 December 2014	(185,011)
Loss for the year	(92,449)
Discharge of amount due to a related company and business tax payable (see note 23)	555,636
Other movement of the net assets attributable to owners (<i>Note</i>)	<u>(35,153)</u>
At 31 December 2015	243,023
Loss for the period	(10,428)
Other movement of the net liabilities attributable to owners (<i>Note</i>)	<u>(12,656)</u>
At 30 April 2016	<u>219,939</u>
(Unaudited)	
At 1 January 2015	(185,011)
Loss for the period	(32,677)
Other movement of the net liabilities attributable to owners (<i>Note</i>)	<u>(18,192)</u>
At 30 April 2015	<u><u>(235,880)</u></u>

Note:

As discussed above, the Financial Information included in this report aims to reflect only the financial information that is relevant to the Relevant Business, which was extracted from the books of the Entities, which had historically and throughout the Relevant Periods operated the Relevant Business and certain loan business to related companies (the “**Other Business**”) which do not form part of the Relevant Business. Therefore, the financial position and operating results of the Relevant Business do not include those that are directly attributable to the Other Business.

Historically and throughout the Relevant Periods, several bank accounts were maintained by SVC and SVL for both the Relevant Business and the Other Business, which are inseparable, and therefore reflected in full on the Relevant Business' statement of financial position. For the purpose of presenting the Financial Information of the Relevant Business as a separate reporting unit:

- i. in the statement of cash flows of the Relevant Business, any cash flows which resulted in an increase or a decrease of the bank accounts of the Entities as a result of transactions relating to the Other Business, even though not related to the Relevant Business, were reflected as deemed financing cash flows of the Relevant Business with the owners and included in the Relevant Business' statement of cash flows throughout the Relevant Periods; and
- ii. in the statement of changes in equity of the Relevant Business, due to the fact that both Relevant Business and Other Business were under the same owners,
 - (a) any corresponding increase in resources of the Relevant Business as a result of transactions mentioned in (i) above was credited to reserve and recognised as deemed contributions from the owners; and
 - (b) any corresponding decrease in resources as a result of transactions mentioned in (i) above was debited to reserve and recognised as deemed distributions to the owners.

(D) STATEMENT OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Operating activities					
Profit (loss) for the year/period	16,979	(3,446)	(92,449)	(32,677)	(10,428)
Adjustments for:					
Depreciation on property, plant and equipment	51,829	38,502	33,057	11,258	11,255
Finance costs	115,356	110,487	24,924	24,134	520
Impairment loss of property, plant and equipment	—	—	3,466	—	—
Loss on disposal of property, plant and equipment	56	—	—	—	—
Write-off of property, plant and equipment	—	41	257	—	—
Write-off of inventories	—	—	2,493	—	—
Allowance for doubtful debts	4,311	4,714	1,250	—	—
Interest income	(61)	(50)	(48)	(12)	(27)
Operating cash flows before movements in working capital	188,470	150,248	(27,050)	2,703	1,320
Decrease (increase) in inventories	475	284	(1,468)	(24)	774
Decrease (increase) in trade and other receivables	2,632	(6,114)	3,534	5,491	6,011
Increase in trade and other payables	801	67,014	99,694	38,973	6,826
Net cash generated from operating activities	<u>192,378</u>	<u>211,432</u>	<u>74,710</u>	<u>47,143</u>	<u>14,931</u>
Investing activities					
Interest income	61	50	48	12	27
Purchase of property, plant and equipment	(6,183)	(3,390)	(6,050)	(999)	(347)
Proceeds from disposal of property, plant and equipment	385	—	—	—	—
Deposits paid for property, plant and equipment	—	(2,073)	(3,685)	(22)	—
Net cash used in investing activities	<u>(5,737)</u>	<u>(5,413)</u>	<u>(9,687)</u>	<u>(1,009)</u>	<u>(320)</u>
Financing activities					
Repayment to a related company	(49,861)	(60,701)	(4,276)	(4,031)	—
Interest paid	(115,356)	(110,487)	(24,924)	(24,134)	(520)
Other cash outflows (see note to Statement of Changes in Equity)	(4,121)	(46,939)	(35,153)	(18,192)	(12,656)
Net cash used in financing activities	<u>(169,338)</u>	<u>(218,127)</u>	<u>(64,353)</u>	<u>(46,357)</u>	<u>(13,176)</u>
Net increase (decrease) in cash and cash equivalents	17,303	(12,108)	670	(223)	1,435
Cash and cash equivalents at the beginning of the year/period	<u>12,399</u>	<u>29,702</u>	<u>17,594</u>	<u>17,594</u>	<u>18,264</u>
Cash and cash equivalents at the end of the year/period	<u>29,702</u>	<u>17,594</u>	<u>18,264</u>	<u>17,371</u>	<u>19,699</u>
Represented by:					
— Bank balances and cash	29,702	17,594	33,847	17,371	31,371
— Bank overdraft	—	—	(15,583)	—	(11,672)
	<u>29,702</u>	<u>17,594</u>	<u>18,264</u>	<u>17,371</u>	<u>19,699</u>

(E) NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Relevant Business, which represents the operation of a casino, hotel and resort constituting the Complex located in Nongdeune Village, Kaishonephomvihan District, Savannakhet Province, Lao PDR, was originally carried out by SVC which was owned by Sanum Investment Limited (“**Sanum Investment**”) pursuant to a project development agreement. On 16 April 2015, the Lao Government has intervened in the operations of the Relevant Business and managed to take control over the SVC’s operations. The Lao Government, issued a letter dated 18 June 2015 to terminate project development agreement of the Relevant Business as well as all permits, licenses, concessions, certificates, leases, approval and registrations under or in relation to this project development agreement, effective immediately. This termination was resulted from the failure to comply with applicable tax obligations, engagement in illegal and prohibited acts under the laws of the Lao PDR and demonstrate unsuitability to own, operate or in any way participate in gaming operations in the Lao PDR by Sanum Investment and its related parties.

On 28 September 2015, the Lao Government set up a new company, namely SVL, for the purpose of holding the net assets and related operations of the Relevant Business transferred from SVC and then to sell the said net assets to a new investor.

The Relevant Business had net current liabilities at the end of each the reporting period in the Relevant Periods, and the owner of the Relevant Business would provide adequate funds for the Relevant Business to meet in full its financial obligations as when they fall due in the foreseeable future up to the changes in ownership of the Relevant Business, hence the Financial Information is prepared on a going concern basis.

The Financial Information is presented in Hong Kong dollars for consistency with the presentation currency of the financial statements of the Company which is a public company with the shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

For the purpose of presenting solely the operating results and financial position of the Relevant Business for the Relevant Periods, the presentation of Financial Information does not take into account the change of ownership of the Relevant Business in the Relevant Periods.

3. APPLICATION OF NEW AND REVISED IFRSS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Relevant Business has adopted IFRSs issued by IASB that are effective for the Relevant Business' annual accounting periods beginning on 1 January 2016 consistently throughout the Relevant Periods.

New and revised IFRSs in issue but not yet effective

The Relevant Business has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments ¹
IFRS 15	Revenue from contracts with customers ¹
IFRS 16	Leases ³
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to IFRS 15	Clarifications to IFRS 15 "Revenue from contracts with customers" ¹
Amendments to IAS 7	Disclosure initiative ²
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses ²

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

² Effective for annual periods beginning on or after 1 January 2017.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

IFRS 9 "Financial instruments"

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of SVL are in the process of assessing the impact of application of IFRS 9.

The directors of SVL anticipate that the application of the other new and revised standards will have no material impact on the results and the financial position of the Relevant Business.

4. Significant Accounting Policies

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

The principal accounting policies adopted are set out below.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business and net of discounts and returns.

Gaming revenue represents the aggregate of gaming wins and losses and is recognised in the profit or loss when the stakes are received by the Relevant Business and the amounts are paid out to players.

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

Property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives.

The estimated useful lives and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted-average method. The cost of inventories comprises the cost of purchase plus the cost of bringing the inventories to present location and condition. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Entities become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Relevant Business' financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to a related company and bank overdraft are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Entities derecognise a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Impairment

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

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

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

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

Foreign currencies

In preparing the financial statements of an entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the Financial Information, the assets and liabilities of the Relevant Business are translated into the presentation currency of the Relevant Business (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under exchange reserve.

Retirement benefit costs

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

5. CAPITAL RISK MANAGEMENT

The Entities manage its capital to ensure that the Relevant Business will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Relevant Business' overall strategy remains unchanged over the Relevant Periods.

The management of the Entities reviews the capital structure regularly. The Entities considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends as well as the raising of bank borrowings.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Relevant Business' accounting policies, which are described in note 4, management of the Entities are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, are described below.

Provision for impairment of trade receivables from junkets

When there is objective evidence of impairment loss, the management of the Entities would estimate the future cash flows from the receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 April 2016, the carrying amount of trade receivables from junkets is HK\$12,071,000, HK\$12,160,000, HK\$9,129,000 and HK\$1,567,000, respectively (net of allowance of HK\$4,311,000, HK\$9,025,000, nil and nil, respectively).

7. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 4.

Categories of financial instruments

	At 31 December			At
	2013	2014	2015	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
				<i>HK\$'000</i>
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>45,504</u>	<u>34,961</u>	<u>45,153</u>	<u>34,424</u>
Financial liabilities				
Amortised cost	<u>497,304</u>	<u>430,036</u>	<u>37,596</u>	<u>30,029</u>

Financial risk management objectives and policies

The Relevant Business' major financial instruments include trade and other receivables, amount due to a related company, bank balances and cash, trade and other payables and bank overdraft. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate and currency risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk***Currency risk***

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

Interest rate risk

As at 31 December 2015 and 30 April 2016, the Relevant Business is mainly exposed to fair value interest rate risk in relation to bank overdraft. However, since the bank overdraft will mature within one year, the management considers the risk is insignificant. As at 31 December 2013 and 2014, the Relevant Business is also exposed to fair value interest rate risk in relation to amount due to a related company. Besides, the Relevant Business is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing bank balances at variable interest rates. The Relevant Business currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. In the opinion of the management of the Entities, the cash flow interest rate risk is considered insignificant and therefore no sensitivity analysis is presented.

Credit risk

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

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

In relation to the gaming business, the Relevant Business has concentration of credit risk on trade receivables as 60%, 88%, 71% and 71% of the total trade receivables as at 31 December 2013, 2014, 2015 and 30 April 2016, respectively, is due from the Relevant Business' largest junket within the gaming segment. Having considered the continuous long business relationship and no historical default of payments by the junket, the management considers that the credit risk is significantly reduced.

The Relevant Business has no significant concentration of credit risk from the non-gaming business, with exposure spread over a number of customers.

The credit risk for bank deposits and bank balances is considered as minimal as such amounts are placed in banks with good reputation in Lao PDR and Thailand.

Liquidity risk

The management of the Relevant Business has built a liquidity risk management framework for managing the Relevant Business' short and medium-term funding and liquidity management requirements. The management of the Relevant Business manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

The following table details the Relevant Business' remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Entities can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Financial liabilities				
At 31 December 2013				
Trade and other payables	—	21,638	21,638	21,638
Amount due to a related company	23.0	<u>475,666</u>	<u>475,666</u>	<u>475,666</u>
		<u>497,304</u>	<u>497,304</u>	<u>497,304</u>
At 31 December 2014				
Trade and other payables	—	15,071	15,071	15,071
Amount due to a related company	23.0	<u>414,965</u>	<u>414,965</u>	<u>414,965</u>
		<u>430,036</u>	<u>430,036</u>	<u>430,036</u>
At 31 December 2015				
Trade and other payables	—	22,013	22,013	22,013
Bank overdraft	10.5	<u>16,401</u>	<u>16,401</u>	<u>15,583</u>
		<u>38,414</u>	<u>38,414</u>	<u>37,596</u>
At 30 April 2016				
Trade and other payables	—	18,357	18,357	18,357
Bank overdraft	10.5	<u>11,876</u>	<u>11,876</u>	<u>11,672</u>
		<u>30,233</u>	<u>30,233</u>	<u>30,029</u>

Fair value measurements of financial instruments

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

The management of the Relevant Business considers that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Financial Information approximate their fair values at the end of each reporting period.

8. REVENUE AND SEGMENT INFORMATION

The directors of the Entities, being the chief operating decision maker (the “CODM”), regularly review revenue analysis by nature (including gaming and non-gaming operations). The CODM considered the operating activities as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to IFRSs, and is regularly reviewed by the CODM. The CODM reviews the overall results, assets and liabilities of the Relevant Business as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

An analysis of the revenue by nature is as follows:

	Year ended 31 December			Four months ended	
	2013	2014	2015	30 April	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Gaming operations:					
— VIP gaming operations	266,374	284,483	165,510	46,920	61,505
— Mass Market gaming operations	125,216	134,536	120,914	42,978	36,256
— Slots operations	<u>108,971</u>	<u>117,991</u>	<u>96,351</u>	<u>35,638</u>	<u>32,642</u>
	<u>500,561</u>	<u>537,010</u>	<u>382,775</u>	<u>125,536</u>	<u>130,403</u>
Non-gaming operations:					
— Hotel and catering operations	6,998	6,763	6,087	2,138	1,893
— Others	<u>4,296</u>	<u>4,298</u>	<u>3,004</u>	<u>1,191</u>	<u>819</u>
	<u>11,294</u>	<u>11,061</u>	<u>9,091</u>	<u>3,329</u>	<u>2,712</u>
	<u><u>511,855</u></u>	<u><u>548,071</u></u>	<u><u>391,866</u></u>	<u><u>128,865</u></u>	<u><u>133,115</u></u>

No individual customer contributed revenue which accounted for more than 10% of the total revenue during the Relevant Periods.

All of the non-current assets are located in Lao PDR and all of the revenue from external customers are generated in Lao PDR.

9. BUSINESS TAX

Based on relevant agreement with the Lao Government, SVC was subjected to a flat tax for a period of five years from 1 January 2009 to 31 December 2013 with a fixed annual tax payment of US\$745,000 (equivalent to approximately HK\$5,781,000) (the “flat tax arrangement”).

Subsequent to the expiry of the flat tax arrangement, the Lao Government agreed to charge the Entities business tax based on 28% of gross gaming revenue per annum starting from 1 July 2014 in relation to its gaming operation (the “New Tax Arrangement”). Tax during the period from 1 January 2014 to 30 June 2014 was charged at a lump sum of approximately HK\$19,990,000 and differences with the tax based on 28% of gross gaming revenue earned during that period was waived according to the deed of settlement with the Lao Government dated 15 June 2014. Under the New Tax Arrangement, the Relevant Business is not required to pay other taxes, including income tax.

10. OTHER LOSSES

	Year ended 31 December			Four months ended	
	2013	2014	2015	30 April 2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange losses	3,004	2,411	5,177	1,412	906
Loss on disposal of property, plant and equipment	<u>56</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3,060</u>	<u>2,411</u>	<u>5,177</u>	<u>1,412</u>	<u>906</u>

11. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Loan interest to Sanum					
Investment	53,410	47,024	10,493	10,493	—
Loan fee to Sanum					
Investment	61,946	63,463	13,641	13,641	—
Interest on bank overdraft	<u>—</u>	<u>—</u>	<u>790</u>	<u>—</u>	<u>520</u>
	<u>115,356</u>	<u>110,487</u>	<u>24,924</u>	<u>24,134</u>	<u>520</u>

12. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December			Four months ended 30 April	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
Profit (loss) for the year/ period has been arrived at after charging:					
Staff costs	51,214	53,118	63,277	19,116	21,768
Contribution to retirement benefit scheme	<u>912</u>	<u>938</u>	<u>1,267</u>	<u>401</u>	<u>450</u>
	<u>52,126</u>	<u>54,056</u>	<u>64,544</u>	<u>19,517</u>	<u>22,218</u>
Allowance for doubtful debts	4,311	4,714	1,250	—	—
Commission to junkets (included in selling and distribution costs)	142,620	132,306	117,980	32,858	38,831
Cost of inventories recognised as expenses	19,980	17,168	15,574	5,173	4,595
Impairment loss of property, plant and equipment	—	—	3,466	—	—
Write off of property, plant and equipment	—	41	257	—	—
Write off of inventories (included in cost of sales)	—	—	2,493	—	—
Directors' emoluments (note 13)	—	—	—	—	—
Auditor's remuneration	509	790	1,079	311	423
Depreciation (included in general and administrative expenses)	51,829	38,502	33,057	11,258	11,255
and after crediting:					
Interest income	<u>61</u>	<u>50</u>	<u>48</u>	<u>12</u>	<u>27</u>

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Entities during the Relevant Periods are as follows:

	Year ended 31 December			Four months ended	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Chief executives:					
Kelly Gass (<i>note i</i>)	—	—	—	—	—
John Baldwin (<i>note i</i>)	—	—	—	—	—
Directors:					
Vanida Savaddy (retired on 27 September 2015)	—	—	—	—	—
Shawan Scott (retired on 27 September 2015)	—	—	—	—	—
John Clay Crawford (retired on 27 September 2015)	—	—	—	—	—
Michael Gore (retired on 27 September 2015)	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Note:

- (i) John Baldwin was also a director of SVC; whilst Kelly Gass was appointed as the chief executive of SVL since 28 September 2015.

The directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Relevant Business.

The emoluments of the five highest paid individuals during the Relevant Periods were as follows:

	Year ended 31 December			Four months ended	
	2013	2014	2015	30 April	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Employees				(unaudited)	
— salaries and other benefits	2,278	2,458	5,060	878	1,416
— performance-based bonus	85	208	340	—	—
— retirement benefits scheme contributions	—	—	—	—	—
	<u>2,363</u>	<u>2,666</u>	<u>5,400</u>	<u>878</u>	<u>1,416</u>

Their emoluments were within the following bands:

	Year ended 31 December			Four months ended	
	2013	2014	2015	30 April	2016
	Number of employees	Number of employees	Number of employees	Number of employees	Number of employees
Nil to HK\$1,000,000	5	5	4	5	5
HK\$2,000,001 to HK\$2,500,000	—	—	1	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Relevant Periods, no emoluments were paid to the directors of the Entities or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Entities or as compensation for loss of office. None of the directors have waived any emoluments during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings HK\$'000	Gaming equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 January 2013	310,725	96,129	84,400	10,858	502,112
Additions	3,322	1,471	1,149	241	6,183
Disposals/written off	—	(1,128)	—	(499)	(1,627)
At 31 December 2013	314,047	96,472	85,549	10,600	506,668
Additions	577	909	1,904	—	3,390
Disposals/written off	—	—	(164)	—	(164)
At 31 December 2014	314,624	97,381	87,289	10,600	509,894
Additions	2,661	1,805	3,108	549	8,123
Disposals/written off	—	—	(359)	—	(359)
At 31 December 2015	317,285	99,186	90,038	11,149	517,658
Additions	—	—	2,318	—	2,318
At 30 April 2016	317,285	99,186	92,356	11,149	519,976
DEPRECIATION AND IMPAIRMENT					
At 1 January 2013	46,363	44,693	50,230	6,102	147,388
Provided for the year	15,169	18,848	15,721	2,091	51,829
Elimination on disposals/ written off	—	(918)	—	(268)	(1,186)
At 31 December 2013	61,532	62,623	65,951	7,925	198,031
Provided for the year	15,235	14,932	7,026	1,309	38,502
Elimination on disposals/ written off	—	—	(123)	—	(123)
At 31 December 2014	76,767	77,555	72,854	9,234	236,410
Provided for the year	15,214	11,074	5,942	827	33,057
Elimination on disposals/ written off	—	—	(102)	—	(102)
Impairment loss recognised in the year	3,466	—	—	—	3,466
At 31 December 2015	95,447	88,629	78,694	10,061	272,831
Provided for the period	5,124	3,815	2,128	188	11,255
At 30 April 2016	100,571	92,444	80,822	10,249	284,086
CARRYING VALUES					
At 31 December 2013	252,515	33,849	19,598	2,675	308,637
At 31 December 2014	237,857	19,826	14,435	1,366	273,484
At 31 December 2015	221,838	10,557	11,344	1,088	244,827
At 30 April 2016	216,714	6,742	11,534	900	235,890

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives as follows:

Freehold land and buildings	5% per annum
Gaming equipment	20% per annum
Furniture, fixtures and office equipment	10–20% per annum
Motor vehicles	20% per annum

Freehold land and buildings are located in Lao PDR.

During the year ended 31 December 2015, the management conducted a review on the freehold land and buildings used for its hotel and gaming business based on the estimated discounted cash flows at discount rate of 21%. The recoverable amounts have been determined on the basis of their value in use. Accordingly, impairment losses of HK\$3,466,000 have been recognised during that year.

15. INVENTORIES

	At 31 December			At
	2013	2014	2015	30 April
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Food, beverage and other hotel supplies	4,406	3,887	5,887	5,663
Gaming inventories — playing cards and slots parts	6,892	6,500	5,124	4,487
Others	<u>2,425</u>	<u>3,052</u>	<u>1,403</u>	<u>1,490</u>
	<u>13,723</u>	<u>13,439</u>	<u>12,414</u>	<u>11,640</u>

16. TRADE AND OTHER RECEIVABLES

	At 31 December			At
	2013	2014	2015	30 April
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Receivable from junkets				
— unsecured	16,382	21,185	9,129	1,567
Less: Allowance for doubtful debts	<u>(4,311)</u>	<u>(9,025)</u>	<u>—</u>	<u>—</u>
	12,071	12,160	9,129	1,567
Other receivables, prepayments and deposits	<u>4,099</u>	<u>5,410</u>	<u>3,657</u>	<u>5,208</u>
	<u><u>16,170</u></u>	<u><u>17,570</u></u>	<u><u>12,786</u></u>	<u><u>6,775</u></u>

The following is an analysis of trade receivable by age, presented based on the date of credit granted:

	At 31 December			At
	2013	2014	2015	30 April
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
0–30 days	11,975	10,712	9,129	1,567
Over 30 days	<u>96</u>	<u>1,448</u>	<u>—</u>	<u>—</u>
	<u><u>12,071</u></u>	<u><u>12,160</u></u>	<u><u>9,129</u></u>	<u><u>1,567</u></u>

The Relevant Business generally allows a credit period up to 30 days to its junkets. A longer credit period may be granted to large or long established junkets with good payment history.

Before accepting any new junkets, the Relevant Business has an internal credit control system to assess the potential junkets' credit quality and the management is responsible for determination of credit limits and credit approvals for junkets. Limits attributed to junkets are reviewed periodically.

Included in the Relevant Business' trade receivable balance are junkets with aggregate carrying amount of HK\$96,000, HK\$1,448,000, nil and nil as at 31 December 2013, 2014, 2015 and 30 April 2016, respectively, which are past due as at the respective reporting date for which no impairment loss has been recognised as they were assessed to be of good credit rating. The Relevant Business does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	At 31 December			At
	2013	2014	2015	30 April
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Over 60 days	96	1,448	—	—

Movement in the allowance for doubtful debts of trade receivables is as follows:

	Year ended 31 December			Four months
	2013	2014	2015	ended
	HK\$'000	HK\$'000	HK\$'000	30 April
				2016
				HK\$'000
At beginning of the year/period	—	4,311	9,025	—
Recognised for the year/period	4,311	4,714	1,250	—
Written off during the year/ period	—	—	(10,275)	—
At end of the year/period	4,311	9,025	—	—

The Relevant Business has provided fully for those junkets receivables that the management has lost contact, and hence considered generally not recoverable.

17. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates of 0.63%, 0.5%, 0.5% and 0.5% per annum as at 31 December 2013, 2014, 2015 and 30 April 2016, respectively.

18. TRADE AND OTHER PAYABLES

	At 31 December			At
	2013	2014	2015	30 April
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Trade payables	3,626	2,326	3,046	2,778
Business tax payable	—	72,013	14,170	31,176
Chips liabilities	13,916	7,084	12,263	7,920
Deposits from junkets	1,974	3,129	2,053	3,868
Accrued staff costs	3,304	5,327	5,469	3,657
Accrued professional fees	2,250	1,795	7,301	2,589
Other payables	<u>2,122</u>	<u>2,532</u>	<u>4,651</u>	<u>3,791</u>
	<u>27,192</u>	<u>94,206</u>	<u>48,953</u>	<u>55,779</u>

The following is an analysis of trade payables by age, presented based on the invoice date:

	At 31 December			At
	2013	2014	2015	30 April
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
0-90 days	3,616	2,199	2,987	1,586
Over 90 days	<u>10</u>	<u>127</u>	<u>59</u>	<u>1,192</u>
	<u>3,626</u>	<u>2,326</u>	<u>3,046</u>	<u>2,778</u>

19. AMOUNT DUE TO A RELATED COMPANY

Related company	At 31 December			At
	2013	2014	2015	30 April
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Sanum Investment	<u>475,666</u>	<u>414,965</u>	<u>—</u>	<u>—</u>

Amount was unsecured, repayable on demand, and bore fixed interest rate of 10% per annum and a loan fee of 13% per annum.

20. BANK OVERDRAFT

At 31 December 2015 and 30 April 2016, SVL has an overdraft facility with a bank with balance amounting to HK\$15,583,000 and HK\$11,672,000 respectively. The balance carries a fixed interest rate of 10.5% per annum and is guaranteed by the Lao Government. The maturity date of the facility is 30 June 2016, which is further extended to 31 August 2016 subsequent to 30 April 2016.

21. RETIREMENT BENEFITS PLANS

The employees of the Entities in Lao PDR are members of a state-managed retirement benefit plan operated by the Lao Government. The Entities are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Entities with respect to the retirement benefit plan is to make the specified contributions.

22. RELATED PARTY TRANSACTIONS

Other than the transactions and balances disclosed elsewhere in the Financial Information, the following transactions were entered into with related parties during the Relevant Periods:

	Year ended 31 December			Four months ended	
	2013	2014	2015	30 April 2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Loan interest to Sanum					
Investment	53,410	47,024	10,493	10,493	—
Loan fee to Sanum					
Investment	61,946	63,463	13,641	13,641	—
Management fee to Sanum					
Investment	9,312	9,312	3,104	3,104	—
Online gaming income from a related company under common control by immediate holding company of Sanum					
Investment	<u>917</u>	<u>931</u>	<u>466</u>	<u>310</u>	<u>—</u>

23. MAJOR NON-CASH TRANSACTION

On 28 September 2015, the net assets related to the casino and hotel operations constituting the Relevant Business were transferred from SVC to SVL, except for the following which remained as liabilities of SVC:

- (i) amount due to a related company amounted to HK\$410,689,000; and
- (ii) business tax payable amounted to HK\$144,947,000.

24. EARNINGS PER SHARE

No earnings per share is presented as its inclusion, for the purpose of this report, is not considered meaningful.

(F) SUBSEQUENT EVENTS

The following events took place subsequent to 30 April 2016:

The Lao Government entered into an agreement with the Company on 13 May 2016 to agree (i) to procure SVL to sell the Relevant Business to a subsidiary of the Company (the "Project Company") to be incorporated in Lao PDR at a cash consideration of US\$42,000,000 (equivalent to approximately HK\$325,920,000); and (ii) to approve the issuance of relevant operating licenses or certificate authorising the Project Company to operate the Relevant Business.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

1. INTRODUCTION

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Group and the Project (collectively referred to as the “**Enlarged Group**”) which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect on the assets and liabilities of the Enlarged Group as if the transactions pursuant to the terms of Project Development Agreement had been completed on 31 December 2015. The unaudited pro forma financial information was prepared based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Enlarged Group had the transactions been completed as of the specified dates or any future date.

The unaudited pro forma financial information of the Enlarged Group as at 31 December 2015 has been prepared based on the information as set out in:

- (a) the audited consolidated statement of financial position of the Group as at 31 December 2015 which has been extracted from the published annual report for the year ended 31 December 2015;
- (b) the audited statement of financial position of the Project as at 30 April 2016 extracted from the accountants’ report as set out in Appendix I to this circular; and
- (c) after taking into account of the unaudited pro forma adjustments, which are directly attributable to the transactions and factually supportable, as described in the notes thereto to demonstrate how the transactions might have affected the historical financial information in respect of the Group as if the transactions had been completed on 31 December 2015.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical financial information of the Group set out in the annual report for the year ended 31 December 2015, the accountants’ report on the financial information of the Project as set out in Appendix I to this circular and other financial information contained in this circular.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2015	Statement of assets and liabilities of the Project as at 30 April 2016	Pro forma adjustments				Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	HK\$'000	HK\$'000	Note 1	Note 2	Note 3	Note 4	HK\$'000
Non-current assets							
Investment properties	370,159	—	—	—	—	—	370,159
Property and equipment	4,231,161	235,890	—	—	—	35,400	4,502,451
Prepaid lease payments	1,764,648	—	—	—	—	—	1,764,648
Goodwill	681,986	—	—	—	—	—	681,986
Other intangible assets	269,043	—	—	—	—	37,396	306,439
Deposits paid	770,485	1,714	—	—	—	—	772,199
	8,087,482	237,604	—	—	—	72,796	8,397,882
Current assets							
Inventories	37,787	11,640	—	—	—	—	49,427
Prepaid lease payments	54,043	—	—	—	—	—	54,043
Trade and other receivables	439,863	6,775	—	—	—	—	446,638
Pledged bank deposits	24,830	—	—	—	—	—	24,830
Bank balances and cash							
— Cash at banks and on hand	2,918,231	31,371	(31,371)	13,948	7,760	(325,920)	2,614,019
— Short-term bank deposits with original maturity over three months	302,536	—	—	—	—	—	302,536
	3,777,290	49,786	(31,371)	13,948	7,760	(325,920)	3,491,493
Current liabilities							
Trade and other payables	544,702	55,779	(31,176)	—	—	—	569,305
Taxation	1,650	—	—	—	—	—	1,650
Bank and other borrowings — due within one year	652,484	11,672	(11,672)	—	—	—	652,484
	1,198,836	67,451	(42,848)	—	—	—	1,223,439
Net current assets	2,578,454	(17,665)	11,477	13,948	7,760	(325,920)	2,268,054
Total assets less current liabilities	10,665,936	219,939	11,477	13,948	7,760	(253,124)	10,665,936
Non-current liabilities							
Bank and other borrowings — due after one year	3,394,638	—	—	—	—	—	3,394,638
Deferred tax liabilities	178,207	—	—	—	—	—	178,207
	3,572,845	—	—	—	—	—	3,572,845
NET ASSETS	7,093,091	219,939	11,477	13,948	7,760	(253,124)	7,093,091

3. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

- (1) The adjustment represents exclusion of current assets or liabilities of the Project not being Project Assets and assumed liabilities, including all cash other than cage cash, liabilities and obligations related to the overdrafts agreement, tax obligations to governmental authorities arising in respect of periods prior to the effective date pursuant to the Asset Purchase Agreement.
- (2) The adjustment represents the amount of the shortfall to be paid by the Operator to the Project Company to be formed by the Company. Pursuant to the Asset Purchase Agreement, the Government of the Lao PDR covenants that the current assets of the Project less current liabilities of the Project as of the Closing (the “**Closing Modified Net Working Capital**”) shall not be less than USD1,000,000 (equivalent to approximately HK\$7,760,000).
- (3) The adjustment represents the amount of US\$1,000,000 (equivalent to approximately HK\$7,760,000) in cash which will be in the cage on handover of the Project Assets at the Closing.
- (4) For the purpose of the unaudited pro forma financial information of the Enlarged Group and for illustrative purposes only, it is assumed that the fair values of the net assets acquired approximate their respective carrying amounts as at 30 April 2016, with the exception of the property and equipment and gaming operating licence related to the Project with an estimated fair value of HK\$271,290,000 and HK\$37,396,000 respectively, resulting in a fair value adjustment of HK\$35,400,000 and HK\$37,396,000 respectively upon acquisition. The fair values of the property and equipment and the gaming operating licence related to the Project are based on the respective estimated market value as appraised by independent valuers, and the Directors consider such fair values are adequate and no impairment is necessary.

The Consideration for the Project is US\$42,000,000 (equivalent to approximately HK\$325,920,000) (including the payment of the Assumed Tax Liability) which is to be satisfied fully by cash. The Directors consider the transaction costs attributable to this transaction is insignificant.

- (5) For pro forma purposes, the fair value of the Consideration is assumed to be equal to the pro forma fair value of the net assets acquired and thus no goodwill/bargain purchase gain is assumed to arise from this acquisition.

The amount of goodwill and fair value of the identifiable assets and liabilities of the Project at the Closing is subject to change upon the completion of the valuation of the fair value of the identifiable assets and liabilities of the Project at the Closing. In addition, other intangible assets of the Project which were not otherwise recognised in the historical financial information may be recognised at their fair value upon the

Closing. Therefore, the amounts of goodwill, assets and liabilities of the Project may be materially different from the estimated amounts used in the preparation of the unaudited pro forma financial information presented above.

Upon the completion of the acquisition, the identifiable assets and liabilities of the Project will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations”.

4. INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of the report dated 1 August 2016, prepared for the sole purpose of inclusion in this circular, and received from the independent reporting accountant, Deloitte Touche Tohmatsu, in respect of the unaudited pro forma financial information.

To the Directors of Macau Legend Development Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Macau Legend Development Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of assets and liabilities as at 31 December 2015 and related notes as set out on pages 64 to 66 of the circular issued by the Company dated 1 August 2016 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages 63 to 66 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the Savan Vegas Hotel and Entertainment Complex on the Group’s financial position as at 31 December 2015 as if the transaction had taken place at 31 December 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2015, on which an auditor’s report has been published.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the

compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 1 August 2016

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.macaulegend.com):

- the Company's annual report for the year ended 31 December 2013 published on 13 March 2014 (pages 63 to 130);
- the Company's annual report for the year ended 31 December 2014 published on 22 April 2015 (pages 63 to 125); and
- the Company's annual report for the year ended 31 December 2015 published on 21 April 2016 (pages 74 to 142).

2. INDEBTEDNESS

Statement of Indebtedness

At the close of business on 30 June 2016, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding consolidated total borrowings of approximately HK\$3,843,585,000, comprising secured and unguaranteed bank borrowings of approximately HK\$3,785,085,000 and unsecured, interest-free and unguaranteed other borrowings of approximately HK\$58,500,000.

The bank borrowings are secured and guaranteed, *inter alia*, by the followings:

- (a) the mortgage over the investment properties with a total carrying amount of approximately HK\$364,223,000, buildings with a total carrying amount of approximately HK\$2,352,829,000 and prepaid lease payments with a total carrying amount of approximately HK\$1,791,670,000 as at 30 June 2016;
- (b) all the assets of three subsidiaries, MFW Investment, New Macau Landmark Management Limited and Hong Hock Development Company Limited;
- (c) all the designated bank balances held by three subsidiaries, MFW Investment, New Macau Landmark Management Limited and Hong Hock Development Company Limited;
- (d) a corporate guarantee by Hong Hock Development Company Limited, New Macau Landmark Management Limited and the Company as guarantors to guarantee punctual payment and performance;
- (e) all rights and interests in leases, tenancy agreements, proceeds from hotel operation and management, rental income and other proceeds of the pledged properties; and

- (f) all receivables arising from leases, rental income, disposal, hotel operations and other proceeds of the pledged properties.

For details of the contingent liabilities of the Group, please refer to the section headed “Contingent Liabilities” below.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, charges, debentures, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowings including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase and finance lease commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

Contingent Liabilities

- (i) Pursuant to the amendment in the service agreement on 16 December 2011, in the event of any non-payment by the gaming promoters or any failure to fulfil their obligations relating to gaming promotion agreements as entered into with SJM and gaming promoters, the Group undertakes to reimburse SJM for any loss caused by such misconduct of the gaming promoters as well as any possible legal costs associated with litigation. At the close of business on 30 June 2016, there were no such claims from SJM.
- (ii) MFW Investment initiated repossession proceedings against a former tenant at MFW with rental arrears in dispute of MOP89,008,000 (equivalent to approximately HK\$86,416,000) in 2009. The former tenant initiated a counterclaim from MFW Investment an amount of MOP90,728,000 (equivalent to approximately HK\$88,085,000) in 2009 for alleging breach of undertakings pursuant to a memorandum of understanding on 19 October 2006 and an escrow undertaking letter on 5 September 2008, as well as seeking compensation for amounts spent on improvements to the premises. The Macau Court of First Instance dismissed the counterclaim from the former tenant on 29 April 2013 and the former tenant was condemned to pay MFW Investment the amount of MOP67,151,000 (equivalent to approximately HK\$65,195,000) as principal and the respective interests to be computed. The former tenant appealed against such decision and the case was sent to the Macau Court of Second Instance, which made decision in favour of MFW Investment on 18 February 2016. The former tenant appealed against the decision of the Macau Court of Second Instance but was rejected.
- (iii) MFW Investment received a claim for outstanding payments on construction works at MFW from a contractor in 2008. The contractor claimed from MFW Investment an amount of MOP23,709,000 (equivalent to approximately HK\$23,018,000) and MFW Investment counterclaimed an amount of MOP14,451,000 (equivalent to approximately HK\$14,030,000) for defective construction work carried out by the contractor. In April 2010, the Macau Court of First Instance dismissed all claims from the contractor and awarded MOP462,000 (equivalent to approximately HK\$449,000) to MFW Investment.

The contractor did not agree to the court's judgement and appealed to the Macau Court of Second Instance. The Macau Court of Second Instance dismissed the appeal from the contractor and agreed to award MFW Investment the amount of damages. The contractor lodged an appeal to the Macau Court at Last Instance but it did not submit the legal arguments.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account of the Group's available financial resources including internally generated cash flows, undertaking from the controlling and substantial shareholders of the Company, credit facilities and cash on hand, the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has unavoidably been affected by the general downturn and has recorded decreases in gross gaming revenue which affected its profitability. In response to the recent situation in Macau, the Group has embarked on several key initiatives to both better position its prospect in Macau and expand its business outside Macau.

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

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

On the other hand, the Group is keen to engage in the continued expansion of its business overseas. In July 2015, the Group entered into agreements with the Government of Cape Verde to develop an integrated leisure, tourism and entertainment complex in Cape Verde. The construction work is expected to be completed in three years.

The Project is another expansion of the Group's business overseas, which enables the Group to tap into the gaming business and the tourism market in the Lao PDR.

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

Set out below is the management discussion and analysis on the Project for each of the financial years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016 (the “**Relevant Periods**”).

1. BUSINESS OVERVIEW

The Project is a full-service casino, hotel and resort located in Nongdeune Village, Kaisonphomvihanh District, Savannakhet Province of the Lao PDR. It has been operated since December 2008. The Savan Vegas Hotel and Entertainment Complex is erected on a parcel of land with a site area of approximately 50 hectares and a total gross floor area of approximately 49,116 sq.m. It comprises (i) a two-storey main casino and hotel building with a total gross floor area of approximately 19,141 sq.m., (ii) a three-storey hotel building with a total gross floor area of approximately 9,515 sq.m., (iii) a one-storey casino building with a total gross floor area of approximately 1,130 sq.m., and (iv) supporting facilities and staff dormitories with a total gross floor area of approximately 19,330 sq.m.

As at the Latest Practicable Date, the hotel at the Project had 472 guest rooms (including 23 suites) with an average room size of approximately 32 sq.m. The casino at the Project had 92 tables and 493 slot machines as at the Latest Practicable Date. The total gaming area is approximately 4,100 sq.m. There is also a casino grand stage of approximately 1,300 sq.m., and a boxing arena of approximately 225 sq.m. There are nine karaoke rooms, one hair salon, seven food and beverage outlets at the Project with a total of 881 seats, one duty-free shop with retail shopping facilities, a convention centre of approximately 2,400 sq.m., a spa and a fitness centre, ATMs, and transportation services. The recreational facilities included the karaoke rooms, hair salon, spa and fitness centre.

According to the available information received from the Operator, as at 31 December 2013, 2014, and 2015, and 30 April 2016, the number of visitors to the Savan Vegas Hotel and Entertainment Complex was 796,271, 810,484, 805,882 and 247,257, respectively, and the occupancy rate of the hotel at the Project was 41%, 35%, 40% and 37%, respectively.

2. FINANCIAL OVERVIEW

Revenue

Revenue arises from the sale of merchandise and the rendering of services from casino, hospitality, and food and beverage, and is categorized into revenue from gaming operations and revenue from non-gaming operations. Gaming revenue represents the aggregate of gaming wins and losses. Revenue from non-gaming operations includes revenue from hotel operations, food and beverage, and sale of merchandise.

The revenue of the Project for the financial years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016 was approximately HK\$511.9 million, HK\$548.1 million, HK\$391.9 million and HK\$133.1 million, respectively. The revenue of the Project increased by approximately 7.1% from 2013 to 2014 because of the strong VIP gaming hold rate and the increase in wagering across the mass gaming segment but decreased by approximately 28.5% from 2014 to 2015 because of the default of two junket operators on their credit with the casino of the Project, the decline in the exchange rate for Thai Baht to US dollars of approximately 5%, and the normalised VIP gaming hold rate. During the three years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016, the gaming revenue for the Project was approximately HK\$500.6 million, HK\$537.0 million, HK\$382.8 million and HK\$130.4 million, respectively, and the non-gaming revenue was approximately HK\$11.3 million, HK\$11.1 million, HK\$9.1 million and HK\$2.7 million, respectively. The gaming revenue increased by approximately 7.3% from 2013 to 2014 because of the strong VIP gaming hold rate and the increase in wagering across the mass gaming segment but decreased by approximately 28.7% from 2014 to 2015 because of the default of two junket operators on their credit with the casino of the Project, the decline in the exchange rate for Thai Baht to US dollars of approximately 5%, and the normalised VIP gaming hold rate.

Business tax

The Project recorded business tax expenses for each of the financial years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016 of approximately HK\$5.8 million, HK\$92.0 million, HK\$105.1 million and HK\$35.7 million, respectively. In 2013, the business tax was subject to a flat tax payment of US\$745,000 (equivalent to approximately HK\$5,781,200). Starting from 1 July 2014, business tax was based on 28.0% of gross gaming revenue per annum. During the period between 1 January 2014 and 30 June 2014, business tax was charged at a lump sum of approximately HK\$20.0 million and the differences with the tax based on 28.0% of gross gaming revenue was waived by the Government of Lao PDR.

Cost of sales

For each of the financial years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016, the cost of sales for the Project was approximately HK\$20.0 million, HK\$17.2 million, HK\$18.1 million and HK\$4.6 million, respectively.

Gross profit

The Project recorded gross profit for each of the financial years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016 of approximately HK\$486.1 million, HK\$438.9 million, HK\$268.7 million and HK\$92.8 million, respectively. The gross profit decreased by approximately 9.7% from 2013 to 2014 because of an increase in the gaming tax paid in 2014 and decreased by approximately 38.8% from 2014 to 2015 because of

the increase in the gaming tax paid, the increase in payroll and severance payments, the increase in the management fees, the increase in non-operational expenses, the increase in repairs and maintenance, and the decrease in the gaming revenue.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, taxes and depreciation excluding non-recurring expenses associated with costs incurred with the Government of the Lao PDR's sale of the Project and costs associated with the Government of the Lao PDR's dispute with the Project's previous shareholders. Non-recurring expenses include legal fees, professional and consulting fees, payroll and annual leave costs and management fees. The Project recorded adjusted EBITDA for each of the financial years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016 of approximately HK\$209.4 million, HK\$167.8 million, HK\$41.1 million and HK\$14.9 million, respectively.

Net profit/(loss)

The Project recorded net profit/(loss) for each of the financial years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016 of approximately HK\$17.0 million, HK\$(3.4) million, HK\$(92.4) million and HK\$(10.4) million, respectively. The net loss decreased to HK\$3.4 million in 2014 because of the increase in the gaming tax paid in 2014 but increased significantly to HK\$92 million in 2015 because of the increase in the gaming tax paid, the increase in payroll and severance payments, the increase in the management fees, the increase in non-operational expenses, the increase in repairs and maintenance, and a decrease in the gaming revenue.

Bank balances and cash

Bank balances and cash comprise cash in banks and cash on hand. Bank balances carry interest at prevailing market rates of 0.63%, 0.5%, 0.5% and 0.5% per annum as at 31 December 2013, 2014, 2015 and 30 April 2016. As at 31 December 2013, 2014 and 2015 and 30 April 2016, the total bank balances and cash of the Project were approximately HK\$29.7 million, HK\$17.6 million, HK\$33.8 million and HK\$31.4 million, respectively.

Major expenses

The major expenses of the Project include staff costs, gaming tax, junket rebates and cost of sales. The Project recorded the major expenses for each of the financial years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016 of approximately HK\$220.5 million, HK\$295.5 million, HK\$305.6 million and HK\$101.4 million, respectively.

The major expenses increased by approximately 34.0% from 2013 to 2014 because of the change in gaming tax rate and the increase in the staff costs, and increased by approximately 3.4% from 2014 to 2015 because of the increase in gaming tax paid, the increase in the staff costs and the increase in junket rebates.

Headcount and policy of employee remuneration

As at 31 December 2013, 2014, 2015 and 30 April 2016, the number of employees in the Project was approximately 1,352, 1,438, 1,512 and 1,522, respectively. For each of the financial years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016, the staff costs were approximately HK\$52.1 million, HK\$54.1 million, HK\$64.5 million and HK\$22.2 million, respectively.

The employees of the Project are members of a state-managed retirement benefit plan operated by the Government of the Lao PDR. The Operator is required to contribute a specified percentage of payroll costs to the retirement benefit scheme.

Borrowings and collaterals

As at 31 December 2013, 2014 and 2015 and 30 April 2016, Savan Vegas & Casino Co Ltd (the former owner of the Project) recorded an amount due to its holding company of approximately HK\$475.7 million, HK\$415.0 million, nil and nil, respectively. The loan was in US\$ and unsecured, repayable on demand. The interest rate for the loan was at a fixed rate of 10.0% per annum and the loan fee was at 13.0% per annum.

The Operator had an overdraft facility with a bank. As at 30 April 2016, the loan under the bank overdraft was approximately HK\$11.7 million. The loan was in US\$ and carried a fixed interest rate of 10.5% per annum and was guaranteed by the Government of the Lao PDR. The maturity date of the facility was 30 June 2016 but has been extended to 31 August 2016.

No financial instrument was used for the purposes of hedging the above borrowings.

As at 30 April 2016, the Project's gearing ratio was 5.3% (31 December 2015: 6.4%; 31 December 2014: N/A and 31 December 2013: N/A), which was calculated by dividing the Project's total borrowings by total equity (being the net (liabilities)/assets attributable to owners).

Interest rate risk of borrowings

During the three years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016, the Project had not exposed to interest rate risk as it did not have any floating rate financial assets and financial liabilities other than exposure to fair value interest rate risk in relation to the bank overdraft and amount due to a related company. However, since the bank overdraft will mature within one year, the risk is considered to be insignificant.

Foreign exchange risk

The Project operates in the Lao PDR and mainly exposes to foreign currency of Thai Baht, which is arising from relevant foreign currency denominated monetary assets and liabilities for the operating activities. Please refer to the details in paragraphs headed “Foreign currencies” and “Market risk — Currency risk” in the financial statements of the Project in Appendix I of this circular.

Material acquisitions and disposals

The Project did not have any material acquisition and disposal of subsidiaries, associates and joint ventures for each of the three years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016.

Significant investments held and future prospects

The entire property of the Project is its significant investment. The Group expects to refurbish the Project and improve the gaming operations and the accompanying infrastructure to attract more tourists. It is expected that the Group will continue to operate the Project by the existing management team, and improve the operation by the addition of new management team members from the Group. Other than the above, during the Relevant Periods, the Project had no other significant investment and future plans for material investments for the Project or capital assets in the coming year.

Contingent liabilities

For the three years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016, the Project did not have any contingent liabilities.

Expected sources of funding

The future operation of the Project will be primarily financed by the Group and the return from its operations. However, the Project’s operation in the future may also be financed by bank financing or external debt/equity financing, or a combination of any of these sources of funding.

Amount due to a related company

Amount due to a related company represents the amount due to a former shareholder of the holding company of the Project which held the Savan Vegas Hotel and Entertainment Complex for the period from 1 January 2013 to 28 September 2015. On 28 September 2015, the net assets related to the casino and hotel operations constituting the business of the Savan Vegas Hotel and Entertainment Complex were transferred from such holding company to the Operator except for the following which remained as liabilities of such holding company and did not form the liabilities of the Project:

- (i) an amount due to a related company of Savan Vegas and Casino Co., Limited amounted to approximately HK\$410.7 million; and
- (ii) business tax payable amounted to approximately HK\$144.9 million.

The following is a text of letter, summary of values and valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with the valuation as at 31 May 2016 of the market value of the Savan Vegas Hotel and Entertainment Complex.



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The Directors
Macau Legend Development Limited
21/F, Macau Landmark
No. 555 Avenida da Amizade
Macau

1 August 2016

Dear Sirs

**VALUATION OF THE SAVAN VEGAS HOTEL AND ENTERTAINMENT COMPLEX,
NONGDEUNE VILLAGE, KAISONPHOMVIHANH DISTRICT, SAVANNAKHET
PROVINCE, THE LAO PEOPLE’S DEMOCRATIC REPUBLIC**

In accordance with the instructions from Macau Legend Development Limited (the “**Company**”) for us to value the captioned property, we confirm that we have inspected the captioned property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the captioned property as at 31 May 2016.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion” (The HKIS Valuation Standards (2012 edition)).

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

We have valued the property under the basis of going concern, and we have adopted income approach by making reference to its historical performance of the past years. During the course of the valuation, we have relied on the operating income generated from the casino and hotel operation during corresponding periods and made reference to the required rate of return of similar form of investment.

TITLE DOCUMENTS AND ENCUMBRANCES

We have been provided with copies of extracts of title documents relating to the property. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Company and its Lao legal adviser, DFDL, regarding the title and other legal matters relating to the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

SOURCE OF INFORMATION

We have relied to a considerable extent on the information given by the Company and the legal opinion of the Company's Lao legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Company and/or its Lao legal adviser which is material to the valuation. We have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure, ownership, completion dates of buildings, particulars of occupancy, tenancy details, floor and site areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the property and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Company that no material facts have been omitted from the information provided.

INSPECTION AND STRUCTURAL CONDITION

We have inspected the exterior and, where possible, the interior of the property valued and the inspection was carried out by our Director, Greg Condon and Associate Director, Jason Fung, in June 2016. Both Greg Condon and Jason Fung are chartered surveyors of RICS. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

REMARKS

In preparing our valuation report, we have complied with “The HKIS Valuation Standards (2012 Edition)” published by the Hong Kong Institute of Surveyors and all requirements contained in the provisions of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

CURRENCY

Unless otherwise stated, all money amounts stated are in US dollars.

We enclose herewith our valuation report.

Yours faithfully

For and on behalf of

Knight Frank Petty Limited

Clement W M Leung MFin MCIREA MHKIS MRICS RPS (GP)

Executive Director

Head of China Valuation

Note: Clement W M Leung, MCIREA, MHKIS, MRICS, RPS(GP), has been a qualified valuer with Knight Frank Petty Limited since 1999 and has about 22 years’ experience in valuation of properties in Hong Kong, Macau and Asia Pacific Region.

VALUATION REPORT

Property to be acquired by the Company

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016
Savan Vegas Hotel and Entertainment Complex Nongdeune Village, Kaisonphomvihanh District, Savannakhet Province, The Lao People's Democratic Republic	<p>Savan Vegas Hotel and Entertainment Complex is a casino and hotel development erected on a parcel of land with a site area of approximately 50 hectares.</p> <p>The property comprises a 2-storey main casino and hotel building, a 3-storey hotel building, a 1-storey casino building together with supporting facilities and staff dormitories with a total gross floor area of approximately 49,116 sq.m. completed in 2008 and 2012. The detail breakdown of the approximate gross floor area is listed as follows:</p>	The property is operated as a casino and hotel.	US\$42,400,000
		Approximate Gross Floor Area (sq.m.)	US Dollars
	Building		Forty Two Million and Four Hundred Thousands
	Main casino and hotel building	19,141	
	Hotel building	9,515	
	Casino building	1,130	
	Supporting facilities and staff dormitories	19,330	
	Total:	<u>49,116</u>	
	The property is held by a freehold nature for no specific use.		

Notes:

1. Pursuant to the State Ownership Certificate No. 1582/DNRE.SV dated 24 June 2016 issued by the Department of Natural Resource and Environment, the title of a parcel of land with a site area of 50 hectares is held by State Asset Management Office of the Savannakhet Provincial Finance Department of Lao Government (“GOL”) by a freehold nature for no specific use.
2. We have been provided with the Company’s Lao legal adviser’s opinion, which inter-alia, contains the following:
 - (i) State Asset Management Office of the Savannakhet Provincial Finance Department of GOL legally owns the land title of the property and is entitled to transfer the title of the land;

- (ii) as per article 65 of Land Law of Lao, GOL can grant the leasehold interests in, or concession rights to, the land of property, to a foreign invested entity, provided that the maximum term of a lease of, or concession to, the land is 50 years;
 - (iii) the Land Concession Contract between GOL and Company will be legal, valid and binding after the Land Concession Contract has been registered with Ministry of Natural Resource and Environment and settled the required stamp duties, notarisatation fees and registration fees; and
 - (iv) upon the effectivity of the Land Concession Contract, the Company will enjoy use and possession of the land of the property and the buildings, structures, immovable equipment and fixtures situated thereon for a term of 50 years in accordance with the agreed term and conditions of the Land Concession Contract. The Company may sell, assign or transfer the concessionary rights of the land of property subject to the prior written approval of the Ministry of Planning and Investment of GOL.
3. In the course of our valuation, we assumed that the Company have obtained the written approval of the Ministry of Planning and Investment of GOL to sell, assign or transfer the concessionary rights of the property.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(1) Long Position in Shares of the Company

Name of Directors	Capacity	Number of Shares	Approximate percentage of total issued Shares
Mr David Chow	Beneficial owner	1,508,418,046	23.97%
	Controlled corporation	401,653,780 ⁽¹⁾	6.38%
	Interest of spouse	129,690,066 ⁽²⁾	2.06%
		<u>2,039,761,892</u>	<u>32.41%</u>
Madam Lam	Controlled corporation	812,704,500 ⁽³⁾	12.91%
Mr Sheldon Trainor-DeGirolamo	Beneficial owner	15,887,159	0.25%
	Controlled corporation	70,631,345 ⁽⁴⁾	1.12%
		<u>86,518,504</u>	<u>1.37%</u>
Mr Tong Ka Wing, Carl	Beneficial owner	8,120,579	0.13%

Notes:

1. These Shares were held by All Landmark Properties Limited (“**All Landmark**”), a controlled corporation of Mr David Chow.
2. Mr David Chow was deemed to be interested in 129,690,066 Shares through the interest of his spouse, Ms Chan Mei Yi, Melinda.
3. These Shares were held by Grand Bright Holdings Limited (“**Grand Bright**”), a controlled corporation of Madam Lam.
4. These Shares were held by PacBridge Capital Partners (HK) Limited, a controlled corporation of Mr Sheldon Trainor-DeGirolamo.

(2) Long Position in Underlying Shares of the Company*Share options — physically settled unlisted equity derivatives*

Name of Director	Capacity	Number of underlying Shares in respect of the share options granted	Approximate percentage of total issued Shares
Mr David Chow	Beneficial owner	24,412,724 <i>(Note)</i>	0.39%

Note: Pursuant to two employment agreements entered into between the Company and Mr David Chow, the Company has granted to Mr David Chow the option to subscribe for a total of 24,412,724 Shares.

(3) Short Position in Shares of the Company

Name of Directors	Capacity	Number of Shares	Approximate percentage of total issued Shares
Mr David Chow	Beneficial owner	1,458,631,654	23.17%
	Controlled corporation	<u>319,696,000⁽¹⁾</u>	<u>5.08%</u>
		<u>1,778,327,654</u>	<u>28.25%</u>
Madam Lam	Controlled corporation	700,000,000 ⁽²⁾	11.12%

Notes:

1. The short position in the Shares was held by All Landmark, a controlled corporation of Mr David Chow.
2. The short position in the Shares was held by Grand Bright, a controlled corporation of Madam Lam.

Save as disclosed above, none of the Directors or chief executive of the Company, as at the Latest Practicable Date, had registered an interest or a short position in the Shares, underlying Shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Substantial Shareholders' interests in the securities of the Company

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

Name of substantial shareholders	Capacity	Number of Shares	Approximate percentage of total issued Shares
All Landmark	Beneficial owner	401,653,780 ⁽¹⁾	6.38%
Ms Chan Mei Yi, Melinda	Beneficial owner	129,690,066	2.06%
	Interest of spouse	<u>1,910,071,826⁽²⁾</u>	<u>30.35%</u>
		<u>2,039,761,892</u>	<u>32.41%</u>
Grand Bright	Beneficial owner	812,704,500 ⁽³⁾	12.91%
Elite Success International Limited	Beneficial owner	710,925,750	11.29%
Mr Li Chi Keung	Beneficial owner	72,739,429	1.16%
	Controlled corporation	<u>710,925,750⁽⁴⁾</u>	<u>11.29%</u>
		<u>783,665,179</u>	<u>12.45%</u>
Ms Wong Hoi Ping	Controlled corporation	710,925,750 ⁽⁴⁾	11.29%
	Interest of spouse	<u>72,739,429⁽⁵⁾</u>	<u>1.16%</u>
		<u>783,665,179</u>	<u>12.45%</u>
Ms Chan Un Chan	Beneficial owner	77,664,000	1.23%
	Founder of discretionary trust	934,269,609 ⁽⁶⁾	14.84%
	Controlled corporation	<u>2,835,000⁽⁷⁾</u>	<u>0.05%</u>
		<u>1,014,768,609</u>	<u>16.12%</u>
Earth Group Ventures Ltd.	Beneficial owner	934,269,609 ⁽⁶⁾	14.84%
UBS TC (Jersey) Ltd.	Trustee/controlled corporation	934,269,609 ⁽⁶⁾	14.84%

Notes:

- The interest of All Landmark was disclosed as the interest of Mr David Chow in the above section headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations".
- Ms Chan Mei Yi, Melinda was deemed to be interested in 1,910,071,826 Shares through the interest of her spouse, Mr David Chow.
- The interest of Grand Bright was disclosed as the interest of Madam Lam in the above section headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations".
- These Shares were held by Elite Success International Limited (a company in which each of Mr Li Chi Keung and Ms Wong Hoi Ping, the spouse of Mr Li Chi Keung, held 44.5% of the total issued capital).

5. Ms Wong Hoi Ping was deemed to be interested in 72,739,429 Shares through the interest of her spouse, Mr Li Chi Keung.
6. These Shares were held directly by UBS Nominees Limited, which is a nominee holding the Shares for Earth Group Ventures Ltd., a company wholly-owned by UBS TC (Jersey) Ltd. as trustee of the Earth Settlement. Earth Settlement is a discretionary trust set up by Ms Chan Un Chan as founder for her assets planning purposes.
7. These Shares were held by UNIR (HK) Management Limited, a controlled corporation of Ms Chan Un Chan.

(2) Long Position in Underlying Shares of the Company

Share options — physically settled unlisted equity derivatives

Name of substantial shareholder	Capacity	Number of underlying Shares in respect of the share options granted	Approximate percentage of total issued Shares
Ms Chan Mei Yi, Melinda	Interest of spouse	24,412,724 <i>(Note)</i>	0.39%

Note: Ms Chan Mei Yi, Melinda was deemed to be interested in 24,412,724 share options of the Company through the interest of her spouse, Mr David Chow. Details of the above share options have been disclosed in the above section headed “Directors’ and chief executive’s interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations”.

(3) Short Position in Shares of the Company

Name of substantial shareholders	Capacity	Number of Shares	Approximate percentage of total issued Shares
Ms Chan Mei Yi, Melinda	Interest of spouse	1,778,327,654 ⁽¹⁾	28.25%
All Landmark	Beneficial owner	319,696,000 ⁽²⁾	5.08%
Grand Bright	Beneficial owner	700,000,000 ⁽³⁾	11.12%

Notes:

1. Ms Chan Mei Yi, Melinda was deemed to have a short position in 1,778,327,654 Shares through the short position of her spouse, Mr David Chow. Details of the above short position in Shares have been disclosed in the above section headed “Directors’ and chief executives’ interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations”.
2. The short position of All Landmark was disclosed as the short position of Mr David Chow in the above section headed “Directors’ and chief executives’ interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations”.

3. The short position of Grand Bright was disclosed as the short position of Madam Lam in the above section headed “Directors’ and chief executives’ interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations”.

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

3. DIRECTORS’ COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors was considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

4. DIRECTORS’ INTERESTS IN ASSETS

Save as disclosed in the section headed “Connected Transactions” in the Prospectus, none of the Directors had any interest, directly or indirectly, in any asset which has, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by, or leased to, any member of the Group or is proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS’ INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date and save as disclosed in this circular, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

8. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts which have given opinions or advice contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified public accountants
DFDL	Legal advisers as to the laws of the Lao PDR
Knight Frank Petty Limited	Independent property valuer

9. CONSENTS OF EXPERTS

Each of the experts as set out in paragraph 8 above has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its opinion or letter of advice and references to its name in the form and context in which they appear.

10. INTERESTS OF EXPERTS

As at the Latest Practicable Date, each of the experts as set out in paragraph 8 above:

- (a) did not have any shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) was not interested, directly or indirectly, in any asset which has since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by, or leased to, any member of the Group or is proposed to be acquired or disposed of by, or leased to, any member of the Group.

11. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

- (a) the establishment convention dated 22 July 2015 entered into between the Government of Cape Verde and MLD Cabo Verde Resorts, S.A. (“**MLD CV Resorts Co**”) in respect of the grant of the gaming concession to MLD Cabo Verde Entretenimento, S.A. (“**MLD CV Entertainment Co**”) and the development of an integrated resort hotel and casino complex at the designated site of Cape Verde (“**Project Cape Verde**”);

- (b) the gaming concession dated 22 July 2015 granted by the Government of Cape Verde to MLD CV Entertainment Co (as the concessionaire) in respect of the operation of casino games of fortune and chance at the casino(s) to be built under Project Cape Verde;
- (c) the constitution of the surface right agreement dated 22 July 2015 entered into between the Municipal Council of Praia (as the lessor) and MLD CV Resorts Co (as the lessee) in respect of the lease of the designated beach to be used for the construction of part of the integrated resort hotel and casino complex facilities under Project Cape Verde;
- (d) the concession agreement of land (Santa Maria Islet) and sea dated 22 July 2015 entered into between the Government of Cape Verde (as the lessor) and MLD CV Resorts Co (as the lessee) in respect of the lease of the designated land and sea to be used for the construction of part of the integrated resort hotel and casino complex facilities under Project Cape Verde, including a land reclamation where the casino will be located; and
- (e) the Initial Project Development Agreement.

12. MISCELLANEOUS

- (a) The company secretary of the Company is Mr Yuen Chin Yau, Laurence who is (i) an associate of the Institute of Chartered Accountants in England and Wales, (ii) a fellow of the Chartered Institute of Management Accountants, (iii) a fellow of the Hong Kong Institute of Certified Public Accountants, (iv) a fellow of the Institute of Chartered Secretaries and Administrators, and (v) a fellow of the Hong Kong Institute of Chartered Secretaries.
- (b) The principal place of business of the Company in Hong Kong is at Shop 102, 1/F, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. The headquarters and principal place of business in Macau are at 21/F, Macau Landmark Building, 555 Avenida da Amizade, Macau.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) All references to times and dates in this circular refer to Hong Kong times and dates.
- (e) The English text of this circular shall prevail over its Chinese text.
- (f) For the purpose of this circular, the exchange rates of US\$1.00 = HK\$7.76 and MOP 1.03 = HK\$1.00 have been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rate or at all on the date or dates in question or any other date.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Shop 102, 1/F, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong from the date of this circular up to and including 18 August 2016:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts as referred to in the section headed “Material Contracts” in this appendix;
- (c) the accountants’ report of the Savan Vegas Hotel and Entertainment Complex;
- (d) the valuation report of the Savan Vegas Hotel and Entertainment Complex;
- (e) the legal opinion of the legal advisers to the Company as to the laws of the Lao PDR;
- (f) the written consents referred to in the section headed “Consents of Experts” in this appendix; and
- (g) this circular.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Macau Legend Development Limited (the “**Company**”) will be held at The Lagoon, The Landmark Macau, 555 Avenida da Amizade, Macau at 1:00 p.m. on Thursday, 18 August 2016 or any adjournment of such meeting for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution:

“**THAT** the entering into of the Project Development Agreement (including the transactions contemplated under it) (as defined in the circular of the Company dated 1 August 2016 (the “**Circular**”)) be and is hereby approved, confirmed and ratified, and the directors of the Company be and are hereby authorised, for and on behalf of the Company, to take all steps and do all acts and things as they consider to be necessary, appropriate or expedient in connection with and to implement or give effect to the Project Development Agreement (including the transactions contemplated under it), and to execute all such other documents, instruments and agreements (including the affixation of the Company’s common seal) deemed by them to be incidental to, ancillary to or in connection with the Project Development Agreement (including the transactions contemplated under it).”

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

Hong Kong, 1 August 2016

Notes:

- (a) Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more Shares (as defined in the Circular) may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
- (b) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time

* *for identification purposes only*

NOTICE OF EGM

appointed for the holding of the meeting or any adjournment of such meeting. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the form of proxy shall be deemed to be revoked.

- (c) Where there are joint holders of any Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled to the Shares; but if more than one of such joint holders are present at the meeting (and any adjournment of such meeting), the most senior will alone be entitled to vote, whether in person or by proxy. For this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the board of directors of the Company comprises three executive directors of the Company, namely, Mr Chow Kam Fai, David (Co-chairman and chief executive officer), Madam Lam Fong Ngo (Vice chairman) and Mr Sheldon Trainor-DeGirolamo; one non-executive director of the Company, namely Mr Tong Ka Wing, Carl (Co-chairman); and three independent non-executive directors of the Company, namely, Mr Fong Chung, Mark, Mr Xie Min and Madam Tam Wai Chu, Maria.