澳門勵駿創建有限公司*

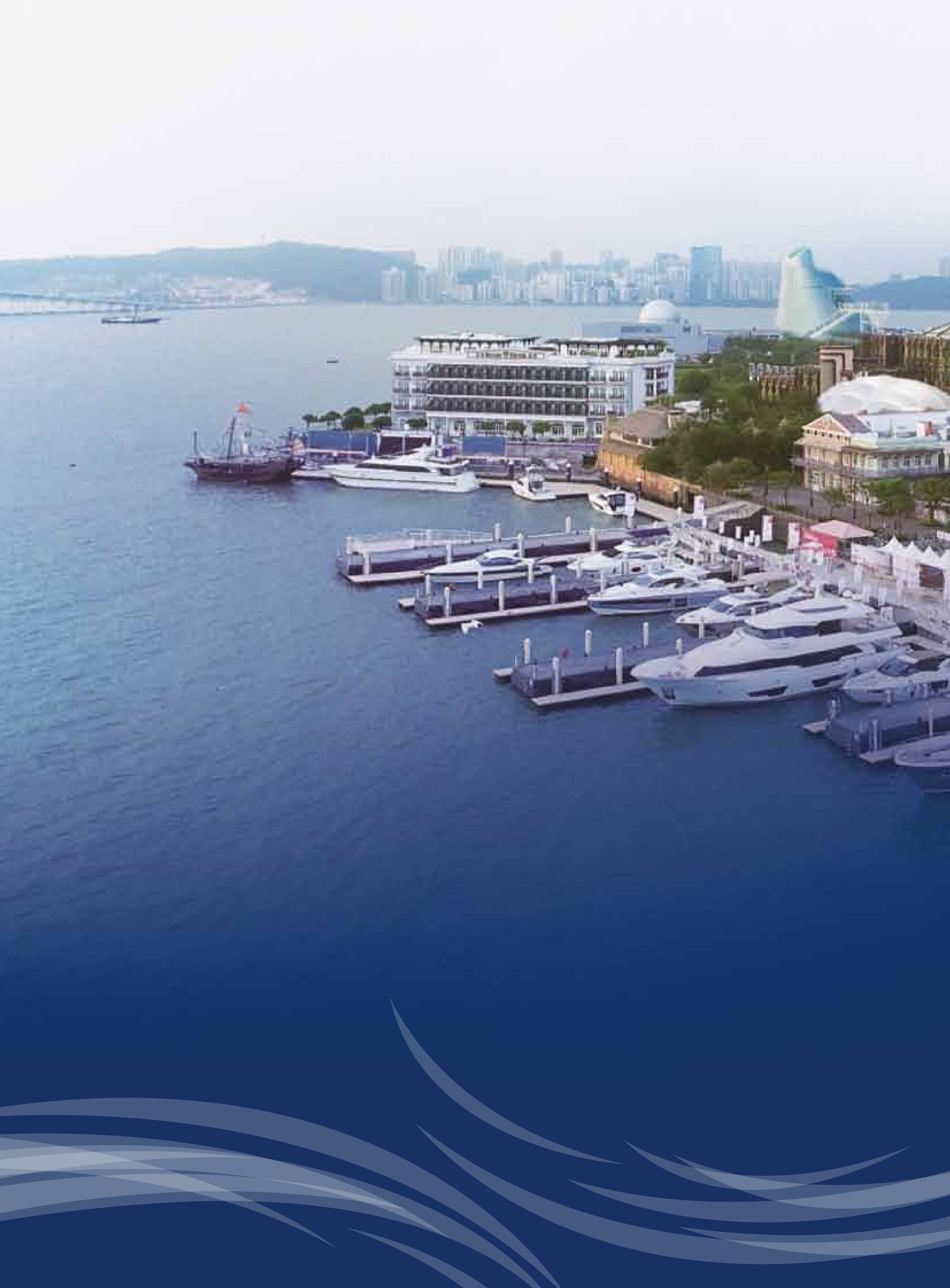
Macau Legend Development Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1680

2017 Annual Report

*for identification purposes only



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CORPORATE INFORMATION

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr Tong Ka Wing, Carl *(Co-chairman)*
Ms Ho Chiulin, Laurinda

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr Fong Chung, Mark *(Chairman)*
Mr Tong Ka Wing, Carl
Ms Ho Chiulin, Laurinda
Mr Xie Min
Madam Tam Wai Chu, Maria

REMUNERATION COMMITTEE

Mr Xie Min *(Chairman)*
Mr Chow Kam Fai, David
Madam Lam Fong Ngo
Mr Fong Chung, Mark
Madam Tam Wai Chu, Maria

NOMINATION COMMITTEE

Madam Tam Wai Chu, Maria *(Chairman)*
Mr Chow Kam Fai, David
Mr Sheldon Trainor-DeGirolamo
Mr Fong Chung, Mark
Mr Xie Min

AUTHORISED REPRESENTATIVES

Mr Sheldon Trainor-DeGirolamo
Mr Tong Ka Wing, Carl

COMPANY SECRETARY

Mr Wong Man Cheung

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

Palace Building, Macau Fisherman's Wharf
Avenida da Amizade e Avenida da
Dr. Sun Yat Sen, Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE INFORMATION (CONTINUED)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712—1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG LEGAL ADVISERS

Michael Li & Co., Solicitors

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Macau) Limited
Banco Nacional Ultramarino, S.A.
Luso International Banking Limited
The Bank of East Asia, Limited — Macau Branch
Wing Lung Bank, Limited — Macau Branch
Bank of Communications Co., Ltd. — Hong Kong Branch

LISTING INFORMATION

Place of Listing

Main Board of The Stock Exchange of Hong Kong Limited

STOCK CODE

1680

BOARD LOT

1,000 Shares

INVESTOR RELATIONS

Tel: (853) 2822 2211
Fax: (853) 2822 2266
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WEBSITE

www.macaulegend.com

CORPORATE PROFILE

The Company was incorporated under the laws of the Cayman Islands on 5 October 2006. The Company acts as an investment holding company. The Group is one of the leading owners of entertainment and casino gaming facilities in Macau. The Group currently has two major properties in Macau, The Landmark Macau and MFW. The Landmark Macau is an award-winning integrated hotel, casino and luxury shopping complex, featuring a five-star hotel and Macau's first themed casino. MFW is a waterfront integrated gaming, hotel, convention and entertainment complex located on the outer harbour of the Macau Peninsula which follows the "Leisure, Tourism, Economic and Multi-Cultural Diversification" policy of the government of the Macau Special Administrative Region of the PRC.

The Group's businesses include (i) the provision of gaming services to SJM in three major casinos in its properties, namely Pharaoh's Palace Casino in The Landmark Macau and Babylon Casino and the Legend Palace Casino in MFW under the Service Agreement; (ii) the operation of casino inside Savan Legend Resorts Hotel and Entertainment Complex in Lao PDR and (iii) the operation of hotels, entertainment and leisure facilities within its properties.

On 13 May 2016, the Company entered into the project development agreement with the Government of the Lao PDR in respect of the acquisition of the Savan Legend at the consideration of US$42.0 million (equivalent to approximately HK$325.9 million). The project development agreement shall have an initial term of 50 years. The Group obtained the approval from the shareholders of the Company at an extraordinary general meeting of the Company held on 18 August 2016. On 1 September 2016, the Company has taken over the management and operation of Savan Legend.

On 9 November 2017, the Group and the independent third parties (the "Buyers") entered into the Disposal Agreement, pursuant to which the Group agreed to sell and the Buyers agreed to buy the entire issued share capital and all obligations, liabilities and debts owing by New Macau Landmark to Hong Hock, at a consideration of HK$4,600 million. The transaction is expected to be completed in early 2018 after the conditions precedent are fulfilled under the Disposal Agreement.


LEGEND PALACE HOTEL

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

2017 was a year with opportunities and challenges for Macau. The factors such as economic situation in China, the changing profile of the visitors in Macau and natural disaster have caused uncertainties in the gaming and non-gaming business in Macau.

According to the figures announced by the Gaming Inspection and Coordination Bureau, Macau generated gross gaming revenue of approximately MOP265.7 billion in 2017, representing an approximately 19.1% increase when compared to corresponding period in last year. It is the first time in recent years to achieve positive growth in Macau. During the year 2017, as benefited by the increase of the visitors in Macau, as well as the continuous development in our Lao's business, the Group's business achieved a total reported revenue for the year of approximately HK$1,836.1 million, representing an increase of approximately 24.8% over that of 2016. Adjusted EBITDA for the year was approximately HK$278.2 million, representing an increase of approximately 29.0% when compared to corresponding period in last year.

In the past year, the Group has been committed to consolidating and expanding its hotel business in Macau. On 27 February, 2017, the Group's Legend Palace Hotel, the latest 5-star addition to the MFW Redevelopment with 223 rooms and suites, 6 new food and beverage outlets, and a casino, has officially commenced its operation. Legend Palace Hotel has achieved steady growth in performance since its operation. The Group is actively improving the ancillary facilities inside MFW and increasing the number of events to be held in MFW, in order to attract more well-known brands to march into MFW. These will definitely facilitate MFW to become the most diversified convention and exhibition center and leisure hub.

Also, the Group is seeking to complete the disposal of Landmark Macau (the "Disposal"). The Group believes that the Disposal will enable the Group to focus on the operation and development of MFW, and will provide MFW Redevelopment with sufficient financial support.

On the other hand, in response to the China's "One-Belt, One-Road" policy, the Group also actively developed the overseas projects in 2017. Our Saven Legend Resorts in Savannakhet Province in Laos has contributed satisfactory overseas returns to the Group. In addition, a number of overseas projects, including an integrated resort and casino in Cape Verde, are also on the right track.

The Group will continue to look for overseas projects with good development and investment potential so as to cope with its vision to create new market for business development. We will continue to 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 diversified overseas business.

Lastly, we would like to join the Board in thanking all of the Group's employees for their continued hard work and dedication in the past year. The Group is grateful for their tireless effort and commitment in the past year, and the Group is proud of the contribution each and every one of them has made. The Group would also like to express its appreciation to all of its business partners and shareholders for their support throughout the year.

CHOW KAM FAI, DAVID
Co-chairman, Executive Director
and Chief Executive Officer

TONG KA WING, CARL
Co-chairman and Non-executive Director

27 March 2018

CLASSIC, ELEGANCE & LUXURY

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF RESULTS

For the year ended 31 December 2017, the Group achieved a total reported revenue of approximately HK$1,836.1 million, representing an increase of approximately HK$364.6 million or approximately 24.8% over that of the year ended 31 December 2016 of approximately HK$1,471.5 million. Breakdown of the Group's reported revenue for the years ended 31 December 2017 and 2016 is as follows:

	For the year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Gaming services:		
— Pharaoh's Palace Casino		
— Mass market tables	**442,627**	539,948
— VIP tables*	**97,506**	159,361
— Slot machines	**6,323**	8,439
	546,456	707,748
— Legend Palace Casino		
— Mass market tables	**271,648**	—
— VIP tables*	**29,091**	—
— Slot machines	**4,996**	—
	305,735	—
— Babylon Casino		
— Mass market tables	**80,957**	112,141
— VIP tables*	**29,769**	40,870
— Slot machines	**718**	679
	111,444	153,690
— Savan Legend Casino		
— Mass market tables	**106,237**	38,596
— VIP tables	**41,962**	16,828
— Slot machines	**98,266**	35,555
	246,465	90,979
Sub-total for gaming services	**1,210,100**	952,417
Non-gaming operations:		
— The Landmark Macau	**209,539**	208,918
— MFW	**394,205**	302,899
— Savan Legend	**22,213**	7,227
Sub-total for non-gaming operations	**625,957**	519,044
Total reported revenue	**1,836,057**	1,471,461

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

For the year ended 31 December 2017, gaming revenue of the Group increased by approximately 27.1% to approximately HK$1,210.1 million and non-gaming revenue increased by approximately 20.6% to approximately HK$626.0 million, when compared to the year ended 31 December 2016. The increase in gaming revenue was primarily due to (i) the increase in revenue contributed by Savan Legend Casino of approximately HK$155.5 million and (ii) the additional revenue contributed by Legend Palace Casino of approximately HK$305.7 million since its opening. It was offset by (i) the decrease in reported revenue from mass market tables of approximately HK$97.3 million in Pharaoh's Palace Casino and (ii) the decrease in reported revenue from New Legend, self-run VIP operation of the Group, of approximately HK$39.1 million during the year.

The overall increase in non-gaming revenue was mainly due to (i) additional revenue of Legend Palace Hotel at MFW of approximately HK$77.1 million, which commenced its operation since early 2017 and (ii) the increase in revenue contributed by Savan Legend Resorts and Harbourview Hotel of approximately HK$15.0 million and HK$16.8 million respectively during the year.

Adjusted EBITDA for the year ended 31 December 2017 was approximately HK$278.2 million, representing an increase of approximately HK$62.6 million or approximately 29.0% over that of the year ended 31 December 2016 of approximately HK$215.6 million. The following table reconciles Adjusted EBITDA to the profit (loss) for the year:

	For the year ended 31 December					
	2017			2016		
	The Group excluding Savan Legend HK$'000	**Savan Legend HK$'000**	**Consolidated HK$'000**	The Group excluding Savan Legend HK$'000	Savan Legend HK$'000	Consolidated HK$'000
(Loss) profit for the year	**(532,772)**	**25,431**	**(507,341)**	(286,882)	9,387	(277,495)
Adjustments for:						
Finance costs	**103,751**	**—**	**103,751**	23,491	—	23,491
Depreciation of investment properties	**14,295**	**—**	**14,295**	11,872	—	11,872
Depreciation of property and equipment	**370,452**	**20,373**	**390,825**	254,790	12,582	267,372
Release of prepaid lease payments	**54,044**	**399**	**54,443**	54,044	126	54,170
Amortisation of other intangible assets	**33,168**	**1,693**	**34,861**	33,168	537	33,705
Loss on disposal of property and equipment	**427**	**—**	**427**	986	—	986
Write-off of property and equipment as a result of typhoon Hato	**121,118**	**—**	**121,118**	—	—	—
Unrealised exchange (gain) loss	**(573)**	**192**	**(381)**	148	—	148
Pre-opening expenses (remark i)	**48,141**	**—**	**48,141**	99,394	—	99,394
Insurance claims received in respect of losses and damages arising from typhoon Hato	**(55,001)**	**—**	**(55,001)**	—	—	—
Bank interest income	**(84)**	**—**	**(84)**	(18,951)	—	(18,951)
Income tax expenses	**(4,856)**	**77,958**	**73,102**	(4,981)	25,854	20,873
Adjusted EBITDA	**152,110**	**126,046**	**278,156**	167,079	48,486	215,565

Remarks:

(i) Pre-opening expenses represent mainly staff related costs, marketing and other administrative expenses incurred prior to the opening of new or expanded operations of the Group for the relevant periods.

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

	For the year ended 31 December					
	2017			2016		
	The Group excluding Savan Legend HK$'000	**Savan Legend HK$'000**	**Consolidated HK$'000**	The Group excluding Savan Legend HK$'000	Savan Legend HK$'000	Consolidated HK$'000
Gaming services	**315,175**	**195,098**	**510,273**	274,255	76,443	350,698
Non-gaming operations	**(95,569)**	**(69,052)**	**(164,621)**	(35,059)	(27,957)	(63,016)
Sub-total	**219,606**	**126,046**	**345,652**	239,196	48,486	287,682
Unallocated corporate expenses*	**(67,496)**	—	**(67,496)**	(72,117)	—	(72,117)
Adjusted EBITDA	**152,110**	**126,046**	**278,156**	167,079	48,486	215,565

* The amount for 2017 represented the unallocated corporate expenses of approximately HK$73,547,000, offsetting with its inter-segment elimination of HK$6,051,000.

Adjusted EBITDA from operations of the Group excluding Savan Legend and unallocated corporate expenses, mainly arising from the operations at The Landmark Macau and MFW Group, decreased by approximately 8.2% to approximately HK$219.6 million for the year ended 31 December 2017 from approximately HK$239.2 million for the year ended 31 December 2016. Adjusted EBITDA of Savan Legend increased by approximately 160.0% to approximately HK$126.0 million for the year ended 31 December 2017 from approximately HK$48.5 million for the year ended 31 December 2016.

The Group's loss for the year ended 31 December 2017 was approximately HK$507.3 million, representing an increase of approximately HK$229.8 million when compared to that of the year ended 31 December 2016. The loss for the year ended 31 December 2017 was mainly due to (i) an increase in depreciation arising from the operation of Legend Palace Hotel since early 2017; (ii) an increase in finance costs due to the cessation of interest capitalisation related to Legend Palace Hotel during the year; and (iii) an increase in impairment on property and equipment and a decrease in potential revenue due to Typhoon Hato.

FINANCIAL AND OPERATIONAL REVIEWS

A. Gaming Services

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

As at 31 December 2017 and 2016, the Group had the following number of gaming tables and slot machines in its casinos which were put into operation:

	As at 31 December									
	2017					2016				
	Pharaoh's Palace Casino	Babylon Casino	Legend Palace Casino	Savan Legend Casino	Total	Pharaoh's Palace Casino	Babylon Casino	Legend Palace Casino	Savan Legend Casino	Total
Mass market tables	60	18	48	39	165	60	34	—	45	139
VIP tables	11	7	21	20	59	22	17	—	39	78
Total gaming tables	71	25	69	59	224	82	51	—	84	217
Slot machines	—	28	88	305	421	121	74	—	466	661

As at 31 December 2017, the Group had a total of 194 gaming tables in Macau (31 December 2016: 179), of which 165 (31 December 2016: 133) were put into operation. The Group had 59 (31 December 2016: 84) gaming tables which were put into operation in the Lao PDR.

The following tables set out certain key operational data of mass market tables, VIP tables and slot machines for the years ended 31 December 2017 and 2016:

Mass Market Tables

	Pharaoh's Palace Casino For the year ended 31 December			Legend Palace Casino For the year ended 31 December			Babylon Casino For the year ended 31 December			Savan Legend Casino For the year ended 31 December		
	2017 HK$'000	2016 HK$'000	Change %	2017 HK$'000	2016 HK$'000	Change %	2017 HK$'000	2016 HK$'000	Change %	2017 HK$'000	2016 HK$'000	Change %
Games drop	4,183,344	4,488,268	(6.8)	3,307,454	—	N/A	1,021,834	1,284,672	(20.5)	475,306	166,411	185.6
Net win	804,777	981,724	(18.0)	493,904	—	N/A	146,978	203,870	(27.9)	109,960	39,756	176.6
Hold rate	19.24%	21.87%	(2.6)	14.93%	—	N/A	14.38%	15.87%	(1.5)	23.13%	23.89%	(0.8)
Average number of tables	60	60	—	48	—	N/A	24	32	(25.0)	45	46	(2.2)
Net win per table per day	37	45	(17.8)	28	—	N/A	17	17	—	7	7	—

For the year ended 31 December 2017, net win per table per day of mass market tables at Pharaoh's Palace Casino decreased by approximately 17.8% to approximately HK$37,000. The net win per table per day of mass market tables at Legend Palace Casino from the date of grand opening to 31 December 2017 and Savan Legend Casino for the year ended 31 December 2017 was approximately HK$28,000 and HK$7,000 respectively.

VIP Tables

	Pharaoh's Palace Casino For the year ended 31 December						
	2017			2016			
	Outsourced HK$'000	**Self-run (New Legend) HK$'000**	**Total HK$'000**	Outsourced HK$'000	Self-run (New Legend) HK$'000	Total HK$'000	Change %
Games turnover	**15,349,843**	**2,692,903**	**18,042,746**	17,767,000	8,058,803	25,825,803	(30.1)
Net win	**480,938**	**132,012**	**612,950**	499,918	301,136	801,054	(23.5)
Win percentage	**3.13%**	**4.90%**	**3.40%**	2.81%	3.74%	3.10%	0.3
Average number of tables	**17**	**7**	**24**	14	9	23	4.3
Net win per table per day	**78**	**52**	**70**	98	91	95	(26.3)

	Legend Palace Casino For the year ended 31 December			Babylon Casino For the year ended 31 December			Savan Legend Casino For the year ended 31 December		
	2017 HK$'000	2016 HK$'000	Change %	**2017 HK$'000**	2016 HK$'000	Change %	**2017 HK$'000**	2016 HK$'000	Change %
Games turnover	**4,046,000**	—	N/A	**635,582**	1,270,827	(50.0)	**4,033,045**	1,120,794	259.8
Net win	**85,318**	—	N/A	**51,584**	65,971	(21.8)	**113,323**	37,656	200.9
Win percentage	**2.11%**	—	N/A	**8.12%**	5.19%	2.9	**2.81%**	3.36%	(0.55)
Average number of tables	**12**	—	N/A	**12**	15	(20.0)	**24**	40	(40.0)
Net win per table per day	**19**	—	N/A	**12**	12	—	**13**	8	62.5

For the year ended 31 December 2017, net win per table per day of VIP tables at Pharaoh's Palace Casino decreased by approximately 26.3% to approximately HK$70,000 over that of the year ended 31 December 2016 of approximately HK$95,000. Net win per table per day of VIP tables at Legend Palace Casino from the date of grand opening to 31 December 2017 and Savan Legend Casino for the year ended 31 December 2017 was approximately HK$19,000 and HK$13,000 respectively.

Slot Machines

	Pharaoh's Palace Casino For the year ended 31 December			Legend Palace Casino For the year ended 31 December			Babylon Casino For the year ended 31 December			Savan Legend Casino For the year ended 31 December		
	2017 HK$'000	2016 HK$'000	Change %	**2017 HK$'000**	2016 HK$'000	Change %	**2017 HK$'000**	2016 HK$'000	Change %	**2017 HK$'000**	2016 HK$'000	Change %
Slot handle	**256,146**	816,619	(68.6)	**182,135**	—	N/A	**28,865**	52,330	(44.8)	**2,491,438**	948,300	162.7
Net win	**16,888**	23,861	(29.2)	**12,548**	—	N/A	**1,836**	1,752	4.8	**98,425**	35,547	176.9
Hold rate	**6.59%**	2.92%	3.7	**6.89%**	—	N/A	**6.36%**	3.35%	3.01	**3.95%**	3.75%	0.2
Average number of slot machines	**142**	121	17.4	**76**	—	N/A	**48**	74	(35.1)	**421**	466	(9.7)
Net win per slot machines per day	**0.3**	0.5	(40.0)	**0.5**	—	N/A	**0.1**	0.1	—	**0.6**	0.6	—

For the year ended 31 December 2017, net win per slot machine per day at Pharaoh's Palace Casino decreased by approximately 40.0% to approximately HK$300 over that of the year ended 31 December 2016 of approximately HK$500. The net win per slot machine per day at Legend Palace Casino for the period ended 31 December 2017 was approximately HK$500. There was no change in net win per slot machine per day at Babylon Casino and Savan Legend Casino for the year ended 31 December 2017 when compared with the corresponding period in 2016.

B. Non-gaming Operations

For the year ended 31 December 2017, the Group recorded a total non-gaming revenue of approximately HK$626.0 million, representing an increase of approximately HK$106.9 million or approximately 20.6% over that of the year ended 31 December 2016 of approximately HK$519.0 million.

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

	As at 31 December					
	2017			2016		
	The Group excluding Savan Legend HK$'000	Savan Legend HK$'000	Total HK$'000	The Group excluding Savan Legend HK$'000	Savan Legend HK$'000	Total HK$'000
Rental income from hotel rooms	281,375	2,307	283,682	206,074	890	206,964
Licensing income from investment properties	102,932	189	103,121	106,854	—	106,854
Income from building management services	48,442	—	48,442	54,324	—	54,324
Food and beverage	151,811	17,577	169,388	122,673	4,880	127,553
Sales of merchandise	13,092	—	13,092	13,851	—	13,851
Others	6,092	2,140	8,232	8,041	1,457	9,498
Total revenue from non-gaming operations	603,744	22,213	625,957	511,817	7,227	519,044

The overall increase in non-gaming revenue was mainly due to (i) additional revenue of Legend Palace Hotel at MFW of approximately HK$77.1 million, which commenced its operation since early 2017 and (ii) the increase in revenue contributed by Savan Legend Resorts and Harbourview Hotel of approximately HK$15.0 million and HK$16.8 million respectively during the year.

The following table sets out certain key operational data on our major hotel operations of the Group for the years ended 31 December 2017 and 2016:

	For the year ended 31 December	
	2017	2016
	HK$'000	HK$'000
The Landmark Macau		
Occupancy rate (%)	**85.0**	78.1
ADR (HK$)	**1,020.2**	999.4
REVPAR (HK$)	**867.2**	780.5
Legend Palace Hotel (opened on 27 February 2017)		
Occupancy rate (%)	**84.0**	N/A
ADR (HK$)	**1,439.4**	N/A
REVPAR (HK$)	**1,209.1**	N/A
Harbourview Hotel		
Occupancy rate (%)	**86.3**	77.9
ADR (HK$)	**885.3**	822.1
REVPAR (HK$)	**764.0**	640.4

C. Corporate and Business Updates

(a) MFW Redevelopment

Legendale Hotel

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

(b) Disposal of The Landmark Macau

In November 2017, the Group entered into a sale and purchase agreement with independent third parties (the "Purchasers"), pursuant to which the Purchasers agreed to buy the entire issued share capital in NML and all obligations, liabilities and debts owing or incurred by NML to Hong Hock for a consideration of HK$4,600,000,000. Up to the date of this annual report, the Group has received HK$1,000,000,000 deposit from the Purchasers. The management expect the remaining balance of the sale proceeds of HK$3,600,000,000 will be received upon completion of the Disposal in accordance with the terms as specified in the Disposal Agreement. Further details of the Disposal are set out in the Company's announcement dated 9 November 2017 and circular dated 22 December 2017.

(c) Project Cape Verde

On 22 July 2015, the Company entered into agreements with the Government of Cape Verde for Project Cape Verde, with an investment amount of approximately €250 million (equivalent to approximately HK$2,150 million). The lease of the designated land for Project Cape Verde is 75 years. The Group has been granted a 25 years gaming concession on Santiago Island (of which the first 15 years is on an exclusive basis). In addition, the Group has been granted an exclusive nationwide operation of online gaming, physical and online sports betting for a period of 10 years from the commencement of operation of the online gaming business by the Group in Cape Verde. Further details of Project Cape Verde are set out in the Company's announcement dated 22 July 2015.

In 2017, structural construction of the office building has been completed and architecture is in completion stage. Constructions for the electrical and mechanical part and intend design has also been started in 2017.

(d) Development project in Cambodia

In 2017, the Group has commenced the legal checking in Cambodia for the proposed acquisition of certain land use rights in Cambodia.

Outlook

The Group's focus on the continued prioritisation and expansion of MFW is progressing smoothly with the expected completion of the Disposal of The Landmark Macau. The primary objectives are to help fortify and grow business through customer aggregation, cost optimization and focused marketing efforts. Proceeds from the Disposal will allow the Company to improve liquidity and provide capital to support expansion plans.

For the past few months, the visitations to MFW has increased, and the property continues to host promotion activities focused on enhancing customer experience at the newly renovated boulevards. The current plan is to initiate further upgrades in Food & Beverage outlets and additional varieties in entertainment to improve visitation and branding. The eventual completion of the foot bridge to the ferry terminal will also enhance connectivity and improve visitation.

As mentioned earlier, the construction plans of the third new hotel at MFW have been disrupted, but the Group is now actively moving forward and is seeking to submit revised plans to expedite the development of a 60-metres tall Legendale Hotel.

On 16 February 2017, the Group held another groundbreaking ceremony in Cape Verde for the bridge which links the island part of the resort with the mainland. The building which houses the office complex is set to be completed within the current financial year and progress for the hotel and casino complexes are on track.

In Laos, Savan Legend Resorts has contributed positive Adjusted EBITDA to the Group. The Group is confident that with the further enhancement of Food & Beverage facilities, entertainment, retail and convention capabilities, this project will continue to be an engine of growth.

The Group is awaiting positive feedback from the authorities in Portugal in order for our intended developments in Sebutal to move forward. Once confirmed, the operation in Portugal can act as the hub for the European business expansion, and link with the Cape Verde operations.

The Group will continue to focus on Southeast Asian destinations where the "One Road, One Belt" policy from China is supporting new investment in tourism and tourism related infrastructure and will also focus on Portuguese-speaking countries, like Cape Verde, to make good use of the Sino-Portuguese platform for the Group's business diversification overseas.

The Group will continue to actively seek opportunities and develop new markets for its business expansion so as to maximise value for its shareholders, partners and customers.

Liquidity and Capital Resources

The Group's liquidity needs primarily comprise working capital, capital expenditure, and servicing borrowings of the Group. The Group has generally funded its operations and development projects from internal resources, debt and/or equity financing.

As at 31 December 2017, the consolidated net assets attributable to owners of the Company amounted to approximately HK$6,236.3 million, representing a decrease of approximately HK$456.1 million from approximately HK$6,692.4 million as at 31 December 2016. The decrease in consolidated net assets during the year ended 31 December 2017 was mainly due to the loss incurred by the Group during the year.

Bank Balances and Cash

As at 31 December 2017, bank balances and cash held by the Group amounted to approximately HK$243.7 million (including pledged bank deposits of approximately HK$8.1 million), which was denominated mainly in HK$ and MOP. Given MOP is pegged to HK$, the Group considers the exposure to exchange rate risk is nominal for its bank balances and cash denominated in MOP.

As at 31 December 2017, a total of approximately HK$4.2 million had been placed as fixed deposits at banks in Macau with maturity of one month which are in EUR, at an average annualised interest rate of approximately 0.001%.

Borrowings

As at 31 December 2017, the Group had outstanding (i) secured and unguaranteed bank borrowings of approximately HK$2,409.8 million, (ii) an unsecured, interest-free and unguaranteed other borrowings of approximately HK$57.5 million and (iii) unsecured and unguaranteed interest-bearing loans from a shareholder, Mr. David Chow of approximately HK$771.2 million.

Charge on the Group's Assets

As at 31 December 2017, certain assets of the Group were pledged to secure credit facilities and use of electricity granted to the Group, including investment properties with a total carrying amount of approximately HK$450.6 million (31 December 2016: approximately HK$358.3 million), buildings with a total carrying amount of approximately HK$5,059.7 million (31 December 2016: approximately HK$2,320.9 million), prepaid lease payments with a total carrying amount of approximately HK$1,710.6 million (31 December 2016: approximately HK$1,764.6 million), trade receivables of approximately HK$164.4 million (31 December 2016: approximately HK$118.0 million) and bank deposits of approximately HK$8.1 million (31 December 2016: approximately HK$21.1 million).

Gearing

The Group's net gearing ratio (expressed as a percentage of total borrowings (e.g. bank and other borrowings and loans from a shareholder) minus cash (e.g. pledged bank deposits and bank balances and cash) over total equity as at the end of the reporting period) was approximately 48.0% as at 31 December 2017 (31 December 2016: approximately 48.2%).

Employees and Remuneration Policies

As at 31 December 2017, the Group had a total of approximately 4,659 employees, including approximately 1,118 gaming operation employees who are employed and paid by SJM but over whom the Group exercised oversight in accordance with the Service Agreement. The Group reimbursed SJM in full for the salaries and other benefits of these gaming operation employees.

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr Chow Kam Fai, **David**, age 67, has been a Director since October 2006 and the chief executive officer of the Company since December 2006. Mr David Chow became a co-chairman of the Company and an executive Director on 31 May 2012. He is also a member of both the Remuneration Committee and the Nomination Committee. He has had more than 30 years of experience in the gaming, gaming promotion, entertainment and hospitality industries prior to founding the Company's business. He was engaged in the provision of gaming promotion services for junket room operations for Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") in the 1980s. In 1992, Mr David Chow, together with Madam Lam and Mr Li Chi Keung, established Hong Hock to engage in real estate operations in Macau. Under Mr David Chow's management, Hong Hock opened The Landmark Macau to provide rental, management and dining services for the use of the premises, facilities and services of the Group to SJM for their VIP room operations. In 2006, Mr David Chow expanded Hong Hock's operations and caused Hong Hock to enter into the Service Agreement with SJM and has since managed and directed Hong Hock's gaming services provision operations. In 2000, Mr David Chow, together with Dr Ho Hung Sun, Stanley and Madam Lam, incorporated MFW Investment to develop and operate MFW. He has been instrumental to the development and operations and the proposed redevelopment of the hotels and entertainment facilities in MFW.

Mr David Chow has been actively involved in community service. He founded Macau Association of Retailers and Tourism Services (澳門旅遊零售服務業總商會) in 1998. Mr David Chow was elected as a legislator of the Macau Government in 1996, 2001 and 2005, and has been a member of the Macau Chief Executive Election Committee in 2004, 2009 and 2014. He established the Travel Industry Council of Macau in 2001. He also established the Federal General Commercial Association of Macau Small and Medium Enterprises and has been serving as its president since 2012. In 2007, Mr David Chow's experience and contribution to Macau's tourism industry were recognised when he was awarded the title of Top Ten Talent (Construction) in China for the year 2006 (2006年中國十大建設英才) and the Order of Merit for Tourism (旅遊功績勳章) by the Macau government for his contribution to the tourism industry. In February 2013, Mr David Chow's contribution to Macau and the PRC was further recognised by his appointment as a member of the 12th National Committee of Chinese People's Political Consultative Conference of the PRC.

In addition to the Group, Mr David Chow also manages other hospitality businesses in the PRC. He has been the chairman of the board of directors of Beijing Hua Hai Jin Bao Real Estate Development Co. Ltd. (北京華海金寶房地產開發有限公司) since 2008, which has, since 2007, owned and managed the award winning five-star Legendale Hotel Beijing.

Mr David Chow is a son of Madam Lam, an executive Director, the vice chairman and a controlling shareholder of the Company, and the father of Mr Donald Chow, an executive Director, the corporate development director and Babylon Casino director of the Company. The discloseable interest of Mr David Chow in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company" under the Directors' Report of this annual report.

Madam Lam Fong Ngo, age 90, has been a Director since December 2006. Madam Lam became an executive Director and the vice chairman of the Company on 31 May 2012. She is also a member of the Remuneration Committee. She has also been the vice chairman of MFW Investment since August 2000. Madam Lam has more than 30 years of experience in the Macau gaming industry and has worked for STDM since the 1980s. Madam Lam founded Associação Geral de Ópera Chinesa e Arte Musical de Macau (澳門粵劇曲藝總會) in 2004 and has since served as its chairperson. Madam Lam participates in community work in Macau and has served as a member of the Macau Chief Executive Election Committee in 2004 and 2009. She was awarded the Medal of Cultural Merit (文化功績勳章) in 2009 by the Macau government and was conferred the title of honorary citizen of Guangzhou (廣州市榮譽市民) by the Guangzhou People's Congress.

Madam Lam is the mother of Mr David Chow, an executive Director, a co-chairman, the chief executive officer and a controlling shareholder of the Company, and the grandmother of Mr Donald Chow, an executive Director, the corporate development director and Babylon Casino director of the Company. The discloseable interest of Madam Lam in the Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company" under the Directors' Report of this annual report.

Mr Sheldon Trainor-DeGirolamo, age 54, has been a Director since 18 May 2012. He is also a member of the Nomination Committee. Mr Trainor has been licensed by the Securities and Futures Commission since 1994 as an investment representative before the SFO came into effect and as a representative under the SFO to carry out Type 6 Regulated Activity (Advising on Corporate Finance). He obtained a bachelor's degree in commerce at the University of British Columbia in 1988 and has more than 20 years of experience in financial advisory services. He served a number of leading investment banks and has extensive experience in raising capital for casino, leisure and property companies in Asia. He worked at Credit Suisse Management (Australia) PTY Limited between 1990 and 1994 and last served as an associate in the investment banking division. He then served within Morgan Stanley group of companies between 1994 and 2005 and last served as a managing director in the investment banking division of Morgan Stanley Asia Pacific Holding Ltd. Mr Trainor worked at Merrill Lynch between 2005 and 2009 as a managing director and had been involved in the Group's financing projects in such capacity since 2005. He founded PacBridge Capital Partners (HK) Limited in 2009. As its director and responsible officer, Mr Trainor is primarily responsible for the execution of both corporate advisory and principal investment transactions.

The discloseable interest of Mr Trainor in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company" under the Directors' Report of this annual report.

Mr Chow Wan Hok, **Donald**, aged 27, was appointed as an executive Director on 1 September 2016 and has been appointed as the corporate development director and Babylon Casino director of the Company since July 2014 and May 2015, respectively. Mr Donald Chow was awarded a bachelor's degree of science in business administration from the University of Southern California in May 2013. He joined the Group in July 2013 as a corporate finance analyst. Mr Donald Chow is involved in the new and current business development projects of the Group and supervises the gaming operation of Babylon Casino. He also leads the installation and implementation of new casino management system and assists in the investor relations of the Group. As an executive Director of the Company, Mr Donald Chow is primarily responsible for the execution of both corporate advisory and principal investment transactions.

Mr Donald Chow is the son of Mr David Chow, an executive Director, a co-chairman, the chief executive officer and a controlling shareholder of the Company, and Ms Chan Mei Yi, Melinda, the spouse of Mr David Chow, and the grandson of Madam Lam, the mother of Mr David Chow, and an executive Director, the vice chairman and a controlling shareholder of the Company.

The discloseable interest of Mr Donald Chow in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company" under the Directors' Report of this annual report.

Non-executive Directors

Mr Tong Ka Wing, **Carl**, age 67, was appointed as a co-chairman of the Company and non-executive Director on 18 May 2012. He is also a member of the Audit Committee. Mr Tong became an associate of the HKICPA in 1981, an associate of the Institute of Chartered Accountants in England and Wales in 1980 and an associate member of the Institute of Motor Industry in 1973. He worked with Arthur Andersen between 1977 and 1985 and as vice president of Citibank, N.A. between 1985 and 1987. He was a director of Asia Television Limited between 1990 and 1991. He founded Carl Tong & Associates Management Consultancy Limited in 1987 which is engaged in management consultancy business. He is also a director and chief executive officer of UNIR (HK) Management Limited, a management service company wholly-owned by Ms Chan Un Chan. In addition, Mr Tong has been actively engaged in community service. He served as Member for the Central and Western District Board of Hong Kong between 1982 and 1988, and was a member of the Legislative Council of Hong Kong between 1984 and 1985. Mr Tong has been an executive director and chief executive officer of Creative Master Bermuda Limited between 2003 and 2013, and was the chairman and chief executive officer of Creative Master International Inc. between 1997 and 2000. He served as an independent non-executive director of eSun Holdings Limited (SEHK: 0571) between 2004 and 2011, and a director at Crocodile Garments Limited (SEHK: 0122) between 2007 and 2012.

The discloseable interest of Mr Tong in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company" under the Directors' Report of this annual report.

Ms Ho Chiulin, Laurinda, age 26, was appointed as a non-executive Director and a member of the Audit Committee on 1 September 2016. Ms Ho is a daughter of Ms Chan Un Chan, a substantial shareholder of the Company. She was awarded a bachelor of science in economics from the University of London in August 2012. Ms Ho was an assistant tax advisor with Ernst & Young PLL in London in 2013 and a senior staff accountant with Ernst & Young PLL in Beijing from March 2014 to October 2014. She has been a director of UNIR Australia Pty Ltd, the group of which owns substantial real estate assets including hospitality, retail and office investments in Perth, Australia.

The discloseable interest of Ms Ho in the Shares and underlying Shares under the provisions of Part XV of the SFO is set out in the section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company" under the Directors' Report of this annual report.

Independent non-executive Directors

Mr Fong Chung, Mark, age 66, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee on 5 June 2013. Mr Fong obtained a bachelor's degree in science from the University College, London in August 1972 and a master's degree in science from the University of Surrey in December 1973. Mr Fong has over 40 years of experience in professional accountancy. He has been a fellow of the Institute of Chartered Accountants in England and Wales since January 1983 and a fellow of HKICPA since March 1986. He was the president of HKICPA in 2007. Mr Fong served as the executive director of China Development of Grant Thornton International Ltd. between 2009 and 2013. He has been appointed as a consulting specialist in accountancy of The Ministry of Finance of the PRC since June 2016. He has been appointed as the Chairman of the Audit Committee of HKICPA and has also served on the Council of the Institute of Chartered Accountants in England and Wales since 2016.

Mr Fong is actively involved in community services. He was a director of Po Leung Kuk, a charity organisation in Hong Kong, between 1993 and 1996, and was elected as a member of the Legislative Council Election Committee of Hong Kong for Accountancy Subsector in 2000. He was a member of the Small and Medium Enterprises Development Fund Vetting Committee of the Trade and Industry Department of Hong Kong between 2008 and 2013.

Mr Fong has been an independent non-executive director of Sinopec Kantons Holdings Limited (SEHK: 0934) since 2004 and China Oilfield Services Limited (SEHK:2883) since 2015. He is also a non-executive director of Worldsec Limited (LON: WSL). He was the Independent non-executive director of New China Life Insurance Company Ltd. (SEHK: 1336) between 2011 and 2017.

Mr Xie Min, age 59, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee on 5 June 2013. Mr Xie obtained a master's degree in economics from the University of International Business and Economics of the PRC in 1987. In 1993, he was awarded a master's degree in business administration by New York University. Between 1993 and 1994, he completed the International Tax Program at Harvard Law School and the Investment Appraisal and Management Program at the Harvard Institute for International Development, and obtained a master's degree in public administration from Harvard Kennedy School of Government. Mr Xie has over 20 years of experience in private equity investment and mergers and acquisitions. He has extensive experience in deal structuring, post-deal business integration and cross-border transactions. He held senior positions at various listed enterprises and international private equity funds and institutions. He served as the chief investment officer of TOM.COM INTERNATIONAL LIMITED, a wholly-owned subsidiary of TOM Group Limited (SEHK: 2383) between 2001 and 2004. He was the managing director and head of private equity division at BOCI Asia Limited between 2004 and 2006. He became the managing director of Avenue Asia HK, Limited — Hong Kong Representative Office between 2008 and 2011. He was a China senior advisor of Apax Partners, the largest private equity investment group in Europe between 2012 and 2015. He served as Head of the Investment Review Committee of Chinastone Energy Fund between 2012 and 2016. Mr Xie is currently a director and the chief operating officer of Asia Investment Fund Management Limited.

Mr Xie is a visiting professor and a member of the board of University of International Business and Economics. Mr Xie has been a member of the Henan Provincial Committee of the Chinese People's Political Consultative Conference of the PRC since 2009 and is now a member of the 12th Henan Provincial Committee of CPPCC.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Madam Tam Wai Chu, **Maria**, age 72, was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee on 5 June 2013. Madam Tam obtained an Honorary Doctor in Laws from the Chinese University of Hong Kong in 1989. She has over 40 years of experience practicing as a barrister. She has been a member of The Honourable Society of Gray's Inn, a professional association for barristers and judges in England, since 1973, and was admitted to the bar in the United Kingdom and Hong Kong in 1972 and 1974, respectively. She has been the honorary advisor of the Hong Kong Mediation Centre since 2006.

Madam Tam has been actively involved in the public administrative service. She served as a member of the Legislative Council of Hong Kong between 1981 and 1991 and a non-official member of the Executive Council of Hong Kong from 1983 to 1991. She was a member of the HKSAR Basic Law Drafting Committee from 1985 to 1990 and a member of the National Committee of the Chinese People's Political Consultative Conference of the PRC between 1993 and 1998. Madam Tam has been serving as a deputy in the National People's Congress of the PRC since 1998 and a member of the Basic Law Committee of HKSAR since 1997. Madam Tam is the founding president, and has been serving as the president and legal advisor, of the Junior Police Officers' Association of the Hong Kong Police Force since 1977. Her contribution to the society of Hong Kong was recognised by the British Monarchy when she was appointed Justice of the Peace and awarded Order of the British Empire (O.B.E.) and Commander of the Order of British Empire (C.B.E.) in 1982, 1984 and 1988, respectively. She was awarded Gold Bauhinia Star in 1998 and the Grand Bauhinia Medal on 1 July 2013 by the government of the HKSAR. In addition, she was appointed as a director of Love, Family Foundation Limited (愛 • 家基金會有限公司), a non-profit making company, on 25 July 2013. She was a member of the Operations Review Committee of the Independent Commission Against Corruption (the "ICAC") from January 2010 to December 2014. She is currently the chairman of the Operations Review Committee of the ICAC and a member of Advisory Committee on Corruption of the ICAC from January 2015 to December 2017, a member of the Witness Protection Review Board of the ICAC from January 2010 to December 2017.

Madam Tam has been an independent non-executive director of Wing On Company International Limited (SEHK: 0289) since 1994, Minmetals Land Limited (SEHK: 0230) since 1997, Sinopec Kantons Holdings Limited (SEHK: 0934) since 1998, Guangnan (Holdings) Limited (SEHK: 1203) between 1999 and 2017, Tong Ren Tang Technologies Co. Ltd. (SEHK: 1666) since 2000, Sa Sa International Holdings Limited (SEHK: 0178) since 2004, Nine Dragons Paper (Holdings) Limited (SEHK: 2689) since 2006 and Titan Petrochemicals Group Limited (SEHK: 1192) between 2004 and 2012. Madam Tam has been appointed as an independent non-executive director of China Shenhua Energy Company Limited, a company listed on Shanghai Stock Exchange and Hong Kong Stock Exchange, stock code: 601088 and 1088 respectively since 23 June 2017.

SENIOR MANAGEMENT

Executive vice president, chief financial officer, company secretary

Mr Wong Man Cheung, age 46, was awarded a bachelor's degree of arts in accountancy in 1996, and a master's degree of business administration (financial services) in 2004 by The Hong Kong Polytechnic University. He is an associate of the Hong Kong Institute of Certified Public Accountants and he was also a fellow of the Association of Chartered Certified Accountants. Mr Wong has over 22 years of work experience mainly in accounting, auditing, corporate finance, treasury, business and financial controlling, business development, strategic planning, corporate restructuring, project management, risk management, investor relations, financial advisory and corporate governance. He was involved in a wide range of business including, but not limited to, property development and investment, construction, engineering, hotel and hospitality, gaming, trading, manufacturing, telecommunication, mining, distribution and retailing.

Before 2010, he worked with an international accounting firm and also held various senior finance and business positions in Hong Kong & Singapore listed and non-listed groups. He acted as the finance and commercial director of Kerry Mining (HK) Limited, a subsidiary of Kerry Group, between 2010 and 2014. Before joining the Company, Mr Wong was the Senior Business Planning Manager of Sun Hung Kai Properties Limited (SEHK:0016) and the head of finance, company secretary and authorised representative of Sunevision Holdings Ltd. (SEHK:1686) between 2015 and 2016 which is a subsidiary of Sun Hung Kai Properties Limited.

President of MFW Investment

Ms Chan Mei Yi, Melinda, age 52, was appointed as President of Macau Fisherman's Wharf since October 2017. She has had more than 30 year of work experience in gaming promotion, retail, tourism, hospitality industries, and project management in Macau, China and Philippines. Ms Chan has also overseen the conversion of The Landmark Building into The Landmark Macau and Pharaoh's Palace Casino. She is also a member of Guangdong Chinese People's Political Consultative Committee, Vice Chairman of Guangdong General Chamber of Commerce. Ms Chan started her career in STDM's casino and managed casino cages and public relations division in Macau and Manila, Philippines for over 14 years. Apart from the extensive gaming experience, Ms Chan is also a member of the executive board of CITIC Geyi Biorefineries Co. Ltd., producing environmental friendly industrial products, and managing directors in Beijing Hua Hai Jin Bao Real Estate Development Co. Ltd. (北京華海金寶房地產開發有限公司) and Li Ieng Investment Co. Ltd., owner of a 140,000 m2 European-themed shopping mall. She is one of the founders of these three companies during 2007, 2012 and 2013.

Ms Chan also committed in improving social welfare of Macau. She is chairman of the 3000-strong members of Macau Sin Meng Charity Association, chairman of the Macau Creche Sin Meng Management Committee (a day care infant nursery), and vice chairman of the Macau Pou Tai Elder Service Centre Committee (elderly care nursing home). She also served the Legislative Assembly of Macau Special Administrative Region as a directly-elected member for 2 terms from 2009 to 2017.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Executive vice president, head of casino operations

Mr Yip Wing Fat, **Frederick**, age 62, was appointed as the executive vice president, head of casino operations of the Company on 5 June 2013. Mr Yip was awarded a diploma in accounting by Lingnan College in Hong Kong in November 1979. He also obtained a master's degree in business administration from the Macau University of Science and Technology in June 2005. Mr Yip has over 25 years of work experience in the Macau gaming industry. Prior to joining the Group, he worked as an assistant shift pit boss at STDM between 1979 and 1982. He later served as accounting manager at Macau Trotting Club grom 1983 to 1987, Macau Horse Racing Co. Ltd. in 1988. Mr Yip founded Tak Tai Fomento Predial (德泰地產貿易投資有限公司), a real estate agency, in 1991, and is currently its managing director. Mr Yip joined the Group in 1997 as security controller of the security department, and became deputy general manager in 1999. Between 2003 and 2007, Mr Yip served as executive vice president for mass market and slot machine gaming at Pharaoh's Palace Casino and Babylon Casino.

Mr Yip is active in community service in Macau. He is, among other things, a member of the Macau Chief Executive Election Committee in 2004 and 2009, a representative of the Macau Tourism Development Committee since 2012 and a member of the representative election conference of the National People's Congress of the PRC since 2012. Mr Yip has been a member of the Hubei Provincial Committee of the Chinese People's Political Consultative Conference of the PRC since 2009 until now.

Hotel Manager of Harbourview Hotel and the Rocks Hotel

Mr Adrian Pinto-Marques, age 29 was appointed as the Hotel Manager of Harbourview Hotel and the Rocks Hotel in September 2017. He obtained a Higher Diploma in International Hospitality Management from Swiss Hotel Management School, BBA Dual Degree in Business Management and Hotel, Resort & Restaurant Management from Hotel Institute Montreux and Masters of Business Administration from Northwood University DeVos Graduate School. Mr. Pinto-Marques has 8 years' work experience that includes a 5-star resort in Las Vegas, Front Office, Procurement & Outsourcing Services, Operations & Development, and was in charge of opening both Harbourview Hotel and Legend Palace Hotel.

General Manager of Legend Palace Hotel

Mr Yeung Ka Ming, age 58, was appointed as the general manager of Legend Palace Hotel on 16 February 2016. Mr Yeung was awarded an honorary doctorate degree in business management from Trinity International University in the United States of America in 2006. He has over 30 years of work experience in the hospitality industry throughout Macau, Hong Kong and China. Mr Yeung has become an associate of The Association of Cost and Executive Accountants in the United Kingdom since 2001 and a fellow member of the Association of Business Management Academics in the United Kingdom since 2006. Mr Yeung was the Chairman of Macau Hotel Association during 2000—2004 and subsequently the Vice-Chairman from 2004 to 2008.

Mr Yeung previously served the Group during 2003 to 2008 for various positions including the President of The Landmark Macau. Prior to re-joining the Group, Mr Yeung worked for IHG Group as the General Manager of InterContinental Huizhou Resort in China.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the year ended 31 December 2017, the Company has complied with the CG Code, except for code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarised below.

A. The Board

A1. Responsibilities and Delegation

The overall management and control of the Company's business are vested in the Board, whose main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All Directors take decisions objectively in the interests of the Company.

The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board as at the date of this annual report is as follows:

Executive Directors:

Mr David Chow[Note]	*(Co-chairman of the Board, chief executive officer and a member of both the Remuneration Committee and the Nomination Committee)*
Madam Lam[Note]	*(Vice chairman and a member of the Remuneration Committee)*
Mr Sheldon Trainor-DeGirolamo	*(A member of the Nomination Committee)*
Mr Chow Wan Hok, Donald[Note]	

Non-executive Directors:

Mr Tong Ka Wing, Carl	*(Co-chairman of the Board and a member of the Audit Committee)*
Ms Ho Chiulin, Laurinda	*(A member of the Audit Committee)*

Independent Non-executive Directors:

Mr Fong Chung, Mark	*(Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee)*
Mr Xie Min	*(Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee)*
Madam Tam Wai Chu, Maria	*(Chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee)*

Note: Madam Lam is the mother of Mr David Chow and the grandmother of Mr Donald Chow.

The biographical details of the Directors and the relationships among the members of the Board are disclosed under the section headed "Directors and Senior Management" in this annual report.

The Board has met the requirements of Rules 3.10 and 3.10A of the Listing Rules of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different business and functional division of the Group in accordance with his/her expertise. The non-executive Director brings different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests, the non-executive Director had made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive Officer

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

Currently, Mr David Chow and Mr Tong Ka Wing, Carl are co-chairmen of the Board and responsible for the management of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. In addition, Mr David Chow is the chief executive officer of the Company, taking care of the day-to-day management of the Group's business and implementing the Group's policies, strategic plans and business goals formulated by the Board.

Although Mr David Chow is both a co-chairman and the chief executive officer of the Company, the powers and authorities of the co-chairman have not been concentrated as the responsibilities have been shared between the co-chairmen. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number of Directors being non-executive Directors.

A4. Appointment and Re-election of Directors

The Articles of Association contain provisions on the procedures and process of appointment and removal of Directors.

According to the Articles of Association, one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring Directors are eligible for re-election by the shareholders at the respective general meetings.

Each Director, including the independent non-executive Directors, is engaged for a term of two/three years. They are also subject to re-election in accordance with the provisions of the Articles of Association as mentioned above.

At the 2018 AGM, Mr Sheldon Trainor-DeGirolamo, Mr Tong Ka Wing, Carl and Madam Tam Wai Chu, Maria shall retire and, being eligible, will offer themselves for re-election at the meeting. The Board and the Nomination Committee recommended their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above Directors as required by the Listing Rules.

A5. Training and Continuing Development of Directors

Each newly appointed Director will receive induction on the first occasion of his/her appointment so as to ensure he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2017, the Directors complied with the code provision A.6.5 of the CG Code and all Directors received regular briefings and updates from the professional firm/company secretary on the Group's business/operations/corporate governance matters which are relevant to their duties and responsibilities.

A6. Model Code for Securities Transactions

The Company has adopted the Model Code as its code of conduct governing directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Model Code during the year ended 31 December 2017.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by relevant employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the year ended 31 December 2017.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

A7. Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 December 2017, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

A8. Directors' Attendance Records

The attendance records of each Director at the Board meetings, Board committees meetings and general meetings of the Company held during the year ended 31 December 2017 are set out below:

	Attendance/Number of Meetings				
Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Mr David Chow	7/7	—	1/1	1/1	1/1
Madam Lam	5/7	—	1/1	—	1/1
Mr Sheldon Trainor-DeGirolamo	7/7	—	—	1/1	1/1
Mr Donald Chow	7/7	—	—	—	1/1
Mr Tong Ka Wing, Carl	7/7	4/4	—	—	1/1
Ms Ho Chiulin, Laurinda	6/7	2/4	—	—	1/1
Mr Fong Chung, Mark	6/7	4/4	1/1	1/1	1/1
Mr Xie Min	6/7	4/4	1/1	1/1	1/1
Madam Tam Wai Chu, Maria	7/7	4/4	1/1	1/1	1/1

B. Board Committees

The Board has established three Board committees, namely, Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company have been established with defined written terms of reference which are posted on the Company's website "www.macaulegend.com" and on the Stock Exchange's website "www.hkexnews.hk". All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Audit Committee

The Audit Committee comprises a total of five members, being three independent non-executive Directors, namely, Mr Fong Chung, Mark (Chairman), Mr Xie Min and Madam Tam Wai Chu, Maria; and two non-executive Directors, namely, Mr Tong Ka Wing, Carl and Ms Ho Chiulin, Laurinda. Mr Fong Chung, Mark possesses appropriate professional qualifications and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors. All of the members are non-executive Directors and the majority of the members are independent non-executive Directors.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, risk management system and internal control system.

During the year ended 31 December 2017, the Audit Committee has performed the following major tasks:

— Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2016, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's risk management and internal control review and processes and recommendation of the re-appointment of the external auditor;

— Review and report on continuing connected transactions carried out during the year ended 31 December 2016;

— Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2017 and the related accounting principles and practices adopted by the Group;

— Review and approval of the engagement letters of Deloitte Touche Tohmatsu as the auditor of the Company, the nature and scope of the audit for the year ended 31 December 2017, their reporting obligations and their work plan; and

— Consideration of the internal audit plan and report.

The external auditors were invited to attend the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

B2. Remuneration Committee

The Remuneration Committee comprises a total of five members, being three independent non-executive Directors, namely, Mr Xie Min (Chairman), Mr Fong Chung, Mark, and Madam Tam Wai Chu, Maria; and two executive Directors, namely, Mr David Chow and Madam Lam. Accordingly, the majority of the members are independent non-executive Directors.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's remuneration policy and structure and the remuneration packages of Directors and members of senior management (that is, the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 December 2017, the Remuneration Committee has performed the following major tasks:

— Assessment of the performance of executive Directors; and

— Review of remuneration packages of Directors and senior management and to make any appropriate adjustments, approve the terms of service agreements/appointment letters as appropriate.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2017 is set out below:

	Number of individuals
HK$1 to HK$1,000,000	2
HK$1,000,001 to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	2
	5

Details of the remuneration of each of the Directors for the year ended 31 December 2017 are set out in note 9 to the consolidated financial statements of the Group.

B3. Nomination Committee

The Nomination Committee comprises a total of five members, being three independent non-executive Directors, namely, Madam Tam Wai Chu, Maria (Chairman), Mr Fong Chung, Mark and Mr Xie Min; and two executive Directors, namely, Mr David Chow and Mr Sheldon Trainor-DeGirolamo. Accordingly, the majority of the members are independent non-executive Directors.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular, the chairman and the chief executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities and take into account various aspects set out in the board diversity policy of the Company, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. External recruitment professionals might be engaged to carry out selection process when necessary. The Nomination Committee considered a balance of diversity of perspective is maintained across the Board. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the year ended 31 December 2017, the Nomination Committee has performed the following major tasks:

— Review of the structure, size, composition and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Group;

— Recommendation of the re-election of the retiring Directors standing for re-election at the Company's 2017 annual general meeting; and

— Assessment of the independence of all the independent non-executive Directors.

C. Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2017.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, quarterly financial information, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. Risk Management and Internal Controls

The Board acknowledge its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems of the Group. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Group has developed and adopted different risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including gaming operations, hotel operations, food & beverage, construction, finance, human resources, information technology.

The internal audit team is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. The internal audit team identifies and examines key issues in relation to the hotel/casino management, strategic management, key operational and financial processes, human resources management, regulatory compliance and information security and provides its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee, has performed annual review on the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2017 by reviewing the management report and the internal audit findings, the actions taken and the plans formulated to remedy the deficiencies. The Board is not aware of any material defect or weakness of the internal systems and controls in relation to anti-money laundering and counter-terrorist financing which would have an adverse impact on the operations of the Group; and considered that the risk management and internal control systems of the Group are effective and adequate.

The Group has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

E. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2017 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to the Group's external auditor in respect of audit services and non-audit services for the year ended 31 December 2017 are analyzed below:

	Fees paid/ payable (HK$)
Audit services:	
— Audit fee for the year ended 31 December 2017	3,530,000
Non-audit services:	
— Interim review for the six months ended 30 June 2017	520,000
— Major disposal of New Landmark	1,000,000
— Tax compliance services	320,000
Total	5,370,000

F. Company Secretary

During the year under review, Mr Wong Man Cheung, the company secretary, has taken no less than 15 hours of relevant professional trainings. Biographical details of Mr Wong are set out in the section headed "Directors and Senior Management" in this annual report.

G. Communications with Shareholders and Investors

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at "www.macaulegend.com" as a communication platform with shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address:	Palace Building, Macau Fisherman's Wharf, Avenida da Amizade e Avenida da, Dr. Sun Yat Sen, Macau
Fax No.:	(853) 2822 2266
Email:	ir@macaulegend.com

The Company continues to enhance communications and relationships with its shareholders and investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from shareholders and investors are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

H. Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Articles of Association by sending a written requisition to the Board or the company secretary. The objects of the meeting must be stated in the written requisition.

(2) If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, pursuant to Article 85 of the Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the year ended 31 December 2017, the Company has not made any changes to the Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

All resolutions proposed at shareholder meetings will be voted by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Stock Exchange "www.hkexnews.hk" and the Company "www.macaulegend.com", respectively, immediately after the relevant general meetings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with Appendix 27 — Environmental, Social and Governance ("ESG") Reporting Guide of the Listing Rules issued by the Stock Exchange, the Company prepares this ESG report which summarizes the environmental and social policies, and performance initiatives of the Company and its subsidiaries (collectively referred to as the "Group", "We", "Our") for the reporting period.

This ESG report covers the policies, initiatives and performance of our gaming and hotel businesses operated in two of the Group's major properties in Macau, namely The Landmark Macau and MFW, unless specified, in relation to these issues, for the period from 1 January to 31 December 2017 (Reporting Period"):

Aspects	Material ESG issues
A. Environmental	
A1. Emissions	• Waste management • Carbon emissions
A2. Use of resources	• Use of energy • Use of water
A3. The environment and natural resources	• External lighting
B. Social	
B1. Employment	• Employment practices and welfare
B2. Health & safety	• Workplace health and safety
B3. Development and training	• Employee development and training
B4. Labour standards	• Child and forced labor
B5. Supply chain management	• Green procurement and supply chain risk management
B6. Product responsibility	• Responsible gambling • Customer services and quality assurance • Food safety • Information security
B7. Anti-corruption	• Anti-corruption
B8. Community investment	• Community programs

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

To understand the emerging risk and public expectation on the ESG matters of the Group, we engaged our employees across levels and functions to identify the ESG issues of the Group, and assess their materiality based on their impact to our key stakeholders and our businesses. The ESG issues considered to be material are listed below and will be described in detail in this report:

A. Environment

A1. Emissions

- *Waste Management*

At the moment, Harbourview Hotel is already using a food composting machine that converts 120 kg of food waste into water. We are concerned about the environment and composting food prevents creation of methane than contributes to global warming. It also decreases the number of truck deliveries to the landfill and thus reduction in carbon footprint. We also aim to develop centralized kitchen waste convert to fertilizer and a paper and plastic bottles recycling center that will address the waste management system for Legend Palace Hotel, Macau Fisherman's Wharf, Harbourview Hotel and Rocks Hotel.

During the Reporting Period, waste generated from our business activities mainly consists of paper (e.g. office paper and marketing materials) and plastic bottles for water provided to our guests in Pharaoh's Palace Casino, Babylon Casino and Legend Palace Casino:

Type of waste Amount	2017	2016
Paper	**24,395 Kg**	22,563 Kg
Plastic bottles	**12.88 Tonnes**	12.54 Tonnes

The increase of the waste was due to the opening of Legend Palace Hotel, Legend Palace Casino and the increase in number of visitors. No substantial hazardous waste was produced by the Group during the Reporting Period.

A2. Use of Resources

- *Energy Efficiency*

Due to our Green Building and sustainability program, Harbourview Hotel and Rocks Hotel were awarded the Macao Green Hotel Award in April, 2017 by the Environmental Protection Bureau (DSPA). As lighting is a major source on electricity consumption, in order to reduce the electricity consumption in delivering sufficient indoor lighting intensity, we strive to improve on our energy usage by converting all non-LED lights to LED and optimize on our lighting schedule. We also planned to conduct an 'Earth Hour' once a month to promote public awareness. Legend Palace and Rocks Hotel are equipped with smart valves that help to reduce operating costs and CO2 emissions. We will continue to install these smart valves throughout our properties for more energy savings.

Type	Amount of 2017	Amount of 2016
Electricity	**75,457,051 Kwh**	61,705,259 Kwh
— Carbon emission (CO_2e)	**47,810,885 kg**	42,884,094 kg
	21,732 Tones	19,493 Tons
LPG	**211,154 m^3**	187,416 m^3
— Carbon emission (CO_2e)	**1,055,008 kg**	1,013,170 kg
	480 Tones	461 Tons
Water	**849,444 m^3**	687,429 m^3

Note: The above statistics represent the major direct and indirect amounts of energy consumed by the Group, and the corresponding carbon emissions during the Reporting Period. Carbon emissions are calculated with reference to the Greenhouse Gas Protocol using carbon conversion factors published by the Environment Protection Department of Hong Kong.

Similar to the waste generated from paper and plastic bottles, the increase of carbon emission was due to the opening of Legend Palace Hotel, Legend Palace Casino and the increase in number of visitors.

Due to our new measures in green vision towards environmental protection and sustainability, two of our hotels, Harbourview Hotel and Rocks Hotel, were awarded the Macao Green Hotel Award in April 2017 by the Macau's Environmental Protection Bureau.

- *Water Efficiency*

The water usage in our properties comprises the water used in washrooms, plant irrigation, and floor cleansing.

Type	Amount of 2017	Amount of 2016
Water	**849,444 m^3**	687,429 m^3

We regularly inspect the chiller and carry out maintenance. We have a chiller plant water treatment program that optimizes the operations and prolongs the life span of the equipment. This program also reduces the number of cooling tower blowdowns and water valves failures that prevent water loss.

The increase of water consumption was due to the opening of Legend Palace Hotel, Legend Palace Casino and the increase in number of visitors.

A3. The Environment and Natural Resources

- *External Lighting*

To maintain the stunning appearance of our hotels, spotlights are used for outdoor illumination. The use of spotlights may cause light nuisance to the nearby neighborhood and residents. To reduce the nuisance, our hotels are separated from the residential area, which minimize the nuisance to Macau residents. We also limit the operating hours of spotlights by turning off them at 12:00 am every day.

B. Social

B1. Employment

To ensure that the Group is able to operate according to professional and ethical labour practices, we have developed clear work processes with robust control mechanisms, which have been clearly communicated to all employees. Employee handbooks have been established with sets of policies to govern employees' affairs such as payroll, attendance, termination, transfer and promotion and rules of conduct. We are in compliance with the relevant labour laws and regulations in Hong Kong and Macau respectively. We also aim to promote the diversity of our workforce, including in terms of age, gender and nationality, as well as a culture of equal opportunity. Our management regularly reviews the Company's remuneration policy in relation to relevant market standards.

The total workforce of the Group as at 31 December 2016 and 31 December 2017 are summarized as follows:

Gender	**No. of employees**	
	2017	2016
Male	**1,710**	1,715
Female	**1,485**	1,574
Total	**3,195**	3,289

Age	**No. of employees**	
	2017	2016
18-30	**703**	861
31-40	**1,050**	990
41-50	**727**	771
51-60	**613**	603
>=61	**102**	64
Total	**3,195**	3,289

Geographical Region	**No. of employees**	
	2017	2016
Macau	**3,188**	3,284
Hong Kong	**5**	5
Others	**2**	0
Total	**3,195**	3,289

B2. Health and Safety

Workplace health and safety

The Group has established a set of policies which is focused on maintaining a healthy and safe working environment, and which includes the following requirements:

- The facilities operated by employees should meet safety and health standards;
- In-house emergency hotline is established to report any accident to management. Business unit supervisor and security supervisor will provide immediate assistance to the injured employee, and escort the employee to obtain necessary medical treatment from clinic or hospital; and
- Relevant information and training should be provided to employees in respect of risks to their health and safety which may arise out of their work.

The Company has established a mechanism for monitoring occupational health and safety, as well as procedures for dealing with related risks. We engage our employees in the determination of appropriate occupational health and safety precautionary measures. Accident reporting and investigation procedures have also been adopted for the follow-up of any health and safety incidents. Regular inspections and management review of health and safety have been performed to ensure the effectiveness of the policies and measures.

The Group did not violate any health and safety laws and regulations of Macau and Hong Kong, where applicable, during the Reporting Period. No material non-compliance case relating to workplace safety was noted by the Group during the reporting period.

B3. Development and Training

Employee development and training

The Group strives to promote the long-term development of its employees by providing learning opportunities that broaden their skills and make them valuable assets to the Group. Various in-house staff training programs are offered to staff including in the areas of human resources, marketing, finance, governance, supervisory and managerial skills, as well as various technical training courses relating to their respective job duties. Employees are also welcome to participate in any training courses of interest to them. We also provide scholarships to support employees enroll in degree-bearing programs offered by educational institutions and development courses offered by external training companies.

In 2017, approximately 970 hours services improvement training sessions were organized and more than 10,300 hours of skill training were provided to our employees. We also provides on-boarding training for each employee, covering various topics such as occupational safety, industry knowledge (for those without gaming or hospitality backgrounds), which required to operate an integrated hotel, casino and luxury entertainment complex, as well as corporate compliance and responsible gaming.

B4. Labour Standards

Employment of child labour and forced labour is prohibited. Our Human Resources Department is responsible for preventing the hiring of child labour and forced labour. In the prevention of child labour and forced labour, our human resources personnel check the personal identity document of the applicant in verifying the age. During the recruitment process, our human resources personnel ensure the applicant accepts the employment based solely on his or her free will, without any influence by other people or organization in the interview.

No material non-compliance case relating to labour standards was noted by the Group during the reporting period.

B5. Supply Chain Management

Green procurement

We encourage our hotels, casinos and offices to adopt environmental protection measures such as reducing their carbon footprint and complying with the Regime of Tobacco Prevention and Control. Suppliers with certificates and proofs on their products that are under the green category will be considered for our future purchase.

The geographical distribution of our suppliers is as follows:

Geographical Region	**No. of suppliers**	
	2017	2016
Macau	**481**	515
Hong Kong	**59**	67
Others	**62**	63
Total	**602**	645

Note: The above statistics cover our suppliers of goods and services in the Company and certain subsidiaries in Macau during the Reporting Period.

B6. Product Responsibility

- *Responsible Gambling*

In 2017, the Group works closely with SJM to formulate and implement our best practices for promoting responsible gaming. We provide different kinds of responsible gaming information to the guests as well as our colleagues for casinos under the Group. We recognize the importance of responsible gaming and we are committed to supporting the Macau government's responsible gaming initiatives. We promote responsible gaming in a variety of ways, including:

- Maintaining a Responsible Gaming Kiosk at Pharaoh's Palace Casino and Legend Palace Casino to provide a convenient and comprehensive way for our guests to access information about responsible gaming.

- Various types of promotional materials are offered and displayed at the entrance of casinos and designated areas to promote responsible gambling and helpline details. SJM will also assist to organize promotional activities of responsible gambling for the casinos of the Group.

- We will also provide the latest responsible gambling information for our employees, such as responsible gambling videos will broadcast through the television in staff canteen (with different languages including Cantonese, Mandarin, English and Portuguese), so that all employees (with different nationalities) can clearly understand and know what about the responsible gambling information.

- Frontline staff is regularly trained with responsible gaming knowledge and principles, which enable prompt assistance to guests

- No gaming advertisement is displayed in public area, website, and public transport to avoid mass advertising to the general public

- Self-excluded individuals are prohibited from entering the casinos by the security personnel

B7. Anti-corruption

The Group is committed to achieving high ethical standards and level of integrity. A code of conduct was established which lists out the Group's expectations on ethical behavior of all employees. Employees shall adhere to the principles in the "Code of Conduct" when performing their duties.

Conflict of interest

Employees should act with honesty and integrity in handling potential conflict of interest situations. Before participating in any transaction or arrangement that creates or appears to create a conflict of interest, the employee must make full disclosure of all facts and circumstances to, and obtain prior approval from management.

Business gifts and entertainment

Employees should avoid accepting benefits of any kind from parties and companies that have business dealings with the Group. In case of accepting gifts, the gift must be accepted in a lawful and legitimate way, which the gift is nominal in value, quantity, and frequency, and not received with the intent or prospect of influencing the recipient's business decision-making. Employees should always seek advices from management in doubtful situations.

Bribery

Bribery is an illegal business act, and the Group does not tolerate bribery practices in any form. The Internal Audit Department has been established in auditing the business operations, and reviewing the anti-bribery controls on a day-to-day basis. To avoid the opportunity for bribery practice, employees must adhere to the Group's internal authorization policies and procedures. All transactions must be properly and accurately recorded, with retaining the respective supporting documents as audit trail.

Money laundering

The Group is obliged to comply with the Law of Macau on the Anti-money Laundering and Counter-Terrorist Financing Legislation and Regulations. To prevent the occurrence of suspicious money transactions, we have implemented customer due diligence measures and reporting system on suspicious transactions. Regular trainings are provided to gaming-related employees on regulatory requirement and our preventive measures.

Whistle-blowing channel

The Group has established whistle-blowing channel for employees to report any violation of the Code of Conduct, laws and regulations, and the Group's policies and procedures. Employees can report the potential violation by telephone, email, or in person to the responsible officers, including the Group Secretary, or Head of Human Resources. The reported content will be kept confidential. The Audit Committee (comprising independent non-executive Directors of the Group) is responsible for the investigation and subsequent actions.

No material non-compliance case relating to corporate fraud and corruption was noted by the Group during the reporting period.

B8. Community Investment

The Group strongly encourages our employees to participate in community activities. We believe that donating our time, skills and resources with compassion to worthy causes is a meaningful and effective way of giving back to the community. We frequently engage the local Macau community through a range of activities, including volunteer work, fundraising activities and general dialog with community organizations. We have also participated in career fairs at various universities in Macau to share our experience in hospitality and gaming industry, and provide advices to the students for their future career development. The Group also formed a table tennis team for the 2017 Macau Special Olympics for supporting people with intellectual disabilities to get involved in the community. Some of our community programs and efforts are described below.

- *2017 Green Walk and Planting Activity*

  In March 2017, over 40 of our team members joined the Green Walk and Planting Activity organized by Instituto Para Os Assuntos Civicos e Municipais of Macau S.A.R., after which over 100 trees was planted during this activity. We also provided a group health talk discussing the merits of effective acupuncture massage.

- *Blood donation*

  As one single blood donation can save three to four lives, so we encourage our employees to support the blood donation activity every year and share the joy of helping others.

- *2017 Macau Eco TrailHiker Activity*

  Employees are the best asset of our Group, we encourage our employees to exercise is a great way to encourage better health, increased productivity and reduce workplace accidents. In November 2017, our team members joined the 8th Macau ECO TrailHiker Activity Highlight and achieved the 2nd runner-up in 10km competition.

DIRECTORS' REPORT

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

BUSINESS REVIEW

A review of the business of the Group during the year, which includes an analysis of the Group's performance using financial key performance indicators, a discussion on the Group's future business development and principal risks and uncertainties that the Group may be facing, discussion on the relationships with its key stakeholders and particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2017 are provided in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. The Group has always been committed to establish and improve the relationship with customers to gain and maintain customers. The review forms part of the directors' report.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 78 of this annual report.

No interim dividend was paid during the year.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2017 (2016: nil).

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 154 of this annual report.

INVESTMENT PROPERTIES AND PROPERTY AND EQUIPMENT

Details of the movements during the year in the investment properties and property and equipment of the Group are set out in notes 16 and 17, respectively, to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Details of (i) the share options of the Company are disclosed under the below section headed "Share Options" and in note 39 to the consolidated financial statements; and (ii) the Directors' reward shares of the Company are disclosed in note 39 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year ended 31 December 2017.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2017, the Company's reserves available for distribution to shareholders amounted to approximately HK$3,095.7 million comprising share premium of approximately HK$4,233.2 million and other reserve of approximately HK$202.3 million which are offset by debit balance of accumulated losses of approximately HK$1,339.8 million.

Under the Cayman Islands Companies Law, subject to the provisions of memorandum of association of the Company or the Articles of Association, the Company's share premium account may be applied to pay distributions or dividends to shareholders, provided that immediately following the date the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr David Chow *(Co-chairman and chief executive officer)*
Madam Lam *(Vice chairman)*
Mr Sheldon Trainor-DeGirolamo
Mr Donald Chow

Non-executive Directors

Mr Tong Ka Wing, Carl *(Co-chairman)*
Ms Ho Chiulin, Laurinda

Independent Non-executive Directors

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

In accordance with Article 84 of the Articles of Association, Mr Sheldon Trainor-DeGirolamo, Mr Tong Ka Wing, Carl and Madam Tam Wai Chu, Maria will retire from office and, being eligible, will offer themselves for re-election at the 2018 AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2018 AGM has a service contract with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as referred to the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force throughout the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, the interests and short position of the Directors and chief executives of the Company in the Shares and underlying Shares, as recorded in the register maintained 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 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	1,554,954,046	24.81%
	Controlled corporation	401,653,780(1)	6.41%
	Interest of spouse	129,690,066(2)	2.07%
		2,086,297,892	33.29%
Madam Lam	Controlled corporation	112,704,500(3)	1.80%
Mr Sheldon Trainor-DeGirolamo	Beneficial owner	15,887,159	0.25%
	Controlled corporation	70,631,345(4)	1.13%
		86,518,504	1.38%
Mr Donald Chow	Beneficial owner	600,000	0.01%
Mr Tong Ka Wing, Carl	Beneficial owner	8,120,579	0.13%
Ms Ho Chiulin, Laurinda	Beneficiary of a trust	934,269,609(5)	14.91%

Notes:

1. These Shares were held by All Landmark.

2. Mr David Chow was deemed to be interested in 129,690,066 Shares through the interest of his spouse, Ms Melinda Chan.

3. These Shares were held by Grand Bright.

4. These Shares were held by PacBridge Capital Partners (HK) Limited, a controlled corporation of Mr Sheldon Trainor-DeGirolamo.

5. 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. Ms Laurinda Ho is a daughter of Ms Chan Un Chan, a substantial shareholder of the Company.

* The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 December 2017.

(2) 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	23.27%
	Controlled corporation	319,696,000 (Note)	5.10%
		1,778,327,654	28.37%

Note: The short position in the Shares was held by All Landmark.

* The percentage represents the number of Shares involved in the short position divided by the number of the issued Shares as at 31 December 2017.

Save as disclosed above, none of the Directors or chief executive of the Company, as at 31 December 2017, had registered an interest or a short position in the Shares, underlying Shares or debentures 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.

SHARE OPTIONS

Share Option Scheme

On 5 June 2013, the Company adopted the Share Option Scheme for the purpose of providing incentives or rewards to eligible participants for their contribution or potential contribution to the Group. Eligible participants of the Share Option Scheme include, among others, the Directors, including non-executive Directors and independent non-executive Directors, full-time or part-time employees, executives or officers of the Group, advisors, consultants, suppliers, customers and agents. The Share Option Scheme became effective on 5 July 2013 upon the Listing and shall be valid and effective for a period of 10 years from that date.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time. The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the Company's issued share capital from time to time. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Each grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their associates, resulting in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1 by way of consideration for the grant of the option, is received by the Company within 30 days after the date of offer.

The exercise price of share options is determined by the Directors, but shall not be less than the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of offer of the share options; and (iii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer.

No share option has been granted since the adoption of the Share Option Scheme.

The total number of Shares currently available for issue under the Share Option Scheme is 623,217,787 Shares, representing approximately 9.9% of the issued share capital of the Company as at the date of this annual report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the below section headed "Connected Transactions" and in notes 9 and 40 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTRACT OF SIGNIFICANCE

Other than as disclosed under the below section headed "Connected Transactions" and in notes 9 and 40 to the consolidated financial statements, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries during the year under review.

Other than as disclosed under the paragraph headed "Connected Transactions" in this annual report and in notes 9 and 40 to the consolidated financial statements, there is no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, so far as the Directors are aware, the following parties (other than the Directors and chief executives of the Company) had interests or short position in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

(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]	6.41%
Ms Melinda Chan	Beneficial owner	129,690,066	2.07%
	Interest of spouse	1,956,607,826[2]	31.22%
		2,086,297,892	33.29%
Elite Success	Beneficial owner	662,599,750	10.57%
Mr Li Chi Keung	Beneficial owner	31,738,429	0.51%
	Controlled corporation	662,599,750[3]	10.57%
		694,338,179	11.08%
Ms Wong Hoi Ping	Controlled corporation	662,599,750[3]	10.57%
	Interest of spouse	31,738,429[4]	0.51%
		694,338,179	11.08%
Ms Chan Un Chan	Beneficial owner	75,664,000	1.21%
	Founder of discretionary trust	934,269,609[5]	14.91%
	Controlled corporation	2,835,000[6]	0.05%
		1,012,768,609	16.17%
Earth Group Ventures Ltd.	Beneficial owner	934,269,609[6]	14.91%
UBS TC (Jersey) Ltd.	Trustee/controlled corporation	934,269,609[6]	14.91%

Notes:

1. The interest of All Landmark was disclosed as the interest of Mr David Chow in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares and Underlying Shares of the Company".

2. Ms Melinda Chan was deemed to be interested in 1,956,607,826 Shares through the interest of her spouse, Mr David Chow.

3. These Shares were held by Elite Success (a company in which each of Mr Li Chi Keung and Ms Wong Hoi Ping, spouse of Mr Li Chi Keung, held 44.5% of the total issued capital).

4. Ms Wong Hoi Ping was deemed to be interested in 31,738,429 Shares through the interest of her spouse, Mr Li Chi Keung.

5. 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.

6. These Shares were held by UNIR (HK) Management Limited, a controlled corporation of Ms Chan Un Chan.

* The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 December 2017.

(2) Short Position in Shares of the Company

Name of substantial shareholders	Capacity	Number of Shares	*Approximate percentage of total issued Shares
Ms Melinda Chan	Interest of spouse	1,778,327,654[1]	28.37%
All Landmark	Beneficial owner	319,696,000[2]	5.10%

Notes:

1 Ms Melinda Chan 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 Position in Shares and Underlying Shares of the Company".

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 Position in Shares and Underlying Shares of the Company".

* The percentage represents the number of Shares involved in the short position divided by the number of the issued Shares as at 31 December 2017.

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 31 December 2017, 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.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

Pursuant to the Facility Agreement, the following specific performance obligations have been imposed on the controlling shareholders of the Company unless consented by the Majority Lenders:

(i) Mr David Chow, All Landmark, Madam Lam, Grand Bright and certain substantial shareholders of the Company are required to hold directly or indirectly in aggregate not less than 51% of the issued share capital of the Company; and

(ii) the majority of the Board, being Mr David Chow, Madam Lam, Mr Sheldon Trainor-DeGirolamo and Mr Tong Ka Wing, Carl, shall remain the same during the life of the Facility.

Such requirements as to the maintenance of the level of ownership and composition of the members of the Board result in the disclosure obligation under Rule 13.18 of the Listing Rules.

TRANSFER RESTRICTIONS AMONG CERTAIN SHAREHOLDERS

On 28 December 2012, an agreement (the "Transfer Restrictions Agreement"), which was subsequently amended and restated on 5 June 2013, was entered into among Mr David Chow, All Landmark, Madam Lam, Grand Bright, Mr Li Chi Keung, Elite Success and Ms Chan Un Chan (together the "Covenantors"). Pursuant to the Transfer Restrictions Agreement, the Covenantors agreed not to transfer, whether directly or indirectly, any Shares registered in their respective names, or any right, title or interest therein or thereto such that, among others, the total number of Shares held by the Covenantors should not be less than 51% of the total issued capital of the Company. Further details of the Transfer Restrictions Agreement are set out in the Prospectus and the Supplemental Prospectus.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize the environmental impact by saving electricity and encouraging recycle of office supplies and other materials. Details of the environmental policies of the Group are set out in the "Environmental, Social and Governance Report" of this annual report.

CONNECTED TRANSACTIONS

The Group has entered into certain continuing connected transactions, details of which are set out below:

Continuing connected transactions which are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement

(1) Legendale Beijing Hotel Service Agreement

On 5 June 2013, the Company and Beijing Hua Hai Jin Bao Real Estate Development Co. Ltd. (北京華海金寶房地產開發有限公司) ("Beijing Hua Hai Jin Bao") entered into a framework agreement (the "Legendale Beijing Hotel Service Agreement") for the renting of hotel rooms and convention venues and the procurement of event management services to the Group for an initial term commencing from the Listing Date to 31 December 2015, which is renewable for periods of three years subject to price review. On 24 April 2014, the Company and Beijing Hua Hai Jin Bao entered into a supplemental agreement (the "Supplemental Legendale Beijing Hotel Service Agreement", together with the Legendale Beijing Hotel Service Agreement referred to as the "Legendale Agreements") to amend the term of the Legendale Beijing Hotel Service Agreement to a period from 24 April 2014 to 31 December 2016, and to specify the pricing policy. On 7 November 2016, the Company and Beijing Hua Hai Jin Bao renewed the Legendale Agreements for a term of three years from 1 January 2017 to 31 December 2019, and to adjust the corresponding annual cap. The other terms of the Legendale Beijing Hotel Service Agreement remain unchanged.

Beijing Hua Hai Jin Bao is an associate of Mr David Chow, a co-chairman, an executive Director, the chief executive officer and one of the controlling shareholders of the Company and is therefore a connected person of the Company.

Pursuant to the Legendale Agreements, the Group shall rent hotel rooms and meeting convention venues and procure event management services from Beijing Hua Hai Jin Bao for organising corporate and industry events in Beijing at prices determined on an arm's length basis and the prevailing market price for comparable types of services in the same industry based on the market research conducted by the parties to the Legendale Agreements from time to time. The new annual cap for total rental and service fees paid or payable by the Group to Beijing Hua Hai Jin Bao for each of the three financial years ending 31 December 2017, 2018 and 2019 shall not exceed HK$2.2 million, HK$2.2 million and HK$2.7 million, respectively.

The amount paid/payable by the Group to Beijing Hua Hai Jin Bao for the provision of hotel rooms and meeting convention venues and event management services under the Legendale Agreements for the year ended 31 December 2017 was approximately HK$0.2 million.

(2) Amigo Travel Service Agreement

On 5 June 2013, the Company and Amigo Travel (Macau) Limited ("Amigo Travel") entered into a framework agreement (the "Amigo Travel Service Agreement") for the procurement of travelling, ticketing and transportation services to the Group for an initial term commencing from the Listing Date to 31 December 2015, which is renewable for periods of three years subject to price review. On 24 April 2014, the Company and Amigo Travel entered into a supplemental agreement (the "Supplemental Amigo Travel Service Agreement", together with the Amigo Travel Service Agreement referred to as the "Amigo Agreements") to amend the term of the Amigo Travel Service Agreement to a period from 24 April 2014 to 31 December 2016, and to specify the pricing policy. On 7 November 2016, the Company and Amigo Travel renewed the Amigo Agreements for a term of three years from 1 January 2017 to 31 December 2019, and to adjust the corresponding annual cap. The other terms of the Amigo Travel Service Agreement remain unchanged.

Amigo Travel is an associate of Mr David Chow as the shareholders of Amigo Travel are Ms Emiko Mito Pinto-Marques and Mr Adriano Dillon Guerrero Pinto-Marques, the parents of Mr Adrian Pinto-Marques, the son-in-law of Mr David Chow and is therefore a connected person of the Company.

Pursuant to the Amigo Agreements, the Group shall procure travelling, ticketing and transportation services from Amigo Travel to support the business travelling needs of the Group at the service fees as determined on an arm's length basis and by reference to the prevailing market price for comparable types of services in the same industry based on the market research conducted by the parties to the Amigo Agreements from time to time. In addition, the Group shall lease the hotel rooms to Amigo Travel from time to time upon the terms and conditions contained in the Amigo Agreements. The new annual cap for total service fees paid or payable by the Group to Amigo Travel in relation to the traveling, ticketing and transportation services for each of the three financial years ending 31 December 2017, 2018 and 2019 shall not exceed HK$3.6 million, HK$4.5 million and HK$6.5 million, respectively. The new annual cap for total service fees received or receivable by the Group from Amigo Travel in relation to the leasing of hotel rooms for each of the three financial years ending 31 December 2017, 2018 and 2019 shall not exceed HK$9.8 million, HK$10.3 million and HK$12.4 million, respectively.

The amount paid/payable by the Group to Amigo Travel for the provision of travelling, ticketing and transportation services under the Amigo Agreements for the year ended 31 December 2017 was approximately HK$2.6 million.

The amount received/receivable by the Group from Amigo Travel for the leasing of hotel rooms under the Amigo Agreements for the year ended 31 December 2017 was approximately HK$8.9 million.

(3) Macau Landmark Office Rental Agreement

On 5 June 2013, the Company entered into a framework agreement (the "Macau Landmark Office Rental Agreement") with Macau Landmark Management Limited ("MLML") for the leasing of certain office premises at the Macau Landmark Building by the Group for an initial term commencing from the Listing Date to 31 December 2015, which is renewable for periods of three years subject to price review. On 24 April 2014, the Company and MLML entered into a supplemental agreement (the "Supplemental Macau Landmark Office Rental Agreement", together with the Macau Landmark Office Rental Agreement referred to as the "Macau Landmark Agreements") to amend the term of the Macau Landmark Office Rental Agreement to a period from 24 April 2014 to 31 December 2016, and to specify the pricing policy. On 7 November 2016, the Company and MLML renewed the Macau Landmark Agreements for a term of three years from 1 January 2017 to 31 December 2019, and to adjust the corresponding annual cap. The other terms of the Macau Landmark Office Rental Agreement remain unchanged.

MLML is a company owned by Mr David Chow, an executive Director and the controlling shareholder of the Company, Madam Lam, an executive director of the Company, and Mr Li Chi Keung, a substantial shareholder of the Company, and is therefore a connected person of the Company.

Pursuant to the Macau Landmark Agreements, the Group shall lease from MLML office premises of the Macau Landmark Building as headquarters and offices of the Group at the rental rates as determined on an arm's length negotiation and by reference to prevailing market rates. The Company has checked rentals for similar premises in the vicinity from independent third parties in the market to determine if the rentals and terms offered are comparable to those offered by such third parties. The Company will check rentals for similar premises in the vicinity from two independent third parties on a yearly basis in the market in order to assess and review the fairness and reasonableness of the rentals under the Macau Landmark Agreements. The new annual cap for total rental fees paid or payable by the Group to MLML for each of the three financial years ending 31 December 2017, 2018 and 2019 shall not exceed HK$2.6 million, HK$3.2 million and HK$3.2 million, respectively.

The amount of rental paid/payable by the Group to MLML for the provision of office premises under the Macau Landmark Agreements for the year ended 31 December 2017 was approximately HK$0.7 million.

(4) Sheng Li Cooperation Agreement and SLL License to Use Agreement

On 6 October 2017 and 20 August 2017, the Company, Sheng Li V Limited ("Sheng Li V") and Mr. Frank Wong entered into a confirmatory agreement and cooperation agreement, respectively to grant the license to use three (3) gambling tables in the designated VIP room under these agreements.

Sheng Li V is a company incorporated in Macau and its entire issued capital is owned by Frank Wong, who is the father-in-law of Mr. Sheldon Trainor-DeGirolamo, an executive director of the Company, and is therefore a connected person of the Company.

Pursuant to the cooperation agreement and confirmatory agreement, Hong Hock shall provide manpower, equipment, electricity and management for the operation and management of the designated VIP room. In addition, pursuant to the licence to use agreement signed between MFW Investment and Seng Lei Loi Jewelry and Watches Company Limited ("SLL") on 21 April 2017, SLL agreed to lease form MFW Investment a shop in Legend Palace Hotel. As disclosed in the announcement of the Company dated 6 October 2017, the annual cap for the aggregate amount paid or payable by Frank Wong and his associates to the Group pursuant to the confirmatory agreement in respect of the cooperation agreement and the license to use agreement for each of the three financial years ending 31 December 2017, 2018 and 2019 shall not exceed HK$6,000,000, HK$22,000,000 and HK$16,500,000.

The aggregate amount of the transactions attributable to the above-mentioned agreements for the year ended 31 December 2017 was approximately HK$2.8 million.

Continuing connected transactions which are subject to the reporting, announcement, annual review and independent shareholders' approval requirements

(1) Connected Procurement Agreements

On 5 June 2013, the Company entered into the framework agreements (the "Connected Procurement Agreements") with various associates of Mr David Chow for the procurement of various services and supplies required for operations and administration of the Group for an initial term commencing from the Listing Date to 31 December 2015. On 24 April 2014, the Company entered into the following supplemental agreements to amend the respective terms to a period from 24 April 2014 to 31 December 2016, and to specify the respective pricing policies. On 7 November 2016, the Company renewed the following supplemental agreements to amend the respective terms to a period from 1 January 2017 to 31 December 2019 and to adjust the corresponding annual cap. The other terms of the Connected Procurement Agreements remain unchanged.

(a) a supplemental agreement between the Company and Ou Kei Cleaning Services Limited ("Ou Kei Cleaning") for the procurement of property cleaning services from Ou Kei Cleaning primarily for The Landmark Macau (the "Supplemental Ou Kei Cleaning Services Agreement");

(b) a supplemental agreement between the Company and On Kei Management Services Company Ltd. ("On Kei Management") for the procurement of property cleaning services from On Kei Management primarily for MFW (the "Supplemental On Kei Management Cleaning Services Agreement");

(c) a supplemental agreement between the Company and Royal Garden Flower and Fruit Company Ltd. ("Royal Garden") for the procurement of fruit and flower supplies for catering operations and hotel decorations of the Group (the "Supplemental Royal Garden Supplies Agreement"); and

(d) a supplemental agreement between the Company and New Legend Club Laundry Company Ltd. ("NLC Laundry") for the procurement of laundry and cleaning services for the Group (the "Supplemental NLC Laundry Service Agreement"),

(together, the "Supplemental Connected Procurement Agreements").

Madam Tang Lai Iong, the mother-in-law of Mr David Chow, and certain independent third parties owned Ou Kei Cleaning, on Kei Management prior to 15 September 2017 and owned Royal Garden prior to 24 November 2017 and all of them were associates of Mr David Chow and therefore connected persons of the Company.

Each of Ou Kei Cleaning, On Kei Management and Royal Garden ceased to be a connected persons of the Company on 15 September 2017, 15 September 2017 and 24 November 2017 respectively and each of them is regarded as independent third party thereafter. Hence, from the aforesaid respective dates onwards, the transactions contemplated under the procurement agreements entered into by the Company with Ou Kei Cleaning, On Kei Management and Royal Garden respectively no longer be regarded as continuing connected transactions.

As NLC Laundry is ultimately owned by Ms Melinda Chan and Mr David Chow, NLC Laundry is an associate of Mr David Chow and is therefore a connected person of the Company.

Pursuant to the Connected Procurement Agreements and the Supplemental Connected Procurement Agreements, the Group shall procure the property cleaning services, fruit and flower supplies and laundry and cleaning services at the service fees or purchase prices as shall be determined based on an arm's length negotiation and by reference to prevailing market rates for comparable types of services in the same industry based on the market research conducted by parties to the relevant Connected Procurement Agreements from time to time. The transactions contemplated under the Connected Procurement Agreements are subject to the aggregate new annual caps of HK$105.7 million, HK$117.1 million and HK$154.8 million for each of the financial years ending 31 December 2017, 2018 and 2019, respectively.

The amounts paid/payable by the Group to the following connected persons under the Connected Procurement Agreements and Supplemental Connected Procurement Agreements for the year ended 31 December 2017 were as follows:

	HK$ million
Ou Kei Cleaning	13.7
On Kei Management	37.2
Royal Garden	4.0
NLC Laundry	18.2
Total	73.1

(2) Chong Son Construction Services Agreement

On 5 June 2013, the Company entered into a framework agreement (the "Chong Son Construction Services Agreement") with Chong Son Construction Company Ltd. ("Chong Son") for the procurement of construction and renovation work of The Landmark Macau and MFW for an initial term commencing from the Listing Date to 31 December 2015. On 24 April 2014, the Company and Chong Son entered into a supplemental agreement (the "Supplemental Chong Son Construction Services Agreement", together with the Chong Son Construction Services Agreement referred to as the "Chong Son Agreements") to amend the term to a period from 24 April 2014 to 31 December 2016, and to specify the pricing policy. On 7 November 2016, the Company and Chong Son renewed the Chong Son Agreements for a term of three years from 1 January 2017 to 31 December 2019, and to adjust the corresponding annual cap. The other terms of the Chong Son Construction Services Agreement remain unchanged.

As Chong Son is owned by Mr Tang Mun Kong and Madam Tang Lai Ngo, each of whom is an associate of Mr David Chow, Chong Son is an associate of Mr David Chow and is therefore a connected person of the Company.

Pursuant to the Chong Son Agreements, the Group shall procure construction and renovation for the Group at the fees as determined based on an arm's length negotiation and by reference to the prevailing market price for comparable types of services in the same industry based on the market research conducted by the parties to the Chong Son Agreements from time to time. The new annual cap for total construction and renovation fees paid or payable by the Group to Chong Son for each of the three financial years ending 31 December 2017, 2018 and 2019 shall not exceed HK$55.5 million, HK$61.0 million and HK$77.0 million, respectively.

The amount of construction and renovation fees paid/payable by the Group to Chong Son for the provision of construction services under the Chong Son Agreements for the year ended 31 December 2017 was approximately HK$2.0 million.

The independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2017 and have confirmed that the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the continuing connected transactions of the Group. The auditor was engaged in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has reported to the Board and issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS — INDIRECT PARTICIPATION IN THE GAMING PROMOTION BUSINESS THROUGH NEW LEGEND

Reference is made to pages 225 to 230 of the Prospectus and the announcement published by the Company on 31 December 2013. The Company intends to participate in the gaming promotion business indirectly through the VIE Structure in order to diversify its business and increase the revenue contribution from the VIP tables. However, the Company is not allowed under Macau laws to participate directly in the gaming promotion business through a subsidiary. Shareholders of any corporate gaming promoter must be natural persons. As a result, the Group adopted the VIE Structure by entering into the VIE Agreements among Hong Hock, New Legend and Mr Frederick Yip, where appropriate, which would allow the Group to indirectly participate in the gaming promotion business and have a greater control over the management and marketing of the VIP rooms operated by New Legend in the casinos located in its properties, as well as enhance its market footprint and receive a higher percentage of gross gaming revenue generated by the gaming tables in these VIP rooms.

Information of New Legend

New Legend is a company incorporated in Macau by Mr Frederick Yip, as the sole shareholder and sole director, which engages in the gaming promotion business in Macau. New Legend first obtained a gaming promoter licence from the DICJ on 10 June 2013, which was subsequently renewed by the DICJ on 12 December 2013. The current gaming promoter licence of New Legend is valid until 31 December 2018 and has to be renewed upon submission of an application to the DICJ each year.

Mr Frederick Yip is the sole shareholder and sole director of New Legend. He was appointed as the executive vice president, head of casino operations of the Company on 5 June 2013. For further information of his background, please refer to the section headed "Directors and Senior Management" of this annual report.

Revenue and assets subject to the VIE Agreements

The amount of revenue and assets subject to the VIE Agreements attributable to the Group accounted for approximately 7.1% and approximately 3.4% of the consolidated revenue and consolidated assets, respectively, of the Group for the year ended 31 December 2017.

Summary of the major terms of the VIE Agreements

The VIE Agreements currently in effect comprise (i) the Exclusive Management and Consultancy Services Agreement; (ii) the Exclusive Undertaking to Sell Agreement; (iii) the Transfer of Profit and Loan Agreement; (iv) the Share and Equity Pledge Agreement; and (v) the Power of Attorney entered into among Hong Hock, New Legend and Mr Frederick Yip, where appropriate.

A summary of the major terms of the VIE Agreements are set out below:

(i) Exclusive Management and Consultancy Services Agreement

Date: 16 April 2014

Parties: (a) Hong Hock; and (b) New Legend

Term: Effective upon the satisfaction of the conditions precedent under the VIE Agreements (the "Conditions") and shall terminate upon the termination of the Service Agreement. Hong Hock may terminate the Exclusive Management and Consultancy Services Agreement at any time by delivering a written notice to New Legend. In no circumstances shall New Legend have any right to terminate the Exclusive Management and Consultancy Services Agreement other than as required by applicable law.

Subject: New Legend shall engage Hong Hock on an exclusive basis to provide comprehensive management and consultancy services in relation to the VIP room(s) promoted by New Legend for SJM from time to time (the "Consultancy Services").

In consideration of the provision of the Consultancy Services, New Legend agrees to pay the fees due from SJM to Hong Hock, which will be equivalent to 100% of the total before-income-tax consolidated profits of New Legend (such profits to be calculated after deducting all reasonably incurred costs, expenses and taxes (except income taxes) in connection with the business operation of New Legend).

In the event of a gross gaming loss incurred in the VIP room(s) promoted by New Legend for any given month, Hong Hock agrees that New Legend shall not be required to reimburse and indemnify Hong Hock any amount as New Legend's pro-rata share in the losses and expenses of such VIP room(s) promoted by New Legend pursuant to the cooperation agreement entered into between Hong Hock and New Legend dated 3 July 2013. As a result, in the event of a gross gaming loss incurred in the VIP room(s) promoted by New Legend, Hong Hock shall bear 57% (that is, including the share of gross gaming loss of New Legend prior to the VIE Structure) of the gross gaming loss incurred in such VIP room(s).

(ii) Exclusive Undertaking to Sell Agreement

Date: 16 April 2014

Parties: (a) Hong Hock; (b) New Legend; and (c) Mr Frederick Yip

Term: Effective upon the satisfaction of the Conditions and shall terminate upon the termination of the Service Agreement. Hong Hock may, at its discretion, terminate the Exclusive Undertaking to Sell Agreement by written notice to Mr Frederick Yip and New Legend. In no circumstances shall Mr Frederick Yip and/or New Legend have any right to terminate the Exclusive Undertaking to Sell Agreement other than as required by applicable law.

Subject: Mr Frederick Yip shall irrevocably and unconditionally undertake to sell to Hong Hock or any person or persons designated by Hong Hock (the "Designated Persons") at its option at any time and from time to time, to the extent permitted under the laws and regulations of Macau and subject to the consent from the DICJ, all or a portion of Mr Frederick Yip's share and equity interests in New Legend (including all present and future rights and benefits based on the current share and equity interests in New Legend held by Mr Frederick Yip and any additional interests in New Legend acquired by Mr Frederick Yip subsequent to the date of the Exclusive Undertaking to Sell Agreement).

New Legend shall irrevocably and unconditionally undertake to sell to Hong Hock or the Designated Persons at its option at any time and from time to time, to the extent permitted under the laws and regulation of Macau and subject to the consent from the DICJ, all or a portion of the assets of New Legend (including all existing assets and any additional assets of New Legend acquired subsequent to the date of the Exclusive Undertaking to Sell Agreement).

Hong Hock may exercise its rights under the Exclusive Undertaking to Sell Agreement at any time and in any manner at its sole discretion, and the exercise price of each of the rights would be one hundred thousand Patacas (MOP100,000).

Mr Frederick Yip shall undertake that, among other things, he shall not sell, transfer, mortgage, create any security interest in, or dispose of in any other form, any legal or beneficial interest in his share and equity interest in New Legend, and that, among other things, he shall not alter, amend or revise the articles of association of New Legend in any way, increase or decrease the registered capital of New Legend, or change the structure of the registered capital of New Legend, in any form.

(iii) Transfer of Profit and Loan Agreement

Date:	16 April 2014
Parties:	(a) Hong Hock; (b) New Legend; and (c) Mr Frederick Yip
Term:	Effective upon the satisfaction of the Conditions and shall terminate upon repayment in full of the loan by New Legend and the performance and discharge of all of its obligations under the Transfer of Profit and Loan Agreement. In no circumstances shall New Legend or Mr Frederick Yip be entitled to cancel or terminate the Transfer of Profit and Loan Agreement.
Subject:	New Legend agrees to transfer and pay to Hong Hock all profits (if any) accrued by New Legend from 3 July 2013 until the commencement of the VIE Structure within five days following the satisfaction of the Conditions. In support of the day-to-day operations of New Legend, Hong Hock agrees to, at its discretion, make available an interest-free revolving loan to New Legend from time to time (the "Loan") as working capital for the operation of the gaming promotion business of New Legend, including, but not limited to, for the purposes of extending credits to its VIP patrons and paying its share of gross gaming loss suffered by New Legend (if any) in conducting its gaming promotion business in VIP room(s) promoted by New Legend for SJM from time to time. The Loan shall be repayable upon the occurrence of an accelerating event, for example, Mr Frederick Yip's employment with the Group is terminated or otherwise ceases, Mr Frederick Yip or New Legend becomes bankrupt or insolvent, or bankruptcy or insolvency proceedings are initiated with respect to Mr Frederick Yip or New Legend, or in the sole opinion of Hong Hock, the Loan should be immediately repayable by New Legend. In the event that the Loan becomes repayable and New Legend fails to repay all or part of the Loan and such failure continues for a period of 10 days after a written notice from Hong Hock to New Legend specifying such failure is served on Hong Hock, Hong Hock shall be entitled to enforce the share and equity pledge under the Share and Equity Pledge Agreement, and a default interest rate of 2% per annum shall be applied to the outstanding Loan.

(iv) Share and Equity Pledge Agreement

Date: 16 April 2014

Parties: (a) Hong Hock; (b) New Legend; and (c) Mr Frederick Yip

Term: Effective upon the satisfaction of the Conditions and shall remain in effect until all of the obligations of Mr Frederick Yip and New Legend under the Exclusive Management and Consultancy Services Agreement, the Exclusive Undertaking to Sell Agreement, the Transfer of Profit and Loan Agreement and the Power of Attorney (including each and every renewal or replacement of such agreements or any such agreements as amended, modified or supplemented from time to time) (the "Secured Obligations") are satisfied and discharged in full. Hong Hock shall be entitled to enforce the pledge against Mr Frederick Yip in accordance with the terms of the Share and Equity Pledge Agreement in the event that Mr Frederick Yip fails to pay or perform any of the Secured Obligations.

Subject: Mr Frederick Yip shall agree to pledge all share and equity interests in New Legend legally held by Mr Frederick Yip (including all present and future rights and benefits derived from such share and equity interests), and any additional interests in New Legend acquired or held by Mr Frederick Yip subsequent to the date of the Share and Equity Pledge Agreement to Hong Hock, as continuing first priority collateral security for the performance of the Secured Obligations at a fixed sum, which the amount is set in the Share and Equity Pledge Agreement for registration purposes.

(v) Power of Attorney

Date: 16 April 2014

Parties: (a) Mr Frederick Yip; and (b) Hong Hock

Term: Effective upon execution and shall continue to be valid during the period Mr Frederick Yip remains a shareholder of New Legend.

Subject: Mr Frederick Yip shall, among other things, irrevocably and unconditionally undertake to authorise Hong Hock or any members of the board of directors of Hong Hock and their respective estates, successors, assignees or liquidators to exercise on his behalf the full shareholder's rights under the articles of association of New Legend and applicable Macau laws and regulations in respect of his share and equity interest in New Legend, including but not limited to (i) the right to request for, convene and attend shareholder's meetings, and pass and execute shareholder's resolutions of New Legend, (ii) the right to vote in a shareholder's meeting, sign minutes, and file documents with the relevant companies registry, and (iii) all shareholder's rights prescribed by applicable laws and regulations and the articles of association of New Legend, including, without limitation to, the right to appoint and remove directors and senior management, voting rights, the rights to sell, transfer, pledge or otherwise dispose of all or part of the rights relating to his share and equity interest in New Legend and/or assets of New Legend, the right to receive surplus assets (if any) after settlement of all outstanding liabilities upon liquidation of New Legend and the right to demand payment of, and receive dividends declared by, New Legend.

As indicated on page 230 of the Prospectus, the Company would treat Mr Frederick Yip as a connected person and will comply with Chapter 14A of the Listing Rules in respect of any transactions between the Group, Mr Frederick Yip and New Legend upon commencement of the VIE Structure. Accordingly, the entering into of the VIE Agreements also constitutes a connected transaction and the transactions contemplated under the VIE Structure constitute continuing connected transactions for the Company. The entering into of the VIE Agreements is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A wavier has been granted by the Stock Exchange regarding strict compliance with the requirements of setting (i) a fixed term for the VIE Agreements of no more than three years pursuant to Rule 14A.52 of the Listing Rules; and (ii) a maximum aggregate annual value (that is, an annual cap) for the fees payable by New Legend to Hong Hock and the amount of loan to be made available by Hong Hock to New Legend under the VIE Structure pursuant to Rule 14A.53 of the Listing Rules, subject to certain conditions. Further details of the VIE Structure are set out in the Company's circular dated 9 June 2014.

The independent non-executive Directors reviewed the VIE Structure annually and confirmed that: (i) the transactions carried out during the year ended 31 December 2017 have been entered into in accordance with the relevant provisions of the VIE Structure, so that the revenue generated by New Legend (after deducting all reasonably incurred costs, expenses, taxes and working capital) has been substantially retained by Hong Hock, (ii) no dividends or other distributions have been made by New Legend to the holder(s) of its share and equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new contracts have been entered into, renewed and/or cloned between the Group and New Legend during the year ended 31 December 2017.

The auditor of the Company was engaged to report on the transactions under the VIE Structure in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has reported to the Board and issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules.

Risks associated with the VIE Structure

The risks associated with the VIE Structure were set out on pages 21 to 23 of the Company's circular dated 9 June 2014 and are set out below:

(1) Risks relating to the exposure to potentially higher gross gaming loss

Under the current profit and loss sharing arrangements with the designated gaming promoters, including New Legend prior to the VIE Structure, the Group receives only 2% of the gross gaming revenue generated from the VIP rooms operated by such gaming promoters who receive 40% of the gross gaming revenue and up to 15% of the gross gaming revenue for expense reimbursement. In the event of a gross gaming loss incurred in the VIP rooms, the Group is responsible for only 2% and the gaming promoters are responsible for 55% of the gross gaming loss incurred in such VIP rooms promoted by them. While the indirect participation in the gaming promotion business would allow the Group to increase its share of the gross gaming revenue generated from the VIP room(s) operated by New Legend to 42% and receive expense reimbursement of up to 15% of the gross gaming revenue, in the event of a gross gaming loss incurred in the VIP room(s) operated by New Legend for any given month, the Group shall bear 57% of the gross gaming loss incurred in such VIP room(s).

(2) Risks relating to the potential conflict of interests of Mr Frederick Yip

Under the VIE Structure, the Group relies on New Legend and Mr Frederick Yip's performance of their contractual obligations to exercise effective control. However, Mr Frederick Yip may not act in the best interests of the Group or may not perform his obligations under the VIE Agreements. Such risks exist and are expected to continue to exist throughout the period in which the Company intends to indirectly participate in the gaming promotion business through the VIE Structure. In addition, as the Company is advised by its insurance brokers that the enforcement of the VIE Agreement is considered as a business or trade risk, which is generally not a subject which is capable to be insured, the Company has not purchased any insurance to cover the risks relating to the enforcement of the VIE Agreements. Therefore, the VIE Structure may not be as effective as direct ownership in providing the Company with control over New Legend.

Mr Frederick Yip is the sole shareholder and sole director of New Legend. The Company provides no incentives to Mr Frederick Yip for the purpose of encouraging him to act in the Company's best interests in his capacity as the sole shareholder and sole director of New Legend. Although the Company may, upon approval from the DICJ, replace the shareholder of New Legend pursuant to the Exclusive Undertaking to Sell Agreement, and Mr Frederick Yip has executed the Power of Attorney to authorise Hong Hock or members of the board of directors of Hong Hock and their respective estates, successors, assignees or liquidators to exercise on his behalf the full shareholder's rights in respect of his share and equity interests in New Legend, the Company cannot assure that when conflicts arise, Mr Frederick Yip will act in the best interests of the Company or that the conflicts will be resolved in favour of the Company.

(3) Risks relating to the obtaining of DICJ approval

The Company adopts the VIE Structure in order to indirectly participate in the gaming promotion business and will unwind the VIE Structure as soon as the law allows the gaming promotion business in Macau to be operated without the VIE Structure. However, the Company's acquisition of Mr Frederick Yip's share and equity interest in New Legend and/or assets of New Legend may only be conducted to the extent as permitted by applicable Macau laws and will be subject to the required approvals and procedures under applicable Macau laws and may also be subject to substantial costs.

(4) Risks relating to the loss of gaming promoter licence

The current gaming promoter licence of New Legend is valid until 31 December 2018 and has to be renewed upon submission of an application to the DICJ each year. The renewal application must include a declaration duly signed by the legal representative of SJM stating an interest in working with New Legend in the year after the renewal application. The DICJ may, at its discretion, set conditions for renewal of the gaming promoter licence. The gaming promoter licence of New Legend may or may not be successfully renewed each year. If New Legend fails to renew its gaming promoter licence, it will be prohibited from conducting gaming promotion activities, which will affect the implementation of the VIE Structure. In this event, the business, financial condition and results of operations of the Group may be materially and adversely affected.

(5) Risks relating to the termination of the gaming promotion agreement

Pursuant to the gaming promotion agreement entered into between New Legend and SJM dated 20 June 2013, the agreement may be terminated (i) by mutual agreement, or (ii) if any party to the agreement cannot carry out its obligations under the agreement and this results in a material breach of the terms of the agreement. If New Legend fails to carry out its obligations under the gaming promotion agreement and this results in a material breach of the terms of the agreement, SJM may terminate the gaming promotion agreement. If the gaming promotion agreement is terminated, New Legend may not be able to conduct its gaming promotion business until a new gaming promotion agreement is entered into with SJM, which will affect the implementation of the VIE Structure. In this event, the business, financial condition and results of operations of the Group may be materially and adversely affected.

(6) **Risks relating to the VIE Agreements**

The Company is not allowed under Macau laws to participate directly in the gaming promotion business through a subsidiary. According to Article 4.1 of Macau Administration Regulation No. 6/2002 (as amended by Macau Administration Regulation No. 27/2009), shareholders of any corporate gaming promoter must be natural persons. Given the legal restrictions and after having considered the business potential of gaming promotion, the Company intends to participate in the gaming promotion business indirectly through the VIE Structure in order to diversify its business and increase the revenue contribution from the VIP tables. The Group obtained the requisite approval from the DICJ on 6 February 2014. Notwithstanding that the Group has obtained approval from the DICJ, the DICJ may withdraw or revoke the approval at their discretion if they consider that the VIE Structure does not comply with applicable laws and regulations which are in force in Macau from time to time, and the Company may be prohibited from indirectly participating in the gaming promotion business through the VIE Structure. In this event, the business, financial condition and results of operations of the Group may be materially and adversely affected.

(7) **Risks relating to collaborators and VIP patrons**

New Legend relies on the services of the collaborators which work with it to market its business and attract VIP patrons. The collaborators may choose to work with any licensed gaming promoters in Macau. There is no assurance that the collaborators will not work with competitors of New Legend and New Legend may lose the services of its collaborators in the future. If New Legend loses a significant number of its collaborators to its competitors, the business, financial condition and results of operations of New Legend and the Group may be materially and adversely affected.

The Group recognises the possibility that VIP patrons may attempt or commit fraud or cheat in order to increase winnings, at times in collusion with the employees in the VIP room(s) promoted by New Legend. Failure to discover such schemes in a timely manner could result in losses in the VIP room(s) promoted by New Legend. In addition, negative publicity related to such schemes could have a material and adverse effect on the Group's reputation, thereby adversely affecting the business, cash flow, financial condition, results of operations and prospects of the Group.

(8) **Risks relating to the exposure to credit risk on credit extended to VIP patrons by New Legend**

As a licensed gaming promoter, New Legend may extend credits to its VIP patrons. However, New Legend may not have access to a forum in which it will be able to collect gaming debts because, among other reasons, courts of many jurisdictions, including China, do not enforce gaming debts. Further, it may be unable to locate assets in other jurisdictions against which to seek recovery of gaming debts. The collectability of gaming debts from international customers could be negatively affected by future business or economic trends or by significant events in the countries in which these customers reside. Failure to minimize such risk exposure may materially and adversely affect the business, financial condition and results of operations of the Group.

Actions taken to mitigate the above risks

The Group has adopted the following measures to mitigate the above risks:

(a) the Board has reviewed on a regular basis major issues arising from implementation of the VIE Agreements as part of the internal control measures;

(b) the Board has discussed and reviewed regularly to ensure that the operations of the VIE Structure comply with the applicable laws and regulations;

(c) the Group has adopted internal control and anti-money laundering policies and related procedures in relation to the gaming promotion business which are currently adopted by New Legend since the commencement of the VIE Structure;

(d) the independent non-executive Directors had conducted and will continue to conduct annual reviews on the VIE Agreements to ensure that they are fair and reasonable and in the best interests of the Group and its Shareholders as a whole;

(e) the auditor of the Company had been engaged to provide an independent assurance report on continuing connected transactions contemplated under the VIE Agreements as disclosed in this annual report;

(f) the Group has retained legal adviser and/or other professionals to assist the Group in dealing with specific issues arising from the continuing connected transactions in accordance with VIE Agreements; and

(g) the senior management of the Company has regularly reported to the Board on the operations of New Legend.

Change of circumstances

As at the date of this annual report, there has been no material change in the VIE Agreements and/or the circumstances under which they were adopted. The restriction under Macau laws for participation directly in the gaming promotion business through a subsidiary of the Company is still in existence.

EMOLUMENT POLICY

The emoluments of the Directors and senior management of the Company are reviewed and determined by the Remuneration Committee, having regard to, inter alia, the Group's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

As stated in the Supplemental Prospectus, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the minimum public float requirement of 25% and the Stock Exchange accepted a lower percentage of 19.04% (the "Public Float Waiver"). Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company maintained the prescribed public float under the Listing Rules and as required by the Public Float Waiver.

MAJOR CUSTOMERS AND SUPPLIERS

In 2017, the five largest customers of the Group accounted for approximately 58.1% of the Group's revenue with the largest customer, SJM, accounted for approximately 50.8% of the Group's revenue.

In 2017, the five largest suppliers of the Group accounted for approximately 35.1% of the Group's total purchases with the largest supplier accounted for approximately 24.3% of the Group's total purchases.

Apart from NLC Laundry which was one of the five largest suppliers of the Group in 2017, at no time during the year did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

During the year under review, save as disclosed in the section headed "Relationship with Controlling Shareholders" of the Prospectus, none of the Directors is 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.

DEED OF NON-COMPETITION

Mr David Chow, Madam Lam, All Landmark and Grand Bright, being controlling shareholders of the Company, entered into a deed of non-competition (the "Deed of Non-Competition") dated 5 June 2013, details of which have been set out in the paragraph headed "Deed of Non-Competition" in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The Company has received the annual declaration from each of its controlling shareholders on compliance with their undertakings under the Deed of Non-Competition. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders of the Company.

COMPLIANCE WITH ANTI-MONEY LAUNDERING LAWS AND REGULATIONS

SJM has provided with the Group a confirmation dated 21 March 2018 that its anti-money laundering policies and procedures implemented in the casinos and gaming premises at The Landmark Macau and MFW were in full compliance with the applicable legal and regulatory requirements of the Macau government for the financial year ended 31 December 2017.

AUDITOR

A resolution will be submitted to the 2018 AGM to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chow Kam Fai, David
Co-chairman, executive Director and chief executive officer
27 March 2018

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF Macau Legend Development Limited
澳門勵駿創建有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Macau Legend Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 153, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill in relation to the acquisition of Macau Fisherman's Wharf Group ("MFW Group")	
We identified impairment of goodwill in relation to the acquisition of MFW Group as a key audit matter due to significant management judgement involved in determining the recoverable amount of the goodwill for impairment assessment. As set out in notes 4 and 21 to the consolidated financial statements, impairment of goodwill in relation to the acquisition of MFW Group is assessed by comparing the recoverable amount of MFW Group, being a single cash-generating unit (the "CGU") for the purpose of impairment testing of the goodwill, to its carrying values at the end of each reporting period. Significant judgements and assumptions are required by the management in assessing the impairment of goodwill, which are determined with reference to the present value of the estimated future cash flows arising from MFW Group with key assumptions including expected changes to revenue and direct costs, suitable discount rates and growth rates in order to calculate the recoverable amount of the CGU. Included in the Group's consolidated statement of financial position as at 31 December 2017 is an amount of HK$681,986,000 for goodwill in relating to the acquisition of MFW Group. In the opinion of the directors of the Company, no impairment loss is required for the year ended 31 December 2017.	Our procedures in relation to evaluating the appropriateness of the management's impairment assessment of goodwill included: • Obtaining an understanding on the Group's cash flow forecast preparation process and impairment assessment process; • Assessing the reasonableness of the key assumptions made by the management in determining the recoverable amount of the CGU, including discount rates, growth rates and expected changes to revenue and direct costs, with the involvement of our valuation expert; and • Evaluating the key inputs adopted in the cash flow forecast by comparing to the historical performance, the most recent actual performance and the existing extension of properties under construction of MFW Group.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables from individual VIP gaming patrons	
We identified valuation of trade receivables from individual VIP gaming patrons as a key audit matter due to the estimation uncertainty inherent in the management's credit review and recoverability assessment processes in respect of the recoverability of those trade receivables from individual VIP gaming patrons as set out in note 4 to the consolidated financial statements. As disclosed in note 24 to the consolidated financial statements, the Group's net trade receivables from individual VIP gaming patrons amounted to HK$79,458,000 as at 31 December 2017. Any adverse changes in the business environment and financial performance of those individual VIP gaming patrons may impact the recoverability of the relevant receivables.	Our procedures in relation to evaluating the appropriateness of the valuation of trade receivables from individual VIP gaming patrons included: • Obtaining an understanding on management's credit review process and recoverability assessment process of trade receivables from individual VIP gaming patrons; • Checking the repayment history and subsequent settlements on a sample basis; • Evaluating the factors considered by the management in the process of reviewing the recoverability of those receivables, including verifying the accuracy of the ageing analysis on a sample basis; and • Discussing with the management on the likelihood of collection based on the credit review and recoverability assessment processes.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of refundable deposit for a potential long-term investment project	
We identified the recoverability of the refundable deposit for a potential long-term investment project (the "Deposit") in respect of the Group's proposed development project in Cambodia (the "Transaction") as a key audit matter due to the uncertainty of the timing on when the Transaction can be finalised and the recoverability of the Deposit thereon if the Transaction is not going to proceed further. As disclosed in note 22 to the consolidated financial statements, the Deposit of HK$697,824,000 was paid as at 31 December 2017 and as set out in note 4 to the consolidated financial statements, the management of the Group considered that the Deposit could be fully refunded from the vendor.	Our procedures in relation to recoverability of the Deposit included: • Obtaining an understanding from the management of the details of the proposed development project in Cambodia, and status and progress of the Transaction; • Obtaining confirmation with respect to the deposit amount and refundable clause of the Deposit as at 31 December 2017; • Reviewing the relevant correspondences and documents provided by the management and to evaluate the status and progress of the Transaction; and • Discussing with management on the likelihood of completion of the Transaction and timing on when the Transaction can be finalised.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Au Mei Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	5	**1,836,057**	1,471,461
Cost of sales and services		**(1,341,174)**	(1,058,447)
		494,883	413,014
Other income, gains and losses	7	**(65,442)**	21,702
Marketing and promotional expenses		**(183,791)**	(154,325)
Operating, administrative and other expenses		**(576,138)**	(513,522)
Finance costs	8	**(103,751)**	(23,491)
Loss before taxation	11	**(434,239)**	(256,622)
Income tax expenses	12	**(73,102)**	(20,873)
Loss for the year		**(507,341)**	(277,495)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**51,222**	(18,162)
Total comprehensive expense for the year		**(456,119)**	(295,657)
Loss per share	14		
— Basic (HK cents)		**(8.1)**	(4.4)
— Diluted (HK cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment properties	16	**340,133**	358,287
Property and equipment	17	**6,428,651**	6,541,742
Prepaid lease payments	18	**1,299,223**	1,728,821
Goodwill	19	**681,986**	681,986
Other intangible assets	20	**288,412**	314,704
Deposits paid	22	**750,360**	847,936
		9,788,765	10,473,476
Current assets			
Inventories	23	**39,959**	44,687
Prepaid lease payments	18	**42,723**	54,416
Trade and other receivables	24	**402,554**	466,788
Pledged bank deposits	25	**8,086**	21,088
Bank balances and cash	25	**235,625**	207,878
		728,947	794,857
Assets classified as held for sale	15	**1,159,112**	—
		1,888,059	794,857
Current liabilities			
Trade and other payables	26	**1,308,058**	949,516
Taxation payable		**1,650**	1,650
Bank and other borrowings — due within one year	27	**1,447,447**	1,042,932
		2,757,155	1,994,098
Liabilities associated with assets classified as held for sale	15	**727,230**	—
		3,484,385	1,994,098
Net current liabilities		**(1,596,326)**	(1,199,241)
Total assets less current liabilities		**8,192,439**	9,274,235

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Bank borrowings — due after one year	27	**1,019,830**	2,410,235
Loans from a shareholder	28	**771,234**	—
Deferred tax liabilities	29	**165,070**	171,576
		1,956,134	2,581,811
Net assets		**6,236,305**	6,692,424
Capital and reserves			
Share capital	30	**626,758**	626,758
Reserves		**5,609,547**	6,065,666
Total equity		**6,236,305**	6,692,424

The consolidated financial statements on pages 78 to 153 were approved and authorised for issue by the Board of Directors on 27 March 2018 and are signed on its behalf by:

Chow Kam Fai, David
Director

Sheldon Trainor-DeGirolamo
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Translation reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2016	636,676	4,328,340	(323,835)	—	18,666	2,433,244	7,093,091
Loss for the year	—	—	—	—	—	(277,495)	(277,495)
Other comprehensive expense for the year	—	—	—	(18,162)	—	—	(18,162)
Total comprehensive expense for the year	—	—	—	(18,162)	—	(277,495)	(295,657)
Repurchase and cancellation of shares	(9,918)	(95,092)	—	—	—	—	(105,010)
Lapse of share options	—	—	—	—	(18,666)	18,666	—
At 31 December 2016	626,758	4,233,248	(323,835)	(18,162)	—	2,174,415	6,692,424
Loss for the year	—	—	—	—	—	**(507,341)**	**(507,341)**
Other comprehensive income for the year	—	—	—	**51,222**	—	—	**51,222**
Total comprehensive income (expense) for the year	—	—	—	**51,222**	—	**(507,341)**	**(456,119)**
At 31 December 2017	**626,758**	**4,233,248**	**(323,835)**	**33,060**	—	**1,667,074**	**6,236,305**

Note: The other reserve of the Group represents the difference between the nominal value of the shares of subsidiaries acquired by the Company and the nominal value of the shares of the Company issued for acquisition at the time of group reorganisation in December 2006.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Operating activities			
Loss before taxation		**(434,239)**	(256,622)
Adjustments for:			
Interest income		**(84)**	(18,951)
Interest expenses		**103,751**	23,491
Unrealised exchange (gain) loss, net		**(381)**	148
Allowance (reversal of allowance) for inventories		**291**	(29)
Depreciation of investment properties		**14,295**	11,872
Depreciation of property and equipment		**390,825**	267,372
Loss on disposal of property and equipment		**427**	986
Write-off of property and equipment as a result of typhoon Hato		**121,118**	—
Amortisation of other intangible assets		**34,861**	33,705
Allowance for bad and doubtful debts, net		**11,996**	—
Release of prepaid lease payments		**54,443**	54,170
Operating cash flows before movements in working capital		**297,303**	116,142
Decrease in inventories		**1,386**	1,420
Decrease (increase) in trade and other receivables		**23,507**	(32,066)
Increase (decrease) in trade and other payables		**106,741**	(14,423)
Cash generated from operations		**428,937**	71,073
Income tax paid		**(79,608)**	(27,504)
Net cash from operating activities		**349,329**	43,569
Investing activities			
Purchase of property and equipment		**(470,395)**	(1,849,038)
Deposits paid		**(150,547)**	(78,523)
Placement of pledged bank deposits		**(6,415)**	—
Deposits received in respect of assets held for sale		**660,000**	—
Withdrawal of pledged bank deposits		**19,417**	3,742
Interest received		**84**	24,816
Proceeds from disposal of property and equipment		**—**	29
Decrease in short-term bank deposits with original maturity over three months		**—**	302,536
Acquisition of the Business Operation (as defined in note 41)	41	**—**	(317,854)
Net cash from (used in) investing activities		**52,144**	(1,914,292)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Financing activities		
Repayment of bank and other borrowings	(1,001,000)	(614,000)
Repayments of loans from a shareholder	(238,766)	—
Interest paid	(122,097)	(118,805)
Loans from a shareholder	1,010,000	—
Payment for repurchase of shares	—	(105,010)
Net cash used in financing activities	(351,863)	(837,815)
Net increase (decrease) in cash and cash equivalents	49,610	(2,708,538)
Cash and cash equivalents at beginning of the year	207,878	2,918,231
Effect of foreign exchange rate changes	4,772	(1,815)
Cash and cash equivalents at end of the year	262,260	207,878
Analysis of the cash and cash equivalents:		
Bank balances and cash	235,625	207,878
Bank balances and cash included in assets classified as held for sale	26,635	—
	262,260	207,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Macau Legend Development Limited (the "Company") was incorporated in the Cayman Islands on 5 October 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Macau is Palace Building, Macau Fisherman's Wharf, Avenida da Amizade e Avenida da Dr. Sun Yat Sen, Macau.

The Company is an investment holding company. Details of the principal activities of its principal subsidiaries are set out in note 42. The Group is one of the leading owners of entertainment and casino gaming facilities in Macau. The Group currently has two major properties in Macau, The Landmark Macau and Macau Fisherman's Wharf ("MFW"). The Landmark Macau is an integrated hotel, casino and luxury shopping complex. On 9 November 2017, the Group entered into a sale and purchase agreement with independent third parties for the disposal of The Landmark Macau (see note 15). MFW is a waterfront integrated gaming, hotel, convention and entertainment complex located on the outer harbour of the Macau Peninsula. In 2015, the Group entered into agreements with the Government of Cape Verde and has commenced to develop an integrated leisure, tourism and entertainment complex in Praia, the capital city of Cape Verde. In 2016, the Group acquired the Business Operation (as defined in note 41) which is engaged in casino and hotel business in Lao People's Democratic Republic ("Lao PDR").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

In preparing the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group"), the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$1,596,326,000 (2016: approximately HK$1,199,241,000), and the Group has commitments of approximately HK$238,316,000 (2016: approximately HK$892,094,000) as at 31 December 2017. The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 31 December 2017 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations that will be due in the coming twelve months from 31 December 2017 on the basis that:

(i) As at 31 December 2017, the Group has received deposits of HK$660,000,000 from the purchasers in respect of assets held for sale (see note 15). The Group has further received deposit of HK$340,000,000 subsequent to the end of the reporting period in January 2018. The management of the Company expects the remaining balance of the sale proceeds of HK$3,600,000,000 will be received upon completion in accordance with the terms as specified in the Disposal Agreement (as defined in note 15); and

(ii) The Group is in the process of negotiation with banks for restructuring its existing outstanding bank borrowings to long-term financing. The Directors are of the opinion that there are good track records and relationship with banks which would enhance the Group's ability on restructuring its borrowing facilities.

Based on the aforesaid factors and together with the internally generated funds in the coming twelve months, the Directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle

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

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 38. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 38, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to HKFRSs and interpretations mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would have no significant change as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset for prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$36,267,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$1,179,000 and refundable rental deposits received of HK$27,598,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in accounting policies below.

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 Group 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 these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group's other vote holders or other parties;
- right arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, income, equity, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units ("CGUs")) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent period.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale (Continued)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from operation of casino is measured by the aggregate net difference between gaming wins and losses less accruals for the estimated payouts of progressive slot jackpots, with liabilities recognised for funds deposited by players before gaming play occurs and for chips in the players' possession.

Revenue from operation of casino is recognised net of sales incentives to players, including discounts, commissions and points earned in customer loyalty programs, which are required to be recorded as a reduction of revenue.

Revenue from hotel operations, food and beverage, sales of merchandise and building management services 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 Group.

Revenue arising from provision of gaming related facilities, gaming related general management services and indirect participation in gaming promotion business is recognised when the gaming facilities are provided and relevant services have been rendered and the Group is entitled to the share of net gaming wins of the casinos.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of licensing income from investment properties under operating leases is described under the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property and equipment

Property and equipment (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over (i) in the case of gaming machinery, the shorter of their estimated useful lives and the remaining term of the service agreement dated 25 September 2006 and its related amendments (the "Service Agreement"); and (ii) in the case of other property and equipment, their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Licensing income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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, except for exchange differences on monetary items receivables from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, 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 the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

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 or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories consist of food and beverage, retail merchandise and operating supplies and are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets and intangible assets other than goodwill (Continued)

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) 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 in prior years. A reversal of an impairment loss is recognised as immediately in profit or loss.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

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 period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, 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 an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment. The accounting policy on impairment loss of loans and receivables is set out below.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables 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 loans and receivables, the estimated future cash flows of the loans and receivables 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 or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of loans and receivables (Continued)

For trade and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and 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 estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 the impairment 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 a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including trade and other payables, bank and other borrowings and loans from a shareholder, are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 period. The effective interest rate is the rate that exactly discounts estimated 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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

The carrying amount of the Group's goodwill as at 31 December 2017 and 2016 is HK$681,986,000. Determining whether goodwill is impaired requires an estimation of the recoverable amount, which is the higher of the fair value less costs to sell and value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the value in use calculation are set out in note 21.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Valuation of trade receivables from individual VIP gaming patrons

In determining the recoverability of trade receivables from individual VIP gaming patrons, the Group takes into consideration the ageing status and the likelihood of collection based on credit review process, including discussion with the relevant individual VIP gaming patrons; evaluation on the amounts expected to be recovered with reference to the payables to, and deposits received from the relevant individual VIP gaming patrons at the end of each reporting period; and the continuous business transaction of the Group and the creditability of the individual VIP gaming patrons.

Allowances are made on the balances whenever there is an objective evidence that the balances may not be collectible. Where the expectation on the recoverability of the receivables is different from the original estimate, such difference will impact the carrying amounts of trade receivables from individual VIP gaming patrons and allowance for doubtful debts in the periods in which such estimate has been changed. As at 31 December 2017, the carrying amounts of net trade receivables from individual VIP gaming patrons are HK$79,458,000 (2016: HK$229,807,000).

Recoverability of refundable deposit for a potential long-term investment project

The management of the Group takes into consideration the likelihood of utilisation of such deposit based on the potential long-term investment project status and negotiation progress. Meanwhile, the management of the Group considered that such deposit could be fully refunded from the vendor when the memorandum of understanding is expired, according to the terms in the memorandum of understanding for the potential long-term investment project.

Where the expectation on the recoverability of the deposit is different from the original estimate, such difference will impact the carrying amount of the deposit from the vendor and allowance for doubtful debts in the periods in which such estimate has been changed. As at 31 December 2017, the carrying amount of the refundable deposit for a potential long-term investment project is HK$697,824,000 (2016: HK$697,824,000).

Impairment of investment properties, property and equipment, other intangible assets and prepaid lease payments

Determining whether the investment properties, property and equipment, other intangible assets and prepaid lease payments are impaired requires an estimation of the recoverable amount of the individual asset or respective CGUs in which these assets belong, which is the higher of the value in use and fair value less costs to sell. Where the actual future cash flows or fair value less cost to sell are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amounts of investment properties, prepaid lease payments, property and equipment relating to MFW and other intangible assets were HK$340,133,000 (2016: HK$243,967,000), HK$1,321,735,000 (2016: HK$1,364,045,000), HK$5,969,478,000 (2016: HK$5,268,675,000) and HK$288,412,000 (2016: HK$314,704,000), respectively.

5. REVENUE

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

	2017 HK$'000	2016 HK$'000
Revenue from gaming related operations:		
(i) from provision of gaming related facilities and gaming related general management services under the Service Agreement (as defined in note 3) and indirect participation in the gaming promotion business under the VIE Structure (as defined in note 6) in respect of:		
— Mass market tables	**795,232**	652,089
— VIP tables*	**156,366**	200,231
— Slot machines	**12,037**	9,118
	963,635	861,438
(ii) from operation of a casino in respect of:		
— Mass market tables	**106,237**	38,596
— VIP tables	**41,962**	16,828
— Slot machines	**98,266**	35,555
	246,465	90,979
	1,210,100	952,417
Revenue from non-gaming related operations:		
Rental income from hotel rooms	**283,682**	206,964
Licensing income from investment properties	**103,121**	106,854
Income from building management services	**48,442**	54,324
Food and beverage	**169,388**	127,553
Sales of merchandise	**13,092**	13,851
Others	**8,232**	9,498
	625,957	519,044
	1,836,057	1,471,461

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

6. SEGMENT INFORMATION

The executive directors of the Company (the "Executive Directors") have been identified as the chief operating decision maker. The Executive Directors review the Group's internal reports in order to assess performance and allocate resources.

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

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

Gaming — 1) Gaming related services for mass market tables, VIP tables and slot machines under the Service Agreement entered into between Hong Hock Development Company Limited ("Hong Hock"), a wholly-owned subsidiary of the Company and gaming operator, Sociedade de Jogos de Macau, S.A. ("SJM"), whereby the revenue is derived based on net gaming wins. Revenue from the indirect participation in the gaming promotion business represents the sharing of gross gaming revenue generated by VIP gaming tables operated by a subsidiary, New Legend, through the structure established by entering into of the VIE Agreements among Hong Hock, New Legend and Mr. Frederick Yip, where appropriate, of which further details are set out in the Company's circular dated 9 June 2014 (the "VIE Structure"); and 2) Casino operation in Lao PDR.

Non-gaming — operations at The Landmark Macau, MFW and the Business Operation (as defined in note 41) in Lao PDR including hotel and other operations such as licensing income from the shops, provision of building management service, food and beverage and others. For segment reporting under HKFRS 8, financial information of these operations with similar economic characteristics has been aggregated into a single operating segment named "non-gaming".

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 December 2017

	Gaming HK$'000	Non-gaming HK$'000	Segment total HK$'000	Elimination HK$'000	Consolidated HK$'000
External revenue	1,210,100	625,957	1,836,057	—	1,836,057
Inter-segment revenue	—	212,103	212,103	(212,103)	—
Segment revenue	1,210,100	838,060	2,048,160	(212,103)	1,836,057
Segment profit (loss)	138,270	(293,753)	(155,483)	—	(155,483)
Unallocated depreciation and amortisation					(101,266)
Unallocated corporate expenses					(73,547)
Unallocated exchange loss, net					(192)
Finance costs					(103,751)
Loss before taxation					(434,239)

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2016

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the results of each segment without allocation of depreciation of certain investment properties and certain property and equipment, release of prepaid lease payments arising from the fair value adjustments on acquisition of Macau Fisherman's Wharf International Investment Limited ("MFW Investment") and its subsidiaries (collectively referred to as the "MFW Group") and amortisation of other intangible assets, unallocated corporate expenses, net exchange difference and finance costs. Corporate expenses include directors' remuneration paid or payable by the Company and certain administrative expenses for corporate use. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the Executive Directors for review.

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2017

	Gaming HK$'000	Non-gaming HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property and equipment	**43,173**	**318,037**	**29,615**	**390,825**
Depreciation of investment properties	—	**12,702**	**1,593**	**14,295**
Amortisation of other intangible assets	—	—	**34,861**	**34,861**
Release of prepaid lease payments	—	**19,246**	**35,197**	**54,443**
Pre-opening expenses	**27,634**	**20,507**	—	**48,141**
Allowance for inventories	—	**291**	—	**291**
Loss on disposal of property and equipment	—	**427**	—	**427**
Write-off of property and equipment as a result of typhoon Hato	**13,665**	**107,453**	—	**121,118**

For the year ended 31 December 2016

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

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located on Macau, Lao PDR and others.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers for the year ended 31 December		Non-current assets as at 31 December	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Macau	**1,567,379**	1,373,255	**8,573,220**	9,364,642
Lao PDR	**268,678**	98,206	**333,514**	295,207
Others	**—**	—	**882,031**	813,627
	1,836,057	1,471,461	**9,788,765**	10,473,476

Information about major customer

A customer, SJM, from gaming segment contributes revenue to the Group amounting to HK$933,133,000 for the year ended 31 December 2017 (2016: HK$816,649,000), which represents over 10% of the total revenue of the Group.

7. OTHER INCOME, GAINS AND LOSSES

	2017	2016
	HK$'000	HK$'000
Write-off of property and equipment as a result of typhoon Hato	**(121,118)**	—
Insurance claims received in respect of losses and damages arising from typhoon Hato	**55,001**	—
Allowance for bad and doubtful debts, net	**(11,996)**	—
Loss on disposal of property and equipment	**(427)**	(986)
Exchange gain (loss), net	**1,628**	(3,827)
Bank interest income	**84**	18,951
Others	**11,386**	7,564
	(65,442)	21,702

8. FINANCE COSTS

	2017 **HK$'000**	2016 HK$'000
Interest on bank borrowings	**96,923**	112,282
Interest on loans from a shareholder	**32,575**	—
Amortisation of finance costs on bank borrowings	**15,110**	20,045
Other finance costs	**2,708**	1,350
Total borrowing costs	**147,316**	133,677
Less: Capitalised borrowing costs in construction in progress (included in property and equipment)	**(43,565)**	(110,186)
	103,751	23,491

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 4.0% (2016: 3.5%) per annum to expenditure on qualifying assets.

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to the Directors and chief executive was as follows:

	Executive directors				Non-executive directors		Independent non-executive directors			
	Chow Kam Fai, David ("David chow")	Lam Fong Ngo ("Madam Lam")	Sheldon Trainor-DeGirolamo	Chow Wan Hok, Donald ("Donald Chow")	Tong Ka Wing, Carl	Ho Chiulin, Laurinda ("Laurinda Ho")	Fong Chung, Mark	Xie Min	Tam Wai Chu, Maria	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2017										
Fee	—	—	—	—	—	—	500	480	480	1,460
Salaries and allowances	8,000	2,500	2,000	380	2,000	380	—	—	—	15,260
Performance related incentive payments	3,419	208	167	—	167	32	35	35	35	4,098
Contributions to retirement benefits scheme	—	—	17	—	—	—	—	—	—	17
Total emoluments	11,419	2,708	2,184	380	2,167	412	535	515	515	20,835
For the year ended 31 December 2016										
Fee	—	—	—	—	—	—	500	480	480	1,460
Salaries and allowances	8,622	2,500	2,311	127	2,000	116	—	—	—	15,676
Performance related incentive payments	2,986	208	167	—	167	11	35	35	35	3,644
Contributions to retirement benefits scheme	—	—	17	—	—	—	—	—	—	17
Total emoluments	11,608	2,708	2,495	127	2,167	127	535	515	515	20,797

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Directors' and chief executive's emoluments (Continued)

The performance related incentive payments to the Directors are determined by reference to the Group's performance and approved by the Board of Directors.

David Chow is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

Donald Chow was appointed as an executive director of the Company on 1 September 2016.

Laurinda Ho was appointed as a non-executive director of the Company on 1 September 2016.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The emoluments of the non-executive directors and independent non-executive directors shown above were for their services as directors of the Company.

During both years, no emoluments was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments in both years.

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Transactions, arrangements or contracts in which the Directors have material interests

Agreement	Connected party	Relationship with the Group	Nature of transactions and major terms	Transaction amount 2017 HK$'000	Transaction amount 2016 HK$'000
Legendale Beijing Hotel Service Agreement	Beijing Hua Hai Jin Bao Real Estate Development Co. Ltd. (北京華海金寶房地產開發有限公司)*	An associate of Mr. David Chow, a co-chairman, an executive director, the chief executive officer and one of the controlling shareholders of the Company	Renting of hotel rooms and convention venues and the procurement of event management services to the Group till 31 December 2019 at prices determined on an arm's length basis and the prevailing market price for comparable types of services in the same industry	190	191
Amigo Travel Service Agreement	Amigo Travel (Macau) Limited ("Amigo Travel")*	An associate of Mr. David Chow as the shareholders of Amigo Travel are Ms. Emiko Mito Pinto-Marques and Mr. Adriano Dillon Guerrero Pinto-Marques, the parents of Mr. Adrian Pinto-Marques, the son-in-law of Mr. David Chow	Procurement of travelling, ticketing and transportation services to the Group till 31 December 2019 at the service fees as determined on an arm's length basis and by reference to the prevailing market price for comparable types of services in the same industry	2,646	2,455
			Provision of hotel rooms from the Group till 31 December 2019 at the rental rates as determined on an arm's length negotiation and by reference to prevailing market rate	8,856	—
Macau Landmark Office Rental Agreement	Macau Landmark Management Limited*	A company owned by Mr. David Chow, an executive director and the controlling shareholder of the Company, Madam Lam, an executive director of the Company, and Mr. Li Chi Keung, a substantial shareholder of the Company	Leasing of certain office premises at the Macau Landmark Building by the Group till 31 December 2019 at the rental rates as determined on an arm's length negotiation and by reference to prevailing market rates	667	2,454

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Transactions, arrangements or contracts in which the Directors have material interests (Continued)

Agreement	Connected party	Relationship with the Group	Nature of transactions and major terms	Transaction amount 2017 HK$'000	Transaction amount 2016 HK$'000
Connected Procurement Agreements	Ou Kei Cleaning Services Limited ("Ou Kei Cleaning"); On Kei Management Services Company Ltd. ("On Kei Management"); Royal Garden Flower and Fruit Company Ltd. ("Royal Garden"); New Legend Club Laundry Company Ltd. ("NLC Laundry")*	Each of Ou Kei Cleaning, On Kei Management and Royal Garden is owned by Madam Tang Lai Iong, the mother-in law of Mr. David Chow, and certain independent third parties on or before 15 September 2017, 15 September 2017 and 24 November 2017 respectively. Hence, each of Ou Kei Cleaning, On Kei Management and Royal Garden is an associate Mr. David Chow on or before 15 September 2017, 15 September 2017 and 24 November 2017 respectively; NLC Laundry is ultimately owned by Ms. Melinda Chan and Mr. David Chow	Procurement of various services and supplies required for operations and administration of the Group till 31 December 2019 at the service fees or purchase prices as shall be determined based on an arm's length negotiation and by reference to prevailing market rates for comparable types of services in the same industry	**73,061**	60,367
Chong Son Construction Services Agreement	Chong Son Construction Company Ltd. ("Chong Son")*	Chong Son is owned by Mr. Tang Mun Kong and Madam Tang Lai Ngo, each of whom is an associate of Mr. David Chow	Procurement of construction and renovation from Chong Son for the Group's certain construction projects till 31 December 2019 at the fees as determined based on an arm's length negotiation and by reference to the prevailing market price for comparable types of services in the same industry	**1,984**	15,500
Sheng Li VIP Room Cooperation Agreement and SLL License to Use Agreement	Sheng Li V Limited ("Sheng Li V"); Seng Lei Loi Jewelry and Watches Company Limited ("SLL")*	Mr. Frank Wong who is ultimate beneficial owner of Sheng Li V and the controlling shareholder of SLL, is the father-in-law of Mr. Sheldon Trainor-DeGirolamo, an executive Director of the Company	Provision of services for the designated VIP room by the Group to Sheng Li V and rental of a shop in Legend Palace Hotel to SLL till 31 December 2019 at prices determined on an arm's length basis and the prevailing market price for comparable type of services in the same industry and prevailing market rates	**2,750**	—

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Transactions, arrangements or contracts in which the Directors have material interests (Continued)

* These transactions constitute continuing connected transactions for the purpose of Chapter 14A of the Listing Rules. Details of certain of these continuing connected transactions, which are subject to the reporting requirements set out in Chapter 14A of the Listing Rules, have been disclosed under the section "Connected Transactions" in the Directors' Report.

10. EMPLOYEES' EMOLUMENTS

The emoluments of the five individuals, four (2016: four) were Directors, with highest emoluments in the Group were as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits	17,090	18,592
Performance related incentive payments	4,200	3,761
Contributions to retirement benefits scheme	17	35
	21,307	22,388

Their emoluments were within the following bands:

	2017 No. of individuals	2016 No. of individuals
HK$2,000,001 to HK$2,500,000	2	2
HK$2,500,001 to HK$3,000,000	2	1
HK$3,000,001 to HK$3,500,000	—	1
HK$11,000,001 to HK$11,500,000	1	—
HK$11,500,001 to HK$12,000,000	—	1
	5	5

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. LOSS BEFORE TAXATION

	2017 HK$'000	2016 HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Staff costs		
Directors' remuneration (note 9)	**20,835**	20,797
Other staff costs		
— salaries and other benefits	**452,776**	277,941
— contributions to retirement benefits schemes	**8,335**	6,434
Total staff costs	**481,946**	305,172
Allowance (reversal of allowance) for inventories	**291**	(29)
Amortisation of other intangible assets (included in cost of sales and services and operating, administrative and other expenses of HK$1,693,000 (2016: HK$537,000) and HK$33,168,000 (2016: HK$33,168,000), respectively)	**34,861**	33,705
Auditor's remuneration	**3,530**	3,262
Cost of inventories recognised as an expense (included in cost of sales and services)	**78,775**	54,916
Depreciation of investment properties	**14,295**	11,872
Depreciation of property and equipment	**390,825**	267,372
Minimum lease payments under operating leases in respect of leasehold land and buildings	**5,560**	5,146
Pre-opening expenses	**48,141**	99,394
Release of prepaid lease payments	**54,443**	54,170
Gross licensing income from investment properties	**(103,121)**	(106,854)
Less: Direct operating expenses that generate licensing income from investment properties	**14,295**	11,872
Net licensing income from investment properties	**(88,826)**	(94,982)

12. INCOME TAX EXPENSES

	2017 HK$'000	2016 HK$'000
Current tax charge		
— Macau Complementary Tax	(1,650)	(1,650)
— Lao PDR Flat Tax	(77,958)	(25,854)
	(79,608)	(27,504)
Deferred taxation credit (note 29)	6,506	6,631
Income tax expenses	(73,102)	(20,873)

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the relevant group entities incurred tax losses.

Pursuant to the Dispatch of the Financial Services Bureau of the Macau Special Administrative Region, the People's Republic of China ("Macau SAR") dated 17 November 2006 and a confirmation letter issued by the Financial Services Bureau of the Macau SAR government dated 14 January 2013, gaming related revenue generated from the Service Agreement is not subject to Macau Complementary Tax for any of the years ended 31 December 2012 to 2016 since it is derived from SJM gaming revenue (the "Exemption"), for which the gaming revenue is exempted pursuant to the terms of no. 2 of article 28 of the Law 16/2001 and the exemption granted by Dispatch no. 30/2004 of 23 February 2004, Dispatch no. 378/2011 of 23 November 2011 and Dispatch no. 329/2016 of 19 September 2016. Pursuant to the confirmation letter issued by the Financial Services Bureau of the Macau SAR government dated 21 November 2016, the Exemption has been extended for the period from 1 January 2017 to 31 March 2020.

Pursuant to the Dispatch of the Financial Services Bureau of the Macau SAR dated 28 June 2013, Hong Hock was allowed to pay an annual lump sum dividend withholding tax of MOP1,700,000 (equivalent to approximately HK$1,650,000) for each of the years ended 31 December 2012 to 2016 as payment in lieu of Macau Complementary Tax otherwise due by the shareholders of Hong Hock on dividend distributions from gaming profits generated in relation to the operation of the casinos at The Landmark Macau and MFW. Such annual lump sum tax payments were required regardless of whether dividends were actually distributed or whether Hong Hock had distributable profits in the relevant years. Hong Hock has applied for extension of aforementioned approval in regards to Macau Complementary Tax on dividend distributions from the Financial Services Bureau of the Macau SAR government for the year of assessment from 2017 to 2021 and the approval has not yet been finalised up to the date of this report.

Pursuant to the Lao PDR Flat Tax Agreement (the "Agreement") signed between Savan Legend Resorts Sole Company Limited ("Savan Legend"), a wholly-owned subsidiary of the Company, and the Ministry of Finance of the Lao PDR (the "Laos Government") dated 13 May 2016, the Laos Government agreed Savan Legend to pay a flat tax in an amount of US$10,000,000 (equivalent to approximately HK$77,958,000) per annum (the "Flat Tax"). The Flat Tax shall be paid for the period from 1 September 2016 to 31 August 2019 with a conditional extension for a period of two years, given that the Group commits to carry out, a hotel resort complex project on a site owned by Savan Legend. Under the Agreement, Savan Legend is not subject to other taxes, including income tax.

12. INCOME TAX EXPENSES (Continued)

The taxation for the year can be reconciled to the loss before taxation as follows:

	2017 HK$'000	2016 HK$'000
Loss before taxation	(434,239)	(256,622)
Tax credit at Macau Complementary Tax rate at 12%	52,109	30,795
Tax effect of expenses not deductible for tax purpose	(157,671)	(99,743)
Tax effect of income not taxable for tax purpose	34,574	14,200
Tax effect of tax exemption granted to gaming related revenue	115,636	102,978
Tax effect of estimated tax losses not recognised	(38,142)	(41,599)
Lao PDR Flat Tax	(77,958)	(25,854)
Lump sum dividend tax	(1,650)	(1,650)
Income tax expense for the year	(73,102)	(20,873)

As at 31 December 2017, the Group has tax losses of HK$1,007,249,000 (2016: HK$760,444,000) from non-gaming operations available for offset against future profit that will expire in three years from the year of assessment. For the year ended 31 December 2017, approximately HK$71,045,000 (2016: HK$247,182,000) of tax losses have expired.

Having considered (i) the unpredictability of future profit streams for the non-gaming operations; and (ii) the fact that tax losses can only be utilised in three years from the year of assessment, the Directors are of the view that it may not be probable that taxable profits will be available against which unutilised tax losses can be utilised. As a result, no deferred tax assets have been recognised.

13. DIVIDEND

No dividend was paid, declared or proposed for both years ended 31 December 2017 and 2016.

14. LOSS PER SHARE

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

Loss

	2017 **HK$'000**	2016 HK$'000
Loss for the year for the purposes of basic and diluted loss per share	**(507,341)**	(277,495)

Number of shares

	2017 **'000**	2016 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**6,267,576**	6,294,988

For the year ended 31 December 2017, diluted loss per share is not presented as the Company does not have any dilutive potential ordinary share.

The computation of diluted loss per share for the year ended 31 December 2016 did not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share. The share options were lapsed on 23 November 2016 (see note 39).

15. ASSETS (LIABILITIES ASSOCIATED WITH ASSETS) CLASSIFIED AS HELD FOR SALE

On 9 November 2017, the Group entered into a sale and purchase agreement (the "Disposal Agreement") with independent third parties (the "Purchasers"), pursuant to which the Purchasers agreed to buy the entire issued share capital in New Macau Landmark Management Limited ("New Macau Landmark") which is a company holding The Landmark Macau, and all obligations, liabilities and debts owing or incurred by New Macau Landmark to Hong Hock at a cash consideration of HK$4,600,000,000 (the "Disposal"). Details of the Disposal are contained in the Company's circular dated 22 December 2017. The Directors expect the conditions as specified in the Disposal Agreement will be fulfilled and hence consider the Disposal is highly probable. The assets, including The Landmark Macau, and liabilities attributable to New Macau Landmark, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of the Disposal exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised. The Directors are in the opinion that the Disposal is of the purpose for streamlining its operation, inviting a new business partner to participate in its existing gaming related services to SJM and relocating its non-gaming operating resources and existing service capacity from The Landmark Macau to Legend Palace Hotel, being a new hotel located in MFW which has commenced operation on 27 February 2017.

The assets and liabilities of New Macau Landmark as at 31 December 2017, which have been presented separately in the Group's consolidated financial statements are as follows:

	HK$'000
Investment properties	110,480
Property and equipment	598,385
Prepaid lease payments	388,868
Deposits paid for acquisition of property and equipment	588
Inventories	4,147
Trade and other receivables	30,009
Bank balances and cash	26,635
Total assets classified as held for sale	1,159,112
Deposits received from the Disposal	(660,000)
Trade and other payables	(67,230)
Total liabilities associated with assets classified as held for sale	(727,230)

16. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 January 2016 and 31 December 2016	462,840
Transfer from property and equipment	106,621
Transfer to assets classified as held for sale (note 15)	(192,031)
At 31 December 2017	377,430
DEPRECIATION	
At 1 January 2016	92,681
Provided for the year	11,872
At 31 December 2016	104,553
Provided for the year	14,295
Transfer to assets classified as held for sale (note 15)	(81,551)
At 31 December 2017	37,297
CARRYING AMOUNTS	
At 31 December 2017	340,133
At 31 December 2016	358,287

The above investment properties are depreciated on a straight-line basis over 50 years.

All the Group's investment properties are held for leasing purpose under operating leases and are situated on land in Macau.

As at 31 December 2017 and 2016, all the Group's investment properties are pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 27 and 31.

As at 31 December 2017, the fair values of the Group's investment properties together with the leasehold interest in land included in the Group's prepaid lease payments amounted to HK$1,299,000,000 (2016: HK$3,181,000,000). The fair value has been arrived based on an estimation carried out by management.

The fair value was determined by comparison method on the assumption that they can be sold in their existing states and conditions. Comparison is based on prices of actual sales and/or offerings of similar properties.

16. INVESTMENT PROPERTIES (Continued)

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties together with the leasehold interest in land, the highest and best use of the properties together with the leasehold interest in land is their current use.

Details of the Group's investment properties together with the leasehold interest in land and information about the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

Fair value as at 31 December 2017

	Level 3 HK$'000
Commercial property units located in Macau	**1,299,000**

Fair value as at 31 December 2016

	Level 3 HK$'000
Commercial property units located in Macau	3,181,000

There were no transfers into or out of Level 3 during the year.

Further details of the Group's major properties are set out in the section headed "Particulars of Major Properties" in this annual report.

17. PROPERTY AND EQUIPMENT

	Buildings HK$'000	Aircraft HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2016	2,627,289	97,500	514,392	988,608	8,601	5,973	269,830	826,983	5,339,176
Additions	—	—	21,001	19,399	24,343	—	17,989	2,288,156	2,370,888
Acquired on acquisition of the Business Operation (note 41)	150,570	—	14,106	—	679	—	50,429	720	216,504
Disposals	—	—	(11,006)	(122)	(1,501)	—	(171)	—	(12,800)
Transfer	54,927	—	68	84,070	—	—	—	(139,065)	—
Exchange realignment	(5,349)	—	(495)	—	(23)	—	(1,757)	(1,000)	(8,624)
At 31 December 2016	2,827,437	97,500	538,066	1,091,955	32,099	5,973	336,320	2,975,794	7,905,144
Additions	—	—	107,381	22,506	1,536	—	72,455	866,944	1,070,822
Disposals/write-off	(15,963)	—	(38,494)	(24,579)	(1,122)	—	(26,039)	(39,112)	(145,309)
Transfer	2,890,398	—	80,049	131,039	—	—	9,671	(3,217,778)	(106,621)
Transfer to assets classified as held for sale (note 15)	(594,527)	—	(95,975)	(495,134)	—	—	(198,446)	(495)	(1,384,577)
Exchange realignment	15,485	—	1,458	—	70	—	5,236	12,229	34,478
At 31 December 2017	5,122,830	97,500	592,485	725,787	32,583	5,973	199,197	597,582	7,373,937
DEPRECIATION									
At 1 January 2016	289,887	53,830	148,181	462,530	5,446	100	148,041	—	1,108,015
Provided for the year	74,906	12,186	61,252	94,440	6,079	597	17,912	—	267,372
Eliminated on disposals	—	—	(10,047)	(122)	(1,501)	—	(115)	—	(11,785)
Exchange realignment	(66)	—	(23)	—	(3)	—	(108)	—	(200)
At 31 December 2016	364,727	66,016	199,363	556,848	10,021	697	165,730	—	1,363,402
Provided for the year	144,682	12,188	88,701	114,630	5,412	597	24,615	—	390,825
Eliminated on disposals/write-off	(363)	—	(11,649)	(7,459)	(1,122)	—	(3,171)	—	(23,764)
Transfer to assets classified as held for sale (note 15)	(179,140)	—	(75,105)	(352,022)	—	—	(179,925)	—	(786,192)
Exchange realignment	674	—	230	—	10	—	101	—	1,015
At 31 December 2017	330,580	78,204	201,540	311,997	14,321	1,294	7,350	—	945,286
CARRYING AMOUNTS									
At 31 December 2017	4,792,250	19,296	390,945	413,790	18,262	4,679	191,847	597,582	6,428,651
At 31 December 2016	2,462,710	31,484	338,703	535,107	22,078	5,276	170,590	2,975,794	6,541,742

17. PROPERTY AND EQUIPMENT (Continued)

According to the Service Agreement, gaming machinery and equipment in Macau (included in the class "machinery and equipment") has to be returned to the Macau SAR Government at no cost upon the expiry of SJM concession contract in year 2020.

The above items of property and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 2%
Aircraft	12.5%
Furniture, fixtures and equipment	5% — 50%
Leasehold improvements	10% — 33%
Motor vehicles	10% — 25%
Vessels	10%
Machinery and equipment (except for "gaming machinery and equipment")	5% — 15%
Gaming machinery and equipment	10% — 20% or over the remaining term of SJM concessionaire contract expiring in 2020

The Group's buildings are situated on land in Macau and Lao PDR.

As at 31 December 2017, the Group's buildings with carrying amount of HK$5,059,666,000 (2016: HK$2,320,903,000) , of which HK$4,644,280,000 (2016: HK$2,320,903,000) included in property and equipment and HK$415,386,000 (2016: nil) included in assets classified as held for sale are pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 27 and 31.

During the year ended 31 December 2017, the Group has certain property and equipment that has been written-off due to physical damage or lost by typhoon Hato. The losses and damages on those property and equipment are covered by insurance policy. Insurance claim of HK$55,001,000 was recognised during the year ended 31 December 2017 in respect of such losses.

18. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Macau	**1,710,603**	1,764,648
Leasehold land in Lao PDR	**20,211**	18,589
	1,730,814	1,783,237
Analysed for reporting purposes as:		
Non-current assets under prepaid lease payments	**1,299,223**	1,728,821
Current assets under prepaid lease payments	**42,723**	54,416
Current assets under assets classified as held for sale	**388,868**	—
	1,730,814	1,783,237

As at 31 December 2017, the Group's prepaid lease payments with an aggregate carrying amount of HK$1,710,603,000 (2016: HK$1,764,648,000) are pledged to banks to secure the bank borrowings granted to the Group. Details are set out in notes 27 and 31.

19. GOODWILL

	HK$'000
COST AND CARRYING VALUE	
At 1 January 2016, 31 December 2016 and 31 December 2017	681,986

Details of impairment testing on goodwill is disclosed in note 21.

20. OTHER INTANGIBLE ASSETS

	Gaming operating licence HK$'000	Gaming promoter operating rights HK$'000	Referral relationship HK$'000	Customer relationship HK$'000	Total HK$'000
COST					
At 1 January 2016	—	274,142	26,053	17,372	317,567
Arising from acquisition of the Business Operation (note 41)	82,270	—	—	—	82,270
Exchange realignment	(2,912)	—	—	—	(2,912)
At 31 December 2016	79,358	274,142	26,053	17,372	396,925
Exchange realignment	8,695	—	—	—	8,695
At 31 December 2017	88,053	274,142	26,053	17,372	405,620
AMORTISATION					
At 1 January 2016	—	37,196	6,796	4,532	48,524
Provided for the year	537	25,616	4,531	3,021	33,705
Exchange realignment	(8)	—	—	—	(8)
At 31 December 2016	529	62,812	11,327	7,553	82,221
Provided for the year	1,693	25,616	4,531	3,021	34,861
Exchange realignment	126	—	—	—	126
At 31 December 2017	2,348	88,428	15,858	10,574	117,208
CARRYING AMOUNTS					
At 31 December 2017	85,705	185,714	10,195	6,798	288,412
At 31 December 2016	78,829	211,330	14,726	9,819	314,704

20. OTHER INTANGIBLE ASSETS (Continued)

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Gaming operating license	2%
Gaming promoter operating rights	Over the remaining term of SJM concessionaire contract expiring in 2020 with extension to 2025
Referral relationship	Over the remaining term of SJM concessionaire contract expiring in 2020
Customer relationship	Over the remaining term of SJM concessionaire contract expiring in 2020

21. IMPAIRMENT TESTING

Goodwill from the acquisition of the MFW Group

On 18 May 2012, the Group further acquired 48.2% equity interest in MFW Investment, it then became a wholly-owned subsidiary of the Company. The MFW Group operates MFW, a waterfront integrated gaming, hotel, convention and entertainment complex. The carrying amount of goodwill had been allocated to the business relating to provision of gaming related facilities and gaming related general management services carried out by the MFW Group. Management considered this as a single CGU for the purpose of impairment testing of the goodwill.

The recoverable amount of this CGU is determined based on value in use calculations by reference to valuation report prepared by an independent professional valuer. The key assumptions for the value in use calculations include discount rates, growth rates and expected changes to revenue and direct costs during the forecast period. The discount rates are estimated by using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU for which the estimates of future cash flows have not been adjusted. The growth rates are estimated by reference to the industrial and market data. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

The Group prepared cash flows forecasts derived from the most recent financial budgets approved by management for the next five years. Cash flows beyond five years are extrapolated using a steady 3.0% (2016: 3.0%) growth rate for the CGU. This growth rate does not exceed the average long-term growth rate for the relevant industry. The pre-tax rate used to discount the forecast cash flows for the CGU is 15.4% (2016: 15.6%) per annum. In the opinion of the Directors, no impairment loss is required for the year ended 31 December 2017. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of this CGU.

22. DEPOSITS PAID

	2017 HK$'000	2016 HK$'000
Deposits paid for acquisition of property and equipment	**22,724**	125,631
Refundable deposit for a potential long-term investment project (Note (i))	**697,824**	697,824
Deposits for an investment project in Cape Verde (Note (ii))	**29,812**	24,481
	750,360	847,936

Notes:

(i) The amount represents deposit paid to an independent third party for a potential long-term investment project in connection with a proposed acquisition of certain land use rights in respect of a proposed development project in Cambodia. The amount could be fully refunded from the vendor when the memorandum of understanding is expired. The potential long-term investment project is under negotiation and the Group has commenced the legal checking in Cambodia for the proposed acquisition of the land use rights. Such deposit will be used to offset against the final acquisition costs of the land use rights to be acquired.

(ii) The amount as at 31 December 2017 included a payment of approximately HK$11,610,000 (2016: HK$9,615,000) for a gaming concession with a term of 25 years from the first day of operation of the casino operated by the Group under the project in Cape Verde.

23. INVENTORIES

	2017 HK$'000	2016 HK$'000
Food and beverages	**6,754**	8,727
Retail merchandise	**20,811**	22,689
Operating supplies	**12,394**	13,271
	39,959	44,687

24. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**188,795**	346,624
Less: Allowance for doubtful debts	**(14)**	(14)
	188,781	346,610
Other receivables and deposits	**135,871**	47,722
Prepayments	**37,171**	35,234
Receivables from gaming operator received on behalf of gaming promoters	**40,731**	37,222
Total trade and other receivables	**402,554**	466,788

Trade receivables mainly included receivables from a gaming operator, SJM, individual VIP gaming patrons and receivables from travel agents.

At the end of the reporting period, trade receivables included receivables from individual VIP gaming patrons of HK$79,458,000 (2016: HK$229,807,000).

Other receivables and deposits mainly included gaming chips on hand issued by SJM and other utility deposits for the purpose of daily operation.

The receivables from SJM are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

At the end of the reporting period, included in the Group's trade receivables balance are aggregate carrying amount of HK$221,000 (2016: HK$6,877,000), which are due from Directors in relation to gaming and non-gaming services provided by the Group. Such amounts due from directors are unsecured, non-interest bearing and repayable on demand.

Before accepting any new customers, the Group assesses the potential customer's credit quality by evaluating their historical credit records and defines credit limits by customers. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. At the end of the reporting period, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK$94,620,000 (2016: HK$93,678,000), which are neither past due nor impaired. The Directors considered that trade receivables which are neither past due nor impaired are of good credit quality given the continuous subsequent settlements from gaming operator and other customers.

24. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows a credit period with an average of 30 days to the gaming operator relating to provision of gaming related services, an average of 30 days to certain travel agents and an average of 15 days to its tenants. The following is an ageing analysis of trade receivables net of allowance for bad and doubtful debts presented based on the invoice date at the end of the reporting period.

	2017 HK$'000	2016 HK$'000
Within 3 months	**103,290**	128,179
Over 3 months but within 6 months	**8,149**	42,572
Over 6 months but within 1 year	**3,588**	22,001
Over 1 year	**73,754**	153,858
	188,781	346,610

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$94,161,000 (2016: HK$252,932,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables which are past due but not impaired were either settled subsequent to the end of the reporting period or amounts due from debtors which do not have historical default of payments. The Group does not hold any collateral over these balances.

Ageing analysis of trade receivables which are past due but not impaired

	2017 HK$'000	2016 HK$'000
Over 1 month but within 3 months	**8,670**	34,508
Over 3 months but within 6 months	**8,149**	42,565
Over 6 months but within 1 year	**3,588**	22,001
Over 1 year	**73,754**	153,858
	94,161	252,932

24. TRADE AND OTHER RECEIVABLES (Continued)

Movements in the allowance for bad and doubtful debts

	2017 HK$'000	2016 HK$'000
Balance at beginning and end of the year	14	14
Allowance for bad and doubtful debts, net	11,996	—
Amounts written off during the year as uncollectible	(11,996)	—
Balance at end of the year	14	14

At the end of the reporting period, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$14,000 (2016: HK$14,000) which are either aged over one year or in severe financial difficulty. In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The Directors believe that no further credit provision is required in excess of the allowance for bad and doubtful debts.

At the end of the reporting period, the carrying amount of the trade receivables, which have been pledged to banks to secure the bank borrowings granted to the Group, is HK$164,352,000 (2016: HK$117,983,000). Details are set out in notes 27 and 31.

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

At the end of the reporting period, pledged bank deposits represent deposits pledged to banks as security for use of electricity granted by a third party to the MFW Group and for the arrangement of letter of credit of the MFW Group. The balances carry an average fixed interest rate of 0.62% (2016: 0.82%) per annum.

Bank balances and cash

Cash at banks and on hand comprise cash held by the Group at variable interest rates with an original maturity of three months or less and carry interest at market rate of 0.001% (2016: 0.001%) per annum.

At the end of the reporting period, included in bank balances and cash are restricted bank balances of HK$149,919,000 (2016: HK$39,122,000). Pursuant to the banking facility agreement with the banks, the Group is required to deposit all operating income and revenue generated from The Landmark Macau and MFW into designated bank accounts. In case the bank borrowings become due, the banks can apply all deposits in the designated bank accounts for the payment and discharge of all financial indebtedness created under the banking facility agreement.

26. TRADE AND OTHER PAYABLES

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

	2017 HK$'000	2016 HK$'000
Trade payables	48,962	41,808
Construction and retention payables	818,699	513,136
Other payables	189,338	178,984
Amounts due to gaming promoters	44,272	26,264
Deposits received from tenants	27,598	45,889
Deposits received from gaming promoters	26,000	—
Accrued staff costs	111,180	110,484
Other sundry accruals	42,009	32,951
Total trade and other payables	1,308,058	949,516

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

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

	2017 HK$'000	2016 HK$'000
Within 3 months	47,037	39,952
Over 3 months but within 6 months	306	622
Over 6 months but within 1 year	616	1,192
Over 1 year	1,003	42
	48,962	41,808

27. BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank borrowings, secured (Note i and iii)	**2,409,777**	3,394,667
Other borrowing (Note ii)	**57,500**	58,500
	2,467,277	3,453,167
Analysed for reporting purposes as:		
Current liabilities	**1,447,447**	1,042,932
Non-current liabilities	**1,019,830**	2,410,235
	2,467,277	3,453,167

Notes:

(i) Bank borrowings, secured

	2017 HK$'000	2016 HK$'000
Secured bank borrowings due		
— within one year	**1,389,947**	984,432
— more than one year, but not exceeding two years	**1,019,830**	1,390,490
— more than two years, but not exceeding five years	**—**	1,019,745
	2,409,777	3,394,667
Less: Amount due within one year shown under current liabilities	**(1,389,947)**	(984,432)
Amount due after one year	**1,019,830**	2,410,235

The bank borrowings are denominated in HK$.

During the year ended 31 December 2014, the Group entered into a facility agreement with banks relating to a new five-year syndicated bank term loan facility in the amount of HK$4,221.0 million, of which HK$1,324.0 million was used to repay the then outstanding bank borrowings and the remaining HK$2,897.0 million was to partially finance the redevelopment project costs of MFW. As at 31 December 2017 and 2016, the Group has fully drawn down the whole amount under the facility.

As at 31 December 2017, the bank borrowings bear interests at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5% per annum (2016: HIBOR plus 2.5% per annum) and the weighted average effective interest rate was 3.41% (2016: 3.02%) per annum.

27. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(i) Bank borrowings, secured (Continued)

The Group's bank borrowings are secured and guaranteed, inter alia, by the followings:

(a) the mortgage over the investment properties, buildings and prepaid lease payments as set out in notes 16, 17 and 18;

(b) all the assets of three subsidiaries, MFW, New Macau Landmark and Hong Hock;

(c) all the designated bank balances held by three subsidiaries, MFW, New Macau Landmark and Hong Hock. Details are set out in note 25;

(d) a corporate guarantee by Hong Hock, New Macau Landmark 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.

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

(iii) During the year, in respect of the bank borrowings with carrying amount of HK$2,409,777,000 as at 31 December 2017 (2016: HK$3,394,667,000), the Group breached certain terms of such bank borrowings, which are primarily related to the covenant in regard of the minimum interest coverage ratio and maximum leverage ratio of the Group. The Directors had informed the lenders of the bank borrowings and sought for the waiver from the relevant lenders. As at the end of the reporting period, the lenders have agreed to waive the relevant covenant of the bank borrowings.

28. LOANS FROM A SHAREHOLDER

The amounts represent loans from Mr. David Chow, a co-chairman, an executive director, the chief executive officer and one of the controlling shareholders of the Company, which are unsecured and carry a fixed interest with reference to the prevailing market rates. Mr. David Chow has agreed not to demand repayment of the amount within twelve months from the end of the reporting period. Accordingly, the amounts are classified as non-current liabilities.

29. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised and movements thereon during the current and prior years.

	Fair value adjustment on investment properties HK$'000	Fair value adjustment on property and equipment HK$'000	Fair value adjustment on prepaid lease payments HK$'000	Total HK$'000
At 1 January 2016	3,935	34,894	139,378	178,207
Credit to profit or loss	(190)	(2,216)	(4,225)	(6,631)
At 31 December 2016	3,745	32,678	135,153	171,576
Credit to profit or loss	(191)	(2,091)	(4,224)	(6,506)
At 31 December 2017	3,554	30,587	130,929	165,070

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2016	6,366,761,120	636,676
Repurchase and cancellation of shares (Note)	(99,185,000)	(9,918)
At 31 December 2016 and 31 December 2017	6,267,576,120	626,758

30. SHARE CAPITAL (Continued)

Note:

During the year ended 31 December 2016, the Company repurchased its own shares through the Stock Exchange as follows:

For the year ended 31 December 2016

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

The above shares were cancelled subsequently after their repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2016.

31. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged certain investment properties, buildings, prepaid lease payments, trade receivables and pledged bank deposits to secure the credit facilities and use of electricity granted to the Group. The carrying amounts of the assets pledged are as follows:

	2017	2016
	HK$'000	HK$'000
Investment properties	**450,613**	358,287
Buildings	**5,059,666**	2,320,903
Prepaid lease payments	**1,710,603**	1,764,648
Trade receivables	**164,352**	117,983
Pledged bank deposits	**8,086**	21,088
	7,393,320	4,582,909

The carrying amounts of the above assets pledged included in assets classified as held for sale are as follows:

	2017	2016
	HK$'000	HK$'000
Investment properties	**110,480**	–
Buildings	**415,386**	–
Prepaid lease payments	**388,868**	–
Trade receivables	**17,999**	–
Total pledged assets classified as held for sale	**932,733**	–

32. RETIREMENT BENEFITS PLANS

Employees employed by the Group's operations in Macau and Lao PDR are members of government-managed retirement benefits schemes operated by the Macau and Lao PDR government, respectively. The Macau and Lao PDR operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years at the end of the reporting period.

The only obligation of the Group with respect to the above retirement benefits schemes is to make the required contributions under the schemes.

The Group also operates a defined contribution retirement scheme for all qualifying employees since 1 January 2015. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees. The Group contributes 5% of relevant payroll costs to the plan (maximum MOP1,500) per month for each qualifying employee.

During the year ended 31 December 2017, the total expense recognised in profit or loss of HK$8,352,000 (2016: HK$6,451,000) represents contributions paid or payable to above retirement benefit schemes by the Group at rates specified in the rules of the schemes.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2017 HK$'000	2016 HK$'000
Within one year	6,430	10,452
In the second to fifth year inclusive	9,291	12,136
Over five years	20,546	17,868
	36,267	40,456

Operating lease payments represent rental payable by the Group for certain of its leasehold land (see note 18), office properties, warehouse and staff quarters. Lease term of leasehold land in Macau is negotiated for a term of 25 years at a fixed rental and is subject for renewal in accordance with applicable laws and regulations. Lease term of leasehold land in Cape Verde is negotiated for a term of 75 years at an annual rental which is subject to review on an annual basis. Leases for office properties, warehouse and staff quarters are negotiated for an average term of two years and rentals are fixed for an average term of two years.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017 HK$'000	2016 HK$'000
Within one year	92,175	101,716
In the second to fifth year inclusive	287,101	297,337
Over five years	54,073	112,069
	433,349	511,122

Operating lease income represents licensing income receivable by the Group from certain of its rented premises. Licensing arrangements are negotiated for an average term of five years and licensing fees are fixed for an average term of two years. In addition to the fixed licensing income which is disclosed above, pursuant to the terms of certain licensing arrangements, the Group has licensing income based on certain percentage of gross sales of relevant shop. The contingent licensing income contributed an insignificant amount of licensing income earned by the Group during both years presented.

34. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments in respect of the acquisition of property and equipment and construction in progress which are contracted for but not provided of HK$238,316,000 (2016: HK$892,094,000).

35. CONTINGENT LIABILITIES

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

Pursuant to the amendment in the Service Agreement on 16 December 2011, in the event of any non-payment by the gaming promoters or any failure to fulfill their obligations relating to gaming promotion agreements as entered into with SJM and gaming promoters, the Group undertakes to reimburse SJM for any loss caused by such misconduct of the gaming promoters as well as any possible legal costs associated with litigation. There are no such claims from SJM during the years ended 31 December 2017 and 2016.

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

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank and other borrowings disclosed in note 27, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 30 and reserves.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issue as well as the issue of new debt or the redemption of existing debt.

37. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**609,094**	648,868
Financial liabilities		
Amortised cost	**4,546,569**	4,402,683

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank and other borrowings and loans from a shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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

(i) Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank deposits, and fair value interest rate risk in relation to fixed-rate pledged bank deposits and other borrowings which are non-interest bearing.

The Group currently does not have interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and arising from the Group's variable-rate borrowings.

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate for bank borrowings and loans from a shareholder. The sensitivity analysis is prepared assuming the bank borrowings and loans from a shareholder outstanding at the end of the reporting period were outstanding for the whole year. No sensitivity analysis is provided on bank deposits as the Directors consider that the interest rate fluctuation on bank deposits is minimal.

A 50 basis point (2016: 50 basis point) increase or decrease is used, which represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax loss would have increased/decreased by approximately HK$15,905,000 (2016: HK$16,973,000).

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the respective year.

(ii) 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 group entities, which expose the Group to foreign currency risk. The Group 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting periods are as follows:

	Assets	
	2017	2016
	HK$'000	HK$'000
Macau Pataca ("MOP")	**192,757**	230,634
Euro	**8,174**	3,856
Thai Baht	**70,077**	44,907

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Currency risk (Continued)

	Liabilities	
	2017	2016
	HK$'000	HK$'000
MOP	**1,052,904**	693,527
Euro	**822**	1,769
Thai Baht	**22,126**	1,131
Renminbi ("RMB")	**10,032**	43

The Directors do not expect any significant foreign currency exposure as MOP is pegged to HK$.

Sensitivity analysis

The following table details the Group's sensitivity to a 3% increase and decrease in Thai Baht against HK$. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency dominated monetary items.

	2017	2016
	HK$'000	HK$'000
Decrease in post-tax loss for the year	**1,439**	1,313

No sensitivity analysis for Euro and RMB was presented as the management of the Company consider that the reasonably possible change in those foreign exchange rates will has no material impact to the Group's profit or loss.

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

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

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the credit review process to ensure that follow-up action is taken to recover overdue debts, if any. The Group reviews the recoverable amount of each individual debt, advance and credit risk associated with guarantees to gaming promoters 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 Group has concentration of credit risk on trade receivable as 37% (2016: 15%) of the total trade receivables is due from SJM within the gaming segment, which is a gaming operator in Macau. The Group also has concentration of credit risk on other receivable as 19% (2016: 31%) of the total other receivables is due from this customer as at 31 December 2017. Having considered the continuous subsequent settlements and no historical default of payments by this customer, the Directors consider that the credit risk is significantly reduced.

In addition, the Group has concentration of credit risk on the Group's advances to individual VIP gaming patrons. The Group will review the recoverable amount of advances to individual VIP gaming patrons at the end of the reporting period based on the credit review process on individual VIP gaming patrons to ensure that adequate impairment losses are made for irrecoverable amounts. As a result, the Directors consider that the Group's exposure to credit risk on these advances is significantly reduced.

In relation to the non-gaming business, before accepting any new customers with the grant of credit period, the Group will assess the potential customers' credit quality by reference to the experience of the management and defines credit limit by customers. Such credit limit is reviewed by the management periodically. The Group 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 Macau, Lao PDR and Hong Kong.

37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations as disclosed in note 1 and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

At 31 December 2017, the Group has net current liabilities of approximately HK$1,596,326,000 (2016: HK$1,199,241,000). Taking into account of the internally generated funds of the Group and other factors described in note 1, the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period.

Liquidity table

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand or within 3 months	Between 3 months to 1 year	Between 1 to 2 years	Between 2 to 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2017							
Non-interest bearing instruments	N/A	1,365,558	—	—	—	1,365,558	1,365,558
Variable interest rate instruments	3.66%	317,186	1,135,145	1,026,031	952,474	3,430,836	3,181,011
		1,682,744	1,135,145	1,026,031	952,474	4,796,394	4,546,569
At 31 December 2016							
Non-interest bearing instruments	N/A	1,008,016	—	—	—	1,008,016	1,008,016
Variable interest rate instruments	2.92%	224,629	863,549	1,449,385	1,025,748	3,563,311	3,394,667
		1,232,645	863,549	1,449,385	1,025,748	4,571,327	4,402,683

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

37. FINANCIAL INSTRUMENTS (Continued)

Fair values

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

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK$'000	Bank and other borrowings HK$'000 (note 27)	Loans from a shareholder HK$'000 (note 28)	Total HK$'000
At 1 January 2017	23,833	3,453,167	—	3,477,000
Financing cash flows (Note)	(122,097)	(1,001,000)	771,234	(351,863)
Interest expenses	132,206	15,110	—	147,316
At 31 December 2017	33,942	2,467,277	771,234	3,272,453

Note: The cash flows represent the repayments of bank and other borrowings, additions and repayments of loans from a shareholder and interest paid in the consolidated financial statement of cash flows.

39. SHARE-BASED PAYMENTS

On 5 June 2013, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution or potential contribution to the Group. Eligible participants of the Share Option Scheme include, among others, the Company's Directors, including independent non-Executive Directors, full-time or part-time employees, executive or officers of the Group, advisors, consultants, suppliers, customers and agents. The Share Option Scheme became effective on 5 July 2013 upon the Listing.

No share option has been granted since the adoption of the Share Option Scheme.

Pursuant to two four-year employment contracts signed on 20 December 2006 and 21 December 2010 between the Company and Mr. David Chow, the Company granted a total of 25,296,468 share options at an exercise price of HK$2 per share to Mr. David Chow on 23 November 2011. Pursuant to the sale and purchase agreement for acquisition of MFW Investment on 18 May 2012, the share options granted to Mr. David Chow in respect of 25,296,468 share options is adjusted to 24,412,724 share options during the year ended 31 December 2012.

The fair value of the share options at the date of grant was HK$18,666,000. Share options could be exercised from the date of grant to 22 November 2016. No share options have been exercised up to the expiry date of the share options. The share options have been lapsed during the year ended 31 December 2016.

During the year ended 31 December 2017 and 2016, no share-based payments was recognised in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

40. RELATED PARTY TRANSACTIONS

Apart from balances and transactions with related companies as disclosed elsewhere in the consolidated financial statements, the Group had no other significant transactions with related parties for both years.

Compensation to key management personnel of the Group which represents Directors is set out in note 9.

41. ACQUISITION OF THE BUSINESS OPERATION

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

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

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

41. ACQUISITION OF THE BUSINESS OPERATION (Continued)

Acquisition-related costs amounting to approximately HK$12,788,000 were excluded from the consideration transferred and were recognised as expenses during the year ended 31 December 2016 under administrative expenses.

The fair value of trade and other receivables at the date of acquisition amounted to HK$4,542,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$4,542,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows expected to be collected amounted to HK$4,542,000.

Included in the profit for the year ended 31 December 2016 was HK$12,586,000 attributable to the additional business generated by the Business Operation. Revenue for the year ended 31 December 2016 included HK$98,206,000 generated from the Business Operation.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been HK$1,594,038,000, and loss for the year ended 31 December 2016 would have been HK$195,541,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor was it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had the Business Operation been acquired at the beginning of the year ended 31 December 2016, the Directors had calculated depreciation of property and equipment and amortisation of intangible asset acquired on the basis of the fair values arising in the initial accounting for the business combination.

42. LIST OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2017	2016	Principal activities
Hong Hock*	Macau	Ordinary shares MOP1,000,000	**100%**	100%	Provision of gaming related facilities and gaming related general management services
New Macau Landmark	Macau	Ordinary shares MOP100,000	**100%**	100%	Operating hotel business
Macau Legend Development (Hong Kong) Limited*	Hong Kong	Ordinary share HK$1	**100%**	100%	Provision of management services to group companies
MFW Investment*	Macau	Ordinary shares MOP10,000,000	**100%**	100%	Operating theme park
Grand Merit Retail Group Limited	Macau	Quota shares MOP100,000	**100%**	100%	Retail of clothing, footwear and accessories
The Legend Club Limited	Macau	Quota shares MOP130,000	**100%**	100%	Holding two vessels
MLD Cabo Verde Entretenimento, S.A.	Cape Verde	Ordinary share CVE2,500,000	**100%**	100%	Operating gaming business
MLD Cabo Verde Resorts, S.A.	Cape Verde	Ordinary share CVE2,500,000	**100%**	100%	Operating hotel business
Savan Legend Resorts Sole Company Limited	Lao PDR	Ordinary share KIP336,000,000,000	**100%**	100%	Operating casino and hotel business

* 100% directly owned by the Company, except MFW Investment, which is 80% directly and 20% indirectly owned by the Company.

42. LIST OF PRINCIPAL SUBSIDIARIES (Continued)

Further to the disclosures in prospectus of the Company dated 17 June 2013 and the Company's announcement dated 31 December 2013, the Company diversified its business and has indirectly participated in the gaming promotion business through New Legend under the VIE Structure. The Group obtained all required approvals from regulatory authorities and independent shareholders of the Company during the year ended 31 December 2014 and has had control over the gaming promotion business of New Legend and rights to consolidate the financial results of New Legend since 3 July 2014 as if it was the Group's wholly-owned subsidiary, which allows the economic benefit of New Legend's business flow to the Group. As a result, the financial results of New Legend, in which 100% of the issued shares are owned by Mr. Yip Wing Fat, Frederick, was consolidated by the Group effectively as a Company's wholly-owned subsidiary.

The above table list the subsidiaries of the Company, which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries, in the opinion of the Directors, would result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investments in subsidiaries	**4,247,029**	4,247,021
Deposit paid	**697,824**	697,958
	4,944,853	4,944,979
Current assets		
Prepayments	**14,327**	13,050
Amounts due from subsidiaries	**355,206**	1,276,050
Bank balances	**2,125**	2,955
	371,658	1,292,055
Current liabilities		
Accrued charges	**2,267**	973
Amounts due to subsidiaries	**1,591,749**	2,502,177
	1,594,016	2,503,150
Net current liabilities	**(1,222,358)**	(1,211,095)
Net assets	**3,722,495**	3,733,884
Capital and reserves		
Share capital	**626,758**	626,758
Reserves	**3,095,737**	3,107,126
Total equity	**3,722,495**	3,733,884

44. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

Movements in reserves

	Share premium HK$'000	Other reserve HK$'000 (Note)	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	4,328,340	202,312	18,666	(1,336,071)	3,213,247
Loss and total comprehensive expense for the year	—	—	—	(11,029)	(11,029)
Repurchase and cancellation of shares	(95,092)	—	—	—	(95,092)
Lapse of share options	—	—	(18,666)	18,666	—
At 31 December 2016	4,233,248	202,312	—	(1,328,434)	3,107,126
Loss and total comprehensive expense for the year	—	—	—	(11,389)	(11,389)
At 31 December 2017	4,233,248	202,312	—	(1,339,823)	3,095,737

Note: The other reserve represents the difference between the nominal value of the shares of subsidiaries acquired by the Company and the nominal value of the shares of the Company issued for acquisition at the time of group reorganisation in December 2006 less dividends distributed from pre-acquisition reserves of the subsidiaries.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for last five years is set out below:

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**1,836,057**	1,471,461	1,436,143	1,811,112	1,763,754
Cost of sales and services	**(1,341,174)**	(1,058,447)	(1,015,609)	(881,828)	(777,179)
	494,883	413,014	420,534	929,284	986,575
Other income, gains and losses	**(65,442)**	21,702	2,047	138,715	62,695
Marketing and promotional expenses	**(183,791)**	(154,325)	(133,883)	(89,511)	(44,156)
Operating, administrative and other expenses	**(576,138)**	(513,522)	(477,436)	(415,649)	(439,593)
Finance costs	**(103,751)**	(23,491)	(84,749)	(88,877)	(58,971)
(Loss) profit before taxation	**(434,239)**	(256,622)	(273,487)	473,962	506,550
Income tax (charge) credit	**(73,102)**	(20,873)	4,979	4,979	3,329
(Loss) profit for the year	**(507,341)**	(277,495)	(268,508)	478,941	509,879

	At 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**11,676,824**	11,268,333	11,864,772	12,537,920	7,813,406
Total liabilities	**(5,440,519)**	(4,575,909)	(4,771,681)	(5,078,228)	(2,216,929)
Net assets	**6,236,305**	6,692,424	7,093,091	7,459,692	5,596,477

PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties of the Group as at 31 December 2017 are set out below:

Property name	Location	Use	Lease term	Percentage of interest attributable to the Group
The Landmark Macau	The Hotel and Car Park Portions of Macau Landmark, Avenida da Amizade Nos. 519-597, Rua de Xangai Nos. 38-78-B, Alameda Dr. Carlos d' Assumpcao Nos. 565-605-C, Macau	Hotel/ Commercial/ Car Park	Medium	100%
Macau Fisherman's Wharf	Phase I and Phase I Extension of a Tourism and Entertainment Complex known as "Macau Fisherman's Wharf" (澳門漁人碼頭) at Avenida da Amizade (友誼大馬路), Macau	Hotel/ Commercial/ Car Park	Medium	100%

DEFINITIONS

In this report, the following expressions shall, unless the content otherwise requires, have the following meanings:

"2017 AGM"	the annual general meeting of the Company to be held on 23 June 2017
"Acquisition"	the Group has taken over the management and operations of Savan Legend on 1 September 2016
"Adjusted EBITDA"	the Group's earnings before interest income, finance costs, income taxes, depreciation, release of prepaid lease payments, amortisation, gain/loss on disposal of property and equipment, exchange gain/loss arising from non-operating activities, share-based payments, pre-opening expenses and one-off costs incurred or associated with corporate exercises, where applicable
"ADR"	average daily room rate
"All Landmark"	All Landmark Properties Limited, a controlled corporation of Mr David Chow
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Cape Verde"	the Republic of Cabo Verde
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company"	Macau Legend Development Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Corporate Guarantors"	the Company, New Macau Landmark and Hong Hock
"David Chow Share Options"	the option to subscribe for 24,412,724 Shares, as adjusted, granted by the Company to Mr David Chow in November 2011, lapsed on 23 November 2016
"DICJ"	Direcção de Inspecção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
"Directors"	the directors of the Company
"Elite Success"	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

DEFINITIONS (CONTINUED)

"Exclusive Management and Consultancy Services Agreement"	the exclusive management and consultancy services agreement dated 16 April 2014 entered into between Hong Hock and New Legend
"Exclusive Undertaking to Sell Agreement"	the exclusive undertaking to sell agreement dated 16 April 2014 entered into among Hong Hock, New Legend and Mr Frederick Yip
"Facility"	a five-year transferable term loan facility in the amount of HK$4,221,000,000 provided by the Lenders to MFW Investment
"Facility Agreement"	the facility agreement dated 8 April 2014 and entered into among MFW Investment, the Corporate Guarantors, ICBC Macau and the other Lenders relating to the Facility
"Grand Bright"	Grand Bright Holdings Limited, a controlled corporation of Madam Lam
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Hock"	Hong Hock Development Company Limited, a company incorporated in Macau and a subsidiary of the Company
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"ICBC Macau"	Industrial and Commercial Bank of China (Macau) Limited
"Lao PDR"	The Lao People's Democratic Republic
"Lenders"	the lenders of the Facility which are banks and financial institutions
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange with effect from 5 July 2013
"Listing Date"	the date when the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Madam Lam"	Madam Lam Fong Ngo, the vice chairman, an executive Director, a controlling shareholder (as defined in the Listing Rules) of the Company, the mother of Mr David Chow and the grandmother of Mr Donald Chow
"Majority Lenders"	Lenders who have participated in $66^2/_3$% or more of the total commitments, or if the Facility has been drawn, $66^2/_3$% or more of the total outstanding under the Facility

"MFW"	Macau Fisherman's Wharf operated by MFW Investment
"MFW Group"	MFW Investment and its subsidiaries
"MFW Investment"	Macau Fisherman's Wharf International Investment Limited, a company incorporated in Macau and a subsidiary of the Company
"MFW Redevelopment"	the redevelopment of MFW
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"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, a controlling shareholder (as defined in the Listing Rules) of the Company, the spouse of Ms Melinda Chan, the son of Madam Lam and the father of Mr Donald Chow
"Mr Donald Chow"	Mr Chow Wan Hok, Donald, an executive Director, the corporate development director and Babylon Casino director of the Company, the son of Mr David Chow and Ms Melinda Chan, and the grandson of Madam Lam
"Mr Frederick Yip"	Mr Yip Wing Fat, Frederick, the sole shareholder and sole director of New Legend and the executive vice president, head of casino operations of the Company
"Ms Melinda Chan"	Ms Chan Mei Yi, Melinda, a president of MFW Investment, the spouse of Mr David Chow and the mother of Mr Donald Chow
"New Legend"	New Legend VIP Club Limited, a company incorporated in Macau by Mr Frederick Yip, and consolidated as a subsidiary of the Company under the VIE Structure
"New Macau Landmark"	New Macau Landmark Management Limited, a company incorporated in Macau and a subsidiary of the Company
"Nomination Committee"	the nomination committee of the Company
"Power of Attorney"	the power of attorney dated 16 April 2014 executed by Mr Frederick Yip in favour of Hong Hock
"PRC"	the People's Republic of China
"Project Cape Verde"	the project of developing an integrated leisure, tourism and entertainment complex in Praia, the capital city of Cape Verde

"Prospectus"	the prospectus of the Company dated 17 June 2013
"Remuneration Committee"	the remuneration committee of the Company
"REVPAR"	revenue per available room
"RMB"	Renminbi, the lawful currency of the PRC
"Savan Legend"	Savan Legend Resorts Sole Company Limited, a company incorporated in the Lao PDR and a subsidiary of the Company, which operates Savan Legend Hotel and Entertainment Complex
"Service Agreement"	the service agreement dated 25 September 2006 and its related amendments entered into between Hong Hock and SJM, under which the Group provides gaming services to SJM in the Group's two major casinos, namely Pharaoh's Palace Casino in The Landmark Macau and Babylon Casino in MFW
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share Option Scheme"	the share option scheme adopted by the Company
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Share and Equity Pledge Agreement"	the share and equity pledge agreement dated 16 April 2014 entered into among Hong Hock, New Legend and Mr Frederick Yip
"SJM"	Sociedade de Jogos de Macau, S.A.
"Stock Exchange" or "SEHK"	The Stock Exchange of Hong Kong Limited
"Supplemental Prospectus"	the supplemental prospectus of the Company dated 26 June 2013
"The Landmark Macau"	the hotel, dining, conference and casino complex, and the car parks, located at 549-567 Avenida da Amizade, Macau
"Transfer of Profit and Loan Agreement"	the transfer of profit and loan agreement dated 16 April 2014 entered into among Hong Hock, New Legend and Mr Frederick Yip
"US$"	United States dollars, the lawful currency of the United States of America
"VIE Agreements"	the Exclusive Management and Consultancy Services Agreement, the Exclusive Undertaking to Sell Agreement, the Transfer of Profit and Loan Agreement, the Share and Equity Pledge Agreement and the Power of Attorney entered into among Hong Hock, New Legend and Mr Frederick Yip, where appropriate, further details of which are set out in the Company's circular dated 9 June 2014

DEFINITIONS (CONTINUED)

"VIE Structure"	the structure established through the entering into of the VIE Agreements, which enables the Group to indirectly participate in the gaming promotion business operations in Macau through New Legend
"€"	Euro, the lawful currency of the European Union
"%"	per cent