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 澳門勵駿創建有限公司
Macau Legend Development Ltd
Macau Legend Development Limited
澳門勵駿創建有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1680)

DISCLOSEABLE TRANSACTION

DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY

THE DISPOSAL

On 20 December 2023, MLD Laos (as the vendor), a wholly-owned subsidiary of the Company, entered into the Agreement with, among others, the Purchaser pursuant to which, MLD Laos agreed to sell, and the Purchaser agreed to acquire, the entire equity interest in the Target Company, an indirect wholly-owned subsidiary of the Company, which in turn wholly owns Savan Legend (the Company's operation in Lao PDR) at the Initial Consideration of US\$39,000,000 subject to adjustment.

Prior to the Completion, the Purchaser shall have the right to assign his rights and obligations under the Agreement to a company of which he has controlling interest.

Upon the Completion, the Group will no longer have any interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and hence subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is conditional upon the satisfaction of the conditions precedent. Therefore, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

* for identification purposes only

Reference is made to the announcement of the Company dated 13 June 2023 in relation to the Letter of Intent in relation to the Disposal.

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THE AGREEMENT

Date

20 December 2023

Parties

- (a) MLD Laos as the vendor
- (b) the Company as the guarantor
- (c) Mr Shundo Yoshinari as the Purchaser

Subject Matter

MLD Laos has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interest in the Target Company, an indirect wholly-owned subsidiary of the Company, which in turn wholly owns Savan Legend (the Company's operation in Lao PDR).

The Company agrees to provide irrevocable guarantee to the Purchaser for the performance of the obligation and liabilities of MLD Laos under the Agreement.

Consideration

The Consideration is consisted of the Initial Consideration and subject to adjustment. The Initial Consideration of the Disposal is US\$39,000,000 and shall be paid in the following manner:

- (a) Initial Deposit of US\$10,000,000, which has been fully settled prior to signing of the Agreement;
- (b) the additional deposit of US\$9,500,000 which shall be paid by the Purchaser through cashier order issued by a licensed bank in Hong Kong within 15 Business Days after the signing of the Agreement;
- (c) payment of US\$19,400,000 at the Completion by the Purchaser through cashier order issued by a licensed bank in Hong Kong; and
- (d) reserves for deductible liabilities of US\$100,000, which shall be settled upon the adjustment of the Initial Consideration.

The Consideration shall be subject to adjustment as follows:

- (a) if the deductible liabilities exceed US\$100,000, MLD Laos shall pay the Purchaser such deductible liabilities whereby the Purchaser does not need to pay the reserved amount of US\$100,000 for the deductible liabilities to MLD Laos and MLD Laos shall pay the Purchaser the excess amount within seven (7) Business Days after the Completion account is finalised; or
- (b) if the deductible liabilities are US\$100,000 or less, there will be no adjustment to the Consideration and the Purchaser shall pay the reserved amount of US\$100,000 for the deductible liabilities to MLD Laos within seven (7) Business Days after the Completion account is finalised.

Prior to the Completion, MLD Laos is entitled to withdraw an aggregate of US\$1,500,000 from the bank accounts of the members of the Target Group.

The Consideration was determined after arm's length negotiations and on normal commercial terms, with reference to, among others, (i) the financial positions of the Target Company and Savan Legend; (ii) the investment cost in developing the gaming and hotel business operation in Lao PDR and its profitability; and (iii) the valuation of Savan Legend. The Board considers that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions Precedent and Completion

Completion is conditional upon the satisfaction of the following conditions:

- (1) the Purchaser or the Assignee (if applicable) having obtained the required approvals in accordance with the applicable laws for the Disposal and the articles of association of the Assignee (if applicable), including but not limited to the approval of the board of directors of the Assignee (if applicable);

- (2) MLD Laos and the Company having obtained the necessary approvals (including but not limited to the approval of their respective board of directors) in accordance with their articles of association and the Listing Rules in relation to the Disposal and the provision of guarantees pursuant to the Agreement and the Tax Deed, respectively, and the board of directors of the Target Company having approved the Disposal and the registration of the name of the Purchaser into the register of members of the Target Company;
- (3) the Purchaser meets the suitability requirements of the government of Lao PDR for investors and/or for the operations of the business of the Target Group and MLD Laos having obtained the necessary consent from the government of Lao PDR for the Disposal and the operation of the Target Group's business by the Purchaser;
- (4) at the Completion, MLD Laos confirming to the Purchaser in writing that, in respect of the Target Group, at any time prior to the Completion:
 - a) there is no material adverse event that would significantly impact the Agreement and the Disposal;
 - b) there is no ongoing or pending or threatened investigation, lawsuit, arbitration, charge or other legal proceeding by any court of competent jurisdiction, arbitral authority or any governmental authority in an amount exceeding US\$200,000 which will have material adverse impact on the Agreement and the transaction contemplated thereunder;
 - c) there is no event or circumstance which would render the warranties provided by MLD Laos pursuant to the Agreement untrue or inaccurate in any respect; and
 - d) there is no law, rule, order, decree or notice proposed, enacted or enforced by any authority or determined that would prohibit, restrict or materially delay MLD Laos from executing the Agreement and performing the obligation under the Agreement and the Disposal; and
- (5) MLD Laos having provided the Purchaser with a tax clearance certificate or confirmation of receipt issued by the competent tax authority of the government of Lao PDR and proof of payment by Savan Legend of (a) the flat tax of US\$2,500,000 payable for the assessment year of 2022 and/or prior years, and (b) the flat tax of US\$2,000,000 payable for the assessment year of 2023, as written evidence of the settlement of the payment of such payable flat tax.

Save as conditions (4) and (5) abovementioned, other conditions cannot be waived by the parties. The parties shall fulfil the conditions precedent on or before 29 February 2024, subject to an extension to 31 March 2024 with the prior consent of the Purchaser.

In the event that:

- (a) condition (1) cannot be fulfilled, MLD Laos is entitled to forfeit the Initial Deposit of US\$10,000,000 as liquidated damages and the Purchaser shall indemnify MLD Laos against all reasonable costs and expenses incurred by MLD Laos in connection with the transaction contemplated under the Agreement (including but not limited to legal, financial and other professional advisors' fees, and unpaid fees for the Purchaser's use of resources for the purpose of conducting due diligence or the transaction contemplated thereunder), as well as the deferred interest (calculated at an annual interest rate of 15% from the due date of the payment until the actual payment date) for any request by MLD Laos of such costs and expenses that the Purchaser delays in paying. Such costs, expenses and interest shall be deducted from the then part of the Consideration already paid by the Purchaser, and if such deducted amount exceeds the paid part of the Consideration, the Purchaser shall pay any shortfall to MLD Laos; whereas if, there is a surplus after deducting the Initial Deposit of US\$10,000,000, costs, expenses and interests from the then part of the Consideration already paid by the Purchaser, such surplus shall be repaid to the Purchaser; or
- (b) conditions (2) and (5) cannot be fulfilled, MLD Laos shall (i) refund to the Purchaser all amounts paid to it or the Group in relation to the Consideration, (ii) pay the purchaser a compensation of US\$10,000,000; and (iii) reimburse the Purchaser for all reasonable costs and expenses incurred by the Purchaser in connection with the transaction contemplated under the Agreement (including but not limited to due diligence costs, legal or financial advisory fees and travelling expenses), and interest for such loss arising from amounts already paid to MLD Laos or the Group by the Purchaser (calculated at an annual interest rate of 15% from the date the relevant amounts were paid to MLD Laos or the Group until the date of repayment of such amount), as liquidated damages; or
- (c) condition (3) cannot be fulfilled, MLD Laos shall (i) refund to the Purchaser all amounts then paid to it or the Group pursuant to the Agreement; and (ii) reimburse the Purchaser for all reasonable costs and expenses incurred by the Purchaser in relation to the transaction contemplated under the Agreement (including but not limited to due diligence costs, legal or financial advisory fees and travelling expenses) at a cap of US\$200,000; or
- (d) condition (4) cannot be fulfilled, MLD Laos shall refund in full all amounts already paid by the Purchaser pursuant to the Agreement.

Pursuant to the Agreement, MLD Laos undertakes that, in the event that the Transaction cannot be completed as a result of failure to fulfil condition (3) and the Company or the Group dispose of or transfer shares of the Target Company or its interest in Savan Legend to any third party within two (2) years from the date of the termination of the Agreement, MLD Laos shall pay to the Purchaser, as compensation, (i) US\$2,000,000 or (ii) the excess of the difference (the "**Consideration Difference**") between the consideration (the "**Third Party Consideration**") for the sale of Savan Legend to third party and the Initial Consideration at a cap of US\$10,000,000, whichever higher, in accordance with the terms of the Agreement as follows:

- (a) if the Third Party Consideration is lower than or equivalent to the Initial Consideration, MLD Laos shall pay US\$2,000,000 to the Purchaser as compensation; or

- (b) if the Consideration Difference is less than or equals to US\$2,000,000, MLD Laos shall pay US\$2,000,000 to the Purchaser as compensation; or
- (c) if the Consideration Difference is more than US\$2,000,000 but less than US\$10,000,000, MLD Laos shall pay the actual difference to the Purchaser as compensation; or
- (d) if the Consideration Difference is more than US\$10,000,000, MLD Laos shall pay US\$10,000,000 to the Purchaser as compensation.

Completion shall take place on the 15th Business Day following the conditions under the Agreement having been satisfied or waived (as the case may be) or such other day as MLD Laos and the Purchaser may agree in writing.

Tax Indemnity

Pursuant to the Agreement, the parties shall enter into the Tax Deed pursuant to which, MLD Laos shall indemnify the Purchaser with respect to the Target Group, in an equal amount for any taxes and all directly related reasonable expenses (including all legal and other professional costs), charges, fines, or other liabilities incurred by the Target Group on or before the Completion, or any other liabilities exceeding the amounts payable at the Completion, in accordance with the terms of the Tax Deed.

INFORMATION OF THE GROUP AND THE TARGET COMPANY

The Company is an investment holding company. The Group is one of the leading owners of entertainment and gaming facilities in Macau. It is principally engaged in the provision of gaming services and operation of casinos, hotels and entertainment and leisure facilities.

The Target Company is a limited company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding and, in particular, is the holding company of Savan Legend which is principally engaged in casino and hotel business operation in Lao PDR.

Set out below is a summary of the unaudited financial information of the Target Group for the years ended 31 December 2021 and 2022:

	For the year ended	
	31 December	
	2022	2021
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) before tax	12,027	(64,430)
Profit/(Loss) after tax	154,133	(142,750)

INFORMATION OF THE PURCHASER

Mr Shundo Yoshinari is a Japanese citizen currently residing in Japan. To the best of the Directors' knowledge, information and belief after making all reasonable enquiries based on the information provided by the Purchaser, as of the date of this announcement, Mr Shundo Yoshinari is an Independent Third Party.

FINANCIAL EFFECT OF THE DISPOSAL

Upon the Completion, the Company will not hold any equity interest in the Target Company and it will cease to be a subsidiary of the Company.

Taken into account (i) the Consideration; and (ii) the unaudited consolidated net liabilities of the Target Group of approximately HK\$182 million as at 31 October 2023; the gain before tax on the Disposal is expected to be approximately HK\$47 million.

The aforesaid estimation is for illustrative purpose only and does not purport to represent the financial position of the Group after the Completion. The actual financial effects of the Disposal will be determined with reference to the financial status of the Target Group as at the Completion.

REASONS AND BENEFITS FOR THE DISPOSAL

The Group considers that, although the gaming and hotel business in Lao PDR was profit-making for the financial year of 2022, its financial performance is unstable and such business is subject to increasingly onerous restraints in Lao PDR, thereby limiting its profitability in the future. As a result of the Disposal, it is expected that the gain on Disposal shall strengthen the cash flow of the Group allowing the Group to enhance its liquidity, and that the Group can reallocate more financial resources to its business operation in Macau and for overall future development.

The Disposal is carried out after arm's length negotiation and on normal commercial terms. The Board considers that the entering into of the Agreement and the Disposal are in the interests of the Company and the Shareholders as a whole, and the terms of the Agreement were fair and reasonable and on normal commercial terms.

The Group intends to use the net proceeds from the Disposal for general working capital including but not limited to the repayment of bank loans and the payment of interest.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and hence subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion of the Disposal is conditional upon the satisfaction of the conditions precedent. Therefore, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement entered into by MLD Laos, the Company and the Purchaser on 20 December 2023 in relation to the Disposal;
“Assignee”	a company of which the Purchaser has controlling interest and whom the Purchaser assigns his rights and obligations under the Agreement;
“Board”	the board of Directors;
“Business Day(s)”	a day on which licensed banks in Hong Kong conduct banking business, except Saturday, Sunday and statutory holidays in Hong Kong;
“BVI”	the British Virgin Islands;
“Company”	Macau Legend Development Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1680);
“Completion”	completion of the Disposal;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	total consideration of the Target Company to be adjusted as set out in the paragraph headed “Consideration” in this announcement;
“Consideration Difference”	has the meaning ascribed to it in the paragraph headed “Conditions Precedent and Completion” of this announcement;
“Directors”	director(s) of the Company;
“Disposal”	the disposal of the Target Company by MLD Laos to the Purchaser;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	individual(s) or company(ies) who/which, to the best knowledge of the Directors having made due and careful enquiries, is(are) not connected person(s) of our Company within the meaning ascribed under the Listing Rules;
“Initial Consideration”	initial consideration of the Disposal of US\$39,000,000;
“Initial Deposit”	an initial deposit of US\$10,000,000 paid by the Purchaser to the Company, being the earnest money received by the Company prior to the signing of the Agreement;
“Lao PDR”	the Lao People’s Democratic Republic;
“Letter of Intent”	the letter of intent dated 13 June 2023 entered into between the Company and the Purchaser in relation to the Disposal;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Macau”	the Macau Special Administrative Region of the People’s Republic of China;
“MLD Laos”	MLD Laos Holdings Company Limited, a wholly-owned subsidiary of the Company incorporated in the BVI and the vendor of the Disposal;
“Purchaser”	Mr Shundo Yoshinari, an Independent Third Party;
“Savan Legend”	Savan Legend Resorts Sole Company Limited, a company incorporated in Lao PDR directly wholly owned by the Target Company and in turn an indirect wholly-owned subsidiary of the Company;
“Share(s)”	the ordinary share(s) of the Company;
“Shareholder(s)”	holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	MLD Resorts Laos Limited, a limited company incorporated under the laws of BVI which is an indirect wholly-owned subsidiary of the Company;

“Target Group”	Target Company and its subsidiaries;
“Tax Deed”	tax deed to be entered into by MLD Laos, the Company and the Purchaser prior to the Completion in relation to the provision of tax indemnity by MLD Laos to the Purchaser;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

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

Hong Kong, 20 December 2023

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