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澳門博彩控股有限公司 SJM HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)
(Stock Code: 880)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the “**Board**”) of SJM Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) as follows.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Increase
	2012	2011	
	HK\$ million	HK\$ million	
Gaming Revenue	78,884	75,514	4.5%
Other Income	1,058	789	34.1%
Adjusted EBITDA*	7,631	6,928	10.1%
Profit attributable to owners of the Company	6,745	5,308	27.1%
Earnings per share			
– basic	HK121.8 cents	HK96.4 cents	26.3%
– diluted	HK120.9 cents	HK95.4 cents	26.7%
Proposed dividend per ordinary share			
– final dividend	HK50 cents	HK43 cents	16.3%
– special dividend	HK30 cents	HK22 cents	36.4%

* Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, loss on disposal of property and equipment and share-based payments.

PROPOSED FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends the payment of a final dividend of HK50 cents per ordinary share of the Company (the “**Share**”) (2011: HK43 cents per Share) and a special dividend of HK30 cents per Share (2011: HK22 cents per Share), for the year ended 31 December 2012, which are subject to approval at the forthcoming annual general meeting of the Company to be held on Friday, 31 May 2013 (the “**2013 Annual General Meeting**”).

OPERATING HIGHLIGHTS

- Profit attributable to owners of the Company grew by 27.1% to a record HK\$6,745 million.
- Adjusted EBITDA of the Group grew by 10.1% to a record HK\$7,631 million.
- Gaming revenue earned by Sociedade de Jogos de Macau, S.A. (“**SJM**”), a subsidiary of the Company, grew by 4.5% to a record HK\$78,884 million.
- SJM continued to lead in market share of the Macau casino gaming market, with overall gaming market share of 26.7%.
- Casino Grand Lisboa continued to perform strongly in 2012, contributing gaming revenue of HK\$29,233 million for the year, an increase of 28.2% over the previous year, and Adjusted Property EBITDA of HK\$4,481 million, an increase of 19.3% over the previous year.
- Casino Grand Lisboa’s mass market table gaming revenue increased by 11.5% and VIP gaming revenue increased by 34.4%, whilst VIP chips sales increased by 16.6%.
- Grand Lisboa Hotel’s occupancy rate increased by 2.4% to 95% for the full year, and average room rate increased by 3.6% to HK\$2,129.
- The Group maintained its strong balance sheet, with cash and bank balances totalling HK\$24.1 billion as at 31 December 2012.
- A final dividend of HK50 cents per Share and a special dividend of HK30 cents per Share have been proposed. If the proposed dividends are approved at the forthcoming annual general meeting of the Company, total dividends for 2012, including interim dividend of HK10 cents per Share paid in September 2012, would be HK90 cents per Share – an increase of 23.3% from 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Notes</i>	2012 HK\$ million	2011 HK\$ million
Gaming, hotel, catering and related services revenues		79,518.9	76,092.0
Gaming revenue	4	78,884.1	75,514.4
Special gaming tax, special levy and gaming premium		(30,353.7)	(29,071.1)
		48,530.4	46,443.3
Hotel, catering and related services income		634.8	577.6
Cost of sales and services on hotel, catering and related services		(276.6)	(246.0)
Other income		423.0	211.8
Marketing and promotional expenses		(34,757.4)	(34,090.7)
Operating and administrative expenses		(7,603.5)	(7,389.4)
Finance costs	5	(115.6)	(123.0)
Share of losses of an associate		(16.0)	(45.1)
Share of profits of a jointly controlled entity		7.5	7.3
Profit before taxation	6	6,826.6	5,345.8
Taxation	7	(74.9)	(35.0)
Profit for the year and total comprehensive income for the year		6,751.7	5,310.8
Profit for the year and total comprehensive income attributable to			
– owners of the Company		6,745.4	5,307.6
– non-controlling interests		6.3	3.2
		6,751.7	5,310.8
Earnings per share			
– Basic	9	HK121.8 cents	HK96.4 cents
– Diluted	9	HK120.9 cents	HK95.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	<i>Notes</i>	2012 HK\$ million	2011 HK\$ million
Non-current assets			
Property and equipment		8,130.8	8,777.2
Land use rights		739.7	775.2
Intangible asset		26.9	33.2
Art works and diamonds		289.2	289.2
Interest in an associate		12.9	28.9
Interest in a jointly controlled entity		88.0	80.5
Available-for-sale investments in equity securities		480.0	5.5
Deposits made on acquisitions		1,195.0	153.0
Amount due from a fellow subsidiary		234.2	268.7
Amount due from an associate		40.8	40.8
Amount due from a jointly controlled entity		14.3	14.3
Amount due from an investee company		112.9	128.9
Pledged bank deposits		645.8	145.6
		12,010.5	10,741.0
Current assets			
Inventories		63.8	68.5
Trade and other receivables	<i>10</i>	1,706.8	1,318.0
Loan receivables		–	246.0
Amount due from ultimate holding company		0.8	0.3
Financial assets at fair value through profit or loss		84.3	48.9
Pledged bank deposits		1.3	26.3
Short-term bank deposits		11,494.5	6,011.1
Bank balances and cash		11,931.8	14,559.9
		25,283.3	22,279.0
Current liabilities			
Trade and other payables	<i>11</i>	14,558.6	11,338.8
Amount due to non-controlling interests of a subsidiary		22.9	324.0
Obligations under finance leases		26.2	25.4
Taxation payable		62.4	38.8
Current portion of long-term bank loans		237.9	3,072.0
		14,908.0	14,799.0
Net current assets		10,375.3	7,480.0
Total assets less current liabilities		22,385.8	18,221.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2012

	2012	2011
	HK\$ million	HK\$ million
Non-current liabilities		
Obligations under finance leases	234.2	268.7
Long-term bank loans	1,490.6	–
Amount due to non-controlling interests of a subsidiary	698.3	690.8
Deferred taxation	48.7	14.9
	<u>2,471.8</u>	<u>974.4</u>
Net assets	<u>19,914.0</u>	<u>17,246.6</u>
Capital and reserves		
Share capital	5,547.8	5,522.1
Reserves	14,330.4	11,685.6
Equity attributable to owners of the Company	19,878.2	17,207.7
Non-controlling interests	35.8	38.9
Total equity	<u>19,914.0</u>	<u>17,246.6</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited company incorporated in Hong Kong and acts as an investment holding company. The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its subsidiaries are principally engaged in the development and operation of casinos and related facilities in Macau Special Administrative Region, the People's Republic of China ("**Macau SAR**"). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A., a company established in Macau SAR. The address of registered office and principal place of business of the Company is Suites 3001-3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values. The consolidated financial statements have also been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

2.1 Application of amendments to HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKAS 12

Amendments to HKFRS 7

Deferred tax: Recovery of underlying assets

Financial instruments: Disclosures – Transfers of financial assets

2.2 New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs Amendments to HKFRS 7	Annual improvements to HKFRSs 2009-2011 cycle ² Disclosures – Offsetting financial assets and financial liabilities ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ⁴
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ³
HKFRS 9	Financial instruments ⁴
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²
Amendments to HKAS 1	Presentation of items of other comprehensive income ¹
HKAS 19 (as revised in 2011)	Employee benefits ²
HKAS 27 (as revised in 2011)	Separate financial statements ²
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ²
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ³
HK(IFRIC*) – INT 20	Stripping costs in the production phase of a surface mine ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

* IFRIC represents the IFRS Interpretations Committee.

The management of the Company anticipates that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

3. OPERATING SEGMENTS

The Group is currently organised into two operating segments – gaming operations, and hotel and catering operations. Principal activities of these two operating segments are as follows:

- (i) Gaming operations – operation of casinos and related facilities
- (ii) Hotel and catering operations – operation of hotel, catering and related services

3. OPERATING SEGMENTS (Continued)

For gaming operations, the chief operating decision maker (the “CODM”), which is a group of executive directors of the Company, regularly analyses gaming revenue in terms of VIP gaming operations, mass market table gaming operations, slot machine and other gaming operations. The CODM reviews the operating results of gaming operations as a whole. For hotel and catering operations, the CODM regularly reviews the performance on the basis of individual hotel. For segment reporting under HKFRS 8, financial information of the Group’s hotels with similar economic characteristics has been aggregated into a single operating segment named “hotel and catering operations”.

Segment information about these businesses is presented below:

(a) An analysis of the Group’s revenue and results by operating segments is as follows:

	Segment revenue		Segment results	
	2012 HK\$ million	2011 HK\$ million	2012 HK\$ million	2011 HK\$ million
Gaming operations	<u>78,884.1</u>	<u>75,514.4</u>	7,083.3	5,795.9
Hotel and catering operations				
– external sales	634.8	577.6		
– inter-segment sales	<u>284.4</u>	<u>239.5</u>		
	919.2	817.1	(360.1)	(366.0)
Eliminations	<u>(284.4)</u>	<u>(239.5)</u>		
	<u>634.8</u>	<u>577.6</u>		
	<u>79,518.9</u>	<u>76,092.0</u>		
			6,723.2	5,429.9
<i>Reconciliation from segment results to profit before taxation:</i>				
Unallocated corporate income			194.7	112.6
Unallocated corporate expenses			(118.2)	(133.2)
Change in fair value of financial assets at fair value through profit or loss			35.4	(25.7)
Share of losses of an associate			(16.0)	(45.1)
Share of profits of a jointly controlled entity			<u>7.5</u>	<u>7.3</u>
Profit before taxation			<u>6,826.6</u>	<u>5,345.8</u>

3. OPERATING SEGMENTS (Continued)

Segment results represent the profit earned by each segment without allocation of corporate expenses, certain interest income, change in fair value of financial assets at fair value through profit or loss, share of results of associate/jointly controlled entity and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at a price mutually agreed by both parties.

(b) An analysis of the Group's financial position by operating segments is as follow:

	2012 HK\$ million	2011 HK\$ million
<i>Assets</i>		
Segment assets		
– gaming operations	21,535.5	18,774.3
– hotel and catering operations	6,816.8	6,487.1
	28,352.3	25,261.4
Interest in an associate	12.9	28.9
Interest in a jointly controlled entity	88.0	80.5
Unallocated bank deposits, bank balances and cash	7,297.9	6,521.6
Unallocated assets	1,542.7	1,127.6
Group's total	37,293.8	33,020.0
<i>Liabilities</i>		
Bank loans		
– gaming operations	934.6	1,375.0
– hotel and catering operations	793.9	1,697.0
	1,728.5	3,072.0
Other segment liabilities		
– gaming operations	14,395.9	11,142.9
– hotel and catering operations	238.1	220.3
	14,634.0	11,363.2
Total segment liabilities	16,362.5	14,435.2
Unallocated liabilities	1,017.3	1,338.2
Group's total	17,379.8	15,773.4

3. OPERATING SEGMENTS (Continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- (i) unallocated assets include mainly available-for-sale investments in equity securities, amounts due from a fellow subsidiary/an associate/a jointly controlled entity/an investee company, art works and diamonds, loan receivables and financial assets at fair value through profit or loss.
- (ii) unallocated liabilities include mainly amount due to non-controlling interests of a subsidiary and obligations under finance leases.
- (iii) all assets are allocated to operating segments, other than interest in associate/jointly controlled entity, unallocated bank deposits, bank balances and cash and assets not attributable to respective segments.
- (iv) all liabilities are allocated to operating segments, other than liabilities not attributable to respective segments.

(c) Other segment information of the Group

	2012	2011
	HK\$ million	HK\$ million
Additions to non-current assets (other than financial instruments)		
– gaming operations	582.0	402.8
– hotel and catering operations	45.4	135.6
– corporate level	978.6	24.5
	<u>1,606.0</u>	<u>562.9</u>
Depreciation and amortisation		
– gaming operations	613.5	601.8
– hotel and catering operations	508.6	516.5
– corporate level	3.2	2.2
	<u>1,125.3</u>	<u>1,120.5</u>
Loss on disposal and write-off of property and equipment		
– gaming operations	19.0	4.7
– hotel and catering operations	12.9	0.8
	<u>31.9</u>	<u>5.5</u>

3. OPERATING SEGMENTS (Continued)

(c) Other segment information of the Group (Continued)

	2012 HK\$ million	2011 HK\$ million
Share-based payments		
– gaming operations	0.2	510.5
– corporate level	–	25.4
	<u>0.2</u>	<u>535.9</u>
Finance costs		
– gaming operations	30.6	29.2
– hotel and catering operations	38.0	35.1
– corporate level	47.0	58.7
	<u>115.6</u>	<u>123.0</u>
Interest income		
– gaming operations	166.2	87.0
– hotel and catering operations	10.6	0.4
– corporate level	177.1	83.0
	<u>353.9</u>	<u>170.4</u>

All revenues during each of the reporting periods are derived from customers in Macau SAR and almost all of the non-current assets, other than financial instruments, of the Group are located in Macau SAR. None of the customers of the Group contributed more than 10% of the total revenues during each of the reporting periods.

4. GAMING REVENUE

	2012 HK\$ million	2011 HK\$ million
Gaming revenue from		
– VIP gaming operations	53,281.5	52,778.8
– mass market table gaming operations	24,104.0	21,280.7
– slot machine and other gaming operations	1,498.6	1,454.9
	<u>78,884.1</u>	<u>75,514.4</u>

5. FINANCE COSTS

	2012 HK\$ million	2011 HK\$ million
Interest on		
– bank borrowings wholly repayable within five years	(68.6)	(64.1)
– finance leases repayable within five years	(2.8)	(3.0)
– finance leases not wholly repayable within five years	(4.1)	(7.0)
Imputed interest on amount due to non-controlling interests of a subsidiary	(40.1)	(46.2)
Imputed interest on convertible bonds	–	(2.7)
	<u>(115.6)</u>	<u>(123.0)</u>

6. PROFIT BEFORE TAXATION

	2012 HK\$ million	2011 HK\$ million
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration		
– fees, salaries, bonus and other benefits	81.8	60.2
– share-based payments	–	530.3
	<u>81.8</u>	<u>590.5</u>
Retirement benefits scheme contributions for other staff	85.6	74.1
Less: Forfeited contributions	(21.2)	(28.3)
	<u>64.4</u>	<u>45.8</u>
Share-based payments to other staff	0.2	5.6
Other staff costs	4,534.1	3,800.3
	<u>4,534.3</u>	<u>3,805.9</u>
	<u>4,680.5</u>	4,442.2
Auditor's remuneration		
– audit services	8.3	8.7
– non-audit services	5.3	9.3
	<u>13.6</u>	<u>18.0</u>

6. PROFIT BEFORE TAXATION (Continued)

	2012 HK\$ million	2011 HK\$ million
Operating lease rentals in respect of		
– land use rights	44.0	43.5
– rented premises	<u>363.2</u>	<u>313.4</u>
	<u>407.2</u>	<u>356.9</u>
Allowance for doubtful debts	3.9	10.0
Amortisation of intangible asset (included in operating and administrative expenses)	6.3	6.3
Depreciation of property and equipment	1,119.0	1,114.2
Loss on disposal and write-off of property and equipment	31.9	5.5
Loss on fair value changes on financial assets at fair value through profit or loss	–	25.7
Write-off of art works	–	1.2
<i>and after crediting to other income:</i>		
Dividend income	9.9	23.7
Gain on fair value changes on financial assets at fair value through profit or loss	35.4	–
Gain on disposal of available-for-sale investments	7.5	–
Interest income from		
– a fellow subsidiary	6.9	9.8
– bank deposits	343.4	153.8
– loan receivables	<u>3.6</u>	<u>6.8</u>
	<u>353.9</u>	<u>170.4</u>

7. TAXATION

	2012 HK\$ million	2011 HK\$ million
Current year taxation	(41.1)	(17.5)
Underprovision in prior year	<u>–</u>	<u>(2.6)</u>
	(41.1)	(20.1)
Deferred taxation	<u>(33.8)</u>	<u>(14.9)</u>
	<u>(74.9)</u>	<u>(35.0)</u>

7. TAXATION (Continued)

No provision for Macau SAR Complementary Tax (“CT”) on gaming related income is made for a subsidiary of the Company, Sociedade de Jogos de Macau, S.A. (“SJM”). Pursuant to the approval notice issued by Macau SAR government dated 8 December 2007, SJM has been exempted from CT for income generated from gaming operations for the years from 2007 to 2011. This exemption has been further extended for the years from 2012 to 2016 pursuant to an approval notice from Macau SAR government dated 23 November 2011.

In addition, pursuant to the approval letters dated 2 December 2008 and 10 August 2012 issued by the Finance Services Bureau of the Macau SAR government, SJM’s shareholders were obligated to pay a dividend tax of MOP18.0 million (equivalent to HK\$17.5 million) and MOP42.3 million (equivalent to HK\$41.1 million) for dividend distribution by SJM (the “Special Tax”) for each of the years from 2007 to 2011 and from 2012 to 2016, respectively. During the year, the Company, as a shareholder of SJM, was obligated to pay HK\$41.1 million (2011: HK\$17.5 million).

Regarding the other subsidiaries, CT 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 as the Group’s profit neither arises in, nor is derived from, Hong Kong.

8. DIVIDENDS

	2012 HK\$ million	2011 HK\$ million
2010 final dividend of HK30 cents per ordinary share paid	–	1,653.4
2011 interim dividend of HK8 cents per ordinary share paid	–	441.4
2011 final dividend of HK43 cents per ordinary share paid	2,383.7	–
2011 special dividend of HK22 cents per ordinary share paid	1,219.6	–
2012 interim dividend of HK10 cents per ordinary share paid	554.6	–
	<u>4,157.9</u>	<u>2,094.8</u>

The final dividend of HK50 cents per ordinary share and a special dividend of HK30 cents per ordinary share, totalling HK\$4,438.3 million, is proposed by the directors of the Company at a board meeting held on 27 February 2013, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,547,844,293 ordinary shares in issue at the date of this report.

9. EARNINGS PER SHARE

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

	2012	2011
	HK\$ million	HK\$ million
<i>Earnings</i>		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	6,745.4	5,307.6
Effect of dilutive potential ordinary shares – imputed interest on convertible bonds	<u>–</u>	<u>2.7</u>
Earnings for the purpose of diluted earnings per share	<u>6,745.4</u>	<u>5,310.3</u>
	2012	2011
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>5,538,603,924</u>	<u>5,505,065,288</u>
Effect of dilutive potential ordinary shares on – share options	39,918,931	53,335,481
– conversion of convertible bonds	<u>–</u>	<u>8,240,144</u>
	<u>39,918,931</u>	<u>61,575,625</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,578,522,855</u>	<u>5,566,640,913</u>

10. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK\$ million	HK\$ million
Advances to gaming promoters and patrons	1,157.6	915.7
Other receivables from gaming promoters	60.6	61.8
Prepayments	112.3	94.0
Other receivables (<i>Note</i>)	<u>376.3</u>	<u>246.5</u>
	<u>1,706.8</u>	<u>1,318.0</u>

Note: Other receivables mainly include deposits paid for rentals and operating supplies, interest receivable, credit card receivables and current portion of lease receivable from a fellow subsidiary.

10. TRADE AND OTHER RECEIVABLES (Continued)

The following is the aged analysis of advances to gaming promoters and patrons at the end of the reporting period based on the date of credit granted:

	2012 HK\$ million	2011 HK\$ million
Age		
0 to 30 days	1,154.1	905.7
Over 90 days	3.5	10.0
	<u>1,157.6</u>	<u>915.7</u>

The advances to gaming promoters and patrons mainly include pre-approved interest-free revolving credit lines and short-term temporary interest-free advances. All advances to gaming promoters are unsecured, repayable on demand at discretion of the Group and generally require cheques and guarantees. For the advances to gaming patrons, the credit period granted to pre-approved gaming patrons with good financial track records is generally 15 days. At 31 December 2012, the advances to gaming patrons of HK\$1.7 million (2011: nil) are neither past due nor impaired.

Advances are only granted to gaming promoters and patrons with good credit histories and financial track records. With the consent of gaming promoters, the Group can offset the advances against commission payables to or deposits from relevant gaming promoters under the gaming promoter agreements. In the event that a gaming promoter fails to repay credit granted by the Group, the Group has the right, pursuant to the relevant gaming promoter agreement, to offset or withhold the commission payable and other payables to that gaming promoter realise cheques and execute guarantees.

The other receivables from gaming promoters are interest-free, unsecured and repayable on demand at discretion of the Group.

Movement in the allowance for doubtful debts

	2012 HK\$ million	2011 HK\$ million
At 1 January	88.1	78.1
Write-off	(4.9)	–
Allowance for doubtful debts	4.2	13.0
Amounts recovered during the year	(0.3)	(3.0)
	<u>87.1</u>	<u>88.1</u>

10. TRADE AND OTHER RECEIVABLES (Continued)

Allowance for doubtful debts with an aggregate balance of HK\$87.1 million (2011: HK\$88.1 million) mainly represent individually impaired receivables from gaming promoters as the management considered the outstanding balances from these gaming promoters were uncollectible.

11. TRADE AND OTHER PAYABLES

	2012 HK\$ million	2011 HK\$ million
Trade payables	2,864.4	2,184.2
Special gaming tax payable	2,746.2	2,329.6
Chips liabilities	6,587.2	4,991.4
Payables for acquisition of property and equipment	191.7	102.4
Construction payables	118.9	133.8
Deposits received from gaming patrons and gaming promoters	864.7	693.6
Accrued staff costs	501.5	332.9
Rentals payables	197.3	134.5
Withholding tax payable for gaming promoters and employees	24.0	38.7
Other payables and accruals	462.7	397.7
	<u>14,558.6</u>	<u>11,338.8</u>

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

	2012 HK\$ million	2011 HK\$ million
Age		
0 to 30 days	2,833.1	2,159.1
31 to 60 days	16.9	15.0
61 to 90 days	1.5	1.9
Over 90 days	12.9	8.2
	<u>2,864.4</u>	<u>2,184.2</u>

The average credit period on trade payables is 90 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

BUSINESS REVIEW

(All amounts expressed in Hong Kong dollars unless otherwise stated)

Group Operating Results

The Group's total revenue, gaming revenue, profit attributable to owners of the Company, Adjusted EBITDA and Adjusted EBITDA Margin for the year ended 31 December 2012 each increased substantially from last year:

Group operating results	For the year ended 31 December		Increase
	2012 HK\$ million	2011 HK\$ million	
Total revenue	79,519	76,092	4.5%
Gaming revenue	78,884	75,514	4.5%
Profit attributable to owners of the Company	6,745	5,308	27.1%
Adjusted EBITDA ¹	7,631	6,928	10.1%
Adjusted EBITDA Margin ²	9.6%	9.1%	0.5%

¹ Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, loss on disposal of property and equipment and share-based payments.

² Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of total revenue.

Growth in gaming revenue in 2012 comprised increases in mass market table gaming revenue of 13.3%, VIP gaming revenue of 1.0%, and slot machine and other gaming revenue of 3.0%, which reflected increased visitation to Macau from the China Mainland as well as increased spending per visitor. During 2012, the Group accounted for 26.7% of Macau's record casino gaming revenue of \$295,280 million, the largest market share among the six concessionaires and subconcessionaires. The Group's overall market share declined from 29.0% for the full year 2011 due primarily to the opening of new capacity by two competitors in Cotai in May 2011 and April 2012.

Besides growth of gaming revenue, other factors that contributed to higher Adjusted EBITDA in the year were improved operating results at Ponte 16 and Grand Lisboa Hotel. The Group's Adjusted EBITDA margin for the year was 9.6%, an increase from 9.1% in 2011. If calculated under United States generally accepted accounting principles ("US GAAP"), the Group's Adjusted EBITDA margin would be 16.9% for 2012, as compared with 16.3% in 2011 (See "Comparison with United States GAAP Accounting" below).

Net profit for the year 2012 was affected by deductions of share-based payments of \$0.2 million, as compared with \$536 million in the previous year. Depreciation in 2012 was \$1,119 million compared with \$1,114 million in 2011, and interest expense was \$116 million, compared with \$123 million.

Operating Results – VIP Gaming

VIP operations	For the year ended 31 December		Increase/ (Decrease)
	2012	2011	
Gaming revenue (HK\$ million)	53,282	52,779	1.0%
Average daily net-win per VIP gaming table (HK\$)	240,625	243,024	(1.0)%
VIP chips sales (HK\$ million)	1,757,756	1,830,047	(4.0)%
Average number of VIP gaming tables (Average of month-end numbers)	605	595	1.7%

VIP gaming operations accounted for 67.5% of the Group's total gaming revenue in 2012, as compared with 69.9% for the previous year. As at 31 December 2012, SJM had 587 VIP gaming tables in operation with 36 VIP promoters, as compared with 609 VIP gaming tables and 32 VIP promoters as at 31 December 2011. As at 31 December 2012, SJM operated VIP gaming in 14 of its casinos.

As VIP chips sales for the year decreased by 4.0%, the increase in VIP gaming revenue of 1.0% resulted from a higher hold rate for the year. The hold rate for SJM's VIP operations increased in 2012 to 3.03% from 2.88% in 2011.

Operating Results – Mass Market Table Gaming

Mass market operations	For the year ended 31 December		Increase
	2012	2011	
Gaming revenue (HK\$ million)	24,104	21,281	13.3%
Average daily net-win per mass market gaming table (HK\$)	56,579	50,218	12.7%
Average number of mass market gaming tables (Average of month-end numbers)	1,164	1,161	0.3%

Gaming revenue from mass market table gaming operations comprised 30.6% of the Group's total gaming revenue in 2012, as compared with 28.2% in 2011. SJM had 1,184 mass market gaming tables in operation as at 31 December 2012, as compared with 1,166 mass market gaming tables as at 31 December 2011.

Increased mass market table gaming revenue of 13.3% resulted from increased visitation to Macau from the Mainland and the Asian region as well as increased spending per visitor.

Operating Results – Slot Machines and Other Gaming Operations

Slot machine operations	For the year ended 31 December		Increase/ (Decrease)
	2012	2011	
Gaming revenue (HK\$ million)	1,499	1,455	3.0%
Average daily net-win per slot machine (HK\$)	1,083	1,009	7.3%
Average number of slot machines (Average of month-end numbers)	3,776	3,947	(4.3)%

Gaming revenue from slot machine operations, which include other electronic gaming machines and the game of Tombola, comprised 1.9% of the Group's total gaming revenue in 2012, the same as in 2011. SJM had 3,532 slot machines in service as at 31 December 2012 as compared with 3,910 slot machines as at 31 December 2011.

As at 31 December 2012, SJM operated slot machines in 14 of its casinos and in two slot halls. In January 2011, SJM ceased operations at Tiger Slot Lounge at the Macau Tower, and in November 2012, SJM ceased operations at the Macau Jockey Club Slot Lounge.

Operating Results of Casino Segments – Casino Grand Lisboa

SJM's flagship Casino Grand Lisboa achieved substantial growth in revenue and profitability during the year. Visitation to Grand Lisboa grew during the year, from an average of 34,733 visitors per day in the first quarter, to an average of 40,770 visitors per day in the fourth quarter. Narrowing of the Adjusted Property EBITDA Margin resulted from more rapid growth in VIP gaming revenue as compared to growth in mass market gaming revenue.

Casino Grand Lisboa	For the year ended 31 December		Increase/ (Decrease)
	2012	2011	
Revenue (HK\$ million)	29,233	22,797	28.2%
Profit attributable to the Group (HK\$ million)	4,223	3,232	30.6%
Adjusted Property EBITDA ³ (HK\$ million)	4,481	3,756	19.3%
Adjusted Property EBITDA Margin ⁴	15.3%	16.5%	(1.1)%

³ Adjusted Property EBITDA is earnings after adjustment for non-controlling interest and before accounting for interest income and expense, tax, depreciation and amortisation, donations, loss on disposal of property and equipment and share-based payments, and before elimination of inter-company consumption.

⁴ Adjusted Property EBITDA Margin is Adjusted Property EBITDA as a percentage of revenue.

Operating results of Casino Grand Lisboa by operating segment are as follows:

Casino Grand Lisboa	For the year ended 31 December		Increase/ (Decrease)
	2012	2011	
<i>VIP operations</i>			
Gaming revenue (HK\$ million)	22,714	16,896	34.4%
Average daily net-win per VIP gaming table (HK\$)	413,738	364,482	13.5%
VIP chips sales (HK\$ million)	762,016	653,533	16.6%
Average number of VIP gaming tables (Average of month-end numbers)	150	127	18.1%
<i>Mass market operations</i>			
Gaming revenue (HK\$ million)	6,073	5,449	11.5%
Average daily net-win per mass market gaming table (HK\$)	71,218	61,940	15.0%
Average number of mass market gaming tables (Average of month-end numbers)	233	241	(3.3)%
<i>Slot machine operations</i>			
Gaming revenue (HK\$ million)	446	453	(1.5)%
Average daily net-win per slot machine (HK\$)	1,639	1,619	1.2%
Average number of slot machines (Average of month-end numbers)	743	766	(3.0)%

During 2012 Casino Grand Lisboa expanded its VIP gaming operations from 134 tables as at 1 January 2012 to 175 tables as at 31 December 2012. Two areas of the property were converted for VIP gaming, on the 31st floor (since February) and on the 9th and 10th floors (since September). Mass market table gaming grew during the year due to increased numbers of visitors and greater spending at gaming tables, particularly by high limit mass market customers.

If calculated under US GAAP, the Adjusted Property EBITDA margin of Casino Grand Lisboa would be approximately 25.8% for 2012, as compared with 27.2% in 2011 (See “Comparison with United States GAAP Accounting” below).

During 2012, Casino Grand Lisboa attracted a total of over 13.6 million visitors, an average of 37,238 visitors per day, an increase of 11.1% over the previous year. To continue attracting gaming patrons, Casino Grand Lisboa frequently launches special promotions, such as “Treasure Triumph”, “Double Goal” and “Fortune Multiplier”. Jackpots are paid frequently, with the total exceeding \$277 million for slot machines and over \$75 million for table games (Caribbean Stud Poker) in 2012. During the year, the number of active members of the Casino Grand Lisboa loyalty card programme increased by over 88,000 to 476,966.

As at 31 December 2012, Casino Grand Lisboa operated a total of 175 VIP gaming tables, 240 mass market gaming tables and 731 slot machines.

Operating Results of Casino Segments – Other Self-promoted Casinos and Slot Halls

Other self-promoted casinos are Casino Lisboa, Casino Oceanus at Jai Alai and Casino Jai Alai, all located on the Macau Peninsula. The latter two casinos operate under the same license. The Group also operates two self-promoted slot halls, namely Treasure Hunt Slot Lounge and Yat Yuen Canidrome Slot Lounge (collectively, “Other Self-promoted Casinos and Slot Halls”).

Other self-promoted casinos and slot halls	For the year ended 31 December		Increase/ (Decrease)
	2012	2011	
Revenue (HK\$ million)	11,084	12,012	(7.7)%
Profit attributable to the Group (HK\$ million)	1,000	929	7.6%
Adjusted EBITDA (HK\$ million)	1,189	1,228	(3.1)%
Adjusted EBITDA Margin	10.7%	10.2%	0.5%

Adjusted Property EBITDA Margin for these operations increased mainly due to a comparatively smaller proportion of VIP gaming revenue at Casino Lisboa during the year, and an increase in revenue per table at Casino Oceanus at Jai Alai. Operating results of other self-promoted casinos and slot halls by operating segment are as follows:

Other self-promoted casinos and slot halls	For the year ended 31 December		Increase/ (Decrease)
	2012	2011	
<i>VIP operations</i>			
Gaming revenue (HK\$ million)	6,117	7,449	(17.9)%
Average daily net-win per VIP gaming table (HK\$)	341,098	364,428	(6.4)%
VIP chips sales (HK\$ million)	214,052	252,448	(15.2)%
Average number of VIP gaming tables (Average of month-end numbers)	49	56	(12.5)%
<i>Mass market operations</i>			
Gaming revenue (HK\$ million)	4,497	4,135	8.8%
Average daily net-win per mass market gaming table (HK\$)	38,275	35,070	9.1%
Average number of mass market gaming tables (Average of month-end numbers)	321	323	(0.6)%
<i>Slot machine operations</i>			
Gaming revenue (HK\$ million)	470	428	9.6%
Average daily net-win per slot machine (HK\$)	1,044	921	13.4%
Average number of slot machines (Average of month-end numbers)	1,226	1,271	(3.5)%

As at 31 December 2012, Casino Lisboa operated a total of 48 VIP gaming tables, 131 mass market gaming tables and 72 slot machines.

As at 31 December 2012, Casino Oceanus at Jai Alai and Casino Jai Alai operated a total of 188 mass market gaming tables, one VIP gaming table and 648 slot machines.

Operating Results of Casino Segments – Satellite Casinos and Slot Hall

As at 31 December 2012, SJM operated 14 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Macau Jockey Club, Casino Greek Mythology, Casino Jimei, Casino Kam Pek Paradise, Casino Lan Kwai Fong, Casino L'Arc Macau, Casino Ponte 16 and Casino Club VIP Legend. A third party-promoted slot hall, Tiger Slot Lounge located at Macau Tower, ceased operations on 19 January 2011.

Twelve of SJM's satellite casinos are located on the Macau Peninsula whilst two satellite casinos are located on the island of Taipa, comprising a total of 625 mass market gaming tables, 363 VIP gaming tables and 1,718 slot machines, as at 31 December 2012.

The satellite casinos are operated in accordance with service agreements between SJM and third party promoters.

Satellite casinos and slot hall	For the year ended 31 December		Increase/ (Decrease)
	2012	2011	
Revenue (HK\$ million)	38,567	40,706	(5.3)%
Profit attributable to the Group (HK\$ million)	1,635	1,525	7.2%
Adjusted EBITDA (HK\$ million)	1,590	1,661	(4.3)%
Adjusted EBITDA Margin	4.1%	4.1%	–

Operating results of satellite casinos and slot hall by operating segment are as follows:

Satellite casinos and slot hall	For the year ended 31 December		Increase/ (Decrease)
	2012	2011	
<i>VIP operations</i>			
Gaming revenue (HK\$ million)	24,450	28,434	(14.0)%
Average daily net-win per VIP gaming table (HK\$)	164,541	189,083	(13.0)%
VIP chips sales (HK\$ million)	781,687	924,066	(15.4)%
Average number of VIP gaming tables (Average of month-end numbers)	406	412	(1.5)%
<i>Mass market operations</i>			
Gaming revenue (HK\$ million)	13,534	11,698	15.7%
Average daily net-win per mass market gaming table (HK\$)	60,619	53,682	12.9%
Average number of mass market gaming tables (Average of month-end numbers)	610	597	2.2%
<i>Slot machine operations</i>			
Gaming revenue (HK\$ million)	583	574	1.6%
Average daily net-win per slot machine (HK\$)	882	823	7.2%
Average number of slot machines (Average of month-end numbers)	1,807	1,911	(5.4)%

Non-gaming Operations

For the year ended 31 December 2012, the Grand Lisboa Hotel contributed \$660 million in revenue and \$205 million in Adjusted Property EBITDA to the Group as compared with \$586 million in revenue and \$203 million in Adjusted Property EBITDA for the previous year. The occupancy rate of the hotel, based on 412 average available rooms, averaged 95.0% for the full year, as compared with 92.6% for the previous year, and the average room rate for the full year 2012 was approximately \$2,129 as compared with \$2,055 in 2011.

Food and beverage units at the Grand Lisboa continued to earn international recognition. In the 2012 Michelin Guide Awards, Robuchon au Dôme received three stars and our Cantonese restaurant The Eight received two stars, while the Noodles and Congee Corner was awarded a “Bib Gourmand.” The Miele Guide selected Robuchon au Dôme as No. 1 in Asia, and the wine cellars of Robuchon au Dôme and Don Alfonso 1890 received the Grand Award from *Wine Spectator*.

Operating results for the Sofitel at Ponte 16, in which SJM's interest is 51%, improved during 2012 and contributed \$184 million in revenue to the Group, compared with a contribution of \$162 million in 2011. The occupancy rate of the 408-room hotel averaged 80.8% for the full year 2012 as compared with 72.8% in 2011, and the average room rate increased by 0.7% to \$1,210. The Sofitel at Ponte 16 received numerous travel industry awards in 2012 including the Travelers' Choice 2012 Award as one of the "Top 25 Best Hotels in Greater China."

Income from all hotel, catering and related services, after inter-company elimination, totaled \$635 million in 2012, an increase of 9.9% from \$578 million in 2011, due primarily to increased hotel room occupancy. Other income, primarily interest earned on bank deposits, finance leases interest received and dividend income from investment in financial assets at fair value, increased to \$423 million from \$212 million during the year.

PROSPECTS AND RECENT DEVELOPMENTS

(All amounts expressed in Hong Kong dollars unless otherwise stated)

Business Model and Key Strategies

Our strategic objective is sustainable long-term growth in shareholder value. As a leading operator, owner and developer of casinos and related businesses in Macau, our key strategies for delivering this objective are as follows:

- We will continue to build, own and manage or invest in casinos and related businesses in Macau, as permitted by government regulation.
- We will continue to improve and enhance the efficiency of our existing properties in both the mass market and VIP segments of the gaming business.
- We will remain focused principally on Macau, while selectively considering opportunities for future expansion in the Asian region.
- We will maintain a strong financial position, with a view to long-term growth.

Market Environment

Growth of Macau's total gaming revenue by 13.5% in 2012 reflected the strength and financial liquidity of the regional economy, as well as Macau's growing appeal as a holiday destination particularly for visitors from the Mainland.

Whilst visitation to Macau increased by 0.3% to 28,082,292 in 2012, according to the Macau Government Statistics and Census Service, visitors from the Mainland increased by 4.6% to 16,902,499, or 60.2% of the total, of which 7,131,904 traveled to Macau under the Individual Visa Scheme. Per Capita spending in Macau by visitors increased by 15.1% over 2011 to \$1,864. During the Lunar New Year period in February 2013, visitation achieved a record level, with the Macau government reporting 991,113 visitor arrivals, an increase of 15.2% over the previous Lunar New Year holiday period.

The Group expects that its future prospects are excellent, given continued robust growth of visitation and spending in Macau, infrastructure developments that improve access to Macau, the general prosperity of the Asian region, the Group's strategically located network of casinos and its strong balance sheet.

Current and Recent Initiatives

In pursuit of the Group's strategy of growing its business through expansion of casino and casino-related operations in Macau and improvement in the operating efficiency of existing business units, the Group has been and is progressing on a number of initiatives in 2012 and 2013, which are described below.

- **at Cotai**

On 19 October 2012, SJM accepted the proposed draft Land Concession Contract in respect of the lease of a site on Cotai with an area of 70,468 square metres. The proposed draft Land Concession Contract permits SJM to develop a complex containing a five-star hotel with total gross floor area of 521,435 square metres and with gaming areas on the site. It also permits SJM, as a gaming concessionaire, to operate and manage gaming operations on the site.

The total contract premium payable to the Macau Government by SJM as determined by the Macau Government and pursuant to the proposed draft Land Concession Contract is MOP2,150,504,955 (equivalent to approximately \$2,087,868,888). The initial payment of the contract premium in the amount of MOP800 million (equivalent to approximately \$776,699,029) was paid on 19 December 2012.

The acceptance of the proposed draft Land Concession Contract represents a milestone development for the Group as it offers the opportunity for SJM to expand its existing gaming operations from Macau Peninsula to Cotai and to enhance the Group's revenue in the future upon completion of the development. SJM plans to build a casino gaming resort and intends to apply to the Macau Government to operate approximately 700 gaming tables and 1,000 slot machines as well as approximately 2,000 hotel rooms on the site (subject to the obtaining of applicable licences from licensing authorities).

- **at Casino Grand Lisboa**

In 2013 SJM is continuing to expand gaming capacity at Casino Grand Lisboa by making more space available for tables on the ground floor for mass market gaming and on the first floor, adjacent to the current high-limit gaming area, for premium mass market gaming. Further space for expansion of premium mass market table games is under consideration involving relocation of food and beverage outlets. SJM is currently working with contractors to determine the actual added capacity, expenditure requirements and timetable. In the first quarter of 2013 additional VIP gaming tables were added on the third floor and on the 31st floor.

- **at Casino Lisboa**

Casino Lisboa is currently upgrading its table capacity and in 2013 will devote more tables for premium mass market gaming in special high-limit gaming areas. In addition, Casino Lisboa has opened a new area for multi-station electronic games and will add 150 slot machines adjacent to the main gaming areas by the second quarter of 2013.

- **at Casino Jai Alai**

As per announcement made on 18 November 2012, a subsidiary of SJM will lease the entire Jai Alai Palace building, which houses Casino Jai Alai and is adjacent to Casino Oceanus at Jai Alai, for a period of three years beginning 1 January 2014. SJM plans to provide facilities at Jai Alai Palace including hotels, restaurants, department stores and others (to be operated by other service providers) to enhance the business of Casino Jai Alai and Casino Oceanus at Jai Alai. Construction has recently begun on the enclosed bridge connecting the two buildings.

- **at Ponte 16 Resort**

Adjusted Property EBITDA contribution of the resort increased to \$332 million in 2012 from \$317 million in 2011, and the project contributed positively to the Group's net profit.

In April 2012 a group of banks led by Industrial and Commercial Bank of China (Macau) Limited completed syndication of 5-year loan facilities for Ponte 16 in the amounts of \$1,900 million and RMB400 million. The proceeds will be used primarily to refinance existing credit facilities, to repay shareholders' loans and to fund the construction of Phase III development of the Resort. Phase III will be a riverside commercial complex with total floor area of approximately 40,000 square metres. In addition to shopping and dining facilities the complex will encompass space for gaming expansion, car parks and the iconic Pier 16 clock tower, and is planned to be completed by 2014.

FINANCIAL REVIEW

(All amounts expressed in Hong Kong dollars unless otherwise stated)

Liquidity, Financial Resources and Capital Structure

The Group maintained a strong financial position, with bank balances and cash amounting to \$23,426 million (not including \$647 million pledged bank deposits) as at 31 December 2012. This represented an increase of 13.9% as compared with the position as at 31 December 2011 of \$20,571 million. The increase was mainly attributable to the increase in EBITDA and working capital throughout the year.

During the year, 5-year loan facilities were signed with a syndicate of banks for Phase III of the Ponte 16 development in the total amounts of HK\$1,900 million and RMB400 million, of which the Company's share is 51%.

Total outstanding balances of bank loans drawn by the Group as at 31 December 2012 amounted to \$1,729 million (as at 31 December 2011: \$3,072 million). The maturity of the Group's borrowings as at 31 December 2012 is as follows:

Maturity Profile				
Within 1 year	1–2 years	2–5 years	Over 5 years	Total
14%	18%	68%	0%	100%

Gearing Ratio

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less bank balances and cash to total assets (excluding bank balances and cash)) was zero at the end of 2012 (as at 31 December 2011: zero).

Capital Expenditure Commitments

Capital expenditure commitments by the Group amounted to \$796 million as at 31 December 2012 (as at 31 December 2011: \$158 million).

Future projects such as development of land in Cotai will be funded by a combination of internal resources and debt financing. The exact investment plans for the Group's projects are subject to change based upon execution of the business plans, progress of the projects, market conditions and management's view of future business conditions.

Pledge of Assets

As at 31 December 2012, certain of the Group's property and equipment and land use rights with carrying values of \$1,317 million and \$82 million, respectively (as at 31 December 2011: \$5,415 million and \$718 million, respectively), were pledged with banks for loan facilities. In addition, the Group had pledged bank deposits of \$647 million as at 31 December 2012, as compared with \$172 million as at 31 December 2011.

Contingent Liabilities and Guarantees

As at 31 December 2012, the Group had total guarantees given to banks of \$87 million (as at 31 December 2011: \$93 million), which were guarantees in respect of credit facilities granted to an associate and investee companies. The Group had no significant contingent liabilities as at 31 December 2012.

Financial Risk

The Group follows a conservative policy in financial management with minimal exposure to currency and interest rate risks. Funds borrowed by the Group are on a floating rate basis. The Group does not currently hedge its interest rate exposure, although it may consider doing so in the future. As at 31 December 2012, the equivalent of approximately \$480.7 million of the Group's outstanding borrowings were denominated in Chinese Yuan, of which the foreign exchange risk has been fully set off with a matching amount of deposits. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations. Over 97% of the Group's bank deposits are denominated in Hong Kong dollars, United States dollars or Macau patacas. It is the Group's policy to avoid speculative trading activity.

Material Acquisitions and Disposals

In August 2012 an indirect subsidiary of the Group purchased for \$480 million a 4% equity interest in Macau Legend Development Limited (“MLD”), which is the owner of the third party promoter associated with Casino Club VIP Legend and Casino Babylon. MLD also owns The Landmark Macau and Macau Fisherman’s Wharf. The transaction is subject, in certain circumstances, to an agreed investment return.

Besides the investment in MLD, the Group made no material acquisitions or material disposals of subsidiaries and associated companies during the year ended 31 December 2012.

Human Resources

As at 31 December 2012, the Group had approximately 21,000 full-time employees. The Group’s employee turnover rate was minimal in 2012.

Staff remuneration of the Group is determined by reference to personal working performance, professional qualification, industry experience and relevant market trends, and includes salary, allowances, medical insurance and provident fund.

The management of the Group regularly reviews the remuneration policy and evaluates staff performance. Staff are encouraged to attend training classes that are related to the Group’s business. The Group provides training for career enhancement in the form of internal courses and workshops for staff, subsidies for education of staff at Macau Millennium College, and awards scholarships to children of staff to study at institutions of their choice.

Comparison with United States GAAP Accounting

The Group’s results are prepared in compliance with Hong Kong generally accepted accounting principles (“**HK GAAP**”). In comparing the Group’s results to those of companies whose results are prepared under US GAAP, it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher Adjusted EBITDA margin than that calculated under HK GAAP. If calculated under US GAAP, the Group’s Adjusted EBITDA margin would be approximately 16.9% for the year ended 31 December 2012, as compared with HK GAAP which gives an Adjusted EBITDA margin of 9.6% for the same period.

PURCHASE, SALE OR REDEMPTION OF THE 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 2012.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures and its management team has strived to uphold the highest standards of corporate governance and transparency. The Company was named by *Euromoney* Magazine as the Best Managed Company in Asia – Gaming in their “Best Managed and Governed Companies – Asia Poll 2013”.

The Stock Exchange has revised and renamed the Code on Corporate Governance Practices (the “**Former CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) to the Corporate Governance Code (the “**New CG Code**”) effective from 1 April 2012.

The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Former CG Code and the New CG Code.

During the year ended 31 December 2012, the Company has complied with the respective provisions of the Former CG Code and the New CG Code for the relevant periods in which they are in force, except for the deviation from the following code provisions under the new CG Code:

A.6.5: Dr. Ho Hung Sun, Stanley and Dato’ Dr. Cheng Yu Tung had not participated in continuous professional development provided by the Company due to their health reasons.

A.6.7: Mr. Chau Tak Hay, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 10 May 2012 (the “**2012 Annual General Meeting**”) as he was absent from Hong Kong on that day. Mr. Shek Lai Him, Abraham, an independent non-executive director of the Company and Dato’ Dr. Cheng Yu Tung, a non-executive director of the Company, were unable to attend the 2012 Annual General Meeting due to prior business commitments.

E.1.2: Due to health reasons, Dr. Ho Hung Sun, Stanley was absent from the 2012 Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS FOR 2013 ANNUAL GENERAL MEETING

Book close dates for 2013 Annual
General Meeting (both days inclusive) : 29 May 2013 to 31 May 2013

Latest time to lodge transfer documents
with the Company’s share registrar : 4:30 p.m. on Tuesday, 28 May 2013

Name and address of the Company’s
share registrar : Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen’s Road East, Wanchai, Hong Kong

RECORD DATE FOR PROPOSED FINAL DIVIDEND AND SPECIAL DIVIDEND

- Record date for proposed final dividend and special dividend : 5 June 2013
- Latest time to lodge transfer documents with the Company's share registrar : 4:30 p.m. on Wednesday, 5 June 2013
- Name and address of the Company's share registrar : Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
- Expected payment date (if approved at the 2013 Annual General Meeting) : 19 June 2013

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of the Company will be held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong at 2:30 p.m. on Friday, 31 May 2013. Notice of the Annual General Meeting will be published on the Stock Exchange's website and the Company's website and despatched to shareholders of the Company in due course.

PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS

The Group's consolidated financial statements for the year ended 31 December 2012 have been reviewed by the Audit Committee of the Company. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in this preliminary announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu (the "**Auditor**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

By order of the Board
SJM Holdings Limited
So Shu Fai
Executive Director and Chief Executive Officer

Hong Kong, 27 February 2013

As at the date of this announcement, the executive directors of the Company are Dr. Ho Hung Sun, Stanley, Dr. So Shu Fai, Mr. Ng Chi Sing, Mr. Rui José da Cunha, Ms. Leong On Kei, Angela, Mr. Shum Hong Kuen, David and Mr. Fok Tsun Ting, Timothy, the non-executive director of the Company is Dato' Dr. Cheng Yu Tung and the independent non-executive directors of the Company are Mr. Chau Tak Hay, Mr. Lan Hong Tsung, David, Mr. Shek Lai Him, Abraham and Mr. Tse Hau Yin.