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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 2018

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

### FINANCIAL HIGHLIGHTS

	Year ended 31 December		Increase
	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i> (restated)	
Net gaming revenue	<b>33,677</b>	31,095	<b>8.3%</b>
Hotel, catering, retail and other income	<b>1,063</b>	822	<b>29.4%</b>
Adjusted EBITDA*	<b>3,724</b>	3,074	<b>21.1%</b>
Profit attributable to owners of the Company	<b>2,850</b>	1,963	<b>45.2%</b>
Earnings per share			
— basic	<b>HK50.4 cents</b>	HK34.7 cents	<b>45.2%</b>
— diluted	<b>HK50.3 cents</b>	HK34.7 cents	<b>45.0%</b>
Dividend per ordinary share			
— proposed final dividend	<b>HK21 cents</b>	HK15 cents	
— interim dividend paid	<b>HK8 cents</b>	HK5 cents	
— total dividends for the year	<b>HK29 cents</b>	HK20 cents	<b>45.0%</b>

\* Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, gain/loss on disposal of property and equipment, share-based payments, loss on deregistration of a subsidiary, loss on modification of long-term bank loans and impairment loss (including reversal) on property and equipment.

## PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK21 cents per ordinary share of the Company (the “Share”) (2017: final dividend of HK15 cents per Share), for the year ended 31 December 2018, which is subject to approval at the forthcoming annual general meeting of the Company to be held on Tuesday, 11 June 2019 (the “**2019 Annual General Meeting**”).

## OPERATING HIGHLIGHTS

- Net gaming revenue earned by Sociedade de Jogos de Macau, S.A. (“SJM”), a subsidiary of the Company, was HK\$33,677 million in 2018, an increase of 8.3% from the previous year.
- Adjusted EBITDA of the Group was HK\$3,724 million, an increase of 21.1% from the previous year.
- Profit attributable to owners of the Company was HK\$2,850 million, an increase of 45.2% from the previous year.
- SJM had a 14.9% share of Macau’s gross gaming revenue, including 19.5% of mass market table gaming revenue and 12.2% of VIP gaming revenue.
- The Group’s flagship Casino Grand Lisboa had an increase in gross gaming revenue for the year of 4.7%, and increases in Adjusted Grand Lisboa EBITDA and attributable profit for the year of 24.3% and 33.8%, respectively.
- Grand Lisboa Hotel’s occupancy rate increased by 1.7% to 95.5% for the full year, whilst the average room rate decreased by 7.1% to HK\$1,495.
- The Group maintained its strong balance sheet, with cash, bank balances and pledged bank deposits totaling HK\$18,838 million and total debt of HK\$15,445 million as at 31 December 2018.
- Construction of the Grand Lisboa Palace, the Group’s integrated resort on Cotai, is proceeding apace and the Group is looking forward to completing construction in the first half of this year and beginning operation as soon as possible thereafter.
- A final dividend of HK21 cents per Share has been proposed. If the proposed dividend is approved at the forthcoming annual general meeting of the Company, total dividends for 2018, including interim dividend of HK8 cents per Share paid in September 2018, would be HK29 cents per Share, equal to 57.7% of diluted earnings per Share.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK\$ million	2017 HK\$ million (restated)
Gaming, hotel, catering, retail and related services revenues		<u>34,410.1</u>	<u>31,770.7</u>
Gaming revenue	4	<u>33,677.1</u>	31,094.8
Special gaming tax, special levy and gaming premium		<u>(17,004.5)</u>	<u>(16,086.3)</u>
		<b>16,672.6</b>	15,008.5
Hotel, catering, retail and related services income		<b>733.0</b>	675.9
Cost of sales and services on hotel, catering, retail and related services		<b>(387.1)</b>	(346.4)
Other income, gains and losses		<b>330.3</b>	145.8
Marketing and promotional expenses		<b>(5,831.0)</b>	(4,891.2)
Operating and administrative expenses		<b>(8,566.2)</b>	(8,666.6)
Finance costs	5	<b>(27.5)</b>	(33.5)
Share of profits of an associate		<b>8.9</b>	48.3
Share of profits of a joint venture		<u><b>6.6</b></u>	<u>6.0</u>
Profit before taxation	6	<b>2,939.6</b>	1,946.8
Taxation	7	<u><b>(27.4)</b></u>	<u>(11.9)</u>
Profit for the year		<b>2,912.2</b>	1,934.9
Other comprehensive income (expense):			
Item that will not be reclassified subsequently to profit or loss:			
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income		<b>266.4</b>	—
Item that may be classified subsequently to profit or loss:			
Change in fair value of available-for-sale investments in equity securities		<u>—</u>	<u>(83.7)</u>
Total comprehensive income for the year		<u><b>3,178.6</b></u>	<u>1,851.2</u>
Profit (loss) for the year attributable to			
— owners of the Company		<b>2,850.1</b>	1,963.4
— non-controlling interests		<u><b>62.1</b></u>	<u>(28.5)</u>
		<u><b>2,912.2</b></u>	<u>1,934.9</u>
Total comprehensive income (expense) for the year attributable to			
— owners of the Company		<b>3,116.5</b>	1,879.7
— non-controlling interests		<u><b>62.1</b></u>	<u>(28.5)</u>
		<u><b>3,178.6</b></u>	<u>1,851.2</u>
Earnings per share			
— Basic	9	<u><b>HK50.4 cents</b></u>	<u>HK34.7 cents</u>
— Diluted	9	<u><b>HK50.3 cents</b></u>	<u>HK34.7 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Non-current assets			
Property and equipment		<b>30,378.6</b>	24,690.4
Land use rights		<b>2,264.0</b>	2,396.8
Art works and diamonds		<b>281.3</b>	281.3
Interest in an associate		<b>306.5</b>	257.8
Interest in a joint venture		<b>127.7</b>	121.1
Investments in equity instruments designated at fair value through other comprehensive income		<b>916.3</b>	—
Available-for-sale investments in equity securities		—	244.6
Other assets		<b>1,346.2</b>	925.4
Pledged bank deposit		<b>145.6</b>	145.6
		<b>35,766.2</b>	29,063.0
Current assets			
Inventories		<b>90.8</b>	82.7
Trade and other receivables	10	<b>1,848.9</b>	1,165.6
Financial assets at fair value through profit or loss		—	84.3
Pledged bank deposits		<b>1.3</b>	1.3
Short-term bank deposits		<b>12,368.7</b>	9,719.1
Bank balances and cash		<b>6,322.7</b>	6,171.0
		<b>20,632.4</b>	17,224.0
Current liabilities			
Trade and other payables	11	<b>11,957.6</b>	11,173.8
Taxation payable		<b>116.8</b>	84.7
Long-term bank loans		<b>200.0</b>	200.0
		<b>12,274.4</b>	11,458.5
Net current assets		<b>8,358.0</b>	5,765.5
Total assets less current liabilities		<b>44,124.2</b>	34,828.5

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***At 31 December 2018*

	Notes	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Non-current liabilities			
Other payables	11	<b>882.9</b>	1,094.2
Long-term bank loans		<b>15,244.8</b>	7,935.0
Amounts due to non-controlling interests of a subsidiary		<b>287.1</b>	280.0
Deferred taxation		<b>22.8</b>	50.1
		<u><b>16,437.6</b></u>	<u>9,359.3</u>
Net assets		<u><b>27,686.6</b></u>	<u>25,469.2</u>
Capital and reserves			
Share capital		<b>11,254.1</b>	11,241.5
Reserves		<b>16,298.0</b>	14,155.3
Equity attributable to owners of the Company		<b>27,552.1</b>	25,396.8
Non-controlling interests		<b>134.5</b>	72.4
Total equity		<u><b>27,686.6</b></u>	<u>25,469.2</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.

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

### 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

#### 2.1 Application of new and amendments to HKFRSs

##### *New and amendments to HKFRSs that are mandatorily effective for the current year*

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

## 2. BASIS OF PREPARATION (Continued)

### 2.1 Application of new and amendments to HKFRSs (Continued)

*New and amendments to HKFRSs that are mandatorily effective for the current year*  
*(Continued)*

In addition, the Group has early applied Amendments to HKFRS 9 Prepayment Features with Negative Compensation which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Line items that were not affected by the changes have not been included.

	<b>Year ended</b> <b>31 December</b> <b>2017</b> <i>HK\$ million</i> (originally stated)	<b>Adjustments</b> <i>HK\$ million</i>	<b>Year ended</b> <b>31 December</b> <b>2017</b> <i>HK\$ million</i> (restated)
Gaming revenue	41,290.2	(10,195.4)	31,094.8
Hotel, catering, retail and related services income	584.7	91.2	675.9
Cost of sales and services on hotel, catering, retail and related services	(285.7)	(60.7)	(346.4)
Marketing and promotional expenses	(14,991.7)	10,100.5	(4,891.2)
Operating and administrative expenses	<u>(8,731.0)</u>	<u>64.4</u>	<u>(8,666.6)</u>

## 2. BASIS OF PREPARATION (Continued)

### 2.1 Application of new and amendments to HKFRSs (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year  
(Continued)

The table below illustrates the classification and measurement of financial assets and other items subject to expected credit losses under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale ("AFS") investments in equity securities HK\$ million	Financial assets at fair value through profit or loss ("FVTPL") HK\$ million	Investments in equity instruments designated at fair value through other comprehensive income ("FVTOCI") HK\$ million	Investment revaluation reserve HK\$ million	Retained profits HK\$ million
<b>Closing balance at 31 December 2017</b>					
— HKAS 39	244.6	84.3	—	14.6	13,248.6
<b>Effect arising from initial application of HKFRS 9:</b>					
<b>Reclassification</b>					
From AFS	(244.6)	—	244.6	(250.0)	250.0
From FVTPL	—	(84.3)	84.3	(26.1)	26.1
<b>Remeasurement</b>					
From cost less impairment to fair value	—	—	321.0	321.0	—
	(244.6)	(84.3)	649.9	44.9	276.1
<b>Opening balance at 1 January 2018</b>	—*	—*	649.9*	59.5*	13,524.7
<b>* The Movement during the year:</b>					
Adjusted balance at 1 January 2018	—	—	649.9	59.5	
Other comprehensive income during the year	—	—	266.4	266.4	
At 31 December 2018	—	—	916.3	325.9	

Except for the application of HKFRS 9 and HKFRS 15, the application of other new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.



## 2. BASIS OF PREPARATION (Continued)

### 2.2 New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of Business <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of some of these new and amendments to HKFRSs may have effect on the Group's financial performance and positions and/or the disclosures set out in the consolidated financial statements.

## 3. OPERATING SEGMENTS

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

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

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the “CODM”). CODM, who is responsible for allocating resources and assessing performance of the reportable segments, has been identified as a group of senior management that makes strategic decisions.

### 3. OPERATING SEGMENTS (Continued)

The CODM regularly analyses gaming operations in terms of VIP gaming operations, mass market table gaming operations, slot machine and other gaming operations, and the relevant revenues and operating result are reviewed as a whole for resources allocation and performance assessment. For hotel, catering and retail operations, the CODM regularly reviews the performance on the basis of the 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 reportable segment named "hotel, catering and retail operations".

Segment information about these businesses is presented below:

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

	Segment revenue		Segment results	
	2018 HK\$ million	2017 HK\$ million (restated)	2018 HK\$ million	2017 HK\$ million
Gaming operations recognised at a point in time	<u>33,677.1</u>	<u>31,094.8</u>	<b>3,331.6</b>	2,413.8
Hotel, catering and retail operations				
— External sales				
Catering, retail and other operations recognised at a point in time	<u>441.8</u>	<u>409.0</u>		
Hotel operations recognised over time	<u>291.2</u>	<u>266.9</u>		
	<u>733.0</u>	<u>675.9</u>		
— Inter-segment sales				
Catering, retail and other operations recognised at a point in time	<u>33.5</u>	<u>35.5</u>		
Hotel operations recognised over time	<u>123.5</u>	<u>130.5</u>		
	<u>157.0</u>	<u>166.0</u>		
	<b>890.0</b>	841.9	<b>(456.6)</b>	(471.1)
Eliminations	<u>(157.0)</u>	<u>(166.0)</u>		
	<u>733.0</u>	<u>675.9</u>		
Total				
recognised at a point in time	<b>34,118.9</b>	31,503.8		
recognised over time	<u>291.2</u>	<u>266.9</u>		
	<b>34,410.1</b>	<u>31,770.7</u>		
			<b>2,875.0</b>	1,942.7
Reconciliation from segment results to profit before taxation:				
Unallocated corporate income			<b>205.1</b>	70.5
Unallocated corporate expenses			<b>(156.0)</b>	(126.9)
Change in fair value of financial assets at FVTPL			—	6.2
Share of profits of an associate			<b>8.9</b>	48.3
Share of profits of a joint venture			<b>6.6</b>	6.0
Profit before taxation			<b>2,939.6</b>	<u>1,946.8</u>

### 3. OPERATING SEGMENTS (Continued)

Segment results represent the profit before taxation earned by each segment without allocation of corporate income and expenses, change in fair value of financial assets at FVTPL and share of profits of an associate/a joint venture. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

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

(b) An analysis of the Group's assets and liabilities by reportable segments is as follows:

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
<i>Assets</i>		
Segment assets		
— gaming operations	16,494.0	12,761.1
— hotel, catering and retail operations	<u>4,662.4</u>	<u>5,050.6</u>
	21,156.4	17,811.7
Interest in an associate	306.5	257.8
Interest in a joint venture	127.7	121.1
Unallocated bank deposits, bank balances and cash	5,669.2	7,095.9
Other unallocated assets	<u>29,138.8</u>	<u>21,000.5</u>
Group's total	<u><u>56,398.6</u></u>	<u><u>46,287.0</u></u>
<i>Liabilities</i>		
Long-term bank loans		
— gaming operations	15,078.0	7,599.5
— hotel, catering and retail operations	130.1	190.0
— unallocated corporate bank loans	<u>236.7</u>	<u>345.5</u>
	<u>15,444.8</u>	<u>8,135.0</u>
Other segment liabilities		
— gaming operations	10,338.4	10,199.1
— hotel, catering and retail operations	<u>261.1</u>	<u>267.3</u>
	<u>10,599.5</u>	<u>10,466.4</u>
Total segment liabilities	26,044.3	18,601.4
Unallocated liabilities	<u>2,667.7</u>	<u>2,216.4</u>
Group's total	<u><u>28,712.0</u></u>	<u><u>20,817.8</u></u>

### 3. OPERATING SEGMENTS (Continued)

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

- (i) other unallocated assets include mainly certain property and equipment, certain land use rights, art works and diamonds, amounts due from an associate/a joint venture/an investee company, AFS investments in equity securities, investments in equity instruments designated at FVTOCI and financial assets at FVTPL.
- (ii) unallocated liabilities include mainly certain construction payables and amounts due to non-controlling interests of a subsidiary.
- (iii) all assets are allocated to reportable segments, other than interest in an associate/a joint venture, unallocated bank deposits, bank balances and cash and those mentioned in (i).
- (iv) all liabilities are allocated to reportable segments, other than liabilities not attributable to respective segments as mentioned in (ii).

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

	<b>2018</b>	2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Additions to non-current assets (other than financial instruments)		
— gaming operations	<b>325.3</b>	196.1
— hotel, catering and retail operations	<b>56.0</b>	16.7
— corporate level*	<b>6,903.0</b>	6,020.3
	<b><u>7,284.3</u></b>	<b><u>6,233.1</u></b>
Depreciation and amortisation		
— gaming operations	<b>620.1</b>	657.0
— hotel, catering and retail operations	<b>536.7</b>	539.4
— corporate level	<b>6.0</b>	8.1
	<b><u>1,162.8</u></b>	<b><u>1,204.5</u></b>
Loss (gain) on disposal/write-off of property and equipment		
— gaming operations	<b>0.5</b>	(3.6)
— hotel, catering and retail operations	<b>0.4</b>	1.5
	<b><u>0.9</u></b>	<b><u>(2.1)</u></b>

\* Amount includes certain land use rights, property and equipment, and art works and diamonds where the directors of the Company consider it impracticable to divide into individual segments.

### 3. OPERATING SEGMENTS (Continued)

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

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Share-based payments		
— gaming operations	6.9	48.8
— corporate level	<u>3.3</u>	<u>14.0</u>
	<u>10.2</u>	<u>62.8</u>
Finance costs		
— gaming operations	3.2	5.7
— hotel, catering and retail operations	6.1	8.2
— corporate level	<u>18.2</u>	<u>19.6</u>
	<u>27.5</u>	<u>33.5</u>
Interest income		
— gaming operations	119.8	59.0
— hotel, catering and retail operations	3.2	5.1
— corporate level	<u>176.1</u>	<u>58.6</u>
	<u>299.1</u>	<u>122.7</u>
Loss allowance on financial assets		
— gaming operations	<u>47.0</u>	<u>—</u>
(Reversal of) impairment loss on property and equipment		
— gaming operations	(4.8)	7.7
— hotel, catering and retail operations	<u>(0.6)</u>	<u>0.6</u>
	<u>(5.4)</u>	<u>8.3</u>
Loss on deregistration of a subsidiary		
— gaming operations	<u>—</u>	<u>10.1</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 period.

#### 4. GAMING REVENUE

	<b>2018</b> <i>HK\$ million</i>	2017 <i>HK\$ million</i> (restated)
Gaming revenue from		
— VIP gaming operations	<b>19,663.2</b>	19,877.0
— mass market table gaming operations	<b>23,080.3</b>	20,583.6
— slot machine and other gaming operations	<b><u>1,156.5</u></b>	<u>1,026.8</u>
	<b>43,900.0</b>	41,487.4
Less: commissions and incentives	<b><u>(10,222.9)</u></b>	<u>(10,392.6)</u>
	<b><u><u>33,677.1</u></u></b>	<u><u>31,094.8</u></u>

#### 5. FINANCE COSTS

	<b>2018</b> <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Interest on		
— bank loans	<b>484.0</b>	79.7
— payable of acquisition of land use rights	<b>—</b>	3.3
Imputed interest on amount due to non-controlling interests of a subsidiary	<b><u>7.1</u></b>	<u>13.9</u>
	<b>491.1</b>	96.9
Less: Amount capitalised	<b><u>(463.6)</u></b>	<u>(63.4)</u>
	<b><u><u>27.5</u></u></b>	<u><u>33.5</u></u>

## 6. PROFIT BEFORE TAXATION

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration		
— fees, salaries, bonus and other benefits	90.7	112.8
— share-based payments	<u>9.6</u>	<u>54.6</u>
	<b>100.3</b>	167.4
Less: Amount capitalised	<u>(11.2)</u>	<u>(10.9)</u>
	<b>89.1</b>	156.5
Retirement benefits scheme contributions for other staff	212.1	206.8
Less: Forfeited contributions	<u>(28.6)</u>	<u>(33.8)</u>
	<b>183.5</b>	173.0
Other staff costs	5,660.1	5,696.1
Share-based payments to other staff	<u>0.6</u>	<u>7.8</u>
Total other staff costs	<b>5,660.7</b>	5,703.9
Total employee benefit expenses	<b>5,933.3</b>	6,033.4
Operating lease rentals in respect of		
— land use rights	45.5	45.4
— rented premises	<u>440.4</u>	<u>448.2</u>
	<b>485.9</b>	493.6

## 6. PROFIT BEFORE TAXATION (Continued)

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Loss allowance on financial assets	47.0	—
Amortisation of intangible asset (included in operating and administrative expenses)	—	1.6
Auditor's remuneration	15.0	14.4
Depreciation of property and equipment	1,162.8	1,202.9
Impairment loss on property and equipment	—	8.3
Loss on deregistration of a subsidiary	—	10.1
Loss on disposal/write-off of property and equipment	0.9	—
Loss on modification of long-term bank loans	12.9	—
Share-based payments to other participants (included in operating and administrative expenses)	—	0.4
 <i>and after crediting:</i>		
Bank interest income	299.1	122.7
Dividend income	20.7	3.8
Gain on change in fair value of financial assets at FVTPL	—	6.2
Gain on disposal of property and equipment	—	2.1
Reversal of impairment loss on property and equipment	<u>5.4</u>	<u>—</u>



## 7. TAXATION

	<b>2018</b>	2017
	<i>HK\$ million</i>	<i>HK\$ million</i>
Current tax — Macau SAR Complementary Tax (“CT”)	<b>54.7</b>	42.8
Deferred taxation credit	<u>(27.3)</u>	<u>(30.9)</u>
	<u><b>27.4</b></u>	<u>11.9</u>

No provision for CT on gaming related income is made for a subsidiary, SJM. Pursuant to the approval notice issued by the Macau SAR government dated 27 September 2016, SJM has been exempted from CT for income generated from gaming operations for the years from 2017 to 2020.

In addition, pursuant to the approval letter dated 27 February 2018 issued by the Financial Services Bureau of the Macau SAR government on dividend distributed by SJM (the “**Special Complementary Tax**”) for the period from 1 January 2017 to 31 March 2020, SJM’s shareholders were obligated to pay the Special Complementary Tax of MOP23.2 million (equivalent to HK\$22.5 million) for each of the years ended/ending 31 December 2017 to 2019 and MOP5.8 million (equivalent to HK\$5.6 million) for the three months ending 31 March 2020.

Regarding the other Macau SAR subsidiaries, CT is calculated at the CT rate of 12% on the estimated assessable profit for both years.

No provision for taxation in other jurisdictions (including Hong Kong) is made as the Group’s operations outside Macau SAR have no assessable taxable profits arising from the respective jurisdictions.

## 8. DIVIDENDS

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Interim dividend per ordinary share paid		
— HK8 cents for 2018	452.7	—
— HK5 cents for 2017	—	282.9
Final dividend per ordinary share paid		
— HK15 cents for 2017	848.8	—
— HK18 cents for 2016	<u>—</u>	<u>1,018.3</u>
	<u><b>1,301.5</b></u>	<u><b>1,301.2</b></u>

A final dividend of HK21 cents per ordinary share, totalling HK\$1,189.3 million, is proposed by the directors of the Company at a board meeting held on 28 February 2019, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,663,109,293 ordinary shares in issue at the date of this announcement.

## 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:

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
<i>Earnings</i>		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u><b>2,850.1</b></u>	<u><b>1,963.4</b></u>
	2018	2017
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,658,874,526	5,657,433,129
Effect of dilutive potential ordinary shares on share options	<u><b>4,128,152</b></u>	<u><b>3,817,342</b></u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>5,663,002,678</b></u>	<u><b>5,661,250,471</b></u>

## 10. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Advances to gaming promoters, net	<b>210.4</b>	268.0
Other receivables from gaming promoters and service providers, net	<b>839.1</b>	899.9
Advances to contractors	<b>668.5</b>	—
Prepayments	<b>291.4</b>	154.9
Other sundry receivables	<b>310.6</b>	320.6
	<b>2,320.0</b>	1,643.4
Less: Non-current portion	<b>(471.1)</b>	(477.8)
Current portion	<b>1,848.9</b>	1,165.6

Advances to gaming promoters 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. At 31 December 2018, all of the advances to gaming promoters (net of allowances) are neither past due nor impaired.

Advances are only granted to gaming promoters 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. In the event that a gaming promoter fails to repay, 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.

Other receivables from gaming promoters and service providers represent certain costs to be reimbursed from gaming promoters and service providers. With the consent of gaming promoters and service providers, the Group can offset the outstanding balances against commission and service fee payables to or deposits from relevant gaming promoters and service providers. In the event that a gaming promoter or service provider fails to repay, the Group has the right, pursuant to the relevant gaming promoter agreement or service provider agreement, to offset or withhold the payables to that gaming promoter or service provider, realise cheques and execute guarantees, if any.

## 10. TRADE AND OTHER RECEIVABLES (Continued)

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

	<b>2018</b> <i>HK\$ million</i>	2017 <i>HK\$ million</i>
<i>Age</i>		
0 to 30 days	<b>210.4</b>	224.6
31 to 60 days	<u>—</u>	<u>43.4</u>
	<b><u>210.4</u></b>	<b><u>268.0</u></b>

### Movement in the allowance for doubtful debts

	<b>2018</b> <i>HK\$ million</i>	2017 <i>HK\$ million</i>
At 1 January	<b>132.5</b>	132.5
Allowance for doubtful debts	<u><b>47.0</b></u>	<u>—</u>
At 31 December	<b><u>179.5</u></b>	<b><u>132.5</u></b>

Allowance for doubtful debts with an aggregate balance of HK\$179.5 million (2017: HK\$132.5 million) represents individually impaired advances to gaming promoters and other receivables from gaming promoters and service providers as the management considered the outstanding balances from these gaming promoters and service providers were uncollectible.

Advances to contractors represent construction costs of Grand Lisboa Palace Project advanced to contractors. The amounts are unsecured, interest-free and the management expects the amounts will be realised within 12 months from the end of the reporting period. Hence, such amounts are classified as current assets.

Other sundry receivables mainly include deposits paid for rentals and operating supplies, interest receivables and credit card receivables.

## 11. TRADE AND OTHER PAYABLES

	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
Trade payables	1,389.1	1,248.8
Special gaming tax payable	1,451.2	1,306.1
Chips in circulation	4,480.7	4,987.7
Chips in custody and deposits received from gaming patrons and gaming promoters	597.9	516.4
Payables for acquisition of property and equipment	38.0	50.7
Construction payables	2,550.0	2,140.9
Accrued staff costs	1,678.9	1,472.6
Rentals payables	171.1	157.1
Withholding tax payable for gaming promoters and employees	21.1	19.2
Other sundry payables and accruals	<u>462.5</u>	<u>368.5</u>
	12,840.5	12,268.0
Less: Non-current portion	<u>(882.9)</u>	<u>(1,094.2)</u>
Current portion	<u><u>11,957.6</u></u>	<u><u>11,173.8</u></u>

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

<i>Age</i>	2018 <i>HK\$ million</i>	2017 <i>HK\$ million</i>
0 to 30 days	1,373.2	1,224.5
31 to 60 days	10.4	14.4
61 to 90 days	2.3	5.2
Over 90 days	<u>3.2</u>	<u>4.7</u>
	<u><u>1,389.1</u></u>	<u><u>1,248.8</u></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)*

### **Market Environment**

Macau's casino gaming revenue improved in 2018 to the highest level since 2015. The 14.0% increase over 2017 reported by the Macau Gaming Inspection and Coordination Bureau (“**DICJ**”) resulted from several factors, including the opening and ramp-up of new casino resorts in the Cotai area and growth in visitation to Macau. The greatest revenue growth occurred in the mass market sector, which expanded in 2018 by 19.4% over 2017, whilst the VIP sector and slot machines showed growth during the year of 10.2% and 14.3%, respectively.

Visitation to Macau increased by 9.8% to 35.8 million in 2018 according to the Macau Government Statistics and Census Service. Visitors from the Mainland increased by 13.8% to 25.3 million.

### **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 sectors 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.

## Group Operating Results

The Group's profit attributable to owners of the Company, Adjusted EBITDA and Adjusted EBITDA Margin for the year ended 31 December 2018 all increased materially from last year, as did total net revenue and net gaming revenue:

<b>Group operating results</b>	<b>For the year ended 31 December</b>		<b>Increase</b>
	<b>2018</b>	<b>2017</b>	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
		(restated)	
Total net revenue	<b>34,410</b>	31,771	<b>8.3%</b>
Net gaming revenue	<b>33,677</b>	31,095	<b>8.3%</b>
Profit attributable to owners of the Company	<b>2,850</b>	1,963	<b>45.2%</b>
Adjusted EBITDA <sup>1</sup>	<b>3,724</b>	3,074	<b>21.1%</b>
Adjusted EBITDA Margin <sup>2</sup>	<b>10.8%</b>	9.7%	<b>1.1%</b>

<sup>1</sup> Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, gain/loss on disposal of property and equipment, share-based payments, loss on deregistration of a subsidiary, loss on modification of long-term bank loans and impairment loss (including reversal) on property and equipment.

<sup>2</sup> Adjusted EBITDA Margin is Adjusted EBITDA divided by total net revenue.

VIP gross gaming revenue of the Group decreased by 1.1% in 2018 while mass market table gross gaming revenue increased by 12.1%. According to statistics from the MSAR government, gaming revenue of Macau increased by 14.0% in 2018, comprising a 10.2% increase in VIP gross gaming revenue, a 19.4% increase in mass market table gross gaming revenue and a 14.3% increase in slot machine gross gaming revenue.

During 2018, the Group accounted for 14.9% of Macau's casino gaming revenue of \$294,025 million which represented a decline in market share from 16.1% for the full year 2017.

The Group's Adjusted EBITDA Margin for the year was 10.8%, an increase from 9.7% in 2017.

Attributable profit in the Reporting Period was affected by deductions of share-based payments which were \$10 million in 2018, as compared with \$63 million in the previous year. Depreciation in 2018 was \$1,163 million compared with \$1,203 million in 2017, and interest expense was \$28 million, compared with \$34 million in 2017.

## Operating Results — VIP Gaming

<b>VIP operations</b>	<b>For the year ended 31 December</b>		<b>Increase/</b>
	<b>2018</b>	<b>2017</b>	<b>(Decrease)</b>
Gross gaming revenue (HK\$ million)	<b>19,663</b>	19,877	<b>(1.1%)</b>
Average daily net-win per VIP gaming table (HK\$)	<b>187,055</b>	185,229	<b>1.0%</b>
VIP chips sales (HK\$ million)	<b>670,700</b>	636,741	<b>5.3%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>288</b>	294	<b>(2.0%)</b>

VIP gaming operations accounted for 44.8% of the Group's total gross gaming revenue in 2018, as compared with 47.9% for the previous year. As at 31 December 2018, SJM had 287 VIP gaming tables in operation with 19 VIP promoters, as compared with 279 VIP gaming tables and 19 VIP promoters as at 31 December 2017. As at 31 December 2018, SJM operated VIP gaming in 14 of its casinos.

The Group's gross gaming revenue from VIP gaming operations amounted to approximately 12.2% of total VIP gaming revenue in Macau, compared to 13.6% in the previous year, according to figures from the DICJ in Macau. The hold rate for SJM's VIP operations was 2.93% in 2018 as compared with 3.12% in 2017.

## Operating Results — Mass Market Table Gaming

<b>Mass market operations</b>	<b>For the year ended 31 December</b>		<b>Increase</b>
	<b>2018</b>	<b>2017</b>	
Gross gaming revenue (HK\$ million)	<b>23,080</b>	20,584	<b>12.1%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>44,657</b>	40,571	<b>10.1%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>1,416</b>	1,390	<b>1.9%</b>

Gross gaming revenue from mass market table gaming operations comprised 52.6% of the Group's total gross gaming revenue in 2018, as compared with 49.6% in 2017. SJM had 1,425 mass market gaming tables in operation as at 31 December 2018, as compared with 1,424 mass market gaming tables as at 31 December 2017.



## Operating Results — Slot Machines and Other Gaming Operations

	For the year ended 31 December		
<u>Slot machine operations</u>	<u>2018</u>	<u>2017</u>	<u>Increase</u>
Gross gaming revenue (HK\$ million)	<b>1,157</b>	1,027	<b>12.6%</b>
Average daily net-win per slot machine (HK\$)	<b>1,188</b>	1,066	<b>11.4%</b>
Average number of slot machines (Average of month-end numbers)	<b>2,668</b>	2,640	<b>1.1%</b>

Gross gaming revenue from slot machine operations comprised 2.6% of the Group's total gross gaming revenue in 2018, compared with 2.5% in 2017. SJM had 2,454 slot machines in service as at 31 December 2018 as compared with 2,473 slot machines as at 31 December 2017.

As at 31 December 2018, SJM operated slot machines in 13 of its casinos.

## Operating Results — Casino Grand Lisboa

SJM's flagship Casino Grand Lisboa showed an increase in gross gaming revenue of 4.7%, Adjusted Grand Lisboa EBITDA was 24.3% and attributable profit was 33.8% during the year.

	For the year ended 31 December		
<u>Casino Grand Lisboa</u>	<u>2018</u>	<u>2017</u>	<u>Increase</u>
Gross gaming revenue (HK\$ million)	<b>15,663</b>	14,959	<b>4.7%</b>
Profit attributable to the Group (HK\$ million)	<b>1,878</b>	1,404	<b>33.8%</b>
Adjusted Grand Lisboa EBITDA <sup>3</sup> (HK\$ million)	<b>2,081</b>	1,675	<b>24.3%</b>
Adjusted Grand Lisboa EBITDA Margin (over gross gaming revenue)	<b>13.3%</b>	11.2%	<b>2.1%</b>

<sup>3</sup> Adjusted Grand Lisboa EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, gain/loss on disposal of property and equipment, share-based payments, loss on deregistration of a subsidiary, loss on modification of long-term bank loans and impairment loss (including reversal) on property and equipment, and before elimination of inter-company consumption.

Operating results of Casino Grand Lisboa are as follows:

<b>Casino Grand Lisboa</b>	<b>For the year ended 31 December</b>		<b>Increase/ (Decrease)</b>
	<b>2018</b>	<b>2017</b>	
<b><i>VIP operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>10,155</b>	10,106	<b>0.5%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>244,042</b>	225,110	<b>8.4%</b>
VIP chips sales (HK\$ million)	<b>361,746</b>	353,100	<b>2.4%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>114</b>	123	<b>(7.3%)</b>
<b><i>Mass market operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>5,063</b>	4,469	<b>13.3%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>50,811</b>	45,012	<b>12.9%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>273</b>	272	<b>0.4%</b>
<b><i>Slot machine operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>445</b>	384	<b>16.0%</b>
Average daily net-win per slot machine (HK\$)	<b>1,568</b>	1,286	<b>21.9%</b>
Average number of slot machines (Average of month-end numbers)	<b>778</b>	817	<b>(4.8%)</b>

Casino Grand Lisboa operated 266 mass market gaming tables and 115 VIP gaming tables as at 31 December 2018, compared with 276 and 121, respectively at the end of the previous year.

As at 31 December 2018, Casino Grand Lisboa operated a total of 720 slot machines. Jackpots are awarded frequently, with the total exceeding \$259 million for slot machines and over \$45 million for table games (Caribbean Stud Poker) in 2018. During 2018, Casino Grand Lisboa attracted a total of over 11 million visitors.

## Operating Results — Other Self-promoted Casinos

Other self-promoted casinos are Casino Lisboa, Casino Oceanus at Jai Alai (including casino area in the Jai Alai building) and Casino Taipa (collectively, “Other Self-promoted Casinos”).

<b>Other self-promoted casinos</b>	<b>For the year ended 31 December</b>		<b>Increase/</b>
	<b>2018</b>	<b>2017</b>	<b>(Decrease)</b>
Gross gaming revenue (HK\$ million)	<b>6,265</b>	6,294	<b>(0.5%)</b>
Profit attributable to the Group (HK\$ million)	<b>627</b>	344	<b>82.5%</b>
Adjusted EBITDA (HK\$ million)	<b>890</b>	618	<b>44.2%</b>
Adjusted EBITDA Margin (over gross gaming revenue)	<b>14.2%</b>	9.8%	<b>4.4%</b>

Operating results of other self-promoted casinos are as follows:

<b>Other self-promoted casinos</b>	<b>For the year ended 31 December</b>		<b>Increase/</b>
	<b>2018</b>	<b>2017</b>	<b>(Decrease)</b>
<b><i>VIP operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>1,630</b>	2,110	<b>(22.8%)</b>
Average daily net-win per VIP gaming table (HK\$)	<b>159,454</b>	206,501	<b>(22.8%)</b>
VIP chips sales (HK\$ million)	<b>55,151</b>	62,589	<b>(11.9%)</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>28</b>	28	<b>—</b>
<b><i>Mass market operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>4,327</b>	3,926	<b>10.2%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>33,873</b>	29,717	<b>14.0%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>350</b>	362	<b>(3.3%)</b>
<b><i>Slot machine operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>308</b>	257	<b>19.9%</b>
Average daily net-win per slot machine (HK\$)	<b>1,118</b>	908	<b>23.0%</b>
Average number of slot machines (Average of month-end numbers)	<b>756</b>	776	<b>(2.6%)</b>

As at 31 December 2018, Casino Lisboa operated a total of 22 VIP gaming tables, 109 mass market gaming tables and 56 slot machines, and Casino Oceanus at Jai Alai operated a total of 194 mass market gaming tables and 348 slot machines, plus 42 mass market gaming tables and 76 slot machines in the casino area of the Jai Alai building. Casino Taipa, operated 5 mass market gaming tables and 97 slot machines.

## Operating Results — Satellite Casinos

As at 31 December 2018, SJM operated 16 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Eastern, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Kam Pek Paradise, Casino L'Arc Macau, Casino Landmark, Casino Legend Palace, Casino Macau Jockey Club, Casino Million Dragon, Casino Ponte 16 and Casino Royal Dragon.

Fourteen of SJM's satellite casinos are located on the Macau Peninsula whilst two satellite casinos are located on the island of Taipa. Satellite casinos comprised a total of 150 VIP gaming tables, 809 mass market gaming tables and 1,157 slot machines, as at 31 December 2018.

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

<b>Satellite casinos</b>	<b>For the year ended 31 December</b>		<b>Increase/ (Decrease)</b>
	<b>2018</b>	<b>2017</b>	
Gross gaming revenue (HK\$ million)	<b>21,972</b>	20,234	<b>8.6%</b>
Profit attributable to the Group (HK\$ million)	<b>689</b>	656	<b>5.0%</b>
Adjusted EBITDA (HK\$ million)	<b>647</b>	675	<b>(4.1%)</b>
Adjusted EBITDA Margin (over gross gaming revenue)	<b>2.9%</b>	3.3%	<b>(0.4%)</b>

Operating results of satellite casinos are as follows:

<b>Satellite casinos</b>	<b>For the year ended 31 December</b>		<b>Increase/ (Decrease)</b>
	<b>2018</b>	<b>2017</b>	
<b><i>VIP operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>7,879</b>	7,660	<b>2.9%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>146,845</b>	145,741	<b>0.8%</b>
VIP chips sales (HK\$ million)	<b>253,803</b>	221,052	<b>14.8%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>147</b>	144	<b>2.1%</b>
<b><i>Mass market operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>13,690</b>	12,188	<b>12.3%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>47,357</b>	44,170	<b>7.2%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>792</b>	756	<b>4.8%</b>
<b><i>Slot machine operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>403</b>	386	<b>4.4%</b>
Average daily net-win per slot machine (HK\$)	<b>974</b>	1,010	<b>(3.6%)</b>
Average number of slot machines (Average of month-end numbers)	<b>1,134</b>	1,047	<b>8.3%</b>

## **Non-gaming Operations**

For the year ended 31 December 2018, the Grand Lisboa Hotel contributed \$518 million in revenue and \$33 million in Adjusted Grand Lisboa EBITDA to the Group as compared with \$526 million in revenue and \$81 million in Adjusted Grand Lisboa EBITDA for the previous year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 95.5% for the full year, as compared with 93.8% for the previous year, and the average room rate for the full year 2018 was approximately \$1,495 as compared with \$1,609 in 2017.

Food and beverage units at the Grand Lisboa Hotel continued to earn international recognition. Amongst numerous awards, French restaurant “Robuchon au Dôme” and Cantonese restaurant “The Eight” received three stars in the Michelin Guide Hong Kong Macau 2019. Modern steakhouse “The Kitchen” was also awarded one star. The wine cellars of “Robuchon au Dôme” and Italian restaurant “Casa Don Alfonso” received the Grand Award and “The Kitchen” received the Best of Award of Excellence from Wine Spectator.

Operating results for the Sofitel at Ponte 16, in which SJM’s interest is 51%, contributed \$214 million in revenue to the Group in 2018, compared with a contribution of \$200 million in 2017. The occupancy rate of the 408-room hotel averaged 92.7% for the full year 2018 as compared with 91.4% in 2017, whilst average room rate increased by 6.9% to \$1,144. The Sofitel at Ponte 16 received numerous travel industry awards in 2018, in both business and luxury categories.

Income from all hotel, catering, retail and related services, after inter-company elimination, totaled \$733 million in 2018, an increase of 8.4% from \$676 million in 2017, due primarily to improved hotel room occupancy and retail operations.

## **PROSPECTS AND RECENT DEVELOPMENTS**

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

### **Outlook**

The Group’s performance in 2019 and over the medium term is susceptible to the overall economic performance of the surrounding region, government regulatory policies, and the level of visitation to Macau, as well as to the competitive situation among the casino operators in Macau. During this period, the Group is committed to maintaining its strength in both the mass market and VIP gaming sectors while striving to improve its operating efficiency.

The Group is optimistic about its future prospects, given the potential for growth of visitation and spending in Macau, infrastructure developments that improve access to Macau, including the Hong Kong/Zhuhai/Macau Bridge, Macau’s position in China’s Greater Bay Area, the general prosperity of the Asian region, the Group’s strategically located network of casinos and its strong balance sheet.

## **Current and Recent Initiatives**

### *Grand Lisboa Palace*

Construction of the Grand Lisboa Palace, SJM's future integrated resort on Cotai, which began in February 2014, made good progress in 2018, following setbacks which occurred in the second half of 2017 due to Typhoon Hato and a fire. SJM aims to complete construction of the project in the first half of 2019.

When open, which is expected by the end of 2019, the Grand Lisboa Palace will comprise a total gross floor area of 521,435 square metres plus 77,158 square metres of parking area. More than 90% of the total area will be devoted to a full range of non-gaming facilities, including hotel towers bearing the insignia "Grand Lisboa Palace", "Palazzo Versace" and "Karl Lagerfeld", totaling approximately 2,000 rooms, plus facilities for events, meetings and conferences, shopping, dining and entertainment, and a casino, at an estimated total project cost of approximately \$36 billion. As announced in October 2018, China Duty Free Group Co., Ltd. has agreed with SJM to open a flagship store of approximately 7,500 square metres at Grand Lisboa Palace.

SJM signed a \$25 billion syndicated loan facilities agreement in April 2017 primarily to finance the construction costs of the Grand Lisboa Palace. The loan facilities ("**Facilities**") consist of a HK\$15 billion term loan facility and a HK\$10 billion revolving loan facility, each with final maturity at end March 2022. Of these facilities, \$15 billion had been drawn by the end of 2018. All amounts outstanding under the Facilities bear interest at HIBOR (for HK\$), LIBOR (for US\$) and MAIBOR (for MOP), in each case plus an applicable margin which is subject to adjustment quarterly according to the then existing leverage ratio.

As at 31 December 2018, SJM had entered into capital commitments in connection with the Grand Lisboa Palace project with a total value of approximately \$8.7 billion.

## **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 \$18,691 million (not including \$147 million pledged bank deposits) as at 31 December 2018. This represented an increase of 17.6% as compared with the position as at 31 December 2017 of \$15,890 million. The increase was mainly attributable to cash inflows for drawdown of syndicated loan facilities during the year.

Total outstanding balances of bank loans drawn by the Group as at 31 December 2018 amounted to \$15,445 million (as at 31 December 2017: \$8,135 million). The maturity of the Group's borrowings as at 31 December 2018 is as follows:

<b>Maturity Profile</b>			
<b>Within 1 year</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Total</b>
1%	16%	83%	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 2018 (as at 31 December 2017: zero).

### **Capital Expenditure Commitments**

Capital expenditure commitments by the Group amounted to \$9.5 billion as at 31 December 2018 (as at 31 December 2017: \$15.6 billion), of which \$8.7 billion were for the Grand Lisboa Palace project. As at 31 December 2018, the Group was in construction of the Grand Lisboa Palace, with an estimated total project cost of approximately \$36 billion, including capital expenditure commitments to date.

The Grand Lisboa Palace project and future projects 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 2018, certain of the Group's property and equipment and land use rights with carrying values of \$27,719 million and \$1,797 million, respectively (as at 31 December 2017: \$21,762 million and \$1,892 million, respectively), were pledged to banks for loan facilities. In addition, the Group had pledged bank deposits of \$147 million as at 31 December 2018 (2017: \$147 million).

### **Contingent Liabilities and Guarantees**

As at 31 December 2018, the total amount of guarantees of the Group given to banks of \$87 million (2017: \$87 million), which were guarantees in respect of credit facilities granted to an associate and an investee company. The Group had no significant contingent liabilities as at 31 December 2018.

## **Financial Risk**

The Group follows a conservative policy in financial management with minimal exposure to the risks of currency and interest rate. The Group does not currently hedge its interest rate exposure, which relates principally to the Facilities which bear interest based on the prevailing rates of HIBOR, LIBOR and MAIBOR, although it may consider doing so in the future. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations. All 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**

The Group made no material acquisitions or material disposals of subsidiaries and associated companies during the year ended 31 December 2018.

## **Human Resources**

As at 31 December 2018, the Group had approximately 20,400 full-time employees. The Group's employee turnover rate was minimal in 2018.

Staff remuneration of the Group is determined by reference to their working performance, professional qualification, relevant working experience and 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.

## **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 2018.

## **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 has adopted its own code of corporate governance based on the principles and code provisions as set out in the Corporate Governance Code ("**CG Code**") as stated in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.



During the year ended 31 December 2018, the Company has complied with the code provisions of the CG Code, except for the deviation from the code provision E.1.2 that, due to health reasons, Dr. Ho Hung Sun, Stanley, the former Chairman who retired at the annual general meeting of the Company held on 12 June 2018 (the “**2018 AGM**”), was absent from the 2018 AGM.

#### **CLOSURE OF REGISTER OF MEMBERS FOR 2019 ANNUAL GENERAL MEETING**

Book close dates for 2019 Annual General Meeting (both days inclusive)	:	4 June 2019 to 11 June 2019
Latest share registration date for 2019 Annual General Meeting	:	3 June 2019
Latest time to lodge transfer documents with the Company’s share registrar	:	4:30 p.m. on Monday, 3 June 2019
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**

Record date for proposed final dividend	:	14 June 2019
Latest time to lodge transfer documents with the Company’s share registrar	:	4:30 p.m. on Friday, 14 June 2019
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 2019 Annual General Meeting)	:	27 June 2019

## **2019 ANNUAL GENERAL MEETING**

The 2019 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 Tuesday, 11 June 2019. Notice of 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 2018 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 profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 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**  
**Ho Chiu Fung, Daisy**  
*Chairman and Executive Director*

Hong Kong, 28 February 2019

*As at the date of this announcement, the executive directors of the Company are Ms. Ho Chiu Fung, Daisy, Mr. Fok Tsun Ting, Timothy, Deputada Leong On Kei, Angela, Dr. So Shu Fai, Mr. Ng Chi Sing, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David, the non-executive director of the Company is Dr. Cheng Kar Shun and the independent non-executive directors of the Company are Mr. Chau Tak Hay, Dr. Lan Hong Tsung, David, Hon. Shek Lai Him, Abraham and Mr. Tse Hau Yin.*