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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 2017

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/ (Decrease)
	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>	
Gaming Revenue	<b>41,290</b>	41,272	<b>0.1%</b>
Hotel, Catering, Retail and Other Income	<b>731</b>	765	<b>(4.5%)</b>
Adjusted EBITDA*	<b>3,074</b>	3,417	<b>(10.0%)</b>
Profit attributable to owners of the Company	<b>1,963</b>	2,327	<b>(15.6%)</b>
Earnings per share			
— basic	<b>HK34.7 cents</b>	HK41.1 cents	<b>(15.6%)</b>
— diluted	<b>HK34.7 cents</b>	HK41.1 cents	<b>(15.6%)</b>
Dividend per ordinary share			
— proposed final dividend	<b>HK15 cents</b>	HK18 cents	
— interim dividend paid	<b>HK5 cents</b>	HK6 cents	
— total dividends for the year	<b>HK20 cents</b>	HK24 cents	<b>(16.7%)</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 on disposal of property and equipment, share-based payments, loss on deregistration of a subsidiary, and impairment loss on property and equipment.

## PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK15 cents per ordinary share of the Company (the “**Share**”) (2016: final dividend of HK18 cents per Share), for the year ended 31 December 2017, which is subject to approval at the forthcoming annual general meeting of the Company to be held on Tuesday, 12 June 2018 (the “**2018 Annual General Meeting**”).

## OPERATING HIGHLIGHTS

- Gaming revenue net of direct sales incentives including customer relationship programs earned by Sociedade de Jogos de Macau, S.A. (“**SJM**”), a subsidiary of the Company, was HK\$41,290 million in 2017, an increase of 0.1% from the previous year.
- Adjusted EBITDA of the Group was HK\$3,074 million, a decrease of 10.0% from the previous year.
- Profit attributable to owners of the Company was HK\$1,963 million, a decrease of 15.6% from the previous year.
- SJM had a 16.1% share of Macau’s gaming revenue, including 20.8% of mass market table gaming revenue and 13.6% of VIP gaming revenue.
- The Group’s flagship Casino Grand Lisboa had an increase in gaming revenue for the year of 5.8%, and decreases in Adjusted Grand Lisboa EBITDA and attributable profit for the year of 5.1% and 1.4%, respectively.
- Grand Lisboa Hotel’s occupancy rate increased by 2.1% to 93.8% for the full year, and average room rate increased by 1.8% to HK\$1,609.
- The Group maintained its strong balance sheet, with cash, bank balances and pledged bank deposits totaling HK\$16,037 million and total debt of HK\$8,135 million as at 31 December 2017.
- Construction of the Grand Lisboa Palace, the Group’s integrated resort on Cotai, continued in 2017 but was adversely affected by the category 10 Typhoon Hato in August 2017 and a fire incident in September 2017. The Group is still striving for construction to complete by the end of 2018 in the absence of other unforeseen events and to seek the relevant licenses to begin operation as soon as possible thereafter.
- A final dividend of HK15 cents per Share has been proposed. If the proposed dividend is approved at the forthcoming annual general meeting of the Company, total dividends for 2017, including interim dividend of HK5 cents per Share paid in September 2017, would be HK20 cents per Share, equal to 57.6% of diluted earnings per Share.

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

*For the year ended 31 December 2017*

	<i>Notes</i>	<b>2017</b> <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Gaming, hotel, catering, retail and related services revenues		<u><b>41,874.9</b></u>	<u>41,798.4</u>
Gaming revenue	4	<u><b>41,290.2</b></u>	41,272.5
Special gaming tax, special levy and gaming premium		<u><b>(16,086.3)</b></u>	<u>(16,068.5)</u>
		<b>25,203.9</b>	25,204.0
Hotel, catering, retail and related services income		<b>584.7</b>	525.9
Cost of sales and services on hotel, catering, retail and related services		<b>(285.7)</b>	(241.4)
Other income, gains and losses		<b>145.8</b>	239.0
Marketing and promotional expenses		<b>(14,991.7)</b>	(15,022.7)
Operating and administrative expenses		<b>(8,731.0)</b>	(8,367.6)
Finance costs	5	<b>(33.5)</b>	(44.9)
Share of profits of an associate		<b>48.3</b>	49.1
Share of profits of a joint venture		<u><b>6.0</b></u>	<u>6.9</u>
Profit before taxation	6	<b>1,946.8</b>	2,348.3
Taxation	7	<u><b>(11.9)</b></u>	<u>(33.8)</u>
Profit for the year		<b>1,934.9</b>	2,314.5
Other comprehensive (expense) income:			
Change in fair value of available-for-sale investment in equity securities		<u><b>(83.7)</b></u>	<u>117.1</u>
Total comprehensive income for the year		<u><b>1,851.2</b></u>	<u>2,431.6</u>
Profit (loss) for the year attributable to			
— owners of the Company		<b>1,963.4</b>	2,326.5
— non-controlling interests		<u><b>(28.5)</b></u>	<u>(12.0)</u>
		<u><b>1,934.9</b></u>	<u>2,314.5</u>
Total comprehensive income (expense) for the year attributable to			
— owners of the Company		<b>1,879.7</b>	2,443.6
— non-controlling interests		<u><b>(28.5)</b></u>	<u>(12.0)</u>
		<u><b>1,851.2</b></u>	<u>2,431.6</u>
Earnings per share			
— Basic	9	<u><b>HK34.7 cents</b></u>	<u>HK41.1 cents</u>
— Diluted	9	<u><b>HK34.7 cents</b></u>	<u>HK41.1 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Notes</i>	<b>2017</b> <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Non-current assets			
Property and equipment		<b>24,690.4</b>	19,851.4
Land use rights		<b>2,396.8</b>	2,522.2
Intangible asset		—	1.6
Art works and diamonds		<b>281.3</b>	281.6
Interest in an associate		<b>257.8</b>	172.8
Interest in a joint venture		<b>121.1</b>	115.1
Available-for-sale investment in equity securities		<b>244.6</b>	328.3
Other assets		<b>925.4</b>	286.3
Pledged bank deposits		<b>145.6</b>	145.6
		<u><b>29,063.0</b></u>	<u>23,704.9</u>
Current assets			
Inventories		<b>82.7</b>	68.5
Trade and other receivables	<i>10</i>	<b>1,165.6</b>	1,480.7
Financial assets at fair value through profit or loss		<b>84.3</b>	78.1
Pledged bank deposits		<b>1.3</b>	262.2
Short-term bank deposits		<b>9,719.1</b>	3,650.2
Bank balances and cash		<b>6,171.0</b>	9,510.4
		<u><b>17,224.0</b></u>	<u>15,050.1</u>
Current liabilities			
Trade and other payables	<i>11</i>	<b>11,173.8</b>	11,633.4
Payable for acquisition of land use rights		—	178.4
Taxation payable		<b>84.7</b>	83.0
Long-term bank loans		<b>200.0</b>	539.1
Amounts due to non-controlling interests of subsidiaries		—	293.3
		<u><b>11,458.5</b></u>	<u>12,727.2</u>
Net current assets		<u><b>5,765.5</b></u>	<u>2,322.9</u>
Total assets less current liabilities		<u><b>34,828.5</b></u>	<u>26,027.8</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***At 31 December 2017*

	<i>Notes</i>	<b>2017</b> <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Non-current liabilities			
Other payables	<i>11</i>	<b>1,094.2</b>	832.5
Long-term bank loans		<b>7,935.0</b>	—
Amounts due to non-controlling interests of subsidiaries		<b>280.0</b>	273.1
Deferred taxation		<b>50.1</b>	81.0
		<b><u>9,359.3</u></b>	<u>1,186.6</u>
Net assets		<b><u>25,469.2</u></b>	<u>24,841.2</u>
Capital and reserves			
Share capital		<b>11,241.5</b>	11,237.6
Reserves		<b>14,155.3</b>	13,515.2
Equity attributable to owners of the Company		<b>25,396.8</b>	24,752.8
Non-controlling interests		<b>72.4</b>	88.4
Total equity		<b><u>25,469.2</u></b>	<u>24,841.2</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 revised HKFRSs

##### Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

## 2. BASIS OF PREPARATION (Continued)

### *Amendments to HKAS 7 “Disclosure Initiative”*

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

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

### 2.2 New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</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 28	Long-term Interest in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfer of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

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

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

## 2. BASIS OF PREPARATION (Continued)

The directors of the Company anticipate that the application of some of these new and revised 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 operating segments — gaming operations, and hotel, catering and retail operations. Principal activities of these two operating 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

Operating 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 operating segments, has been identified as a group of senior management that makes strategic decisions.

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 operating segment named “hotel, catering and retail operations”.



### 3. OPERATING SEGMENTS (Continued)

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	
	2017	2016	2017	2016
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Gaming operations	<u>41,290.2</u>	<u>41,272.5</u>	<b>2,413.8</b>	2,626.7
Hotel, catering and retail operations				
— external sales	<b>584.7</b>	525.9		
— inter-segment sales	<u>257.4</u>	<u>261.7</u>		
	<b>842.1</b>	787.6	<b>(471.1)</b>	(305.4)
Eliminations	<u>(257.4)</u>	<u>(261.7)</u>		
	<u>584.7</u>	<u>525.9</u>		
	<u>41,874.9</u>	<u>41,798.4</u>		
			<b>1,942.7</b>	2,321.3
<i>Reconciliation from segment results to profit before taxation:</i>				
Unallocated corporate income			<b>70.5</b>	79.9
Unallocated corporate expenses			<b>(126.9)</b>	(125.6)
Change in fair value of financial assets at fair value through profit or loss			<b>6.2</b>	16.7
Share of profits of an associate			<b>48.3</b>	49.1
Share of profits of a joint venture			<u><b>6.0</b></u>	<u>6.9</u>
Profit before taxation			<u><b>1,946.8</b></u>	<u>2,348.3</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 fair value through profit or loss and share of results of an associate/a joint venture. 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 assets and liabilities by operating segments is as follows:

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
<i>Assets</i>		
Segment assets		
— gaming operations	12,761.1	14,804.5
— hotel, catering and retail operations	<u>5,050.6</u>	<u>4,507.6</u>
	17,811.7	19,312.1
Interest in an associate	257.8	172.8
Interest in a joint venture	121.1	115.1
Unallocated bank deposits, bank balances and cash	7,095.9	4,001.3
Other unallocated assets	<u>21,000.5</u>	<u>15,153.7</u>
Group's total	<u><u>46,287.0</u></u>	<u><u>38,755.0</u></u>
<i>Liabilities</i>		
Long-term bank loans		
— gaming operations	7,599.5	238.7
— hotel, catering and retail operations	190.0	300.4
— unallocated corporate bank loans	<u>345.5</u>	<u>—</u>
	<u>8,135.0</u>	<u>539.1</u>
Other segment liabilities		
— gaming operations	10,199.1	10,727.4
— hotel, catering and retail operations	<u>267.3</u>	<u>279.2</u>
	<u><u>10,466.4</u></u>	<u><u>11,006.6</u></u>
Total segment liabilities	18,601.4	11,545.7
Unallocated liabilities	<u>2,216.4</u>	<u>2,368.1</u>
Group's total	<u><u>20,817.8</u></u>	<u><u>13,913.8</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, available-for-sale investment in equity securities and financial assets at fair value through profit or loss.
- (ii) unallocated liabilities include mainly certain construction payables, payable for acquisition of land use rights and amounts due to non-controlling interests of subsidiaries.
- (iii) all assets are allocated to operating 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 operating segments, other than liabilities not attributable to respective segments as mentioned in (ii).

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

	<b>2017</b>	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Additions to non-current assets (other than financial instruments)		
— gaming operations	<b>196.1</b>	1,396.6
— hotel, catering and retail operations	<b>16.7</b>	46.7
— corporate level*	<b>6,020.3</b>	5,423.9
	<b>6,233.1</b>	6,867.2
Depreciation and amortisation		
— gaming operations	<b>657.0</b>	593.1
— hotel, catering and retail operations	<b>539.4</b>	464.2
— corporate level	<b>8.1</b>	13.7
	<b>1,204.5</b>	1,071.0
(Gain) loss on disposal/write-off of property and equipment		
— gaming operations	<b>(3.6)</b>	0.9
— hotel, catering and retail operations	<b>1.5</b>	—
— corporate level	<b>—</b>	(0.2)
	<b>(2.1)</b>	0.7

\* 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)

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Share-based payments		
— gaming operations	48.8	154.0
— corporate level	<u>14.0</u>	<u>15.9</u>
	<u><b>62.8</b></u>	<u>169.9</u>
Finance costs		
— gaming operations	5.7	11.1
— hotel, catering and retail operations	8.2	9.5
— corporate level	<u>19.6</u>	<u>24.3</u>
	<u><b>33.5</b></u>	<u>44.9</u>
Interest income		
— gaming operations	59.0	63.1
— hotel, catering and retail operations	5.1	11.5
— corporate level	<u>58.6</u>	<u>66.2</u>
	<u><b>122.7</b></u>	<u>140.8</u>
Allowance for doubtful debts		
— gaming operations	<u>—</u>	<u>2.8</u>
Impairment loss on property and equipment		
— gaming operations	7.7	12.6
— hotel, catering and retail operations	<u>0.6</u>	<u>—</u>
	<u><b>8.3</b></u>	<u>12.6</u>
Impairment loss on deposits made on acquisitions of property and equipment		
— gaming operations	<u>—</u>	<u>22.8</u>
Loss on deregistration of a subsidiary		
— gaming operations	<u><b>10.1</b></u>	<u>—</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>2017</b>	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Gaming revenue from		
— VIP gaming operations	<b>19,877.0</b>	19,933.8
— mass market table gaming operations	<b>20,583.6</b>	20,437.5
— slot machine and other gaming operations	<b><u>1,026.8</u></b>	<u>1,066.7</u>
	<b>41,487.4</b>	41,438.0
Less: direct sales incentives including customer relationship programs	<b><u>(197.2)</u></b>	<u>(165.5)</u>
	<b><u><u>41,290.2</u></u></b>	<u><u>41,272.5</u></u>

#### 5. FINANCE COSTS

	<b>2017</b>	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
Interest on		
— bank loans	<b>79.7</b>	20.6
— payable of acquisition of land use rights	<b>3.3</b>	19.7
Imputed interest on amount due to non-controlling interests of a subsidiary	<b><u>13.9</u></b>	<u>24.3</u>
	<b>96.9</b>	64.6
Less: Amount capitalised	<b><u>(63.4)</u></b>	<u>(19.7)</u>
	<b><u><u>33.5</u></u></b>	<u><u>44.9</u></u>

## 6. PROFIT BEFORE TAXATION

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration		
— fees, salaries, bonus and other benefits	112.8	99.4
— share-based payments	<u>54.6</u>	<u>138.9</u>
	167.4	238.3
Less: Amount capitalised	<u>(10.9)</u>	<u>(7.8)</u>
	<u>156.5</u>	<u>230.5</u>
Retirement benefits scheme contributions for other staff	206.8	206.3
Less: Forfeited contributions	<u>(33.8)</u>	<u>(27.0)</u>
	<u>173.0</u>	<u>179.3</u>
Share-based payments to other staff	7.8	29.7
Other staff costs	<u>5,696.1</u>	<u>5,657.4</u>
	<u>5,703.9</u>	<u>5,687.1</u>
Total employee benefit expenses	<u>6,033.4</u>	<u>6,096.9</u>
Operating lease rentals in respect of		
— land use rights	45.4	45.0
— rented premises	<u>448.2</u>	<u>360.2</u>
	<u>493.6</u>	<u>405.2</u>

## 6. PROFIT BEFORE TAXATION (Continued)

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Allowance for doubtful debts	—	2.8
Amortisation of intangible asset (included in operating and administrative expenses)	<b>1.6</b>	6.3
Auditor's remuneration	<b>14.4</b>	13.4
Depreciation of property and equipment	<b>1,202.9</b>	1,064.7
Impairment loss on property and equipment	<b>8.3</b>	12.6
Impairment loss on deposits made on acquisitions of property and equipment	—	22.8
Loss on deregistration of a subsidiary	<b>10.1</b>	—
Loss on disposal/write-off of property and equipment	—	0.7
Share-based payments to other participants (included in operating and administrative expenses)	<b>0.4</b>	1.3
<i>and after crediting:</i>		
Interest income from:		
— bank deposits	<b>122.7</b>	139.6
— others	<u>—</u>	<u>1.2</u>
	<b>122.7</b>	140.8
Dividend income	<b>3.8</b>	3.6
Gain on change in fair value of financial assets at fair value through profit or loss	<b>6.2</b>	16.7
Gain on disposal of property and equipment	<b>2.1</b>	<u>—</u>

## 7. TAXATION

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Current tax — Macau SAR Complementary Tax	42.8	64.4
Deferred taxation credit	<u>(30.9)</u>	<u>(30.6)</u>
	<u>11.9</u>	<u>33.8</u>

No provision for Macau SAR Complementary Tax (“CT”) on gaming related income is made for a subsidiary, SJM. Pursuant to the approval notice issued by the Macau SAR government dated 23 November 2011 and 27 September 2016, SJM has been exempted from CT for income generated from gaming operations for the years from 2012 to 2016 and 2017 to 2020, respectively.

In addition, pursuant to the approval letter dated 10 August 2012 issued by the Financial Services Bureau of the Macau SAR government, SJM’s shareholders were obligated to pay the dividend tax of MOP42.3 million (equivalent to HK\$41.1 million) for dividend distributed by SJM (the “**Special Complementary Tax**”) for each of the years from 2012 to 2016. On 27 February 2018, the Financial Services Bureau of the Macau SAR government issued the approval letter on the Special Complementary Tax for the period from 1 January 2017 to 31 March 2020 that SJM’s shareholders were obligated to pay an amount of MOP23.2 million (equivalent to HK\$22.5 million) for the year ended 31 December 2017.

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

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

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Interim dividend per ordinary share paid		
— HK5 cents for 2017	282.9	—
— HK6 cents for 2016	—	339.5
Final dividend per ordinary share paid		
— HK18 cents for 2016	1,018.3	—
— HK15 cents for 2015	<u>—</u>	<u>848.5</u>
	<u><b>1,301.2</b></u>	<u><b>1,188.0</b></u>

A final dividend of HK15 cents per ordinary share, totalling HK\$848.7 million, is proposed by the directors of the Company at a board meeting held on 28 February 2018, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,658,129,293 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:

	2017 <i>HK\$ million</i>	2016 <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>1,963.4</b></u>	<u><b>2,326.5</b></u>
	2017	2016
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,657,433,129	5,656,977,654
Effect of dilutive potential ordinary shares on share options	<u><b>3,817,342</b></u>	<u><b>2,526,118</b></u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>5,661,250,471</b></u>	<u><b>5,659,503,772</b></u>

## 10. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Advances to gaming promoters, net	<b>268.0</b>	425.3
Other receivables from gaming promoters and service providers, net	<b>899.9</b>	601.4
Prepayments	<b>154.9</b>	164.5
Other sundry receivables	<b>320.6</b>	289.5
	<b>1,643.4</b>	1,480.7
Less: Non-current portion (included in other assets)	<b>(477.8)</b>	—
Current portion	<b>1,165.6</b>	1,480.7

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 2017, 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>2017</b> <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Age		
0 to 30 days	<b>224.6</b>	425.3
31 to 60 days	<b>43.4</b>	—
	<b>268.0</b>	425.3

### Movement in the allowance for doubtful debts

	<b>2017</b> <i>HK\$ million</i>	2016 <i>HK\$ million</i>
At 1 January	<b>132.5</b>	132.5
Allowance for doubtful debts	—	2.8
Written-off	—	(2.8)
At 31 December	<b>132.5</b>	132.5

Allowance for doubtful debts with an aggregate balance of HK\$132.5 million (2016: 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.

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

## 11. TRADE AND OTHER PAYABLES

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Trade payables	1,248.8	1,239.1
Special gaming tax payable	1,306.1	1,282.0
Chips in circulation	4,987.7	4,419.1
Chips in custody and deposits received from gaming patrons and gaming promoters	516.4	1,457.8
Payables for acquisition of property and equipment	50.7	96.7
Construction payables	2,140.9	1,975.6
Accrued staff costs	1,472.6	1,319.2
Rentals payables	157.1	247.3
Withholding tax payable for gaming promoters and employees	19.2	17.0
Other sundry payables and accruals	<u>368.5</u>	<u>412.1</u>
	12,268.0	12,465.9
Less: Non-current portion	<u>(1,094.2)</u>	<u>(832.5)</u>
Current portion	<u><u>11,173.8</u></u>	<u><u>11,633.4</u></u>

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

	2017 <i>HK\$ million</i>	2016 <i>HK\$ million</i>
Age		
0 to 30 days	1,224.5	1,213.4
31 to 60 days	14.4	16.9
61 to 90 days	5.2	4.4
Over 90 days	<u>4.7</u>	<u>4.4</u>
	<u><u>1,248.8</u></u>	<u><u>1,239.1</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 2017 from the previous two years. The 19.1% increase reported by the Macau Gaming Inspection and Coordination Bureau (“**DICJ**”) resulted from several factors, including the opening of new casino resorts in the Cotai area and growth in visitation to Macau. Most revenue growth occurred in the VIP sector, which expanded in 2017 by 26.7% over 2016. Mass market table gaming and slot machines showed growth during the year of 9.7% and 15.6%, respectively.

Visitation to Macau increased by 5.4% to 32.6 million in 2017 according to the Macau Government Statistics and Census Service. Visitors from the Mainland increased by 8.5% to 22 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 2017 each declined from last year, whilst total revenue and gaming revenue showed modest increases:

<b>Group operating results</b>	<b>For the year ended 31 December</b>		<b>Increase/ (Decrease)</b>
	<b>2017</b>	<b>2016</b>	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Total revenue	<b>41,875</b>	41,798	<b>0.2%</b>
Gaming revenue	<b>41,290</b>	41,272	<b>0.1%</b>
Profit attributable to owners of the Company	<b>1,963</b>	2,327	<b>(15.6%)</b>
Adjusted EBITDA <sup>1</sup>	<b>3,074</b>	3,417	<b>(10.0%)</b>
Adjusted EBITDA Margin <sup>2</sup>	<b>7.3%</b>	8.2%	<b>(0.9%)</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 on disposal of property and equipment, share-based payments, loss on deregistration of a subsidiary, and impairment loss on property and equipment.

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

VIP gaming revenue of the Group declined by 0.3% in 2017 while mass market table gaming revenue increased by 0.6%. According to statistics from the MSAR government, gaming revenue of Macau increased by 19.1% in 2017, comprising a 26.7% increase in VIP gaming revenue, a 9.7% increase in mass market table gaming revenue and a 15.6% increase in slot machine gaming revenue.

During 2017, the Group accounted for 16.1% of Macau's casino gaming revenue of \$258,003 million which represented a decline in market share from 19.1% for the full year 2016.

The Group's Adjusted EBITDA Margin for the year was 7.3%, a decrease from 8.2% in 2016. If calculated under United States generally accepted accounting principles ("US GAAP"), the Group's Adjusted EBITDA Margin would be 11.3% for 2017, as compared with 12.6% in 2016 (See "Comparison with United States GAAP Accounting" on page 32 below).

Net profit for the year 2017 included results of the Group's Jai Alai property, which opened its hotel and restaurant units in November. Net profit for the year 2016 included \$241 million received as a one-time refund of excess dredging expenses by the Group's harbour dredging unit in previous years. Deductions of share-based payments were \$63 million in 2017, as compared with \$170 million in the previous year. Depreciation in 2017 was \$1,203 million compared with \$1,065 million in 2016, and interest expense was \$34 million, compared with \$45 million in 2016.

## Operating Results — VIP Gaming

<b>VIP operations</b>	<b>For the year ended 31 December</b>		<b>Increase/</b>
	<b>2017</b>	<b>2016</b>	<b>(Decrease)</b>
Gaming revenue (HK\$ million)	<b>19,877</b>	19,934	<b>(0.3%)</b>
Average daily net-win per VIP gaming table (HK\$)	<b>185,229</b>	160,188	<b>15.6%</b>
VIP chips sales (HK\$ million)	<b>636,741</b>	657,849	<b>(3.2%)</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>294</b>	340	<b>(13.5%)</b>

VIP gaming operations accounted for 48.1% of the Group's total gaming revenue in 2017, as compared with 48.3% for the previous year. As at 31 December 2017, SJM had 279 VIP gaming tables in operation with 19 VIP promoters, as compared with 315 VIP gaming tables and 20 VIP promoters as at 31 December 2016. As at 31 December 2017, SJM operated VIP gaming in 13 of its casinos.

The Group's gaming revenue from VIP gaming operations amounted to approximately 13.6% of total VIP gaming revenue in Macau, compared to 17.3% in the previous year, according to figures from the DICJ in Macau. The hold rate for SJM's VIP operations was 3.12% in 2017 as compared with 3.03% in 2016.

## Operating Results — Mass Market Table Gaming

<b>Mass market operations</b>	<b>For the year ended 31 December</b>		<b>Increase/</b>
	<b>2017</b>	<b>2016</b>	<b>(Decrease)</b>
Gaming revenue (HK\$ million)	<b>20,386</b>	20,272	<b>0.6%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>40,571</b>	42,888	<b>(5.4%)</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>1,390</b>	1,302	<b>6.8%</b>

Gaming revenue from mass market table gaming operations comprised 49.4% of the Group's total gaming revenue in 2017, as compared with 49.1% in 2016. SJM had 1,424 mass market gaming tables in operation as at 31 December 2017, as compared with 1,301 mass market gaming tables as at 31 December 2016.

## Operating Results — Slot Machines and Other Gaming Operations

	For the year ended 31 December		
<b>Slot machine operations</b>	<b>2017</b>	<b>2016</b>	<b>(Decrease)</b>
Gaming revenue (HK\$ million)	<b>1,027</b>	1,067	<b>(3.7%)</b>
Average daily net-win per slot machine (HK\$)	<b>1,066</b>	1,071	<b>(0.5%)</b>
Average number of slot machines (Average of month-end numbers)	<b>2,640</b>	2,717	<b>(2.8%)</b>

Gaming revenue from slot machine operations, which includes other electronic gaming machines and the game of Tombola, comprised 2.5% of the Group's total gaming revenue in 2017, compared with 2.6% in 2016. SJM had 2,473 slot machines in service as at 31 December 2017 as compared with 2,132 slot machines as at 31 December 2016.

As at 31 December 2017, SJM operated slot machines in 13 of its casinos.

## Operating Results — Casino Grand Lisboa

SJM's flagship Casino Grand Lisboa showed an increase in gaming revenue of 5.8% during the year but declines in Adjusted Grand Lisboa EBITDA and profit attributable to the Group.

	For the year ended 31 December		
<b>Casino Grand Lisboa</b>	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>
Revenue (HK\$ million)	<b>14,866</b>	14,056	<b>5.8%</b>
Profit attributable to the Group (HK\$ million)	<b>1,404</b>	1,424	<b>(1.4%)</b>
Adjusted Grand Lisboa EBITDA <sup>3</sup> (HK\$ million)	<b>1,675</b>	1,764	<b>(5.1%)</b>
Adjusted Grand Lisboa EBITDA Margin <sup>4</sup>	<b>11.3%</b>	12.6%	<b>(1.3%)</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 on disposal of property and equipment, share-based payments, loss on deregistration of subsidiary, impairment loss on property and equipment, and before elimination of inter-company consumption.

<sup>4</sup> Adjusted Grand Lisboa EBITDA Margin is Adjusted Grand Lisboa EBITDA divided by revenue.



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>2017</b>	<b>2016</b>	
<b><i>VIP operations</i></b>			
Gaming revenue (HK\$ million)	<b>10,106</b>	9,097	<b>11.1%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>225,110</b>	198,848	<b>13.2%</b>
VIP chips sales (HK\$ million)	<b>353,100</b>	330,274	<b>6.9%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>123</b>	125	<b>(1.6%)</b>
<b><i>Mass market operations</i></b>			
Gaming revenue (HK\$ million)	<b>4,376</b>	4,570	<b>(4.2%)</b>
Average daily net-win per mass market gaming table (HK\$)	<b>45,012</b>	46,330	<b>(2.8%)</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>272</b>	275	<b>(1.1%)</b>
<b><i>Slot machine operations</i></b>			
Gaming revenue (HK\$ million)	<b>384</b>	389	<b>(1.3%)</b>
Average daily net-win per slot machine (HK\$)	<b>1,286</b>	1,347	<b>(4.5%)</b>
Average number of slot machines (Average of month-end numbers)	<b>817</b>	789	<b>3.5%</b>

Casino Grand Lisboa operated 276 mass market gaming tables and 121 VIP gaming tables as at 31 December 2017, compared with 268 and 124, respectively at the end of the previous year.

If calculated under US GAAP, the Adjusted Grand Lisboa EBITDA Margin of Casino Grand Lisboa would be approximately 17.8% for 2017, as compared with 19.3% in 2016 (See “Comparison with United States GAAP Accounting” on page 32 below).

As at 31 December 2017, Casino Grand Lisboa operated a total of 773 slot machines. Jackpots are awarded frequently, with the total exceeding \$267 million for slot machines and over \$44 million for table games (Caribbean Stud Poker) in 2017. During 2017, Casino Grand Lisboa attracted a total of over 9 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/ (Decrease)</b>
	<b>2017</b>	<b>2016</b>	
Revenue (HK\$ million)	<b>6,215</b>	5,824	<b>6.7%</b>
Profit attributable to the Group (HK\$ million)	<b>344</b>	414	<b>(16.9%)</b>
Adjusted EBITDA (HK\$ million)	<b>618</b>	618	<b>—%</b>
Adjusted EBITDA Margin	<b>9.9%</b>	10.6%	<b>(0.7%)</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/ (Decrease)</b>
	<b>2017</b>	<b>2016</b>	
<b><i>VIP operations</i></b>			
Gaming revenue (HK\$ million)	<b>2,110</b>	1,981	<b>6.6%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>206,501</b>	186,598	<b>10.7%</b>
VIP chips sales (HK\$ million)	<b>62,589</b>	57,320	<b>9.2%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>28</b>	29	<b>(3.4%)</b>
<b><i>Mass market operations</i></b>			
Gaming revenue (HK\$ million)	<b>3,847</b>	3,643	<b>5.6%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>29,717</b>	27,882	<b>6.6%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>362</b>	362	<b>—%</b>
<b><i>Slot machine operations</i></b>			
Gaming revenue (HK\$ million)	<b>257</b>	200	<b>28.4%</b>
Average daily net-win per slot machine (HK\$)	<b>908</b>	921	<b>(1.4%)</b>
Average number of slot machines (Average of month-end numbers)	<b>776</b>	590	<b>31.5%</b>

As at 31 December 2017, Casino Lisboa operated a total of 28 VIP gaming tables, 114 mass market gaming tables and 154 slot machines, and Casino Oceanus at Jai Alai operated a total of 198 mass market gaming tables and 385 slot machines, plus 37 mass market gaming tables and 85 slot machines in the casino area of the Jai Alai building, which opened in December 2016. Casino Taipa, which opened in November 2016, operated 5 mass market gaming tables and 101 slot machines.

## Operating Results — Satellite Casinos

As at 31 December 2017, SJM operated 16 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Club VIP Legend, Casino Diamond, Casino Eastern, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Kam Pek Paradise, Casino Lan Kwai Fong, Casino L'Arc Macau, Casino Legend Palace, Casino Macau Jockey Club, 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, comprising a total of 130 VIP gaming tables, 794 mass market gaming tables and 975 slot machines, as at 31 December 2017.

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>2017</b>	<b>2016</b>	<b>(Decrease)</b>
Revenue (HK\$ million)	<b>20,209</b>	21,393	<b>(5.5%)</b>
Profit attributable to the Group (HK\$ million)	<b>656</b>	757	<b>(13.4%)</b>
Adjusted EBITDA (HK\$ million)	<b>675</b>	810	<b>(16.7%)</b>
Adjusted EBITDA Margin	<b>3.3%</b>	3.8%	<b>(0.5%)</b>

Operating results of satellite casinos are as follows:

<b>Satellite casinos</b>	<b>For the year ended 31 December</b>		<b>Increase/</b>
	<b>2017</b>	<b>2016</b>	<b>(Decrease)</b>
<b><i>VIP operations</i></b>			
Gaming revenue (HK\$ million)	<b>7,660</b>	8,856	<b>(13.5%)</b>
Average daily net-win per VIP gaming table (HK\$)	<b>145,741</b>	130,089	<b>12.0%</b>
VIP chips sales (HK\$ million)	<b>221,052</b>	270,254	<b>(18.2%)</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>144</b>	186	<b>(22.6%)</b>
<b><i>Mass market operations</i></b>			
Gaming revenue (HK\$ million)	<b>12,163</b>	12,060	<b>0.9%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>44,170</b>	49,633	<b>(11.0%)</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>756</b>	665	<b>13.7%</b>
<b><i>Slot machine operations</i></b>			
Gaming revenue (HK\$ million)	<b>386</b>	477	<b>(19.2%)</b>
Average daily net-win per slot machine (HK\$)	<b>1,010</b>	974	<b>3.6%</b>
Average number of slot machines (Average of month-end numbers)	<b>1,047</b>	1,339	<b>(21.8%)</b>

## **Non-gaming Operations**

For the year ended 31 December 2017, the Grand Lisboa Hotel contributed \$526 million in revenue and \$81 million in Adjusted Grand Lisboa EBITDA to the Group as compared with \$515 million in revenue and \$84 million in Adjusted Grand Lisboa EBITDA for the previous year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 93.8% for the full year, as compared with 91.7% for the previous year, and the average room rate for the full year 2017 was approximately \$1,609 as compared with \$1,581 in 2016.

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” were the only restaurants in Macau to receive three stars in the 2018 Michelin Guide. Modern steakhouse “The Kitchen” was also awarded one star. The wine cellars of “Robuchon au Dôme” and Italian restaurant “Don Alfonso 1890” 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 \$200 million in revenue to the Group in 2017, compared with a contribution of \$192 million in 2016. The occupancy rate of the 408-room hotel averaged 91.4% for the full year 2017 as compared with 87.6% in 2016, whilst average room rate increased by 1.0% to \$1,070. The Sofitel at Ponte 16 received numerous travel industry awards in 2017, in both business and luxury categories.

Income from all hotel, catering, retail and related services, after inter-company elimination, totaled \$585 million in 2017, an increase of 11.2% from \$526 million in 2016, due primarily to improved hotel room occupancy, average room rates and retail operations.

## **PROSPECTS AND RECENT DEVELOPMENTS**

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

### **Outlook**

The Group’s performance in 2017 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, the general prosperity of the Asian region, the Group’s strategically located network of casinos and its strong balance sheet.

## **Recent Events and Current 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 2016 and 2017, which are described below.

### *Grand Lisboa Palace*

Construction of the Grand Lisboa Palace, the Group's integrated resort on Cotai, continued in 2017 but was affected by two events which followed fast on each other in the third quarter of 2017.

The category 10 Typhoon Hato hit Macau in August 2017 and the construction schedule of Grand Lisboa Palace was held up for some weeks. At the end of September 2017, a fire broke out at the podium level of Grand Lisboa Palace and an investigation of the damage from the fire was ascertained.

Nevertheless, construction of the non-affected areas has resumed swiftly and the Group is working with various contractors on the project to repair in parallel the affected areas and to repair or replace certain equipment as soon as practicable. The Group is still striving for construction to complete by the end of 2018 in the absence of other unforeseen events and to seek the relevant licenses to begin operation as soon as possible thereafter.

The Group holds an extensive construction All-Risks insurance policy for the project which would cover certain costs of the fire. The Group believes that the total project cost remains on budget at approximately \$36 billion.

Upon completion, the Grand Lisboa Palace will comprise 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 meetings and conferences, shopping, dining and entertainment, and a casino, at an estimated total project cost of approximately \$36 billion.

SJM signed a \$25 billion syndicated loan facilities agreement in April 2017 primarily to finance the construction costs of the Grand Lisboa Palace.

As at 31 December 2017, SJM had entered into capital commitments in connection with the Grand Lisboa Palace project with a total value of approximately \$15.2 billion.

### *Casino Grand Lisboa*

In March 2017, a new dragon-themed VIP Premium area was opened on the 31st floor of Grand Lisboa. A high-end gaming experience for our Dragon Club card members, the area has 7 gaming tables, 12 slot machines, 10 hotel rooms, a club lounge and outdoor terraces for guests.

## *Hotel Grand Lisboa*

In the fourth quarter of 2017 the Group completed the renovation of our “Don Alfonso 1890” restaurant, which is now titled “Casa Don Alfonso”.

## *Jai Alai Renovation*

SJM reopened the casino area in the Jai Alai building in December 2016. The JA Avenue retail arcade, focusing on branded cosmetics and beauty aids, opened in April 2017, and the 132-room Jai Alai Hotel and the property’s two restaurants opened in November 2017.

## **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 \$15,890 million (not including \$147 million pledged bank deposits) as at 31 December 2017. This represented an increase of 20.7% as compared with the position as at 31 December 2016 of \$13,161 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 2017 amounted to \$8,135 million (as at 31 December 2016: \$539 million). The maturity of the Group’s borrowings as at 31 December 2017 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>
2%	21%	77%	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 2017 (as at 31 December 2016: zero).

### **Capital Expenditure Commitments**

Capital expenditure commitments by the Group amounted to \$15.6 billion as at 31 December 2017 (as at 31 December 2016: \$21.4 billion), of which \$15.2 billion were for the Grand Lisboa Palace project. As at 31 December 2017, 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 2017, certain of the Group's property and equipment and land use rights with carrying values of \$21,904 million and \$1,892 million, respectively (as at 31 December 2016: \$753 million and \$63 million, respectively), were pledged to banks for loan facilities. In addition, the Group had pledged bank deposits of \$147 million as at 31 December 2017 (2016: \$408 million).

### **Contingent Liabilities and Guarantees**

As at 31 December 2017, the total amount of guarantees of the Group given to banks of \$87 million (2016: \$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 2017.

### **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, 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 2017.

## **Human Resources**

As at 31 December 2017, the Group had approximately 20,700 full-time employees. The Group's employee turnover rate was minimal in 2017.

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.

## **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 11.3% for the year ended 31 December 2017, as compared with HK GAAP which gives an Adjusted EBITDA Margin of 7.3% 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 2017.

## **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 2017, the Company has complied with the code provisions of the CG Code, except for the deviation from the code provisions A.2.7 and E.1.2 that due to health reasons, Dr. Ho Hung Sun, Stanley did not meet the non-executive directors of the Company in 2017 and was absent from the annual general meeting of the Company held on 13 June 2017.



## **CLOSURE OF REGISTER OF MEMBERS FOR 2018 ANNUAL GENERAL MEETING**

- Book close dates for 2018 Annual General Meeting (both days inclusive) : 6 June 2018 to 12 June 2018
- Latest share registration date for 2018 Annual General Meeting : 5 June 2018
- Latest time to lodge transfer documents with the Company's share registrar : 4:30 p.m. on Tuesday, 5 June 2018
- 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 : 15 June 2018
- Latest time to lodge transfer documents with the Company's share registrar : 4:30 p.m. on Friday, 15 June 2018
- 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 2018 Annual General Meeting) : 28 June 2018

## **2018 ANNUAL GENERAL MEETING**

The 2018 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, 12 June 2018. 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 2017 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 2017 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, 28 February 2018

*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. Fok Tsun Ting, Timothy, Ms. Ho Chiu Fung, Daisy, Deputada Leong On Kei, Angela 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.*