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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 2009

The board of directors (the “Board”) of SJM Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2009 as follows.

FINANCIAL HIGHLIGHTS

	2009	2008	% Change
	HK\$ millions	HK\$ millions	
	<i>(audited)</i>	<i>(audited)</i>	
• Gaming Revenue	34,066	27,992	+21.7%
• Other Income ^{Note a}	410	304	+34.9%
• Adjusted EBITDA ^{Note b}	2,269	1,600	+41.8%
• Profit attributable to owners of the Company ^{Note c}	907	796	+13.9%
• Earnings per share — basic	HK18.1 cents	HK18.4 cents	Note d
— diluted	HK18.1 cents	N/A	
• Proposed final dividend per share	HK9.0 cents	HK6.0 cents	+50%

Notes:

a Includes hotel, catering and related services income

b Earnings after adjustment for minority interest and before interest income and expense, tax, depreciation and amortization, and share-based payments

c After adjustment for share-based payments of HK\$174 million

d Weighted average number of shares applied: 5,000.0 million shares in 2009; 4,327.2 million shares in 2008

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK9.0 cents per share for the year ended 31 December 2009 (2008: HK6.0 cents per share). The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Monday, 31 May 2010, is expected to be paid on Wednesday, 23 June 2010 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 31 May 2010.

OPERATING HIGHLIGHTS

- Gaming revenue grew by 21.7%, exceeding the 9.7% growth rate of casino gaming revenue in Macau.
- Adjusted EBITDA increased at an even greater rate of 41.8%, reflecting efficiency gains made by the Group.
- Profit attributable to owners of the Company grew by 13.9%, after depreciation charge for the Grand Lisboa Hotel, which opened in December 2008.
- Sociedade de Jogos de Macau, S.A. (“SJM”) continued to lead in market share of the Macau casino gaming market, with 40.7% of mass market table gaming revenue and 25.8% of VIP gaming revenue, and increased its overall market share to 29.4% from 26.5% in 2008.
- The Group maintained its strong financial position, with cash, bank balances and pledged bank deposits totalling HK\$9.7 billion as at 31 December 2009.
- Casino Grand Lisboa continued to perform strongly in 2009, contributing Adjusted Property EBITDA of HK\$1,654 million for the year and Adjusted Property EBITDA margin of 17.5% on the basis of generally accepted accounting principles in Hong Kong. If prepared on the basis of generally accepted accounting principles in the United States, the Adjusted Property EBITDA margin of Casino Grand Lisboa would be 25.8% for 2009.
- Casino Grand Lisboa’s daily net-win per mass market gaming table increased by 23.6%, net-win per VIP gaming table increased by 12.9% and net-win per slot machine increased by 27.0%.
- New VIP gaming areas opened on the 36th floor of the Grand Lisboa, and two additional high-vista floors are scheduled to open for VIP patrons later in 2010.
- Casino Oceanus at Jai Alai, SJM’s newest self-promoted casino and the closest casino to the Macau Maritime Terminal, was completed on schedule and on budget, and opened on 15 December 2009.
- During 2009 SJM obtained more attractive terms in revised service agreements for its satellite (third party-promoted) casinos, and opened three additional satellite casinos: Casino Jimei, Casino Lan Kwai Fong Macau and Casino L’Arc Macau.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<i>Notes</i>	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Gaming, hotel, catering and related services revenues		<u>34,352.8</u>	<u>28,165.0</u>
Gaming revenue	4	34,065.8	27,992.4
Special gaming tax, special levy and gaming premium		<u>(13,219.5)</u>	<u>(10,915.0)</u>
		20,846.3	17,077.4
Hotel, catering and related services income		287.0	172.6
Cost of sales and services on hotel, catering and related service		(164.8)	(133.7)
Other income		123.3	131.2
Marketing and promotional expenses		(13,318.1)	(10,115.0)
Operating and administrative expenses		(6,755.6)	(6,307.2)
Finance costs	5	(197.7)	(158.2)
Share of losses of an associate		(13.5)	(1.5)
Share of profits of a jointly controlled entity		<u>5.4</u>	<u>6.6</u>
Profit before taxation	6	812.3	672.2
Taxation	7	<u>(17.5)</u>	<u>(16.7)</u>
Profit for the year and total comprehensive income for the year		<u>794.8</u>	<u>655.5</u>
Profit attributable to			
— owners of the Company		906.7	796.1
— minority interests		<u>(111.9)</u>	<u>(140.6)</u>
		<u>794.8</u>	<u>655.5</u>
Earnings per share			
— Basic	9	<u>HK18.1 cents</u>	<u>HK18.4 cents</u>
— Diluted	9	<u>HK18.1 cents</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<i>Notes</i>	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Non-current assets			
Property and equipment		10,139.6	9,535.9
Land use rights		845.8	886.5
Intangible assets		45.8	52.1
Art works and diamonds		289.2	281.7
Interest in an associate		67.4	64.6
Interest in a jointly controlled entity		67.7	62.3
Available-for-sale investments in equity securities		5.5	5.5
Deposits made on acquisitions		168.1	219.0
Amount due from a fellow subsidiary		329.2	365.4
Pledged bank deposits		145.6	145.6
Bank deposits		1,000.0	—
		13,103.9	11,618.6
Current assets			
Inventories		52.1	43.4
Trade and other receivables	<i>10</i>	1,233.3	930.0
Loan receivables		132.0	—
Amount due from ultimate holding company		23.3	4.6
Amount due from an associate		20.0	20.0
Amount due from a jointly controlled entity		14.3	14.3
Amounts due from investee companies		156.7	160.7
Investment in trading securities		28.4	13.1
Pledged bank deposits		265.4	268.8
Short-term bank deposits		400.0	—
Bank balances and cash		7,937.1	5,847.1
		10,262.6	7,302.0
Current liabilities			
Trade and other payables	<i>11</i>	6,895.0	4,582.8
Financial guarantee obligations		13.3	14.5
Obligations under finance leases		33.3	16.0
Taxation		38.8	38.1
Current portion of long-term bank loans		1,040.0	1,020.0
		8,020.4	5,671.4
Net current assets		2,242.2	1,630.6
Total assets less current liabilities		15,346.1	13,249.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2009

	2009 HK\$ (in millions)	2008 HK\$ (in millions)
Non-current liabilities		
Financial guarantee obligations	—	13.3
Obligations under finance leases	329.2	365.4
Long-term bank loans	4,102.0	4,824.0
Amount due to a minority shareholder of a subsidiary	807.3	610.2
Convertible bonds	1,588.2	—
	<u>6,826.7</u>	<u>5,812.9</u>
Net assets	<u>8,519.4</u>	<u>7,436.3</u>
Capital and reserves		
Share capital	5,000.0	5,000.0
Reserves	3,454.7	2,287.1
Equity attributable to owners of the Company	8,454.7	7,287.1
Minority interests	64.7	149.2
Total equity	<u>8,519.4</u>	<u>7,436.3</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. CORPORATE INFORMATION

The Company is a public limited company incorporated in Hong Kong and acts as an investment holding company. Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”), a company established in Macau Special Administrative Region, the People’s Republic of China (“MSAR”). The address of the registered office and principal place of business of the Company is Suites 3201–3205, 32nd Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

Through a group reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) in preparation for the listing of the Company’s shares (the “Group Reorganisation”), the Company became the holding company of the Group on 17 January 2008. Details of the Group Reorganisation are more fully explained in the paragraph headed “Reorganisation” in the section headed “History and Reorganisation” of the prospectus of the Company dated 26 June 2008 (the “Prospectus”). The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting. The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2008 have been prepared on the basis as if the current group structure had been in existence throughout the period.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 July 2008.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values. The consolidated financial statements have also been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2.1 Application of new and revised HKFRSs

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards (“HKAS”s), amendments and interpretations (“INT”s) (hereinafter collectively referred to as “new and revised HKFRSs”) issued by HKICPA.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC*) — INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — INT 13	Customer loyalty programmes
HK(IFRIC) — INT 15	Agreements for the construction of real estate
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39 and the amendment to HKAS 1

* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the adoption of those new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 “Presentation of financial statements”

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

In addition, the Group has early adopted amendment to HKAS 1 (as part of Improvements to HKFRSs 2009) regarding classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity’s equity instruments. The amendment has resulted in the classification of the liability component of convertible bonds with carrying amount of HK\$1,588.2 million as non-current liability at 31 December 2009. The amendment has no impact on the Group’s results for the reported periods.

HKFRS 8 “Operating segments”

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group’s reportable segments nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities (see note 3).

2.1 Application of new and revised HKFRSs (Continued)

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

2.2 New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendment to HKAS 1 ²
HKAS 24 (Revised)	Related party disclosures ⁶
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of rights issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first time adopters ⁵
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions ³
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments ⁷
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for annual periods beginning on or after 1 February 2010.

⁵ Effective for annual periods beginning on or after 1 July 2010.

⁶ Effective for annual periods beginning on or after 1 January 2011.

⁷ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 “Financial instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. OPERATING SEGMENTS

The Group has adopted HKFRS 8 “Operating segments” with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), which is a group of executive directors of the Company, for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor standard (HKAS 14 “Segment reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was business segment.

For gaming operations, the CODM regularly analyses gaming revenue in terms of VIP gaming operations, mass market table gaming operations, slot machine operations and others. No operating results nor discrete financial information is presented to the CODM in relation to the above analysis. The CODM reviews the revenues and operating results of gaming operations as a whole. For hotel and catering operations, the CODM regularly reviews the performance on the basis of individual hotel. For segment reporting under HKFRS 8, financial information of these hotels has been aggregated into a single operating segment named “hotel and catering operations”. Accordingly, the application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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

Gaming operations — operation of casinos and related facilities.

Hotel and catering operations — operation of hotel, catering and related services.

Segment information about these businesses is presented below:

(a) An analysis of the Group’s revenue and results by operating segment

	Segment revenue		Segment results	
	2009 HK\$ (in millions)	2008 HK\$ (in millions)	2009 HK\$ (in millions)	2008 HK\$ (in millions)
Gaming operations	<u>34,065.8</u>	<u>27,992.4</u>	<u>1,509.2</u>	<u>1,057.9</u>
Hotel and catering operations				
— external sales	<u>287.0</u>	<u>172.6</u>		
— inter-segment sales	<u>125.6</u>	<u>58.0</u>		
	<u>412.6</u>	<u>230.6</u>	<u>(532.1)</u>	<u>(295.9)</u>
Eliminations	<u>(125.6)</u>	<u>(58.0)</u>		
	<u>287.0</u>	<u>172.6</u>		
	<u>34,352.8</u>	<u>28,165.0</u>		
Reconciliation from segment results to profit before taxation			<u>977.1</u>	<u>762.0</u>
Unallocated corporate expenses			<u>(172.0)</u>	<u>(50.8)</u>
Change on fair value of investment in trading securities			<u>15.3</u>	<u>(44.1)</u>
Share of losses of an associate			<u>(13.5)</u>	<u>(1.5)</u>
Share of profits of a jointly controlled entity			<u>5.4</u>	<u>6.6</u>
Profit before taxation			<u>812.3</u>	<u>672.2</u>

3. OPERATING SEGMENTS (Continued)

Segment results represent the profit earned by each segment without allocation of central administration costs, change on fair value of investment in trading securities, share of results of associate/jointly controlled entity, and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rate.

(b) An analysis of the Group's financial position by operating segments

	2009 HK\$ (in millions)	2008 HK\$ (in millions)
ASSETS		
Segment assets		
— gaming operations	12,102.7	9,533.8
— hotel and catering operations	7,669.3	7,615.6
	<hr/>	<hr/>
Total segment assets	19,772.0	17,149.4
Interest in an associate	67.4	64.6
Interest in a jointly controlled entity	67.7	62.3
Unallocated bank deposits, bank balances and cash	2,359.8	748.3
Unallocated assets	1,099.6	896.0
	<hr/>	<hr/>
	23,366.5	18,920.6
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Bank loans		
— gaming operations	2,225.0	2,641.2
— hotel and catering operations	2,917.0	3,202.8
	<hr/>	<hr/>
	5,142.0	5,844.0
	<hr/>	<hr/>
Other segment liabilities		
— gaming operations	6,427.7	4,067.5
— hotel and catering operations	479.0	520.4
	<hr/>	<hr/>
	6,906.7	4,587.9
	<hr/>	<hr/>
Total segment liabilities	12,048.7	10,431.9
Convertible bonds	1,588.2	—
Unallocated liabilities	1,210.2	1,052.4
	<hr/>	<hr/>
	14,847.1	11,484.3
	<hr/> <hr/>	<hr/> <hr/>

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

- unallocated assets include mainly amounts due from a fellow subsidiary, an associate, a jointly controlled entity and investee companies, art works and diamonds, and investment in trading securities.
- unallocated liabilities include mainly amount due to a minority shareholder of a subsidiary and obligations under finance leases.
- all assets are allocated to reportable segments, other than interest in an associate and a jointly controlled entity, unallocated bank deposits, bank balances and cash and unallocated assets.
- all liabilities are allocated to reportable segments, other than convertible bonds and unallocated liabilities.

3. OPERATING SEGMENTS (Continued)

(c) Other segment information

	2009 HK\$ (in millions)	2008 HK\$ (in millions)
Additions to non-current assets (other than financial instruments)		
— gaming operations	1,068.4	261.7
— hotel and catering operations	653.6	1,765.4
— corporate level	4.9	0.5
Group's total	<u>1,726.9</u>	<u>2,027.6</u>
Depreciation and amortisation		
— gaming operations	627.2	615.2
— hotel and catering operations	486.4	158.6
— corporate level	1.7	1.6
Group's total	<u>1,115.3</u>	<u>775.4</u>
Loss on disposal of property and equipment		
— gaming operations	6.0	15.0
— hotel and catering operations	0.1	—
Group's total	<u>6.1</u>	<u>15.0</u>
Share-based payments		
— gaming operations	55.1	—
— corporate level	118.8	—
Group's total	<u>173.9</u>	<u>—</u>
Finance costs		
— gaming operations	56.2	90.1
— hotel and catering operations	65.5	22.1
— corporate level	76.0	46.0
Group's total	<u>197.7</u>	<u>158.2</u>
Interest income		
— gaming operations	5.9	34.6
— hotel and catering operations	1.5	7.0
— corporate level	28.6	27.0
Group's total	<u>36.0</u>	<u>68.6</u>

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

4. GAMING REVENUE

	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Gaming revenue from		
— VIP gaming operations	20,016.7	15,970.0
— mass market table gaming operations	13,039.1	11,063.7
— slot machine operations	1,008.3	957.0
— others	1.7	1.7
	<u>34,065.8</u>	<u>27,992.4</u>

5. FINANCE COSTS

	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Interest on		
— bank borrowings wholly repayable within five years	(123.7)	(225.3)
— finance leases	(23.3)	(18.0)
Imputed interest on amount due to a minority shareholder of a subsidiary	(36.0)	(28.0)
Imputed interest on convertible bonds	(16.7)	—
	<u>(199.7)</u>	<u>(271.3)</u>
Less: Amount capitalised in construction in progress	2.0	113.1
	<u>(197.7)</u>	<u>(158.2)</u>

6. PROFIT BEFORE TAXATION

	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Profit before taxation has been arrived at after crediting:		
Dividend income from trading securities	1.4	1.3
Gain on fair value changes on investment in trading securities	15.3	—
Income from amortisation of financial guarantee obligations	14.5	14.5
Interest income from		
— a fellow subsidiary	23.3	18.0
— bank deposits	12.1	50.6
— loan receivables	0.6	—
	36.0	68.6

6. PROFIT BEFORE TAXATION (Continued)

	2009 HK\$ (in millions)	2008 HK\$ (in millions)
and after charging:		
Allowance for doubtful debts	—	24.5
Amortisation of intangible assets (included in operating and administrative expenses)	6.3	6.4
Auditors' remuneration		
— audit services	8.6	12.3
— non-audit services	6.0	23.3
	14.6	35.6
Depreciation of property and equipment	1,109.0	769.0
Loss on disposal of property and equipment	6.1	15.0
Loss on fair value changes on investment in trading securities	—	44.1
Operating lease rentals in respect of		
— land use rights	39.9	11.3
— rented premises	323.0	374.9
— slot machines under		
- contingent rentals	1.1	4.4
- fixed rentals	0.1	0.1
	364.1	390.7
Retirement benefits scheme contributions to other staff	63.5	63.2
Less: Forfeited contributions	(14.4)	(19.4)
	49.1	43.8
Share-based payments to other staff	46.8	—
Other staff costs	3,174.5	3,288.8
	3,221.3	3,288.8
Share-based payments to other participants (included in operating and administrative expenses)	8.3	—
Directors' remuneration		
— fees, salaries and other benefits	44.8	44.6
— share-based payments	118.8	—
	163.6	44.6

7. TAXATION

The charge represents current year taxation detailed below:

No provision for MSAR Complementary Tax ("CT") on gaming related income is made for a subsidiary of the Company, Sociedade de Jogos de Macau, S.A. ("SJM"). Pursuant to the approval notice issued by MSAR government dated 8 December 2007, SJM has been exempted from CT for income generated from gaming operations for the years from 2007 to 2011.

In addition, pursuant to the approval letter dated 2 December 2008 issued by the Finance Services Bureau of the MSAR government, SJM's shareholders were obligated to pay a tax of MOP18.0 million (equivalent to HK\$17.5 million) for each of the years 2007 to 2011. During the year, the Company, as a shareholder of SJM, was obligated to pay HK\$17.5 million (2008: HK\$16.7 million).

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

No provision for Hong Kong Profits Tax has been made as the Group's profit neither arises in nor is derived from Hong Kong.

8. DIVIDENDS

	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Dividends paid by SJM to its former shareholders prior to the Group Reorganisation	—	3,500.0
2008 final dividends paid – HK6.0 cents per share	<u>300.0</u>	<u>—</u>
	<u><u>300.0</u></u>	<u><u>3,500.0</u></u>

The final dividend of HK9.0 cents per share, totalling HK\$450 million, is proposed by the directors of the Company at a board meeting held on 29 March 2010, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,000,000,000 shares in issue at the end of the reporting period.

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:

	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>906.7</u>	<u>796.1</u>
	2009 <i>(in millions)</i>	2008 <i>(in millions)</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>5,000.0</u>	<u>4,327.2</u>
Effect of dilutive potential ordinary shares on share options	<u>16.5</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>5,016.5</u></u>	

For the year ended 31 December 2009, the computation of diluted earnings per share does not assume the conversion of the Company's convertible bonds as the conversion would result in an increase in earnings per share.

There was no potential ordinary shares during and at the end of the reporting period at 31 December 2008.

10. TRADE AND OTHER RECEIVABLES

	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Advances to gaming promoters	733.8	426.9
Other receivables from gaming promoters	113.9	215.5
Prepayments	86.3	61.9
Others	<u>299.3</u>	<u>225.7</u>
	<u><u>1,233.3</u></u>	<u><u>930.0</u></u>

10. TRADE AND OTHER RECEIVABLES (Continued)

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

	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Age		
0 to 90 days	626.6	107.1
91 to 180 days	5.1	102.7
181 to 365 days	33.3	120.6
Over 365 days	68.8	96.5
	<hr/> 733.8 <hr/>	<hr/> 426.9 <hr/>

In general, SJM provides temporary interest-free credit to gaming promoters which is repayable on demand in the month following the month in which the credit is granted. The relevant temporary credit is generally limited to the commissions accrued/payable to gaming promoters. SJM may also grant credit to gaming promoters that is repayable through instalments and revolving credit facilities with pre-approved credit lines, in which cheques or other forms of securities such as letters of credit is provided by gaming promoters to SJM.

The directors of the Company consider that this credit is only temporary credit provided against unpaid commissions to gaming promoters and is granted based on the performance and financial background of the relevant gaming promoters. In some cases, unsecured credit of not more than the equivalent of two to three months' commissions accrued/payable to the relevant gaming promoters may be granted to those gaming promoters with good credit histories and track records of large business volumes. In the event that a gaming promoter fails to repay credit granted by SJM, SJM has the right, pursuant to the relevant gaming promoter agreement, to withhold commissions payable to the gaming promoter to satisfy the credit granted until full repayment is made.

The advances to gaming promoters and other receivables from gaming promoters are interest-free, unsecured and repayable on demand.

Included in the allowance for doubtful debts are individually impaired receivables from gaming promoters with an aggregate balance of HK\$24.5 million (2008: HK\$24.5 million) since the management considered the prolonged outstanding balances from individual gaming promoters were uncollectible.

11. TRADE AND OTHER PAYABLES

	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Trade payables	1,239.6	862.2
Special gaming tax payable	1,325.2	844.2
Chips liabilities	2,725.9	1,561.5
Payables for acquisition of property and equipment	78.3	30.2
Construction payables	562.3	357.3
Deposit received from gaming patrons and gaming promoters	237.5	327.3
Accrued staff costs	194.1	184.8
Rentals payables	106.7	57.0
Withholding tax payable for gaming promoters	7.0	3.5
Withholding tax payable on employees' professional tax	10.6	4.5
Other payables	407.8	350.3
	<hr/> 6,895.0 <hr/>	<hr/> 4,582.8 <hr/>

11. TRADE AND OTHER PAYABLES (Continued)

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

	2009 HK\$ <i>(in millions)</i>	2008 HK\$ <i>(in millions)</i>
Age		
0 to 90 days	1,213.5	704.9
91 to 180 days	13.6	64.8
181 to 365 days	8.6	92.5
Over 365 days	3.9	—
	<u>1,239.6</u>	<u>862.2</u>

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

BUSINESS REVIEW

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

Group Operating Results

The Company and its subsidiaries (collectively, the “Group”) increased gaming revenue, Adjusted EBITDA (earnings after adjustment for minority interest and before interest income and expense, tax and depreciation and amortisation, and share-based payments) and profit attributable to owners of the Company by 21.7%, 41.8% and 13.9%, respectively, for the year ended 31 December 2009 as compared with the year ended 31 December 2008. Gaming revenue increased to \$34,066 million from \$27,992 million, Adjusted EBITDA increased to \$2,269 million from \$1,600 million and profit attributable to owners of the Company increased to \$907 million from \$796 million.

Growth in gaming revenue in 2009 comprised increases in VIP gaming revenue of 25.3%, mass market table gaming revenue of 17.9% and slot machine revenue of 5.3%, which reflected the rebound in overall economic conditions in China and the Asian region particularly in the second half of 2009. During 2009, the Group accounted for 29.4% of Macau’s record casino gaming revenue of \$115,892 million, the largest market share among the six concessionaires and sub-concessionaires and an increase in market share from 26.5% for the full year 2008.

Besides growth of gaming revenue, other factors that contributed to higher Adjusted EBITDA in the year were improved operating results at Ponte 16 and Grand Lisboa Hotel. The Group’s Adjusted EBITDA margin for the year was 6.7%, an increase of 17.5% from 5.7% in 2008. If calculated under US GAAP, the Group’s Adjusted EBITDA margin would be approximately 10.8% for 2009, an increase from 8.9% in 2008 (See “Comparison with United States GAAP Accounting” below).

Net profit for the year was affected by increased depreciation charges of \$1,109 million, which increased from \$769 million from the previous year due to depreciation charges on the Grand Lisboa Hotel which opened in December 2008, as well as deductions of share-based payments of \$174 million and pre-opening costs of \$49 million. Interest expense in 2009 was \$198 million, compared with \$158 million in 2008.

VIP Gaming Operations

VIP gaming operations accounted for 58.8% of the Group's total gaming revenue in the year, as compared to 57.1% for the previous year. As at 31 December 2009, SJM had 320 VIP gaming tables with 30 VIP promoters, as compared with 180 VIP gaming tables and 40 VIP promoters as at 31 December 2008. As at 31 December 2009, SJM operated VIP gaming in 13 of its casinos.

The average number of VIP gaming tables during the year was 239 as compared with 234 in the previous year, while the average net-win per day per VIP gaming table increased to \$229,536 in 2009 from \$186,470 in 2008.

Gaming revenue from VIP gaming operations was \$20,017 million in 2009 which represented an increase of 25.3% from \$15,970 million in 2008, reflecting a 29.8% increase in VIP chips sales to \$718,849 million in 2009 from \$553,618 million in 2008. The hold rate for VIP operations decreased slightly in 2009 to 2.78% from 2.88% in 2008.

Mass Market Table Gaming Operations

Gaming revenue from mass market table gaming operations comprised 38.3% of the Group's total gaming revenue in 2009, compared to 39.5% in 2008. SJM had 1,404 mass market tables as at 31 December 2009, including 249 new mass market tables at Casino Oceanus at Jai Alai, which opened in December 2009 and 99 mass market tables at Casino L'Arc Macau which opened in September 2009, as compared with 1,154 mass market gaming tables as at 31 December 2008.

Gaming revenue from mass market table gaming operations increased to \$13,039 million, representing growth of 17.9%, from \$11,064 million recorded in 2008.

The average number of mass market gaming tables was 1,192 in 2009 compared with 1,193 in 2008, while the average net-win per day per mass market gaming table increased to \$29,978 from \$25,338 for the previous year.

Slot Machine Operations

Gaming revenue from slot machine operations and other gaming operations (Tombola) comprised 3.0% of the Group's total gaming revenue in 2009, compared to 3.4% in 2008. SJM had 4,567 slot machines in service as at 31 December 2009 as compared with 3,867 slot machines as at 31 December 2008. The increase was mainly due to the opening of Casino Oceanus at Jai Alai and Casino L'Arc Macau, which operated 521 and 383 slot machines, respectively, as at 31 December 2009.

As at 31 December 2009, SJM operated slot machines in 15 of its casinos and in four slot halls. Gaming revenue from slot machine operations and other gaming operations increased by 5.3%, to \$1,010 million in 2009 from \$959 million for the previous year.

The average number of slot machines in 2009 increased to 3,955, from 3,842 in 2008. The average net-win per slot machine increased to \$698 per day in 2009, from \$681 per day in 2008.

Casino Grand Lisboa

Gaming revenue at the Company's flagship Casino Grand Lisboa, for the year ended 31 December 2009, increased by 9.7% to \$9,436 million from revenue of \$8,605 million for the year ended 31 December 2008.

For the year ended 31 December 2009, Adjusted Property EBITDA (EBITDA after adjustment for corporate expense) of Casino Grand Lisboa was \$1,654 million, an increase of 16.2% from \$1,424 million for the previous year. The Adjusted Property EBITDA margin of Casino Grand Lisboa in 2009 was 17.5% under HK GAAP, compared with 16.5% for the previous year. If calculated under US GAAP, the Adjusted Property EBITDA margin of Casino Grand Lisboa would be approximately 25.8% for 2009, an increase from 24.1% in 2008 (See "Comparison with United States GAAP Accounting" below).

VIP gaming operations at Casino Grand Lisboa contributed \$5,900 million in VIP gaming revenue and \$190,167 million in VIP chips sales during the year ended 31 December 2009, compared with \$5,775 million and \$193,824 million during the previous year. During the year two VIP promoters relocated from Casino Grand Lisboa to satellite casinos, and in October 2009, 16 new VIP gaming tables were added to the 36th floor of Grand Lisboa. After October 2009 the property's VIP gaming revenue increased, and Casino Grand Lisboa contributed \$22,974 million in VIP chips sales in the month of December 2009, or 32.9% of the Company's total VIP chips sales for that month. Average net-win per VIP gaming table for Casino Grand Lisboa was \$329,905 per day in 2009, compared with \$292,217 per day in 2008, an increase of 12.9%.

Mass market gaming operations at Casino Grand Lisboa contributed \$3,207 million in revenue in 2009 while slot machine operations contributed \$329 million. The average net-win per mass market table at Casino Grand Lisboa was \$35,908 per day in 2009, compared with \$29,044 per day in 2008, an increase of 23.6%, and the average net-win per slot machine was \$1,241 per day in 2009 compared with \$977 per day in 2008, an increase of 27.0%.

During 2009, Casino Grand Lisboa averaged 26,241 visitors per day, and the Casino Grand Lisboa bus program is estimated to have brought more than 1,395,000 visitors to the casino from the Macau Maritime Terminal and the Border Gate. To continue attracting gaming patrons, Casino Grand Lisboa frequently launches special promotions, such as "Double Chances," "Monthly Raffle" and "Win a Million Daily". Jackpots are paid regularly, with the total exceeding \$93 million for slot machines and over \$59 million for table games (Caribbean Stud Poker) in 2009. During the year 60,437 members joined the Casino Grand Lisboa loyalty card programme, bringing the total number of members to 246,025.

Casino Lisboa

Casino Lisboa contributed gaming revenue of \$9,418 million for the year ended 31 December 2009. VIP gaming operations at Casino Lisboa accounted for \$7,761 million in VIP gaming revenue and \$290,155 million in VIP chips sales during the year, while the average net-win per VIP gaming table was \$347,141 per day in 2009.

Mass market gaming operations at Casino Lisboa contributed \$1,630 million in revenue in 2009 while slot machine operations contributed \$27 million. The average net-win per mass market table at Casino Lisboa was \$30,942 per day in 2009.

The Lisboa Card programme, targeting mass market customers, was introduced in September 2008. During 2009, 165,076 new members were enrolled, increasing the total to 216,034.

Casino Oceanus at Jai Alai

After a construction period of 15 months spent converting the site of the former New Yaohan Department Store, Casino Oceanus at Jai Alai held its grand opening on 15 December 2009. Connecting via overhead walkway to the Macau Maritime Terminal, the casino conveniently serves patrons who arrive in Macau by sea or through the northern Border Gate. Oriented towards the day-trip market, the casino project comprises a total of approximately 345,000 square feet of space, with interior designed by renowned casino architects Steelman Architecture Asia Limited.

As at 31 December 2009, the casino, incorporating the former Casino Jai Alai, operated a total of 276 mass market gaming tables and 605 slot machines, of which 249 tables and 521 slot machines were at the new Casino Oceanus at Jai Alai premises. Casino Oceanus at Jai Alai recorded a total of approximately 170,000 visitors in its first half-month of operations, and during that time had enrolled approximately 21,700 members in its Oceanus Club loyalty card programme.

For the full year ended 31 December 2009, Casino Jai Alai plus Casino Oceanus at Jai Alai contributed gaming revenue of \$681 million. VIP gaming operations accounted for \$20 million in VIP gaming revenue and \$494 million in VIP chips sales during the year, while the average net-win per VIP gaming table was \$19,303 per day in 2009.

Mass market gaming operations at Casino Jai Alai plus Casino Oceanus at Jai Alai contributed \$627 million in revenue in 2009 while slot machine operations contributed \$34 million. The average net-win per mass market table was \$18,795 per day in 2009.

Satellite Casinos and Slot Halls

As at 31 December 2009, the Company operated 14 satellite (third party-promoted) casinos, of which 12 are located on the Macau Peninsula and two are located on the island of Taipa, comprising a total of 748 mass market gaming tables, 192 VIP gaming tables and 2,448 slot machines. The four slot halls operated by the company accounted for an additional 726 slot machines. The satellite casinos are operated subject to service agreements between the Company and third party promoters.

During 2009 the company opened three satellite casinos – Casino L’Arc Macau, Casino Lan Kwai Fong Macau (at the site of the former Casino Kingsway, which had been closed since 30 June 2007) and Casino Jimei (at the site of the former Casino Oriental, which had been closed since 1 August 2008). Gaming facilities at these casinos as at 31 December 2009 totaled 151 mass market gaming tables, 105 VIP gaming tables and 520 slot machines.

SJM's satellite casinos and slot halls contributed gaming revenue of \$14,529 million for the year ended 31 December 2009. VIP gaming operations at the satellite casinos accounted for \$6,336 million in VIP gaming revenue and \$238,032 million in VIP chips sales during the year, while the average net-win per VIP gaming table was \$137,590 per day in 2009.

Mass market gaming operations at the satellite casinos contributed \$7,575 million in revenue in 2009 while slot machine operations at the satellite casinos and slot halls contributed \$618 million. The average net-win per mass market table at the satellite casinos was \$29,180 per day in 2009.

Non-gaming Operations

Since its grand opening in December 2008, the Grand Lisboa Hotel has experienced steady growth in occupancy and revenue contribution, and has been widely recognized for its high quality dining and lodging. In 2009 the Grand Lisboa Hotel was awarded "Best City Landmark Hotel — 2009–2010 in Greater China" by the Organizing Committee of Annual Meeting of China Hotel Industry. *Michelin Guide Hong Kong Macau 2010* awarded its coveted star rating to "The Eight" restaurant and its Bib Gourmand award to the hotel's "Noodle & Congee Corner," and *Wine Spectator* selected both "The Kitchen" and "Don Alfonso 1890" for their "Best Award of Excellence."

For the year ended 31 December 2009 the Grand Lisboa Hotel contributed \$328 million in revenue to the Group and Adjusted EBITDA of \$71 million. The occupancy rate of the 431-room hotel averaged 57.2% for the full year, and had increased to 79.6% for the month of December 2009. Average room rate for the full year 2009 was approximately \$1,990.

Operating results for the Sofitel at Ponte 16, of which SJM's interest is 51%, improved during 2009 and contributed \$94.3 million in revenue to the Group. The occupancy rate of the 408-room hotel averaged 47.5% for the full year, while increasing to 69.6% for the month of December 2009. In February 2009, 19 deluxe Mansion Suites were opened at the hotel.

Income from all hotel, catering and related services, after inter-company elimination, totaled \$287 million in 2009, an increase of 65.9% from \$173 million in 2008, due to the opening of the Grand Lisboa Hotel, and increased food and beverage revenue. Other income, primarily interest earned on bank deposits, finance leases interest received and income from amortisation of financial guarantee obligations, decreased to \$123 million from \$131 million during the year.

PROSPECTS AND RECENT DEVELOPMENTS

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

Market Environment

Growth of the Macau gaming industry was interrupted in the second half of 2008 and the first half of 2009 by the general weakening of the global economy and the tightening of visa conditions for Mainland residents wishing to visit Macau. According to the Macau Government Statistics and Census Service, the total number of visitors to Macau (not including arrivals of non-resident workers, students, etc.) was 21,752,751 in 2009 as compared with 22,933,185 in 2008. 10,989,533 visitors to Macau originated from Mainland China in 2009 as compared with 11,613,171 in 2008.

Competition in the Macau gaming industry continued to be intense, particularly in the VIP gaming segment. Responding to industry concerns by the concessionaires and sub-concessionaires about the sustainability of VIP gaming margins, the Macau government instituted a cap on commissions paid to VIP gaming promoters, effective from December 2009. The institution of a cap on VIP promoter commissions is not expected to have a significant impact on the operations or profitability of the Company's VIP gaming business.

In March 2010, the Macau government announced that the total number of gaming tables in Macau would be capped at 5,500 in the next three years. The Company does not expect this policy to have a significant impact on its gaming business during this period.

The Group expects that its prospects over the near to medium term are excellent, given the satisfactory performance of visitation and spending in Macau, the general prosperity of the Asian region, its strategically located network of casinos and its strong balance sheet. During 2010 the Group also expects to benefit from the increases in gaming capacity that it introduced during the second half of 2009 and from improvements in the efficiency of its operations.

Current Initiatives

In pursuit of the Group's strategy of growing its casino business and improving the efficiency of existing casinos, the Group is progressing on a number of initiatives in 2010, which are described below.

— at Casino Grand Lisboa

In October 2009 the Company opened the first of three high-vista floors for VIP gaming at the Grand Lisboa, and expects to open the final two floors by the fourth quarter of 2010. These spaces will provide luxurious sky-high accommodation for VIP gaming rooms, for VIP hotel suites and for the award-winning Robuchon a Galera Restaurant which will relocate from the Hotel Lisboa.

— at Casino Lisboa

During 2010 the Company plans to install new IT and player-tracking systems into Casino Lisboa, as well as undertake renovation of certain of the mass market and VIP gaming areas.

— at Casino Oceanus at Jai Alai

The Company expects in April 2010 to open a new set of escalators leading to the overhead walkway to Casino Oceanus at Jai Alai, in order to facilitate movement of patrons who arrive via the Macau Maritime Terminal. Later in the year, the Company plans to construct a second walkway that will lead from the Oceanus building to the Jai Alai building. Subject to relevant approvals, the Company also plans to commence work in 2010 on renovation of the former Casino Jai Alai premises.

— at Satellite Casinos

As at early 2010, 12 of SJM's 14 satellite casinos were operating under new service agreements under which SJM accounted for all the gaming revenue and paid a certain amount of commission which is net of all operating costs. SJM is in negotiations with the remaining two casinos concerning the above formula. Under the new service agreements, the service providers, rather than the Company, bear the casino operating expenses. The new agreements will have a positive effect on the profitability of SJM, but as they mainly came into effect at different times during 2009, the positive effect will be realized in 2010 and thereafter.

— at Ponte 16

During 2009, VIP gaming was inaugurated at Ponte 16 in August, which enhanced the Adjusted EBITDA contribution of the casino, though, the project continued to contribute a net loss to the Group in 2009. The Company expects that operating performance of Ponte 16 will improve further during 2010.

On 1 February 2010 a new attraction for visitors was opened at Ponte 16 – the MJ Gallery at Ponte 16, featuring authentic memorabilia and exhibits from the career of superstar Michael Jackson. Longer term plans for Ponte 16 call for the addition of further gaming space, dining and shopping facilities and a riverside plaza.

Future Casino Projects

The Company has longer term plans for additional new projects, including developments on two sites on Cotai, a site of approximately 10,000 square metres situated directly across from the convention centre and a site of approximately 73,856 square metres situated adjacent to the Macau East Asian Games Dome. The timetable for these projects is being reviewed and will be subject to market conditions and approval by the Macau government authorities.

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 \$9,337 million (not including \$411 million pledged bank deposits) as at 31 December 2009. This represented an increase of 59.7% as compared with the position as at 31 December 2008 of \$5,847 million. The increase was mainly attributable to the convertible bond financing undertaken by the Company in 2009.

In October 2009 a wholly owned subsidiary of the Company issued zero coupon convertible bonds at a principal amount of \$2,000 million maturing in 2015 which are traded on the Stock Exchange of Singapore. The convertible bonds, which have a final maturity of six years, can be converted into shares of the Company at a conversion price of \$5.35. The net proceeds of the convertible bond issue of approximately \$1,959 million are to be used for capital expenditure related to the Group's developments in Macau and for general corporate purposes.

Total loan facilities available to the Group as at 31 December 2009, excluding the convertible bond issue, amounted to \$6,600 million, of which \$338 million was undrawn. The maturity profile of the Group's borrowings as at 31 December 2009 is set out below:

Maturity Profile					
Within 1 year	1–2 years	2–5 years	Over 5 years	Total	
20.2%	20.2%	59.6%	0.0%	100.0%	

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 nil at the end of 2009 (as at 31 December 2008: nil).

Capital Expenditure Commitments

Capital expenditure commitments by the Group amounted to \$663 million as at 31 December 2009 (as at 31 December 2008: \$1,402 million), which were primarily for construction works remaining on the Grand Lisboa, Ponte 16 and Oceanus at Jai Alai. Other projects in the future will be funded by a combination of internal resources and external 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 2009, certain of the Group's property and equipment and land use rights with carrying values of \$6,127 million and \$797 million, respectively (as at 31 December 2008: \$6,062 million and \$837 million, respectively), were pledged with banks for loan facilities. In addition, the Group had pledged bank deposits of \$411 million as at 31 December 2009, as compared with \$414 million as at 31 December 2008.

Contingent Liabilities and Guarantees

As at 31 December 2009, the Group had total guarantees given to banks of \$244 million (as at 31 December 2008: \$334 million), which were guarantees in respect of credit facilities granted to an associate, an investee company and a related company. The Company has also agreed to guarantee payment of all sums payable in relation to the issue of convertible bonds made in October 2008. The Group had no significant contingent liabilities as at 31 December 2009.

Developments Regarding Litigation

There has been no significant development in the litigation to which SJM or any of its subsidiaries or STDM are parties, as described in the Prospectus, save for the conclusion of the judicial review proceedings in Hong Kong relating to such offering, which was mentioned in last year's annual report. The directors of the Company maintain their opinion, as originally expressed in the Prospectus, that based on the information and advice provided by the Company's legal advisors in Macau, that, regardless of how such litigation will be adjudicated, none of the proceedings, together or alone, will have a material adverse impact on the business or assets of the Company, on its status as a listed company, or on the business or assets of SJM, or its Reorganisation (as such term was defined in the Prospectus), or any of its subsidiaries.

Financial Risk

The Group follows a conservative policy in financial management with minimal exposure to currency and interest rate risks. Funds borrowed by the Group are on a floating rate basis. The Group does not currently hedge its interest rate exposure, although it may consider doing so in the future. None of the Group's outstanding borrowings was denominated in a foreign currency as at 31 December 2009. 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 not to engage in 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 2009.

Human Resources

As at 31 December 2009, the Group had 19,936 full-time employees, which represented an increase of 601 employees since 31 December 2008. The increase in employees is mainly due to the addition of employees during the year at Casino Oceanus at Jai Alai and Casino L'Arc Macau. The Group's employee turnover rate was minimal in 2009.

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

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

Comparison with United States GAAP Accounting

The Group's results are prepared in compliance with generally accepted accounting principles in Hong Kong ("HK GAAP"). In comparing the Group's results to those of companies whose results are prepared under generally accepted accounting principles in the United States ("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 10.8% for the period, as compared to HK GAAP which gives an Adjusted EBITDA margin of 6.7% for the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year ended 31 December 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year 2009, the Company has complied with the code provisions set out in Appendix 14 of the Listing Rules, except for the deviation from code provision A.1.8 that due to the limited notice for such meeting and directors' travel commitments at that time, the resolution relating to continuing connected transactions in relation to accommodation services and entertainment services with respect to the hotel previously

known as “Mandarin Oriental Macau” were dealt with by way of circulation of written resolution of the Board on 15 June 2009. The Board ensures that any material transaction that involves a conflict of interests for a substantial shareholder or a director of the Company will only be considered and dealt with by the Board at a duly convened Board meeting.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 27 May 2010 to Monday, 31 May 2010, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and attending and voting at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 26 May 2010.

ANNUAL GENERAL MEETING

The 2010 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 3:00 p.m. on Monday, 31 May 2010. 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 2009 have been reviewed by the Audit Committee of the Company. The figures in respect of the Group’s consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2009 as set out in the Preliminary Announcement have been agreed by the Company’s joint auditors, Deloitte Touche Tohmatsu and H.C. Watt & Company Limited (the “Joint Auditors”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by the Joint Auditors 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 Joint Auditors on the Preliminary Announcement.

By order of the Board
SJM Holdings Limited
So Shu Fai

Executive Director and Chief Executive Officer

Hong Kong, 29 March 2010

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