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**澳門博彩控股有限公司**  
**SJM Holdings Limited**

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**Stock Code: 880**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

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 2008 as follows.

**GROUP RESULTS**

The Group’s audited profit attributable to equity holders of the Company for the year ended 31 December 2008 amounted to HK\$796.1 million, a decrease of approximately 48.1% from 2007 profit of HK\$1,533.5 million. Basic earnings per share were HK18.4 cents (2007: HK40.9 cents).

**DIVIDEND**

A final dividend of HK6.0 cents (2007: not applicable) per share has been proposed by the Board and is subject to approval by the shareholders of the Company in the coming annual general meeting.

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<i>NOTES</i>	<b>2008</b> <b>HK\$</b> <i>(in millions)</i>	2007 <i>HK\$</i> <i>(in millions)</i>
Gaming revenue	5	<b>27,992.4</b>	32,146.6
Special gaming tax, special levy and gaming premium		<b>(10,915.0)</b>	(12,497.6)
		<b>17,077.4</b>	19,649.0
Hotel, catering and related services income		<b>172.6</b>	80.5
Cost of sales and services		<b>(133.7)</b>	(45.0)
Other income		<b>131.2</b>	105.9
Marketing and promotional expenses		<b>(10,115.0)</b>	(12,433.3)
Operating and administrative expenses		<b>(6,307.2)</b>	(5,864.0)
Finance costs	6	<b>(158.2)</b>	(7.1)
Share of results of an associate		<b>(1.5)</b>	0.4
Share of profits of a jointly controlled entity		<b>6.6</b>	7.0
Profit before taxation	7	<b>672.2</b>	1,493.4
Taxation	8	<b>(16.7)</b>	(0.2)
Profit for the year		<b>655.5</b>	1,493.2
Attributable to			
— equity holders of the Company		<b>796.1</b>	1,533.5
— minority interests		<b>(140.6)</b>	(40.3)
		<b>655.5</b>	1,493.2
Dividends	9	<b>3,800.0</b>	—
Earnings per share — Basic	10	<b>18.4 cents</b>	40.9 cents

# CONSOLIDATED BALANCE SHEET

At 31 December 2008

	<i>NOTES</i>	<b>2008</b> <b>HK\$</b> <i>(in millions)</i>	2007 <i>HK\$</i> <i>(in millions)</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>9,535.9</b>	8,411.8
Land use rights		<b>886.5</b>	815.0
Intangible assets		<b>52.1</b>	64.7
Art work and diamonds		<b>281.7</b>	278.9
Interest in an associate		<b>64.6</b>	60.6
Interest in a jointly controlled entity		<b>62.3</b>	55.7
Available-for-sale investments in equity securities		<b>5.5</b>	—
Deposits made on acquisitions		<b>219.0</b>	221.6
Amount due from a fellow subsidiary		<b>365.4</b>	164.5
Pledged bank deposits		<b>145.6</b>	145.6
		<b>11,618.6</b>	10,218.4
<b>Current assets</b>			
Inventories		<b>43.4</b>	21.0
Trade and other receivables	11	<b>930.0</b>	799.6
Amount due from ultimate holding company		<b>4.6</b>	—
Amounts due from fellow subsidiaries		<b>—</b>	190.9
Amount due from an associate		<b>20.0</b>	20.0
Amount due from a jointly controlled entity		<b>14.3</b>	14.3
Amount due from an investee company		<b>160.7</b>	180.2
Investment in trading securities		<b>13.1</b>	57.2
Pledged bank deposits		<b>268.8</b>	0.3
Bank balances and cash		<b>5,847.1</b>	6,537.5
		<b>7,302.0</b>	7,821.0
<b>Current liabilities</b>			
Trade and other payables	12	<b>4,582.8</b>	5,661.8
Amount due to ultimate holding company		<b>—</b>	114.9
Amounts due to fellow subsidiaries		<b>—</b>	201.7
Financial guarantee obligations		<b>14.5</b>	14.5
Obligations under finance leases		<b>16.0</b>	7.0
Taxation		<b>38.1</b>	21.6
Current portion of long-term bank loans		<b>1,020.0</b>	100.0
Bank overdrafts		<b>—</b>	26.6
		<b>5,671.4</b>	6,148.1
Net current assets		<b>1,630.6</b>	1,672.9
Total assets less current liabilities		<b>13,249.2</b>	11,891.3

	<i>NOTES</i>	<b>2008</b> <b>HK\$</b> <i>(in millions)</i>	2007 <i>HK\$</i> <i>(in millions)</i>
Non-current liabilities			
Financial guarantee obligations		<b>13.3</b>	27.8
Obligations under finance leases		<b>365.4</b>	164.5
Long-term bank loans		<b>4,824.0</b>	4,808.0
Amount due to a minority shareholder of a subsidiary		<b>610.2</b>	330.9
		<u><b>5,812.9</b></u>	<u>5,331.2</u>
Net assets		<u><b>7,436.3</b></u>	<u>6,560.1</u>
Capital and reserves			
Share capital		<b>5,000.0</b>	291.3
Reserves		<b>2,287.1</b>	6,073.7
Equity attributable to equity holders of the Company		<b>7,287.1</b>	6,365.0
Minority interests		<b>149.2</b>	195.1
Total equity		<u><b>7,436.3</b></u>	<u>6,560.1</u>

# NOTES TO FINANCIAL STATEMENTS

## 1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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”).

Through a group reorganisation to rationalize 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 income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31 December 2007 and 31 December 2008 have been prepared on the basis as if the current group structure had been in existence throughout the periods. The consolidated balance sheet of the Group as at 31 December 2007 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) — INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) — INT 12	Service concession arrangements
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKICPA has issued a number of new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group has not early adopted these new and revised HKFRSs.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for an amount due to a minority shareholder of a subsidiary which is adjusted to its fair value at initial recognition and for certain financial instruments which are measured at fair values. The consolidated financial statements have also been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2007.

#### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

##### Business segments

For management purpose, the Group is currently organised into two divisions — gaming operations and hotel and catering operations. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Gaming operations — operation of casinos and related facilities in MSAR  
 Hotel and catering operations — operation of hotel, catering and related services in MSAR

Segment information about these businesses is presented below.

##### 2008

	<b>Gaming operations HK\$ (in millions)</b>	<b>Hotel and catering operations HK\$ (in millions)</b>	<b>Eliminations HK\$ (in millions)</b>	<b>Total HK\$ (in millions)</b>
<b>REVENUE</b>				
From external	27,992.4	172.6	—	28,165.0
Inter-segment sales	—	58.0	(58.0)	—
	<u>27,992.4</u>	<u>230.6</u>	<u>(58.0)</u>	<u>28,165.0</u>
<b>Total</b>	<b><u>27,992.4</u></b>	<b><u>230.6</u></b>	<b><u>(58.0)</u></b>	<b><u>28,165.0</u></b>
<b>RESULTS</b>				
Segment results	<u>1,148.0</u>	<u>(273.8)</u>	<u>—</u>	874.2
Unallocated corporate expenses				(4.8)
Loss on fair value changes on investment in trading securities				(44.1)
Share of results of an associate				(1.5)
Share of profits of a jointly controlled entity				6.6
Finance costs				<u>(158.2)</u>
Profit before taxation				672.2
Taxation				<u>(16.7)</u>
Profit for the year				<u><u>655.5</u></u>

	<b>Gaming operations HK\$ (in millions)</b>	<b>Hotel and catering operations HK\$ (in millions)</b>	<b>Total HK\$ (in millions)</b>
<b>ASSETS</b>			
Segment assets	<u>9,533.8</u>	<u>7,615.6</u>	<u>17,149.4</u>
Interest in an associate			64.6
Interest in a jointly controlled entity			62.3
Unallocated corporate assets			<u>1,644.3</u>
Total assets			<u><u>18,920.6</u></u>
<b>LIABILITIES</b>			
Segment liabilities	<u>4,067.5</u>	<u>520.4</u>	<u>4,587.9</u>
Bank loans	2,641.2	3,202.8	5,844.0
Other unallocated corporate liabilities			<u>1,052.4</u>
Total liabilities			<u><u>11,484.3</u></u>

	<b>Gaming operations HK\$ (in millions)</b>	<b>Hotel and catering operations HK\$ (in millions)</b>	<b>Unallocated HK\$ (in millions)</b>	<b>Total HK\$ (in millions)</b>
Capital additions	260.6	1,763.7	0.5	2,024.8
Depreciation and amortization	622.1	163.0	1.6	786.7
Loss on disposal of property, plant and equipment	15.0	—	—	15.0
Intangible assets written off	—	6.2	—	6.2
Loss on fair value changes on investment in trading securities	<u>—</u>	<u>—</u>	<u>44.1</u>	<u>44.1</u>

In 2007, the Group's operation was regarded as a single segment, being the gaming operations.

### Geographical segments

Analysis of the Group's turnover and results and the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical area in which the assets are located has not been presented as the Group's operations and assets are situated in MSAR in which its revenue was derived principally therefrom. Accordingly, no geographical segments are presented.

## 5. GAMING REVENUE

	<b>2008 HK\$ (in millions)</b>	<b>2007 HK\$ (in millions)</b>
Gaming revenue from		
— VIP gaming operations	15,970.0	20,613.6
— mass market table gaming operations	11,063.7	10,676.4
— slot machine operations	957.0	854.7
— others	<u>1.7</u>	<u>1.9</u>
	<u><u>27,992.4</u></u>	<u><u>32,146.6</u></u>

## 6. FINANCE COSTS

	2008 <i>HK\$</i> <i>(in millions)</i>	2007 <i>HK\$</i> <i>(in millions)</i>
Interest on		
— bank borrowings wholly repayable within five years	(225.3)	(87.7)
— finance leases	(18.0)	—
Less: Amount capitalized in construction in progress	113.1	87.6
Imputed interest on amount due to a minority shareholder of a subsidiary	(28.0)	(7.0)
	<u>(158.2)</u>	<u>(7.1)</u>

## 7. PROFIT BEFORE TAXATION

	2008 <i>HK\$</i> <i>(in millions)</i>	2007 <i>HK\$</i> <i>(in millions)</i>
Profit before taxation has been arrived at after charging:		
Allowance for doubtful debts	24.5	—
Amortization of intangible assets (included in operating and administrative expenses)	6.4	4.7
Depreciation of property, plant and equipment	769.0	572.1
Loss on fair value changes on investment in trading securities	44.1	—
and after crediting:		
Dividend income from investment in trading securities	1.3	3.8
Gain on partial disposal of interest in a jointly controlled entity	—	2.8
Income from amortization of financial guarantee obligations	14.5	15.5
Interest income from		
— a fellow subsidiary	18.0	—
— bank deposits	50.6	62.5
— loan to an investee company	—	4.9
— ultimate holding company	—	0.1
	<u>          </u>	<u>          </u>

## 8. TAXATION

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 had 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 (“FSB”) of the MSAR government, SJM’s shareholders were obligated to pay a tax of MOP18.0 million (equivalent to HK\$17.5 million) (the “Special Tax”) for each of the years 2007 to 2011. During the year, the Company, as a shareholder of SJM after Group Reorganisation, was obligated to pay MOP17.2 million (equivalent to 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.

Included in current liabilities at 31 December 2008 was an amount of HK\$21.6 million (2007: HK\$21.6 million) for CT provision made in previous year.

## 9. DIVIDENDS

	<b>2008</b> <b>HK\$</b> <i>(in millions)</i>	2007 <b>HK\$</b> <i>(in millions)</i>
Dividends paid by SJM to its former shareholders prior to the Group Reorganisation	<b>3,500.0</b>	—
Final dividend of HK6.0 cents per share proposed	<b>300.0</b>	—
	<b>3,800.0</b>	—

The final dividend of HK6.0 cents per share has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profit attributable to equity holders of the Company and on the weighted average number of 4,327,185,792 (2007: 3,750,000,000) shares in issue during the year on the assumption that the Group Reorganisation and the capitalization issue as detailed in the Prospectus have been effective on 1 January 2007.

No diluted earnings per share is presented as there were no potential dilutive shares during the year.

## 11. TRADE AND OTHER RECEIVABLES

	<b>THE GROUP</b>	
	<b>2008</b> <b>HK\$</b> <i>(in millions)</i>	2007 <b>HK\$</b> <i>(in millions)</i>
Advances to gaming promoters	<b>426.9</b>	376.4
Other receivables from gaming promoters	<b>215.5</b>	126.8
Prepayments	<b>61.9</b>	79.7
Others	<b>225.7</b>	216.7
	<b>930.0</b>	799.6

The following is the aging analysis of advances to gaming promoters at the balance sheet date:

	<b>THE GROUP</b>	
	<b>2008</b> <b>HK\$</b> <i>(in millions)</i>	2007 <b>HK\$</b> <i>(in millions)</i>
<b>Age</b>		
0 to 90 days	<b>107.1</b>	135.3
91 to 180 days	<b>102.7</b>	9.8
181 to 365 days	<b>120.6</b>	77.3
Over 365 days	<b>96.5</b>	154.0
	<b>426.9</b>	376.4

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 installments and revolving credit facilities with pre-approved credit lines, in which cheques or other forms of securities such as letters of credit are provided by gaming promoters to SJM.

The Directors 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.

At the balance sheet date, except for the amount of HK\$50.0 million which is secured by an irrevocable standby letter of credit in favour of SJM, the advances to gaming promoters and other receivables from gaming promoters are interest-free, unsecured and repayable on demand.

HK\$7 million originally classified as "amounts due from fellow subsidiaries" under current assets as at 31 December 2007 relating to lease receivables of obligations under finance leases was reclassified to "trade and other receivables" in the comparative results for consistent disclosure as at 31 December 2008.

## 12. TRADE AND OTHER PAYABLES

	<b>THE GROUP</b>	
	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
	<i>(in millions)</i>	<i>(in millions)</i>
Trade payables	<b>862.2</b>	912.7
Special gaming tax payable	<b>844.2</b>	903.5
Chips liabilities	<b>1,561.5</b>	2,206.6
Payables for acquisition of property, plant and equipment	<b>30.2</b>	52.7
Payables for purchase of intangible assets	<b>—</b>	22.6
Construction payables	<b>357.3</b>	611.7
Accrued staff costs	<b>184.8</b>	390.8
Rentals payables	<b>57.0</b>	49.4
Payables to gaming promoters	<b>—</b>	13.8
Withholding tax payable for gaming promoters	<b>3.5</b>	5.1
Withholding tax payable on employees' professional tax	<b>4.5</b>	4.2
Other payables	<b>677.6</b>	488.7
	<b>4,582.8</b>	5,661.8

The following is the aging analysis of trade payables at the balance sheet date :

	<b>THE GROUP</b>	
	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
	<i>(in millions)</i>	<i>(in millions)</i>
Age		
0 to 90 days	<b>704.9</b>	872.8
91 to 180 days	<b>64.8</b>	31.5
181 to 365 days	<b>92.5</b>	7.3
Over 365 days	<b>—</b>	1.1
	<b>862.2</b>	912.7

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 time frame.

## **BUSINESS REVIEW**

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

### **Group Operating Results**

The Group's gaming revenue and profit attributable to equity holders of the Company for the year ended 31 December 2008 were \$27,992.4 million and \$796.1 million, respectively, as compared to gaming revenue of \$32,146.6 million and attributable profit of \$1,533.5 million for the year ended 31 December 2007.

The decrease in gaming revenue in 2008 was primarily due to a decline in revenues from VIP gaming operations, caused principally by credit market conditions that affected VIP gaming promotion business. These factors reduced VIP chips purchases and consequently the revenues derived from VIP gaming operations. In addition, the hold rate, or house-win percentage, in VIP gaming operations declined slightly in 2008 from the previous year. Besides reduced revenues from VIP gaming operations, other factors that contributed to lower profit in the year were competitive conditions which resulted in an increased share of VIP revenues being paid to VIP gaming promoters, the start-up costs and operating loss of Ponte 16, the start-up costs of Grand Lisboa Hotel, and increased depreciation and interest costs related to both projects.

For the year ended 31 December 2008, the Group's EBITDA (earnings after adjustment for minority interest and before interest income and expense, tax and depreciation and amortization) was \$1,599.5 million, compared with \$2,060.7 million for the previous year, a decrease of 22.4%. For the year ended 31 December 2008, the Group's adjusted EBITDA (earnings after adjustment for minority interest and before interest income and expense, tax, depreciation and amortization, pre-opening expenses, development expenses, loss on disposal of fixed assets and other income) was \$1,580.0 million, compared with \$2,102.3 million for the previous year, a decrease of 24.8%.

The Group's EBITDA margin for the year was 5.7%, a decrease of 10.9%, and the Group's adjusted EBITDA margin for the year was 5.6%, a decrease of 13.8%. Property EBITDAR (EBITDA plus rental expense and corporate expenses) for the Group was \$2,070.7 million, representing a decrease of 18.8% from the amount of \$2,550.3 million for the previous year. Adjusted property EBITDAR (adjusted EBITDA plus rental expense and corporate expenses) for the Group was \$2,051.2 million, representing a decrease of 20.9% from the amount of \$2,591.9 million for the previous year.

Group results for the year ended 31 December 2008 reflected depreciation charges of \$769.0 million, which increased from \$572.1 million from the previous year due mainly to increased depreciation related to Ponte 16 and the Grand Lisboa, and finance costs of \$158.2 million, which increased from \$7.1 million due mainly to interest on loans arranged in 2007 and drawn down beginning in mid-2007.

### **Casino Grand Lisboa Operating Results**

Gaming revenue and profit attributable to the Company's flagship Casino Grand Lisboa, for the year ended 31 December 2008, increased by 79.7% and 39.4% to \$8,605.3 million and \$1,139.9 million, respectively from revenue of \$4,788.3 million and attributable profit of \$817.7 million for the year ended 31 December 2007.

For the year ended 31 December 2008, EBITDA of Casino Grand Lisboa was \$1,403.6 million, an increase of 40.8% from \$996.9 million for the previous year, and adjusted EBITDA was \$1,407.2 million, an increase of 35.4% from \$1,039.0 million for 2007. EBITDA margin and adjusted EBITDA margin of Casino Grand Lisboa in 2008 were 16.4%. For the year ended 31 December 2008, adjusted property EBITDAR of Casino Grand Lisboa was \$1,434.2 million, an increase of 35.9% from \$1,055.7 million for the previous year.

### **VIP Gaming Operations**

VIP gaming operations accounted for 57.1% of the Group's total gaming revenue in the year, as compared to 64.1% for the previous year. In order to improve the efficiency of its VIP operations, the Company consolidated VIP rooms from various casinos into a new VIP area located in Casino Lisboa and reduced the number of VIP rooms and VIP gaming tables in operation. As at 31 December 2008, SJM had 40 VIP rooms with 180 VIP gaming tables, as compared with 75 VIP rooms with 305 VIP gaming tables as at 31 December 2007. As at 31 December 2008, SJM operated VIP gaming in 11 of its casinos.

VIP room consolidation therefore resulted in the average number of VIP gaming tables during the year decreasing to 234 from 312 in the previous year. The average net-win per day per VIP table increased to \$186,470 in 2008 from \$181,012 in 2007. Average net-win per VIP table for Casino Grand Lisboa was \$292,217 per day in 2008.

Gaming revenue from VIP gaming operations was \$15,970.0 million in 2008 which represented a decrease of 22.5% from \$20,613.6 million in 2007, reflecting a 20.7% decrease in VIP chips sales to \$553,618 million in 2008 from \$698,407 million in 2007 as a result of increased competition. The hold rate for VIP operations decreased slightly in 2008 to 2.88% from 2.95% in 2007. Gaming revenue from VIP gaming operations was affected positively by VIP gaming operations at Casino Grand Lisboa which commenced in August 2007 and contributed \$5,775.4 million in VIP gaming revenue and \$193,824 million in VIP chips sales during the year ended 31 December 2008.

### **Mass Market Table Gaming Operations**

Gaming revenue from mass market table gaming operations comprised 39.5% of the Group's total gaming revenue in 2008, compared to 33.2% in 2007. SJM had 1,154 mass market tables as at 31 December 2008, including 97 mass market tables at Ponte 16 which was opened in February 2008, as compared with 1,107 mass market gaming tables as at 31 December 2007.

Gaming revenue from mass market table gaming operations increased to \$11,063.7 million, representing growth of 3.6%, from \$10,676.4 million recorded in 2007. The increase was due primarily to the increase in mass market revenue of Casino Grand Lisboa during the year and the opening of Ponte 16 in February 2008. As at 31 December 2008, SJM operated mass market table gaming in 14 of its casinos.

SJM's average number of mass market gaming tables increased to 1,193 in 2008 from 1,087 in 2007, while the average net-win per day per mass market gaming table decreased to \$25,338 from \$26,909 for the previous year. For Casino Grand Lisboa, average net-win per mass market table was \$29,044 per day in 2008.

## **Slot Machine Operations**

Gaming revenue from slot machine operations and other gaming operations (Tombola) comprised 3.4% of the Group's total gaming revenue in 2008, compared to 2.7% in 2007. SJM had 3,867 slot machines as at 31 December 2008 as compared with 3,702 slot machines as at 31 December 2007. As at 31 December 2008, SJM operated slot machines in 11 of its casinos and in 4 slot halls.

Gaming revenue from slot machine operations and other gaming operations increased by \$102.1 million, or 11.9%, to \$958.7 million in 2008 from \$856.6 million for the previous year. The increase was mainly due to the opening of Ponte 16 in February 2008, with approximately 292 slot machines on average in operation during the year.

The average number of slot machines in 2008 increased to 3,842, from 3,475 in 2007. The average net-win per slot machine increased to \$681 per day in 2008, from \$674 per day in 2007. The average net-win per slot machine at Casino Grand Lisboa was \$977 per day in 2008.

## **Non-gaming Revenue**

Income from hotel, catering and related services totaled \$172.6 million in 2008, an increase of 114.4% from \$80.5 million in 2007, 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 amortization of financial guarantee obligations, increased to \$131.2 million from \$105.9 million during the year.

## **PROSPECTS AND RECENT DEVELOPMENTS**

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

### **Market Environment**

The growth of the Macau gaming industry has been interrupted by the general weakening of the global economy resulting from the global credit crunch and this has been exacerbated by the tightening of visa conditions, for Mainland residents wishing to visit Macau. The total number of visitors to Macau (including arrivals of non-resident workers, students, etc.) increased, however, by 11.8% to a record 30.2 million. Per-capita spending by visitors also increased during the year by approximately 5.5%, while the average length of stay in Macau by visitors remained relatively flat at slightly over one day.

Competition in the Macau gaming industry increased in intensity, 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 began consultations in May 2008 with all operators regarding a cap on commissions paid to VIP gaming promoters. While the concessionaires and sub-concessionaires have expressed agreement on a reasonable cap on commissions there has been no adoption of such proposal by the Macau government at this date.

In 2008 the Macau government also announced measures to restrict growth in gaming facilities. The Company does not expect that the restrictions proposed will have a negative effect on its business or development plans.

As outlined in the Prospectus, the Group seeks to grow its business through the development of strategically located gaming clusters in Macau to target different segments of the gaming market, to improve operating margins through cost reduction initiatives and improving efficiency and to actively manage its portfolio by expanding and upgrading its existing casinos to improve their overall yield. To this end, the Group is progressing on a number of projects, which are described below.

### **Casino Grand Lisboa**

Performance of the flagship Casino Grand Lisboa continued to exceed the Company's expectations. Daily revenue from mass market table games grew by 5.5% in 2008 and daily revenue from slot machines grew by 43.9%. Total growth in revenue per day, which was also positively influenced by the opening of VIP gaming rooms at the casino during the second half of 2007, was 59.1%. In February 2008, the Casino Grand Lisboa was the first casino in Macau to introduce the game Texas Hold 'Em Poker, and later in the year introduced the game of Casino War. In March 2008 Casino Grand Lisboa opened its VIP slot machine area on the second floor.

In addition to the completion and opening of the Grand Lisboa Hotel, further progress was made on the final outfitting of the top floors of the tower which will house additional VIP gaming areas and food and beverage facilities. Subject to obtaining relevant government permits, the Company expects to open these floors later in 2009.

During 2008, Casino Grand Lisboa had an average of approximately 26,500 visitors per day, and the Casino Grand Lisboa bus program brought more than 1.5 million visitors to the casino from the Macau Maritime Terminal and the Border Gate. To continue attracting gaming patrons to Casino Grand Lisboa, the Company launched a number of special promotions during the year, such as Spot to Win, Beijing Olympic Dream and Daily Cash Reward. Large-scale jackpots are paid regularly and publicized, including \$5,135,188.87 won on 17 July 2008, the largest paid by the Grand Lisboa to that date. During the year 59,512 members joined the Casino Grand Lisboa loyalty card programme, bringing the total number of members to 185,588.

### **Grand Lisboa Hotel**

The Grand Lisboa Hotel held its grand opening on 17 December 2008, in the presence of the Macau SAR Chief Executive and many dignitaries. Though the delayed issuance of the operating licence resulted in minimal revenue being contributed by the hotel during 2008, the hotel's occupancy level, average room rate and customer acclaim have since exceeded expectations. Food and beverage revenue at the Grand Lisboa Hotel increased by 51.4% during the year to \$113.1 million, reflecting increased customer count, larger check amounts and the opening of new venues, The Kitchen, The Lotus Lounge and The Poolside Bar.

## **Ponte 16**

Casino Ponte 16, located in Macau's historic Inner Harbour area, held its grand opening ceremony on 1 February 2008 and commenced operations with 105 tables and 297 slot machines. During its first 11 months of operations, over three million patrons visited Casino Ponte 16. After a delay of several months, licenses for the Sofitel Macau at Ponte 16 and for restaurant/bar operations were obtained in July 2008, and the 20-storey, 408-room hotel opened in August 2008. Five food and beverage outlets, including the Mistral Restaurant and the Sixteen 8 Restaurant, also began serving customers in August 2008. However, the project's revenues for the year were insufficient to cover operating and start-up costs and the project contributed a loss to the Group in 2008. The Company expects that operating performance will improve with the introduction of VIP gaming operations later in 2009 plus full-year operation of the hotel, but does not make any prediction about its performance in the near future.

## **Oceanus**

During the second half of 2008, the New Yaohan department store vacated its premises in the Outer Harbour area and the Company began converting the building to Oceanus. Connecting via overhead walkway to the Macau Maritime Terminal, Oceanus will conveniently serve patrons who arrive in Macau by sea or through the northern Border Gate. Oriented towards the day-trip market, the casino project will comprise around 270,000 square feet of gaming space and supporting facilities. The casino interior is designed by renowned casino architects Paul Steelman Design Group and the project is planned to have up to 300 mass market gaming tables and 600 slot machines plus dining and back-of-house facilities. During 2008 Oceanus progressed on schedule and the Group expects completion in November 2009.

## **L'Arc**

In a strategic location on the Macau Peninsula adjacent to a number of flagship casino properties, Casino L'Arc is scheduled to open by the third quarter of 2009. The new facility, designed in a classical style, will comprise 115,000 square feet and is planned to have over 150 gaming tables and 400 slot machines catering to the mass market. L'Arc will be a third-party promoted casino.

## **Redevelopment of Hotel and Casino Lisboa**

In October 2007, SJM was granted options by STDM to purchase the 15/16 portion of the Hotel Lisboa that was not already owned by SJM at a consideration of \$4,295 million and a development site at Nam Van Lake Lot 11-A at a consideration of \$360 million. Details of the option agreements, and the notification of exercise by SJM in April 2008, were included in the Prospectus. The Company subsequently invited prominent international architectural firms to submit concept design proposals for the redevelopment of Hotel Lisboa and Casino Lisboa, and the submitted designs were open to public viewing and review by a panel of experts in July and August 2008.

On 20 March 2009, the Company announced that, after consideration of the economic environment and financial market conditions, SJM had executed new agreements with STDM by which the terms of the option agreement for Nam Van Lake Lot 11-A were cancelled and the terms of the option agreement for Hotel Lisboa were replaced with an agreement that the Hotel Lisboa building would

be jointly redeveloped by SJM and STDM. The new agreement for the Hotel Lisboa specifies that a formal joint redevelopment agreement will be entered into between SJM and STDM which will govern the terms under which the two parties participate in the redevelopment. No timetable has been set for the redevelopment.

### **Other Casino Projects**

In August 2008, SJM's Casino Kam Pek became Casino Kam Pek Paradise, and its operations were converted to a third-party promoted basis. As at 31 December 2008, five of the Company's casinos had suspended operations: Casino Macau Palace, Casino Kingsway, Casino Taipa, Casino Marina and Casino Oriental. Subsequent to year-end, on 17 January 2009, Casino Jimei opened at the site of the former Casino Oriental and began operations on a third-party promoted basis. The Company has longer term plans for additional new projects, including two developments on Cotai and a club-style VIP casino in the Lisboa District, but the timetable for these projects is being reviewed and will be subject to market conditions.

## **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 \$5,847.1 million (not including \$414.4 million pledged bank deposits) as at 31 December 2008. This represented a decrease of 10.2% as compared with the position as at 31 December 2007 of \$6,510.9 million. The decrease was mainly attributable to financing for capital expenditure for the Grand Lisboa and Ponte 16 and payment of dividend for 2007.

Total loan facilities available to the Group as at 31 December 2008 amounted to \$6,600 million, of which \$656 million was undrawn. The maturity profile of the Group's borrowings as at 31 December 2008 is set out below:

### **Maturity Profile**

<b>Within 1 year</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Over 5 years</b>	<b>Total</b>
17.45%	17.80%	64.75%	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 2008 (as at 31 December 2007: nil).

## **Capital Expenditure Commitments**

Capital expenditure commitments by the Group amounted to \$1,401.5 million as at 31 December 2008 (as at 31 December 2007: \$2,195.8 million), which were primarily for construction works on the Grand Lisboa Hotel, Ponte 16 and Oceanus. Capital expenditures for Oceanus and L'Arc are expected to be funded by internal resources, and 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 2008, certain of the Group's property, plant and equipment and land use rights with carrying values of \$6,062.3 million and \$836.7 million, respectively (as at 31 December 2007: \$6,082.5 million and \$764.0 million, respectively), were pledged with banks for loan facilities.

In addition, the Group had pledged bank deposits of \$414.4 million as at 31 December 2008, as compared with \$145.9 million as at 31 December 2007.

## **Contingent Liabilities and Guarantees**

As at 31 December 2008, the Group had total guarantees given to banks of \$333.6 million (as at 31 December 2007: \$423.5 million), which were guarantees in respect of credit facilities granted to an associate, an investee company and a related company. The Group had no significant contingent liabilities as at 31 December 2008.

## **Developments Regarding Litigation**

Ms. Winnie Ho and Moon Valley Inc. (the "Applicants") applied to the Court of Appeal in October 2008 to withdraw their motion seeking leave to appeal to the Court of Final Appeal against earlier judgments in the Court of First Instance and in the Court of Appeal. Those judgments had refused the Applicants leave to seek judicial review of the decisions of the Stock Exchange and the Securities and Futures Commission to respectively allow, and not object to, the listing of the Company's shares. The Court of Appeal granted the Applicants permission to withdraw the application for leave to appeal on 28 October 2008. Thus, the judicial review proceedings in Hong Kong have come to a close.

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. The Directors 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 publicly trading 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 2008. 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 2008.

## **Human Resources**

As at 31 December 2008, the Group had 19,335 full-time employees, which represented an increase of 1,868 employees since 31 December 2007. The increase in employees is mainly due to the addition of employees during the year at Ponte 16 and at the Grand Lisboa Hotel. The Group's employee turnover rate was minimal in 2008.

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, subsidizes for education of staff at Macau Millennium College and Millennium Secondary School, and awards scholarships to children of staff to study at institutions of their choice.

## **PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Friday, 8 May 2009 to Wednesday, 13 May 2009, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong 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 4:30p.m. on Thursday, 7 May 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the period commencing 16 July 2008 (the "Listing Date") until 31 December 2008, the Company has complied with all the code provisions set out in Appendix 14 of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as its own code of conduct regarding Directors' securities transactions as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, the Company confirms that all Directors have complied with the required standards as stated in the Model Code from the Listing Date until 31 December 2008.

## **PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS**

The Group's consolidated financial statements for the year ended 31 December 2008 have been reviewed by the Audit Committee of the Company. The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2008 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.

## **PUBLICATION OF FURTHER INFORMATION**

All the information required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

# ANNUAL GENERAL MEETING

The 2009 Annual General Meeting of the Company will be held on Wednesday, 13 May 2009. Notice of Annual General Meeting will be published on the Stock Exchange's website and the Company's website and dispatched to shareholders of the Company in due course.

By order of the Board  
**Stanley Ho**  
*Chairman*

Hong Kong, 23 March 2009

*As at the date hereof, the Executive Directors 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 is Dato' Dr. Cheng Yu Tung, and the Independent Non-executive Directors are Mr. Chau Tak Hay, Mr. Lan Hong Tsung, David, Mr. Shek Lai Him, Abraham and Mr. Tse Hau Yin.*