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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 2011

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

### FINANCIAL HIGHLIGHTS

	Year ended 31 December		Increase
	2011	2010	
	HK\$ million	HK\$ million	
Gaming revenue	<b>75,514</b>	57,195	<b>32.0%</b>
Other income	<b>789</b>	606	<b>30.2%</b>
Adjusted EBITDA*	<b>6,923</b>	4,858	<b>42.5%</b>
Profit attributable to owners of the Company	<b>5,308</b>	3,559	<b>49.1%</b>
Earnings per share – basic	<b>HK96.4 cents</b>	HK69.2 cents	<b>39.3%</b>
– diluted	<b>HK95.4 cents</b>	HK66.2 cents	<b>44.1%</b>
Proposed dividend per ordinary share			
– final dividend	<b>HK43 cents</b>	HK30 cents	<b>43.3%</b>
– special dividend	<b>HK22 cents</b>	–	–

\* Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations and share-based payments.

## PROPOSED FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends the payment of a final dividend of HK43 cents per ordinary share of the Company (the “**Share**”) (2010: HK30 cents per Share) and a special dividend of HK22 cents per Share (2010: Nil), for the year ended 31 December 2011, which are subject to approval at the forthcoming annual general meeting of the Company to be held on Thursday, 10 May 2012 (the “**2012 Annual General Meeting**”).

## OPERATING HIGHLIGHTS

- Gaming revenue earned by Sociedade de Jogos de Macau, S.A. (“**SJM**”), a subsidiary of the Company, grew by 32.0% to a record HK\$75,514 million.
- Adjusted EBITDA of the Group grew by 42.5% to a record HK\$6,923 million.
- Profit attributable to owners of the Company grew by 49.1% to a record HK\$5,308 million.
- SJM continued to lead in market share of the Macau casino gaming market, with overall gaming market share of 29.0%.
- Casino Grand Lisboa continued to perform strongly in 2011, contributing Adjusted Property EBITDA of HK\$3,756 million for the year and Adjusted Property EBITDA margin of 16.5%, on the basis of Hong Kong generally accepted accounting principles. If prepared on the basis of United States generally accepted accounting principles, the Adjusted Property EBITDA margin would be 27.2% for 2011.
- Casino Grand Lisboa’s mass market table gaming revenue increased by 39.1% and VIP gaming revenue increased by 49.6%, whilst VIP chips sales increased by 57.7%.
- Grand Lisboa Hotel’s occupancy rate increased by 14.7% to 92.6% for the full year, and average room rate increased by 5.3% to HK\$2,055.
- The Group maintained its strong balance sheet, with cash and bank balances totaling HK\$20.7 billion as at 31 December 2011.
- A final dividend of HK43 cents per Share and a special dividend of HK22 cents per Share have been proposed. If the proposed dividends are approved at the forthcoming annual general meeting of the Company, total dividends for 2011, including interim dividend of HK8 cents per Share paid in September 2011, would be HK73 cents per Share – an increase of 108.6% from 2010.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	<i>Notes</i>	<b>2011</b> <b>HK\$ million</b>	2010 HK\$ million
Gaming, hotel, catering and related services revenues		<u><b>76,092.0</b></u>	<u>57,653.3</u>
Gaming revenue	4	<b>75,514.4</b>	57,195.0
Special gaming tax, special levy and gaming premium		<u><b>(29,071.1)</b></u>	<u>(22,089.9)</u>
		<b>46,443.3</b>	35,105.1
Hotel, catering and related services income		<b>577.6</b>	458.3
Cost of sales and services on hotel, catering and related services		<b>(246.0)</b>	(216.4)
Other income		<b>211.8</b>	147.9
Marketing and promotional expenses		<b>(34,090.7)</b>	(25,130.4)
Operating and administrative expenses		<b>(7,389.4)</b>	(6,627.1)
Finance costs	5	<b>(123.0)</b>	(215.4)
Share of (losses) profits of an associate		<b>(45.1)</b>	4.9
Share of profits of a jointly controlled entity		<u><b>7.3</b></u>	<u>5.5</u>
Profit before taxation	6	<b>5,345.8</b>	3,532.4
Taxation	7	<u><b>(35.0)</b></u>	<u>(17.6)</u>
Profit for the year and total comprehensive income for the year		<u><b>5,310.8</b></u>	<u>3,514.8</u>
Profit for the year and total comprehensive income attributable to			
– owners of the Company		<b>5,307.6</b>	3,559.4
– non-controlling interests		<u><b>3.2</b></u>	<u>(44.6)</u>
		<u><b>5,310.8</b></u>	<u>3,514.8</u>
Earnings per share			
– Basic	9	<u><b>HK96.4 cents</b></u>	<u>HK69.2 cents</u>
– Diluted	9	<u><b>HK95.4 cents</b></u>	<u>HK66.2 cents</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Notes</i>	2011 HK\$ million	2010 HK\$ million
Non-current assets			
Property and equipment		8,777.2	9,486.0
Land use rights		775.2	804.9
Intangible asset		33.2	39.5
Art works and diamonds		289.2	290.4
Interest in an associate		28.9	74.0
Interest in a jointly controlled entity		80.5	73.2
Available-for-sale investments in equity securities		5.5	5.5
Deposits made on acquisitions		153.0	122.6
Amount due from a fellow subsidiary		268.7	304.5
Amount due from an associate		40.8	–
Amount due from a jointly controlled entity		14.3	–
Amounts due from investee companies		128.9	144.2
Pledged bank deposits		145.6	145.6
		<u>10,741.0</u>	<u>11,490.4</u>
Current assets			
Inventories		68.5	55.9
Trade and other receivables	10	1,318.0	1,258.2
Loan receivables		246.0	246.0
Amount due from ultimate holding company		0.3	546.7
Amount due from an associate		–	20.0
Amount due from a jointly controlled entity		–	14.3
Financial assets at fair value through profit or loss		48.9	56.2
Pledged bank deposits		26.3	26.4
Short-term bank deposits		6,011.1	5,036.7
Bank balances and cash		14,559.9	10,138.6
		<u>22,279.0</u>	<u>17,399.0</u>
Current liabilities			
Trade and other payables	11	11,338.8	10,020.8
Amount due to a director		–	29.1
Amount due to non-controlling interests of a subsidiary		324.0	–
Obligations under finance leases		25.4	23.5
Taxation		38.8	38.8
Current portion of long-term bank loans		3,072.0	1,040.0
Convertible bonds		–	218.7
		<u>14,799.0</u>	<u>11,370.9</u>
Net current assets		<u>7,480.0</u>	<u>6,028.1</u>
Total assets less current liabilities		<u>18,221.0</u>	<u>17,518.5</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2011

	2011 HK\$ million	2010 HK\$ million
Non-current liabilities		
Obligations under finance leases	268.7	304.5
Long-term bank loans	–	3,072.0
Amount due to non-controlling interests of a subsidiary	690.8	966.6
Deferred taxation	14.9	–
	<u>974.4</u>	<u>4,343.1</u>
Net assets	<u>17,246.6</u>	<u>13,175.4</u>
Capital and reserves		
Share capital	5,522.1	5,454.5
Reserves	11,685.6	7,683.2
Equity attributable to owners of the Company	17,207.7	13,137.7
Non-controlling interests	38.9	37.7
Total equity	<u>17,246.6</u>	<u>13,175.4</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company is a public limited company incorporated in Hong Kong and acts as an investment holding company. The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its subsidiaries are principally engaged in the development and operation of casinos and related facilities in Macau Special Administrative Region, the People's Republic of China ("**MSAR**"). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A. ("**STDM**"), a company established in MSAR. The address of 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.

## 2. BASIS OF PREPARATION

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 ("**HKICPA**").

### 2.1 Application of new and revised HKFRSs

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2011.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendment to HKAS 32	Classification of rights issues
Amendment to HK(IFRIC*)	Prepayments of a minimum funding requirement
– INT 14	
HK(IFRIC*) – INT 19	Extinguishing financial liabilities with equity instruments

\* IFRIC represents the IFRS Interpretations Committee

## 2.2 New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7	Disclosures – Transfers of financial assets <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities <sup>4</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures <sup>6</sup>
HKFRS 9	Financial instruments <sup>6</sup>
HKFRS 10	Consolidated financial statements <sup>4</sup>
HKFRS 11	Joint arrangements <sup>4</sup>
HKFRS 12	Disclosures of interests in other entities <sup>4</sup>
HKFRS 13	Fair value measurements <sup>4</sup>
Amendments to HKAS 1	Presentation of financial statements – Presentation of items of other comprehensive income <sup>3</sup>
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee benefits <sup>4</sup>
HKAS 27 (as revised in 2011)	Separate financial statements <sup>4</sup>
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures <sup>4</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>5</sup>
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2015

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

## 3. OPERATING SEGMENTS

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

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

For gaming operations, the chief operating decision maker (the CODM), which is a group of executive directors of the Company, regularly analyses gaming revenue in terms of VIP gaming operations, mass market table gaming operations, slot machine and other gaming operations. The CODM reviews the 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 the Group's hotels has been aggregated into a single operating segment named "hotel and catering operations".

### 3. OPERATING SEGMENTS (Continued)

Segment information about these businesses is presented below:

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

	Segment revenue		Segment results	
	2011 HK\$ million	2010 HK\$ million	2011 HK\$ million	2010 HK\$ million
Gaming operations	<u>75,514.4</u>	<u>57,195.0</u>	<b>5,795.9</b>	4,088.0
Hotel and catering operations				
– external sales	<b>577.6</b>	458.3		
– inter-segment sales	<u>239.5</u>	<u>149.0</u>		
	<b>817.1</b>	607.3	<b>(366.0)</b>	(446.3)
Eliminations	<u>(239.5)</u>	<u>(149.0)</u>		
	<u>577.6</u>	<u>458.3</u>		
	<u><b>76,092.0</b></u>	<u>57,653.3</u>		
			<b>5,429.9</b>	3,641.7
<b><i>Reconciliation from segment results to profit before taxation:</i></b>				
Unallocated corporate expenses and income			<b>(20.6)</b>	(147.5)
Change in fair value of financial assets at fair value through profit or loss			<b>(25.7)</b>	27.8
Share of (losses) profits of an associate			<b>(45.1)</b>	4.9
Share of profits of a jointly controlled entity			<u>7.3</u>	<u>5.5</u>
Profit before taxation			<u><b>5,345.8</b></u>	<u>3,532.4</u>

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

Inter-segment sales are charged at prevailing market rates.



### 3. OPERATING SEGMENTS (Continued)

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

	2011 HK\$ million	2010 HK\$ million
<i>Assets</i>		
Segment assets		
– gaming operations	18,774.3	15,658.5
– hotel and catering operations	6,487.1	7,239.3
	<u>25,261.4</u>	<u>22,897.8</u>
Interest in an associate	28.9	74.0
Interest in a jointly controlled entity	80.5	73.2
Unallocated bank deposits, bank balances and cash	6,521.6	4,719.3
Unallocated assets	1,127.6	1,125.1
	<u>33,020.0</u>	<u>28,889.4</u>
<i>Liabilities</i>		
Bank loans		
– gaming operations	1,375.0	1,800.0
– hotel and catering operations	1,697.0	2,312.0
	<u>3,072.0</u>	<u>4,112.0</u>
Other segment liabilities		
– gaming operations	11,142.9	9,821.6
– hotel and catering operations	220.3	238.5
	<u>11,363.2</u>	<u>10,060.1</u>
Total segment liabilities	14,435.2	14,172.1
Convertible bonds	–	218.7
Unallocated liabilities	1,338.2	1,323.2
	<u>15,773.4</u>	<u>15,714.0</u>
Group's total	<u>15,773.4</u>	<u>15,714.0</u>

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

- (i) unallocated assets include mainly amounts due from a fellow subsidiary/ an associate/a jointly controlled entity/investee companies, art works and diamonds, loan receivables and financial assets at fair value through profit or loss.

### 3. OPERATING SEGMENTS (Continued)

- (ii) unallocated liabilities include mainly amount due to non-controlling interests of a subsidiary and obligations under finance leases.
- (iii) all assets are allocated to operating segments, other than interest in associate/jointly controlled entity, unallocated bank deposits, bank balances and cash and assets not attributable to respective segments.
- (iv) all liabilities are allocated to operating segments, other than convertible bonds and liabilities not attributable to respective segments.

(c) Other segment information of the Group

	2011 HK\$ million	2010 HK\$ million
Additions to non-current assets (other than financial instruments)		
– gaming operations	355.8	338.1
– hotel and catering operations	70.1	195.6
– corporate level	0.2	2.0
	<u>426.1</u>	<u>535.7</u>
Depreciation and amortisation		
– gaming operations	601.8	667.3
– hotel and catering operations	516.5	506.9
– corporate level	2.2	2.5
	<u>1,120.5</u>	<u>1,176.7</u>
Loss on disposal of property and equipment		
– gaming operations	4.7	2.2
– hotel and catering operations	0.8	12.3
	<u>5.5</u>	<u>14.5</u>
Share-based payments		
– gaming operations	510.5	37.8
– corporate level	25.4	9.9
	<u>535.9</u>	<u>47.7</u>
Finance costs		
– gaming operations	29.2	36.2
– hotel and catering operations	35.1	44.2
– corporate level	58.7	135.0
	<u>123.0</u>	<u>215.4</u>
Interest income		
– gaming operations	87.0	25.7
– hotel and catering operations	0.4	0.3
– corporate level	83.0	47.5
	<u>170.4</u>	<u>73.5</u>

### 3. OPERATING SEGMENTS (Continued)

All revenues during each of the reporting periods 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 periods.

### 4. GAMING REVENUE

	2011 HK\$ million	2010 HK\$ million
Gaming revenue from		
– VIP gaming operations	52,778.8	38,861.8
– mass market table gaming operations	21,280.7	17,153.9
– slot machine and other gaming operations	1,454.9	1,179.3
	<u>75,514.4</u>	<u>57,195.0</u>

### 5. FINANCE COSTS

	2011 HK\$ million	2010 HK\$ million
Interest on		
– bank borrowings wholly repayable within five years	(64.1)	(81.4)
– finance leases	(10.0)	(17.2)
Imputed interest on amount due to non-controlling interests of a subsidiary	(46.2)	(42.0)
Imputed interest on convertible bonds	(2.7)	(75.8)
	<u>(123.0)</u>	<u>(216.4)</u>
Less: Amount capitalised in construction in progress	–	1.0
	<u>(123.0)</u>	<u>(215.4)</u>

## 6. PROFIT BEFORE TAXATION

	2011 HK\$ million	2010 HK\$ million
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration		
– fees, salaries and other benefits	60.2	56.2
– share-based payments	530.3	18.1
	590.5	74.3
Retirement benefits scheme contributions to other staff	74.1	73.4
Less: Forfeited contributions	(28.3)	(19.8)
	45.8	53.6
Share-based payments to other staff	5.6	27.7
Other staff costs	3,800.3	3,471.1
	3,805.9	3,498.8
	4,442.2	3,626.7
Auditors' remuneration		
– audit services	8.7	7.8
– non-audit services	9.3	4.9
	18.0	12.7
Allowance for doubtful debts	10.0	53.6
Amortisation of intangible asset (included in operating and administrative expenses)	6.3	6.3
Loss on fair value changes on financial assets at fair value through profit or loss	25.7	–
Write-off of art works	1.2	–
Depreciation of property and equipment	1,114.2	1,170.4
Loss on disposal of property and equipment	5.5	14.5
Operating lease rentals in respect of		
– land use rights	41.0	40.2
– rented premises	313.4	298.9
Share-based payments to other participants (included in operating and administrative expenses)	–	1.9
<i>and after crediting:</i>		
Dividend income from financial assets at fair value through profit or loss	23.7	1.5
Gain on fair value changes on financial assets at fair value through profit or loss	–	27.8
Income from amortisation of financial guarantee obligations	–	13.3
Interest income from		
– a fellow subsidiary	9.8	17.2
– bank deposits	153.8	51.3
– loan receivables	6.8	5.0
	170.4	73.5

## 7. TAXATION

	2011 HK\$ million	2010 HK\$ million
Current year taxation	(17.5)	(17.5)
Underprovision in prior year	(2.6)	(0.1)
	<u>(20.1)</u>	<u>(17.6)</u>
Deferred taxation	(14.9)	–
	<u>(35.0)</u>	<u>(17.6)</u>

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. This exemption has been further extended for the years from 2012 to 2016 pursuant to an approval notice from MSAR government dated 23 November 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) (the “Special Tax”) 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 (2010: HK\$17.5 million). Special Tax for the years from 2012 to 2016 is pending the approval by the MSAR government.

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

	2011 HK\$ million	2010 HK\$ million
2011 interim dividend of HK8 cents per ordinary share paid	441.4	–
2010 final dividend of HK30 cents per ordinary share paid	1,653.4	–
2010 interim dividend of HK5 cents per ordinary share paid	–	262.2
2009 final dividend of HK9 cents per ordinary share paid	–	453.8
	<u>2,094.8</u>	<u>716.0</u>

The final dividend of HK43 cents per ordinary share and a special dividend of HK22 cents per ordinary share, totalling HK\$3,589.74 million, are proposed by the directors of the Company at a board meeting held on 29 February 2012, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,522,679,293 ordinary shares in issue at the date of this report.

## 9. EARNINGS PER SHARE

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

	2011 HK\$ million	2010 HK\$ million
<i>Earnings</i>		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	5,307.6	3,559.4
Effect of dilutive potential ordinary shares – imputed interest on convertible bonds	<u>2.7</u>	<u>75.8</u>
Earnings for the purpose of diluted earnings per share	<u><u>5,310.3</u></u>	<u><u>3,635.2</u></u>
	2011	2010
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,505,065,288	5,145,389,186
Effect of dilutive potential ordinary shares on – share options	<u>53,335,481</u>	<u>68,643,549</u>
– conversion of convertible bonds	<u>8,240,144</u>	<u>277,503,528</u>
	<u><u>61,575,625</u></u>	<u><u>346,147,077</u></u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>5,566,640,913</u></u>	<u><u>5,491,536,263</u></u>

## 10. TRADE AND OTHER RECEIVABLES

	2011 HK\$ million	2010 HK\$ million
Advances to gaming promoters	915.7	744.9
Other receivables from gaming promoters	61.8	189.0
Prepayments	94.0	102.7
Other receivables ( <i>Note</i> )	<u>246.5</u>	<u>221.6</u>
	<u><u>1,318.0</u></u>	<u><u>1,258.2</u></u>

*Note:* Other receivables mainly represent deposits paid, interest receivable and current portion of lease receivable from a fellow subsidiary.

## 10. TRADE AND OTHER RECEIVABLES (Continued)

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

	<b>2011</b>	2010
	<b>HK\$ million</b>	HK\$ million
Age		
0 to 30 days	<b>905.7</b>	670.9
61 to 90 days	–	0.3
Over 90 days	<b>10.0</b>	73.7
	<u><b>915.7</b></u>	<u>744.9</u>

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 are provided by gaming promoters to SJM.

The directors of the Company generally consider that such credit is temporary credit provided against unpaid commissions to gaming promoters and is granted based on the performance and financial background of the relevant gaming promoter. Generally, unsecured credit by reference to commissions accrued/payable to the relevant gaming promoter 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.

### *Movement in the allowance for doubtful debts*

	<b>2011</b>	2010
	<b>HK\$ million</b>	HK\$ million
At 1 January	<b>78.1</b>	24.5
Allowance for doubtful debts	<b>13.0</b>	53.6
Amounts recovered during the year	<b>(3.0)</b>	–
	<u><b>88.1</b></u>	<u>78.1</u>

## 10. TRADE AND OTHER RECEIVABLES (Continued)

Allowance for doubtful debts mainly represent individually impaired receivables from gaming promoters with an aggregate balance of HK\$88.1 million (2010: HK\$78.1 million) since the management considered the prolonged outstanding balances from these gaming promoters were uncollectible.

## 11. TRADE AND OTHER PAYABLES

	2011 HK\$ million	2010 HK\$ million
Trade payables	2,184.2	1,951.8
Special gaming tax payable	2,329.6	2,117.9
Chips liabilities	4,991.4	4,325.1
Payables for acquisition of property and equipment	102.4	61.4
Construction payables	133.8	222.0
Deposits received from gaming patrons and gaming promoters	693.6	292.5
Accrued staff costs	332.9	484.5
Rentals payables	134.5	104.0
Withholding tax payables	38.7	52.3
Other payables	397.7	409.3
	<u>11,338.8</u>	<u>10,020.8</u>

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

	2011 HK\$ million	2010 HK\$ million
Age		
0 to 30 days	2,159.1	1,925.2
31 to 60 days	15.0	5.0
61 to 90 days	1.9	1.0
Over 90 days	8.2	20.6
	<u>2,184.2</u>	<u>1,951.8</u>

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



## BUSINESS REVIEW

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

### Group Operating Results

The Group's total revenue, gaming revenue, profit attributable to owners of the Company, Adjusted EBITDA and Adjusted EBITDA Margin for the year ended 31 December 2011 each increased substantially from last year:

Group operating results	For the year ended 31 December		Increase
	2011 HK\$ million	2010 HK\$ million	
Total revenue	<b>76,092</b>	57,653	<b>32.0%</b>
Gaming revenue	<b>75,514</b>	57,195	<b>32.0%</b>
Profit attributable to owners of the Company	<b>5,308</b>	3,559	<b>49.1%</b>
Adjusted EBITDA <sup>1</sup>	<b>6,923</b>	4,858	<b>42.5%</b>
Adjusted EBITDA Margin <sup>2</sup>	<b>9.1%</b>	8.4%	

<sup>1</sup> Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations and share-based payments.

<sup>2</sup> Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of total revenue.

Growth in gaming revenue in 2011 comprised increases in VIP gaming revenue of 35.8%, mass market table gaming revenue of 24.1% and slot machine and other gaming revenue of 23.4%, which reflected increased visitation to Macau particularly from the China Mainland as well as increased spending per visitor. During 2011, the Group accounted for 29.0% of Macau's record casino gaming revenue of \$260,065 million, the largest market share among the six concessionaires and subconcessionaires. The Group's overall market share declined from 31.3% for the full year 2010 due primarily to new gaming capacity added by a competitor since May 2011.

Besides growth of gaming revenue, other factors that contributed to higher Adjusted EBITDA in the year were improved operating results at Ponte 16 and Grand Lisboa Hotel. The Group's Adjusted EBITDA margin for the year was 9.1%, an increase from 8.4% in 2010. If calculated under United States generally accepted accounting principles ("US GAAP"), the Group's Adjusted EBITDA margin would be 16.3% for 2011, as compared with 14.8% in 2010 (See "Comparison with United States GAAP Accounting" below).

Net profit for the year 2011 was affected by deductions of share-based payments of \$536 million, as compared with \$48 million in the previous year. Depreciation in 2011 was \$1,114 million compared with \$1,170 million in 2010, and interest expense was \$123 million, compared with \$215 million.

## Operating Results – VIP Gaming

VIP operations	For the year ended 31 December		Increase
	2011	2010	
Gaming revenue (HK\$ million)	<b>52,779</b>	38,862	<b>35.8%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>243,024</b>	229,958	<b>5.7%</b>
VIP chips sales (HK\$ million)	<b>1,830,047</b>	1,334,035	<b>37.2%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>595</b>	463	<b>28.5%</b>

VIP gaming operations accounted for 69.9% of the Group's total gaming revenue in 2011, as compared with 67.9% for the previous year. As at 31 December 2011, SJM had 609 VIP gaming tables in operation with 32 VIP promoters, as compared with 507 VIP gaming tables and 33 VIP promoters as at 31 December 2010. As at 31 December 2011, SJM operated VIP gaming in 14 of its casinos.

Increased VIP gaming revenue of 35.8% resulted from increased chips purchases by junket operators which in turn reflected the buoyant economy in the Mainland and the Asian region as well as increased liquidity available to junket operators. The hold rate for SJM's VIP operations decreased slightly in 2011 to 2.88% from 2.91% in 2010.

## Operating Results – Mass Market Table Gaming

Mass market operations	For the year ended 31 December		Increase/ (Decrease)
	2011	2010	
Gaming revenue (HK\$ million)	<b>21,281</b>	17,154	<b>24.1%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>50,218</b>	36,460	<b>37.7%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>1,161</b>	1,289	<b>(9.9)%</b>

Gaming revenue from mass market table gaming operations comprised 28.2% of the Group's total gaming revenue in 2011, as compared with 30.0% in 2010. SJM had 1,166 mass market gaming tables in operation as at 31 December 2011, as compared with 1,183 mass market gaming tables as at 31 December 2010.

Increased mass market table gaming revenue of 24.1% resulted from increased visitation to Macau from the Mainland and the Asian region as well as increased spending per visitor.

## Operating Results – Slot Machines and Other Gaming Operations

Slot machine operations	For the year ended 31 December		Increase/ (Decrease)
	2011	2010	
Gaming revenue (HK\$ million)	<b>1,455</b>	1,179	<b>23.4%</b>
Average daily net-win per slot machine (HK\$)	<b>1,009</b>	732	<b>37.8%</b>
Average number of slot machines (Average of month-end numbers)	<b>3,947</b>	4,407	<b>(10.4)%</b>

Gaming revenue from slot machine operations, which include other electronic gaming machines and the game of Tombola, comprised 1.9% of the Group's total gaming revenue in 2011, as compared with 2.1% in 2010. SJM had 3,910 slot machines in service as at 31 December 2011 as compared with 4,147 slot machines as at 31 December 2010.

As at 31 December 2011, SJM operated slot machines in 14 of its casinos and in three slot halls. In January 2011, SJM ceased operations at its only third party-promoted slot hall.

## Operating Results of Casino Segments – Casino Grand Lisboa

SJM's flagship Casino Grand Lisboa achieved substantial growth in revenue and profitability during the year.

Casino Grand Lisboa	For the year ended 31 December		Increase
	2011	2010	
Revenue (HK\$ million)	<b>22,797</b>	15,579	<b>46.3%</b>
Profit attributable to the Group (HK\$ million)	<b>3,232</b>	2,293	<b>40.9%</b>
Adjusted Property EBITDA <sup>3</sup> (HK\$ million)	<b>3,756</b>	2,562	<b>46.6%</b>
Adjusted Property EBITDA Margin <sup>4</sup>	<b>16.5%</b>	16.4%	

<sup>3</sup> Adjusted Property EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations and share-based payments, and before elimination of inter-company consumption.

<sup>4</sup> Adjusted Property EBITDA Margin is Adjusted Property EBITDA as a percentage of total revenue.

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

<b>Casino Grand Lisboa</b>	<b>For the year ended 31 December</b>		<b>Increase/ (Decrease)</b>
	<b>2011</b>	<b>2010</b>	
<b><i>VIP operations</i></b>			
Gaming revenue (HK\$ million)	<b>16,896</b>	11,295	<b>49.6%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>364,482</b>	355,691	<b>2.5%</b>
VIP chips sales (HK\$ million)	<b>653,533</b>	414,316	<b>57.7%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>127</b>	87	<b>46.0%</b>
<b><i>Mass market operations</i></b>			
Gaming revenue (HK\$ million)	<b>5,449</b>	3,917	<b>39.1%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>61,940</b>	44,348	<b>39.7%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>241</b>	242	<b>(0.4)%</b>
<b><i>Slot machine operations</i></b>			
Gaming revenue (HK\$ million)	<b>453</b>	367	<b>23.5%</b>
Average daily net-win per slot machine (HK\$)	<b>1,619</b>	1,393	<b>16.2%</b>
Average number of slot machines (Average of month-end numbers)	<b>766</b>	721	<b>6.2%</b>

If calculated under US GAAP, the Adjusted Property EBITDA margin of Casino Grand Lisboa would be approximately 27.2% for 2011, an increase from 26.5% in 2010 (See “Comparison with United States GAAP Accounting” below).

During 2011, Casino Grand Lisboa attracted a total of 12,238,494 visitors, an average of 33,530 visitors per day. To continue attracting gaming patrons, Casino Grand Lisboa frequently launches special promotions, such as “Spin2Win”, “Spot the Jackpot”, “Royal Cards” and “Heir to the Throne.” Jackpots are paid frequently, with the total exceeding \$267 million for slot machines and over \$84 million for table games (Caribbean Stud Poker) in 2011. During the year, the number of active members of the Casino Grand Lisboa loyalty card programme increased by over 83,000 to 394,393.

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

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

<b>Other self-promoted casinos and slot halls</b>	<b>For the year ended 31 December</b>		<b>Increase</b>
	<b>2011</b>	<b>2010</b>	
Revenue (HK\$ million)	<b>12,012</b>	11,434	<b>5.1%</b>
Profit attributable to the Group (HK\$ million)	<b>929</b>	643	<b>44.3%</b>
Adjusted Property EBITDA (HK\$ million)	<b>1,226</b>	895	<b>36.9%</b>
Adjusted Property EBITDA Margin	<b>10.2%</b>	7.8%	

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

<b>Other self-promoted casinos and slot halls</b>	<b>For the year ended 31 December</b>		<b>Increase/ (Decrease)</b>
	<b>2011</b>	<b>2010</b>	
<b><i>VIP operations</i></b>			
Gaming revenue (HK\$ million)	<b>7,449</b>	7,660	<b>(2.8)%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>364,428</b>	355,686	<b>2.5%</b>
VIP chips sales (HK\$ million)	<b>252,448</b>	265,039	<b>(4.8)%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>56</b>	59	<b>(5.1)%</b>
<b><i>Mass market operations</i></b>			
Gaming revenue (HK\$ million)	<b>4,135</b>	3,409	<b>21.3%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>35,070</b>	25,941	<b>35.2%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>323</b>	360	<b>(10.3)%</b>
<b><i>Slot machine operations</i></b>			
Gaming revenue (HK\$ million)	<b>428</b>	366	<b>17.1%</b>
Average daily net-win per slot machine (HK\$)	<b>921</b>	773	<b>19.2%</b>
Average number of slot machines (Average of month-end numbers)	<b>1,271</b>	1,291	<b>(1.5)%</b>

As at 31 December 2011, Casino Lisboa operated a total of 51 VIP gaming tables, 132 mass market gaming tables and 72 slot machines.

As at 31 December 2011, Casino Oceanus at Jai Alai and Casino Jai Alai operated a total of 188 mass market gaming tables, 6 VIP gaming tables and 667 slot machines.

### **Operating Results of Casino Segments – Satellite Casinos and Slot Halls**

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

Twelve of SJM's satellite casinos are located on the Macau Peninsula whilst two satellite casinos are located on the island of Taipa, comprising a total of 616 mass market gaming tables, 418 VIP gaming tables and 1,884 slot machines.

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

<b>Satellite casinos and slot halls</b>	<b>For the year ended 31 December</b>		
	<b>2011</b>	<b>2010</b>	<b>Increase</b>
Revenue (HK\$ million)	<b>40,706</b>	30,182	<b>34.9%</b>
Profit attributable to the Group (HK\$ million)	<b>1,525</b>	1,087	<b>40.3%</b>
Adjusted Property EBITDA (HK\$ million)	<b>1,658</b>	1,176	<b>41.0%</b>
Adjusted Property EBITDA Margin	<b>4.1%</b>	3.9%	

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

<b>Satellite casinos and slot halls</b>	<b>For the year ended 31 December</b>		<b>Increase/ (Decrease)</b>
	<b>2011</b>	<b>2010</b>	
<b><i>VIP operations</i></b>			
Gaming revenue (HK\$ million)	<b>28,434</b>	19,907	<b>42.8%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>189,083</b>	172,051	<b>9.9%</b>
VIP chips sales (HK\$ million)	<b>924,066</b>	654,681	<b>41.1%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>412</b>	317	<b>30.0%</b>
<b><i>Mass market operations</i></b>			
Gaming revenue (HK\$ million)	<b>11,698</b>	9,828	<b>19.0%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>53,682</b>	39,194	<b>37.0%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>597</b>	687	<b>(13.1)%</b>
<b><i>Slot machine operations</i></b>			
Gaming revenue (HK\$ million)	<b>574</b>	447	<b>28.4%</b>
Average daily net-win per slot machine (HK\$)	<b>823</b>	511	<b>60.9%</b>
Average number of slot machines (Average of month-end numbers)	<b>1,911</b>	2,395	<b>(20.2)%</b>

### **Non-gaming Operations**

For the year ended 31 December 2011, the Grand Lisboa Hotel contributed \$586 million in revenue and \$203 million in Adjusted Property EBITDA to the Group as compared with \$430 million in revenue and \$131 million in Adjusted Property EBITDA for the previous year. The occupancy rate of the hotel, based on 402 average available rooms, averaged 92.6% for the full year, as compared with 77.9% for the previous year. Average room rate for the full year 2011 was approximately \$2,055 as compared with \$1,951 in 2010.

In December 2011 the Robuchon au Dome restaurant opened on the top floor of the Grand Lisboa, bringing the total number of food and beverage units at Grand Lisboa to ten.

Operating results for the Sofitel at Ponte 16, in which SJM's interest is 51%, improved during 2011 and contributed \$162 million in revenue to the Group, compared with a contribution of \$136 million in 2010. The occupancy rate of the 408-room hotel averaged 72.8% for the full year 2011 as compared with 71.3% in 2010, and the average room rate increased by 20.5% to \$1,202.

Income from all hotel, catering and related services, after inter-company elimination, totaled \$578 million in 2011, an increase of 26.0% from \$458 million in 2010, due primarily to increased hotel room occupancy. Other income, primarily interest earned on bank deposits, finance leases interest received and dividend income from investment in financial assets at fair value, increased to \$212 million from \$148 million during the year.

## **PROSPECTS AND RECENT DEVELOPMENTS**

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

### **Market Environment**

Growth of Macau's total gaming revenue by 42% in 2011 reflected the strength and financial liquidity of the regional economy, as well as Macau's growing appeal as a holiday destination particularly for visitors from the Mainland.

According to the Macau Government Statistics and Census Service, visitation to Macau increased by 12.2% to establish a new record of 28,002,279 in 2011, of which visitors from the Mainland increased by 22.2% to 16,162,747, or 57.7% of the total. During the eight-day Lunar New Year period in January 2012, visitation also achieved a record level, with the Macau government reporting 1,363,172 visitor arrivals, of which approximately 67% arrived via the Border Gate with the Mainland and 19% via the Macau Maritime Terminal.

The Group expects that its future prospects are excellent, given continued robust growth of visitation and spending in Macau, infrastructure developments that improve access to Macau, the general prosperity of the Asian region, the Group's strategically located network of casinos and its strong balance sheet. While some new capacity will be added to the supply of gaming and lodging facilities by one competitor in Cotai in 2012, this is not expected to have a significant effect on the Group's business which is largely concentrated on Macau Peninsula.

### **Current and Recent Initiatives**

In pursuit of the Group's strategy of growing its business through expansion of casino operations in Macau and improvement in the operating efficiency of existing casinos, the Group has been and is progressing on a number of initiatives in 2011 and 2012, which are described below.

- **at Casino Grand Lisboa**

In October 2011 new VIP gaming capacity was added on the second floor of Grand Lisboa with 12 tables. In the first half of 2012 additional capacity for VIP gaming will be added on the 31st floor of the building.



- **at Casino Oceanus at Jai Alai**

In October 2011 SJM completed enclosing and air-conditioning the walkway from the Macau Maritime Terminal to Casino Oceanus. Promotions such as “Scratch and Win” are held regularly and a number of special activities took place in November at the time of the Macau Grand Prix, of which SJM was the sole official sponsor. In the second quarter of 2012 the Oceanus Club is scheduled to open on the third floor where Oceanus membership card holders can relax and enjoy various club facilities. Also in 2012 the casino plans to open its third dining facility, a deluxe Cantonese restaurant located on the second floor.

- **at Ponte 16 Resort**

Adjusted Property EBITDA contribution of the resort increased to \$317 million in 2011 from \$207 million in 2010, and the project contributed positively to the Group’s net profit. In October 2011, Ponte 16 hosted its second annual auction of memorabilia from Michael Jackson and other celebrities.

In December 2011 a group of banks led by Industrial and Commercial Bank of China (Macau) Limited began syndication of 5-year loan facilities for Ponte 16 in the amounts of \$1,900 million and RMB400 million. The proceeds will be used primarily to refinance existing credit facilities, to repay shareholders’ loans and to fund the construction of Phase III development of the project. The financing is expected to be completed by the first half of 2012. Phase III will be a riverside commercial complex with total floor area of approximately 40,000 square metres. In addition to shopping and dining facilities the complex will encompass space for gaming expansion, car parks and the iconic Pier 16 clock tower, and is planned to be completed by 2014.

- **at Hotel Grand Lisboa**

Grand Lisboa Hotel also increased its Adjusted Property EBITDA contribution, and its hotel rooms operated at close to full occupancy during weekends throughout the year. In December 2011, the award-winning Robuchon a Galera Restaurant, Asia’s first Michelin three-star restaurant, relocated from Hotel Lisboa to the top floor of the Grand Lisboa Hotel where it has been rechristened Robuchon au Dome.

## **Future Projects**

SJM is in an advanced stage of discussion with the Macau government regarding its application for a development site with approved development area of 70,468 square metres adjacent to the Macau East Asian Games Dome. Subject to final government approvals, the Company plans to develop an integrated gaming resort on this site over the next several years, with facilities encompassing mass market and VIP gaming, lodging, dining and entertainment.

## **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 \$20,571 million (not including \$172 million pledged bank deposits) as at 31 December 2011. This represented an increase of 35.6% as compared with the position as at 31 December 2010 of \$15,175 million. The increase was mainly attributable to the increase in EBITDA and working capital throughout the year.

During the year, all outstanding convertible bonds, with principal amount of \$259.4 million as at 1 January 2011, were converted into shares of the Company at a conversion price of \$5.24.

Total outstanding balances of bank loans drawn by the Group as at 31 December 2011 amounted to \$3,072 million (as at 31 December 2010: \$4,112 million, excluding outstanding convertible bonds). The maturity profile of the Group's borrowings as at 31 December 2011 is all within one year.

A syndicate of banks is currently finalizing 5-year loan facilities for Phase III of the Ponte 16 development in the total amounts of \$1,900 million and RMB400 million, of which the Company's share would be 51%. This financing is expected to be completed in the first half of 2012.

### **Gearing Ratio**

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less bank balances and cash to total assets (excluding bank balances and cash)) was zero at the end of 2011 (as at 31 December 2010: nil).

### **Capital Expenditure Commitments**

Capital expenditure commitments by the Group amounted to \$158 million as at 31 December 2011 (as at 31 December 2010: \$289 million).

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

### **Pledge of Assets**

As at 31 December 2011, certain of the Group's property and equipment and land use rights with carrying values of \$5,415 million and \$718 million, respectively (as at 31 December 2010: \$5,832 million and \$758 million, respectively), were pledged with banks for loan facilities. In addition, the Group had pledged bank deposits of \$172 million as at 31 December 2011, as compared with \$172 million as at 31 December 2010.

## **Contingent Liabilities and Guarantees**

As at 31 December 2011, the Group had total guarantees given to banks of \$93 million (as at 31 December 2010: \$93 million), which were guarantees in respect of credit facilities granted to an associate and investee companies. The Group had no significant contingent liabilities as at 31 December 2011.

## **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 2011. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations. Over 99% of the Group's bank deposits are denominated in Hong Kong dollars, United States dollars or Macau patacas. It is the Group's policy to avoid speculative trading activity.

## **Material Acquisitions and Disposals**

The Group made no material acquisitions or material disposals of subsidiaries and associated companies during the year ended 31 December 2011.

## **Human Resources**

As at 31 December 2011, the Group had approximately 19,600 full-time employees. The Group's employee turnover rate was minimal in 2011.

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

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

## **Comparison with United States GAAP Accounting**

The Group's results are prepared in compliance with Hong Kong generally accepted accounting principles ("HK GAAP"). In comparing the Group's results to those of companies whose results are prepared under US GAAP, it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher Adjusted EBITDA margin than that calculated under HK GAAP. If calculated under US GAAP, the Group's Adjusted EBITDA margin would be approximately 16.3% for the reporting period, as compared with HK GAAP which gives an Adjusted EBITDA margin of 9.1% for the period.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year ended 31 December 2011.

## **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. During the year 2011, the Company has complied with the code provisions set out in Appendix 14 of the Listing Rules, except for the deviation from Code Provision E.1.2 that, due to health reasons, Dr. Ho Hung Sun, Stanley was absent from the annual general meeting of the Company held on 29 April 2011.

## **CLOSURE OF REGISTER OF MEMBERS FOR 2012 ANNUAL GENERAL MEETING**

Book close dates for 2012 Annual : 8 May 2012 to 10 May 2012  
General Meeting (both days inclusive)

Latest time to lodge transfer documents : 4:30 p.m. on Monday, 7 May 2012  
with the Company's share registrar

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

## **RECORD DATE FOR PROPOSED FINAL DIVIDEND AND SPECIAL DIVIDEND**

Record date for proposed final dividend : 15 May 2012  
and special dividend

Latest time to lodge transfer documents : 4:30 p.m. on Tuesday, 15 May 2012  
with the Company's share registrar

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

Expected payment date (if approved at : 30 May 2012  
the 2012 Annual General Meeting)

## **ANNUAL GENERAL MEETING**

The 2012 Annual General Meeting of the Company will be held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong at 2:30 p.m. on Thursday, 10 May 2012. Notice of Annual General Meeting will be published on the Stock Exchange's website and the Company's website and despatched to the shareholders of the Company in due course.

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

The Company's consolidated financial statements for the year ended 31 December 2011 have been reviewed by the Audit Committee of the Company. The figures in respect of the Company's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2011 as set out in this 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 Company'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 this preliminary announcement.

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

Hong Kong, 29 February 2012

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