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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 2019

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

### FINANCIAL HIGHLIGHTS

	Year ended 31 December		Increase/ (Decrease)
	2019 HK\$ million	2018 HK\$ million	
Net gaming revenue	<b>33,159</b>	33,677	<b>(1.5%)</b>
Hotel, catering, retail and other income	<b>1,050</b>	1,110	<b>(5.4%)</b>
Adjusted EBITDA*	<b>4,213</b>	3,724	<b>13.2%</b>
Profit attributable to owners of the Company	<b>3,207</b>	2,850	<b>12.5%</b>
Earnings per share			
— basic	<b>HK56.6 cents</b>	HK50.4 cents	<b>12.3%</b>
— diluted	<b>HK56.6 cents</b>	HK50.3 cents	<b>12.5%</b>
Dividend per ordinary share			
— proposed final dividend	<b>HK22 cents</b>	HK21 cents	
— interim dividend paid	<b>HK8 cents</b>	HK8 cents	
— total dividends for the year	<b><u>HK30 cents</u></b>	<u>HK29 cents</u>	<b><u>3.4%</u></b>

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

## PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK22 cents per ordinary share of the Company (the “Share”) (2018: final dividend of HK21 cents per Share), for the year ended 31 December 2019, which is subject to approval at the forthcoming annual general meeting of the Company to be held on Tuesday, 9 June 2020 (the “**2020 Annual General Meeting**”).

## OPERATING HIGHLIGHTS

- Net gaming revenue earned by Sociedade de Jogos de Macau, S.A. (“SJM”), a subsidiary of the Company, was HK\$33,159 million in 2019, a decrease of 1.5% from the previous year.
- Adjusted EBITDA of the Group was HK\$4,213 million, an increase of 13.2% from the previous year.
- Profit attributable to owners of the Company was HK\$3,207 million, an increase of 12.5% from the previous year.
- SJM had a 14.1% share of Macau’s gross gaming revenue, including 18.2% of mass market table gaming revenue and 10.4% of VIP gaming revenue.
- The Group’s flagship Casino Grand Lisboa had a decrease in gross gaming revenue for the year of 17.6%, and increases in Adjusted Grand Lisboa EBITDA and attributable profit for the year of 12.9% and 17.3%, respectively.
- Grand Lisboa Hotel’s occupancy rate decreased by 1.7% to 93.8% for the full year, whilst the average room rate increased by 0.9% to HK\$1,508.
- The Group maintained its strong balance sheet, with cash, bank balances and pledged bank deposits totaling HK\$15,525 million and total debt of HK\$15,281 million as at 31 December 2019.
- Construction work on the Grand Lisboa Palace, the Group’s integrated resort on Cotai, was completed in late 2019 and application was made for the relevant licenses to begin operation in the second half of 2020 (See “Prospects and Recent Developments”).
- A final dividend of HK22 cents per Share has been proposed. If the proposed dividend is approved at the forthcoming annual general meeting of the Company, total dividends for 2019, including interim dividend of HK8 cents per Share paid in September 2019, would be HK30 cents per Share, equal to 53% of diluted earnings per Share.

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

For the year ended 31 December 2019

	Notes	2019 HK\$ million	2018 HK\$ million
Gaming, hotel, catering, retail and related services revenues		<u>33,875.0</u>	<u>34,410.1</u>
Gaming revenue	4	<u>33,158.5</u>	33,677.1
Special gaming tax, special levy and gaming premium		<u>(15,530.6)</u>	<u>(17,004.5)</u>
		<b>17,627.9</b>	16,672.6
Hotel, catering, retail and related services income		<b>716.5</b>	733.0
Cost of sales and services on hotel, catering, retail and related services		<b>(377.3)</b>	(387.1)
Other income, gains and losses		<b>333.0</b>	377.3
Impairment loss on financial assets		<b>(200.0)</b>	(47.0)
Marketing and promotional expenses		<b>(6,219.9)</b>	(5,831.0)
Operating and administrative expenses		<b>(8,496.5)</b>	(8,566.2)
Finance costs	5	<b>(33.7)</b>	(27.5)
Share of profits of an associate		<b>11.8</b>	8.9
Share of profits of a joint venture		<b>7.3</b>	6.6
Profit before taxation	6	<b>3,369.1</b>	2,939.6
Taxation	7	<b>(51.6)</b>	(27.4)
Profit for the year		<b>3,317.5</b>	2,912.2
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income		<b>(48.2)</b>	266.4
Total comprehensive income for the year		<u><b>3,269.3</b></u>	<u>3,178.6</u>
Profit for the year attributable to			
— owners of the Company		<b>3,207.3</b>	2,850.1
— non-controlling interests		<b>110.2</b>	62.1
		<u><b>3,317.5</b></u>	<u>2,912.2</u>
Total comprehensive income for the year attributable to			
— owners of the Company		<b>3,159.1</b>	3,116.5
— non-controlling interests		<b>110.2</b>	62.1
		<u><b>3,269.3</b></u>	<u>3,178.6</u>
Earnings per share			
— Basic	9	<u><b>HK56.6 cents</b></u>	<u>HK50.4 cents</u>
— Diluted	9	<u><b>HK56.6 cents</b></u>	<u>HK50.3 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>
Non-current assets			
Property and equipment		35,159.8	30,378.6
Right-of-use assets		2,864.3	—
Intangible asset		197.6	—
Land use rights		—	2,264.0
Art works and diamonds		281.3	281.3
Interest in an associate		336.4	306.5
Interest in a joint venture		135.0	127.7
Investments in equity instruments designated at fair value through other comprehensive income		868.1	916.3
Other assets		840.8	1,346.2
Pledged bank deposit		—	145.6
		<u>40,683.3</u>	<u>35,766.2</u>
Current assets			
Inventories		103.3	90.8
Trade and other receivables	10	1,314.1	1,848.9
Pledged bank deposits		1,020.7	1.3
Short-term bank deposits		5,766.2	12,368.7
Bank balances and cash		8,738.1	6,322.7
		<u>16,942.4</u>	<u>20,632.4</u>
Current liabilities			
Trade and other payables	11	12,044.3	11,957.6
Taxation payable		123.7	116.8
Long-term bank loans		217.0	200.0
Lease liabilities		177.6	—
		<u>12,562.6</u>	<u>12,274.4</u>
Net current assets		<u>4,379.8</u>	<u>8,358.0</u>
Total assets less current liabilities		<u>45,063.1</u>	<u>44,124.2</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***At 31 December 2019*

	Note	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>
Non-current liabilities			
Other payables	11	—	882.9
Long-term bank loans		15,063.7	15,244.8
Lease liabilities		547.7	—
Amount due to non-controlling interests of a subsidiary		203.8	287.1
Deferred taxation		11.8	22.8
		<u>15,827.0</u>	<u>16,437.6</u>
Net assets		<u>29,236.1</u>	<u>27,686.6</u>
Capital and reserves			
Share capital		11,281.4	11,254.1
Reserves		17,717.0	16,298.0
Equity attributable to owners of the Company		28,998.4	27,552.1
Non-controlling interests		237.7	134.5
Total equity		<u>29,236.1</u>	<u>27,686.6</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, and hotel, catering, retail operations and related services in Macau Special Administrative Region, the People's Republic of China ("**Macau SAR**"). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A., a company established in Macau SAR. The address of registered office and principal place of business of the Company is Suites 3001–3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

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

### 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. The consolidated financial statements have also been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

## 2. BASIS OF PREPARATION (Continued)

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

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

*Transition and summary of effects arising from initial application of HKFRS 16*

*As a lessee*

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	<i>HK\$ million</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	770.5
Reclassified from land use rights ( <i>Note</i> )	<u>2,264.0</u>
	<u><u>3,034.5</u></u>
By class:	
Leasehold lands	2,685.5
Leasehold land and buildings	310.0
Motor vehicles	<u>39.0</u>
	<u><u>3,034.5</u></u>

*Note: Upfront payments for leasehold lands in Macau SAR for own use were classified as land use rights as at 31 December 2018. Upon application of HKFRS 16, land use rights amounting to HK\$2,264.0 million were reclassified to right-of-use assets.*

## 2. BASIS OF PREPARATION (Continued)

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

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

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 December 2018</b> <i>HK\$ million</i>	<b>Adjustments</b> <i>HK\$ million</i>	<b>Carrying amounts under HKFRS 16 at 1 January 2019</b> <i>HK\$ million</i>
<b>Non-current assets</b>			
Land use rights ( <i>Note</i> )	2,264.0	(2,264.0)	—
Right-of-use assets	—	3,034.5	3,034.5
<b>Current liability</b>			
Lease liabilities	—	(220.8)	(220.8)
<b>Non-current liability</b>			
Lease liabilities	—	(644.5)	(644.5)
<b>Capital and reserves</b>			
Reserves	(16,298.0)	94.8	(16,203.2)

*Note: For the purpose of reporting cash flows for the year ended 31 December 2019, movements have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.*

Except for the application of HKFRS 16, the application of other new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2. BASIS OF PREPARATION (Continued)

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

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

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

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

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

## 3. OPERATING SEGMENTS

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

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

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

### 3. OPERATING SEGMENTS (Continued)

The CODM regularly analyses gaming operations in terms of VIP gaming operations, mass market table gaming operations, slot machine and other gaming operations, and the relevant revenues and operating result are reviewed as a whole for resources allocation and performance assessment. For hotel, catering and retail operations, the CODM regularly reviews the performance on the basis of the individual hotel. For segment reporting under HKFRS 8, financial information of the Group's hotels with similar economic characteristics has been aggregated into a single reportable segment named "hotel, catering and retail operations".

Segment information about these businesses is presented below:

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

	Segment revenue		Segment results	
	2019 HK\$ million	2018 HK\$ million	2019 HK\$ million	2018 HK\$ million
Gaming operations recognised at a point in time	<u>33,158.5</u>	<u>33,677.1</u>	<b>3,570.9</b>	3,331.6
Hotel, catering and retail operations				
— External sales				
Catering and retail operations recognised at a point in time	<b>433.3</b>	441.8		
Hotel operations recognised over time	<u>283.2</u>	<u>291.2</u>		
	<u>716.5</u>	<u>733.0</u>		
— Inter-segment sales				
Catering and retail operations recognised at a point in time	<b>52.1</b>	33.5		
Hotel operations recognised over time	<u>128.6</u>	<u>123.5</u>		
	<u>180.7</u>	<u>157.0</u>		
	<b>897.2</b>	890.0	<b>(195.7)</b>	(456.6)
Eliminations	<u>(180.7)</u>	<u>(157.0)</u>		
	<u>716.5</u>	<u>733.0</u>		
Total				
recognised at a point in time	<b>33,591.8</b>	34,118.9		
recognised over time	<u>283.2</u>	<u>291.2</u>		
	<u>33,875.0</u>	<u>34,410.1</u>		
			<b>3,375.2</b>	2,875.0
Reconciliation from segment results to profit before taxation:				
Unallocated corporate income			<b>163.4</b>	205.1
Unallocated corporate expenses			<b>(188.6)</b>	(156.0)
Share of profits of an associate			<b>11.8</b>	8.9
Share of profits of a joint venture			<u>7.3</u>	<u>6.6</u>
Profit before taxation			<u><b>3,369.1</b></u>	<u>2,939.6</u>

### 3. OPERATING SEGMENTS (Continued)

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

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

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

	<b>2019</b>	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
<i>Assets</i>		
Segment assets		
— gaming operations	<b>13,584.4</b>	16,494.0
— hotel, catering and retail operations	<b>4,425.1</b>	4,662.4
	<b>18,009.5</b>	21,156.4
Interest in an associate	<b>336.4</b>	306.5
Interest in a joint venture	<b>135.0</b>	127.7
Unallocated bank deposits, bank balances and cash	<b>5,227.0</b>	5,669.2
Other unallocated assets	<b>33,917.8</b>	29,138.8
Group's total	<b>57,625.7</b>	56,398.6
<i>Liabilities</i>		
Long-term bank loans		
— gaming operations	<b>15,082.5</b>	15,078.0
— hotel, catering and retail operations	<b>70.3</b>	130.1
— unallocated corporate bank loans	<b>127.9</b>	236.7
	<b>15,280.7</b>	15,444.8
Other segment liabilities		
— gaming operations	<b>10,689.8</b>	10,338.4
— hotel, catering and retail operations	<b>364.8</b>	261.1
	<b>11,054.6</b>	10,599.5
Total segment liabilities	<b>26,335.3</b>	26,044.3
Unallocated liabilities	<b>2,054.3</b>	2,667.7
Group's total	<b>28,389.6</b>	28,712.0

### 3. OPERATING SEGMENTS (Continued)

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

- (i) other unallocated assets include mainly certain property and equipment, certain right-of-use assets (2018: land use rights), art works and diamonds, amounts due from an associate/a joint venture/an investee company and investments in equity instruments designated at fair value through other comprehensive income.
- (ii) unallocated liabilities include mainly certain construction payables and amount due to non-controlling interests of a subsidiary.
- (iii) all assets are allocated to reportable segments, other than interest in an associate/a joint venture, unallocated bank deposits, bank balances and cash and those mentioned in (i).
- (iv) all liabilities are allocated to reportable segments, other than liabilities not attributable to respective segments as mentioned in (ii).

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

	<b>2019</b>	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
Additions to non-current assets (other than financial instruments)		
— gaming operations	<b>496.0</b>	325.3
— hotel, catering and retail operations	<b>47.0</b>	56.0
— corporate level*	<b>5,355.8</b>	6,903.0
	<b><u>5,898.8</u></b>	<u>7,284.3</u>
Depreciation and amortisation		
— gaming operations	<b>731.4</b>	620.1
— hotel, catering and retail operations	<b>293.6</b>	536.7
— corporate level	<b>30.3</b>	6.0
	<b><u>1,055.3</u></b>	<u>1,162.8</u>
Loss (gain) on disposal/write-off of property and equipment		
— gaming operations	<b>2.2</b>	0.5
— hotel, catering and retail operations	<b>0.1</b>	0.4
— corporate level	<b>(0.2)</b>	—
	<b><u>2.1</u></b>	<u>0.9</u>

\* Amount includes certain right-of-use assets (2018: land use rights), property and equipment, intangible asset and art works and diamonds where the directors of the Company consider it impracticable to divide into individual segments.

### 3. OPERATING SEGMENTS (Continued)

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

	<b>2019</b> <i>HK\$ million</i>	2018 <i>HK\$ million</i>
Share-based payments		
— gaming operations	<b>4.3</b>	6.9
— corporate level	<u><b>1.2</b></u>	<u>3.3</u>
	<u><b>5.5</b></u>	<u>10.2</u>
Finance costs		
— gaming operations	<b>8.6</b>	3.2
— hotel, catering and retail operations	<b>7.0</b>	6.1
— corporate level	<u><b>18.1</b></u>	<u>18.2</u>
	<u><b>33.7</b></u>	<u>27.5</u>
Interest income		
— gaming operations	<b>157.2</b>	119.8
— hotel, catering and retail operations	<b>6.3</b>	3.2
— corporate level	<u><b>141.3</b></u>	<u>176.1</u>
	<u><b>304.8</b></u>	<u>299.1</u>
Impairment loss on financial assets		
— gaming operations	<u><b>200.0</b></u>	<u>47.0</u>
Reversal of impairment loss on property and equipment		
— gaming operations	—	(4.8)
— hotel, catering and retail operations	<u>—</u>	<u>(0.6)</u>
	<u>—</u>	<u>(5.4)</u>

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

#### 4. GAMING REVENUE

	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>
Gaming revenue from		
— VIP gaming operations	13,687.3	19,663.2
— mass market table gaming operations	25,127.0	23,080.3
— slot machine and other gaming operations	<u>1,185.8</u>	<u>1,156.5</u>
	40,000.1	43,900.0
Less: commissions and incentives	<u>(6,841.6)</u>	<u>(10,222.9)</u>
	<u><u>33,158.5</u></u>	<u><u>33,677.1</u></u>

#### 5. FINANCE COSTS

	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>
Interest on		
— long-term bank loans	620.2	484.0
— lease liabilities	20.2	—
Imputed interest on an amount due to non-controlling interests of a subsidiary	<u>7.5</u>	<u>7.1</u>
	647.9	491.1
Less: Amount capitalised	<u>(614.2)</u>	<u>(463.6)</u>
	<u><u>33.7</u></u>	<u><u>27.5</u></u>

## 6. PROFIT BEFORE TAXATION

	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration		
— fees, salaries, bonus and other benefits	90.0	90.7
— share-based payments	<u>5.5</u>	<u>9.6</u>
	95.5	100.3
Less: Amount capitalised	<u>(12.3)</u>	<u>(11.2)</u>
	<u>83.2</u>	<u>89.1</u>
Retirement benefits scheme contributions for other staff	217.1	212.1
Less: Forfeited contributions	<u>(23.1)</u>	<u>(28.6)</u>
	<u>194.0</u>	<u>183.5</u>
Other staff costs	5,722.0	5,660.1
Share-based payments to other staff	<u>—</u>	<u>0.6</u>
Total other staff costs	<u>5,722.0</u>	<u>5,660.7</u>
Total employee benefit expenses	<u>5,999.2</u>	<u>5,933.3</u>
Operating lease rentals in respect of		
— land use rights	—	45.5
— rented premises	<u>—</u>	<u>440.4</u>
	<u>—</u>	<u>485.9</u>
Auditor's remuneration	17.0	15.0
Depreciation of property and equipment	827.6	1,162.8
Depreciation of right-of-use assets	227.7	—
Loss on modification of long-term bank loans	9.8	12.9
Loss on disposal/write-off of property and equipment	2.1	0.9
<i>and after crediting:</i>		
Bank interest income	304.8	299.1
Dividend income	3.8	20.7
Reversal of impairment loss on property and equipment	<u>—</u>	<u>5.4</u>

## 7. TAXATION

	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>
Macau SAR Complementary Tax (“CT”)		
— current tax	61.5	54.6
— underprovision in prior year	<u>1.1</u>	<u>0.1</u>
	62.6	54.7
Deferred taxation credit	<u>(11.0)</u>	<u>(27.3)</u>
	<u><u>51.6</u></u>	<u><u>27.4</u></u>

No provision for CT on gaming related income is made for a subsidiary of the Company, SJM. Pursuant to the approval notice issued by the Macau SAR government dated 27 September 2016, SJM has been exempted from CT for income generated from gaming operations for the period from 1 January 2017 to 31 March 2020.

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

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

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

## 8. DIVIDENDS

	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>
Interim dividend per ordinary share paid		
— HK8 cents for 2019	453.1	—
— HK8 cents for 2018	—	452.7
Final dividend per ordinary share paid		
— HK21 cents for 2018	1,189.5	—
— HK15 cents for 2017	<u>—</u>	<u>848.8</u>
	<u><u>1,642.6</u></u>	<u><u>1,301.5</u></u>

## 8. DIVIDENDS (Continued)

A final dividend of HK22 cents per ordinary share, totalling HK\$1,246.8 million, is proposed by the directors of the Company at a board meeting held on 16 March 2020, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,667,369,293 ordinary shares in issue at the date of this announcement.

## 9. EARNINGS PER SHARE

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

	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>
<i>Earnings</i>		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>3,207.3</u>	<u>2,850.1</u>
	2019	2018
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,663,681,403	5,658,874,526
Effect of dilutive potential ordinary shares on share options	<u>1,772,634</u>	<u>4,128,152</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,665,454,037</u>	<u>5,663,002,678</u>

## 10. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$ million</i>	2018 <i>HK\$ million</i>
Advances to gaming promoters, net	189.6	210.4
Other receivables from gaming promoters and service providers, net	625.9	839.1
Prepayments	197.8	291.4
Other sundry receivables	306.3	310.6
Advances to contractors	<u>—</u>	<u>668.5</u>
	1,319.6	2,320.0
Less: Non-current portion	<u>(5.5)</u>	<u>(471.1)</u>
Current portion	<u>1,314.1</u>	<u>1,848.9</u>

## 10. TRADE AND OTHER RECEIVABLES (Continued)

Advances to gaming promoters mainly include pre-approved interest-free revolving credit lines and short-term temporary interest-free advances. All advances to gaming promoters are unsecured, repayable on demand at discretion of the Group and generally require cheques and guarantees. At 31 December 2019, all of the advances to gaming promoters (net of allowances) are neither past due nor impaired.

Advances are only granted to gaming promoters with good credit histories and financial track records. With the consent of gaming promoters, the Group can offset the advances against commission payables to or deposits from relevant gaming promoters. In the event that a gaming promoter fails to repay, the Group has the right, pursuant to the relevant gaming promoter agreement, to offset or withhold the commission payable and other payables to that gaming promoter, realise cheques and execute guarantees.

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

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>2019</b> <i>HK\$ million</i>	2018 <i>HK\$ million</i>
<i>Age</i>		
0 to 30 days	<u><b>189.6</b></u>	<u>210.4</u>

### Movement in the loss allowance

	<b>2019</b> <i>HK\$ million</i>	2018 <i>HK\$ million</i>
At 1 January	<b>179.5</b>	132.5
Impairment loss recognised	<u><b>200.0</b></u>	<u>47.0</u>
At 31 December	<u><b>379.5</b></u>	<u>179.5</u>

During the year ended 31 December 2019, the Group provided impairment allowance of HK\$200.0 million (2018: HK\$47.0 million) for other receivable from gaming promoters and service providers as the management considered a service provider is credit-impaired. As at 31 December 2019, loss allowance with an aggregate balance of HK\$379.5 million (2018: HK\$179.5 million) represents individually credit-impaired advances to gaming promoters and other receivables from gaming promoters and service providers as the management considered the outstanding balances from these gaming promoters and service providers were uncollectible given that one or more events of default occurred.

## 10. TRADE AND OTHER RECEIVABLES (Continued)

At 31 December 2018, advances to contractors represented construction costs of Grand Lisboa Palace Project advanced to contractors. The amounts were unsecured, interest-free and the management expected the amounts would be realised within 12 months from the end of the reporting period. Hence, such amounts were classified as current assets.

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

## 11. TRADE AND OTHER PAYABLES

	<b>2019</b>	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
Trade payables	<b>1,047.2</b>	1,389.1
Special gaming tax payable	<b>1,209.6</b>	1,451.2
Chips in circulation	<b>5,062.4</b>	4,480.7
Chips in custody and deposits received from gaming patrons and gaming promoters	<b>520.3</b>	597.9
Payables for acquisition of property and equipment	<b>38.0</b>	38.0
Construction payables	<b>1,670.2</b>	2,550.0
Accrued staff costs	<b>1,706.9</b>	1,678.9
Accrued operating expenses	<b>191.2</b>	171.1
Withholding tax payable for gaming promoters and employees	<b>24.9</b>	21.1
Other sundry payables and accruals	<b>573.6</b>	462.5
	<b>12,044.3</b>	12,840.5
Less: Non-current portion	<b>—</b>	(882.9)
Current portion	<b>12,044.3</b>	11,957.6

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

	<b>2019</b>	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
<b>Age</b>		
0 to 30 days	<b>1,030.6</b>	1,373.2
31 to 60 days	<b>10.4</b>	10.4
61 to 90 days	<b>2.0</b>	2.3
Over 90 days	<b>4.2</b>	3.2
	<b>1,047.2</b>	1,389.1

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

## **BUSINESS REVIEW**

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

### **Market Environment**

Following two years of growth, Macau's casino gross gaming revenue declined by 3.4% in 2019, as per figures reported by the Macau Gaming Inspection and Coordination Bureau (“DICJ”). The entire decline was accounted for by VIP gaming, however, which decreased year-on-year by 18.6%. In contrast, gross revenue of mass market gaming including slot machines grew by 15.0% in 2019. Given the comparatively low profit margin of VIP gaming, the divergence of VIP and mass market/slot machine revenues resulted in increased overall profitability for Macau's casino gaming industry.

According to the Macau Government Statistics and Census Service, visitation to Macau increased strongly in the first half of 2019 by 20.6% over the first half of 2018 to 20.3 million visitors, aided by the opening of the Hong Kong-Zhuhai-Macau Bridge in the previous October. The second half of the year was marked by social disturbances in Hong Kong, causing many potential visitors who would travel to Macau via Hong Kong to cancel or postpone their trips. Visitation to Macau in the second half of the year thus declined by 5.7% from the first half to 19.1 million.

### **Business Model and Key Strategies**

Our strategic objective is sustainable long-term growth in shareholder value. As a leading operator, owner and developer of casinos and related businesses in Macau, our key strategies for delivering this objective are as follows:

- We will continue to build, own and manage or invest in casinos and related businesses in Macau, as permitted by government regulation.
- We will continue to improve and enhance the efficiency of our existing properties in both the mass market and VIP sectors of the gaming business.
- We will remain focused principally on Macau, while selectively considering opportunities for future expansion in the Asian region.
- We will maintain a strong financial position, with a view to long-term growth.

## Group Operating Results

The Group's profit attributable to owners of the Company, Adjusted EBITDA and Adjusted EBITDA Margin for the year ended 31 December 2019 all increased materially from last year, whilst total net revenue and net gaming revenue recorded decreases compared to last year.

<b>Group operating results</b>	<b>For the year ended 31 December</b>		
	<b>2019</b>	<b>2018</b>	<b>Increase/ (Decrease)</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Total net revenue	<b>33,875</b>	34,410	<b>(1.6%)</b>
Net gaming revenue	<b>33,159</b>	33,677	<b>(1.5%)</b>
Profit attributable to owners of the Company	<b>3,207</b>	2,850	<b>12.5%</b>
Adjusted EBITDA <sup>1</sup>	<b>4,213</b>	3,724	<b>13.2%</b>
Adjusted EBITDA Margin <sup>2</sup>	<b>12.4%</b>	10.8%	<b>1.6%</b>

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

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

VIP gross gaming revenue of the Group decreased by 30.4% in 2019 while mass market table gross gaming revenue increased by 8.9%. According to statistics from the MSAR government, gaming revenue of Macau decreased by 3.4% in 2019, comprising a 18.6% decrease in VIP gross gaming revenue, a 16.8% increase in mass market table gross gaming revenue and a 0.6% increase in slot machine gross gaming revenue.

During 2019, the Group accounted for 14.1% of Macau's casino gaming revenue of \$283,937 million which represented a decline in market share from 14.9% for the full year 2018.

The Group's Adjusted EBITDA Margin for the year was 12.4%, an increase from 10.8% in 2018.

Attributable profit in the Reporting Period was affected by deductions of share-based payments which were \$6 million in 2019, as compared with \$10 million in the previous year. Depreciation in 2019 was \$1,055 million compared with \$1,163 million in 2018, and interest expense was \$34 million, compared with \$28 million in 2018.

## Operating Results — VIP Gaming

VIP operations	For the year ended 31 December		
	2019	2018	(Decrease)
Gross gaming revenue (HK\$ million)	<b>13,687</b>	19,663	<b>(30.4%)</b>
Average daily net-win per VIP gaming table (HK\$)	<b>132,040</b>	187,055	<b>(29.4%)</b>
VIP chips sales (HK\$ million)	<b>420,164</b>	670,700	<b>(37.4%)</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>284</b>	288	<b>(1.4%)</b>

VIP gaming operations accounted for 34.2% of the Group's total gross gaming revenue in 2019, as compared with 44.8% for the previous year. As at 31 December 2019, SJM had 275 VIP gaming tables in operation with 15 VIP promoters, as compared with 287 VIP gaming tables and 19 VIP promoters as at 31 December 2018. As at 31 December 2019, SJM operated VIP gaming in 13 of its casinos.

The Group's gross gaming revenue from VIP gaming operations amounted to approximately 10.4% of total VIP gaming revenue in Macau, compared to 12.2% in the previous year, according to figures from DICJ. The hold rate for SJM's VIP operations was 3.26% in 2019 as compared with 2.93% in 2018.

## Operating Results — Mass Market Table Gaming

Mass market operations	For the year ended 31 December		
	2019	2018	Increase
Gross gaming revenue (HK\$ million)	<b>25,127</b>	23,080	<b>8.9%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>46,451</b>	44,657	<b>4.0%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>1,482</b>	1,416	<b>4.7%</b>

Gross gaming revenue from mass market table gaming operations comprised 62.8% of the Group's total gross gaming revenue in 2019, as compared with 52.6% in 2018. SJM had 1,511 mass market gaming tables in operation as at 31 December 2019, as compared with 1,425 mass market gaming tables as at 31 December 2018.

## Operating Results — Slot Machines and Other Gaming Operations

<b>Slot machine operations</b>	<b>For the year ended 31 December</b>		<b>Increase/</b>
	<b>2019</b>	<b>2018</b>	<b>(Decrease)</b>
Gross gaming revenue (HK\$ million)	<b>1,186</b>	1,157	<b>2.5%</b>
Average daily net-win per slot machine (HK\$)	<b>1,268</b>	1,188	<b>6.8%</b>
Average number of slot machines (Average of month-end numbers)	<b>2,562</b>	2,668	<b>(4.0%)</b>

Gross gaming revenue from slot machine operations comprised 3.0% of the Group's total gross gaming revenue in 2019, compared with 2.6% in 2018. SJM had 2,439 slot machines in service as at 31 December 2019 as compared with 2,454 slot machines as at 31 December 2018.

As at 31 December 2019, SJM operated slot machines in 12 of its casinos.

## Operating Results — Casino Grand Lisboa

SJM's flagship Casino Grand Lisboa showed a decrease in gross gaming revenue of 17.6%, an increase in Adjusted Grand Lisboa EBITDA and attributable profit of 12.9% and 17.3% respectively.

<b>Casino Grand Lisboa</b>	<b>For the year ended 31 December</b>		<b>Increase/</b>
	<b>2019</b>	<b>2018</b>	<b>(Decrease)</b>
Gross gaming revenue (HK\$ million)	<b>12,910</b>	15,663	<b>(17.6%)</b>
Profit attributable to the Group (HK\$ million)	<b>2,203</b>	1,878	<b>17.3%</b>
Adjusted Grand Lisboa EBITDA <sup>3</sup> (HK\$ million)	<b>2,349</b>	2,081	<b>12.9%</b>
Adjusted Grand Lisboa EBITDA Margin (over gross gaming revenue)	<b>18.2%</b>	13.3%	<b>4.9%</b>

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

Operating results of Casino Grand Lisboa are as follows:

<b>Casino Grand Lisboa</b>	<b>For the year ended 31 December</b>		<b>Increase/ (Decrease)</b>
	<b>2019</b>	<b>2018</b>	
<b><i>VIP operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>6,966</b>	10,155	<b>(31.4%)</b>
Average daily net-win per VIP gaming table (HK\$)	<b>157,717</b>	244,042	<b>(35.4%)</b>
VIP chips sales (HK\$ million)	<b>212,151</b>	361,746	<b>(41.4%)</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>121</b>	114	<b>6.1%</b>
<b><i>Mass market operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>5,475</b>	5,063	<b>8.1%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>52,633</b>	50,811	<b>3.6%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>285</b>	273	<b>4.4%</b>
<b><i>Slot machine operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>469</b>	445	<b>5.4%</b>
Average daily net-win per slot machine (HK\$)	<b>1,558</b>	1,568	<b>(0.6%)</b>
Average number of slot machines (Average of month-end numbers)	<b>825</b>	778	<b>6.0%</b>

Casino Grand Lisboa operated 292 mass market gaming tables and 123 VIP gaming tables as at 31 December 2019, compared with 266 and 115, respectively at the end of the previous year.

As at 31 December 2019, Casino Grand Lisboa operated a total of 780 slot machines. Jackpots are awarded frequently, with the total exceeding \$185 million for slot machines and over \$47 million for table games (Caribbean Stud Poker) in 2019. During 2019, Casino Grand Lisboa attracted a total of over 12 million visitors.

## Operating Results — Other Self-promoted Casinos

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

<b>Other self-promoted casinos</b>	<b>For the year ended 31 December</b>		<b>Increase</b>
	<b>2019</b>	<b>2018</b>	
Gross gaming revenue (HK\$ million)	<b>6,308</b>	6,265	<b>0.7%</b>
Profit attributable to the Group (HK\$ million)	<b>908</b>	627	<b>44.6%</b>
Adjusted EBITDA (HK\$ million)	<b>1,223</b>	890	<b>37.3%</b>
Adjusted EBITDA Margin (over gross gaming revenue)	<b>19.4%</b>	14.2%	<b>5.2%</b>

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

<b>Other self-promoted casinos</b>	<b>For the year ended 31 December</b>		<b>Increase/ (Decrease)</b>
	<b>2019</b>	<b>2018</b>	
<b><i>VIP operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>1,284</b>	1,630	<b>(21.2%)</b>
Average daily net-win per VIP gaming table (HK\$)	<b>159,850</b>	159,454	<b>0.2%</b>
VIP chips sales (HK\$ million)	<b>34,240</b>	55,151	<b>(37.9%)</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>22</b>	28	<b>(21.4%)</b>
<b><i>Mass market operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>4,704</b>	4,327	<b>8.7%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>32,880</b>	33,873	<b>(2.9%)</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>392</b>	350	<b>12.0%</b>
<b><i>Slot machine operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>320</b>	308	<b>3.7%</b>
Average daily net-win per slot machine (HK\$)	<b>1,321</b>	1,118	<b>18.2%</b>
Average number of slot machines (Average of month-end numbers)	<b>663</b>	756	<b>(12.3%)</b>

As at 31 December 2019, Casino Lisboa operated a total of 22 VIP gaming tables, 111 mass market gaming tables and 56 slot machines, and Casino Oceanus at Jai Alai operated a total of 233 mass market gaming tables and 397 slot machines, plus 62 mass market gaming tables and 74 slot machines in the casino area of the Jai Alai building. Casino Taipa, operated 5 mass market gaming tables and 101 slot machines.

## Operating Results — Satellite Casinos

As at 31 December 2019, SJM operated 16 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Eastern, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Kam Pek Paradise, Casino L'Arc Macau, Casino Landmark, Casino Legend Palace, Casino Macau Jockey Club, Casino Million Dragon, Casino Ponte 16 and Casino Royal Dragon.

Fourteen of SJM's satellite casinos are located on the Macau Peninsula whilst two satellite casinos are located on the island of Taipa. Satellite casinos comprised a total of 130 VIP gaming tables, 808 mass market gaming tables and 1,031 slot machines, as at 31 December 2019.

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

<b>Satellite casinos</b>	<b>For the year ended 31 December</b>		
	<b>2019</b>	<b>2018</b>	<b>(Decrease)</b>
Gross gaming revenue (HK\$ million)	<b>20,782</b>	21,972	<b>(5.4%)</b>
Profit attributable to the Group (HK\$ million)	<b>525</b>	689	<b>(23.9%)</b>
Adjusted EBITDA (HK\$ million)	<b>522</b>	647	<b>(19.4%)</b>
Adjusted EBITDA Margin (over gross gaming revenue)	<b>2.5%</b>	2.9%	<b>(0.4%)</b>

Operating results of satellite casinos are as follows:

<b>Satellite casinos</b>	<b>For the year ended 31 December</b>		
	<b>2019</b>	<b>2018</b>	<b>Increase/ (Decrease)</b>
<b><i>VIP operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>5,438</b>	7,879	<b>(31.0%)</b>
Average daily net-win per VIP gaming table (HK\$)	<b>105,665</b>	146,845	<b>(28.0%)</b>
VIP chips sales (HK\$ million)	<b>173,773</b>	253,803	<b>(31.5%)</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>141</b>	147	<b>(4.1%)</b>
<b><i>Mass market operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>14,947</b>	13,690	<b>9.2%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>50,872</b>	47,357	<b>7.4%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>805</b>	792	<b>1.6%</b>
<b><i>Slot machine operations</i></b>			
Gross gaming revenue (HK\$ million)	<b>397</b>	403	<b>(1.5%)</b>
Average daily net-win per slot machine (HK\$)	<b>1,012</b>	974	<b>4.0%</b>
Average number of slot machines (Average of month-end numbers)	<b>1,074</b>	1,134	<b>(5.3%)</b>

## **Non-gaming Operations**

For the year ended 31 December 2019, the Grand Lisboa Hotel contributed \$514 million in revenue and \$16 million in Adjusted Grand Lisboa EBITDA to the Group as compared with \$518 million in revenue and \$33 million in Adjusted Grand Lisboa EBITDA for the previous year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 93.8% for the full year, as compared with 95.5% for the previous year, and the average room rate for the full year 2019 was approximately \$1,508 as compared with \$1,495 in 2018.

Food and beverage units at the Grand Lisboa Hotel continued to earn international recognition. Amongst numerous awards, French restaurant “Robuchon au Dôme” and Cantonese restaurant “The Eight” received three stars in the Michelin Guide Hong Kong Macau 2020. Modern steakhouse “The Kitchen” was also awarded one star. The wine cellars of “Robuchon au Dôme” and Italian restaurant “Casa Don Alfonso” received the Grand Award and “The Kitchen” received the Best of Award of Excellence from Wine Spectator.

The Sofitel at Ponte 16, in which SJM’s interest is 51%, contributed \$212 million in revenue to the Group in 2019, compared with a contribution of \$214 million in 2018. The occupancy rate of the 408-room hotel averaged 91.2% for the full year 2019 as compared with 92.7% in 2018, whilst average room rate increased by 0.01% to \$1,144. The Sofitel at Ponte 16 received numerous travel industry awards in 2019, in both business and luxury categories.

Income from all hotel, catering, retail and related services, after inter-company elimination, totaled \$717 million in 2019, a decrease of 2.3% from \$733 million in 2018, due primarily to decline in hotel room occupancy and retail operations.

## **PROSPECTS AND RECENT DEVELOPMENTS**

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

### **COVID-19 update**

In December 2019 a new strain of coronavirus, since named COVID-19 was reported in Wuhan, Hubei Province, China and has since appeared in more than 100 countries and territories including Macau. In response, China and other governments have undertaken significant measures to prevent the spread of the disease, including the following:

- Wuhan and several other Chinese cities have been placed under quarantine;
- Chinese citizens have been advised to avoid all non-essential travel;
- The Individual Visa Scheme under which many mainland Chinese normally visit Macau has been suspended;
- The Hong Kong-Macau Ferry Terminal in Hong Kong was temporarily closed and all ferry operations suspended;
- Casino operations in Macau, including all casinos operated by the Company, were suspended for 15 days from 5 February 2020 and subsequently permitted to reopen under restrictions; and
- Flights to Macau and the region have been suspended or reduced in frequency.

The above measures, which were still in force as of the date of this Announcement, combined with voluntary avoidance of travel, have drained Macau of visitors and therefore seriously reduced gaming and non-gaming activities at SJM's properties.

The disruption of SJM's business due to the outbreak of COVID-19 is expected to have a material adverse effect on the Group's results in the first half of 2020 and potentially beyond. It is not possible to predict the full extent or duration of the impact, however, as it will depend on the progression of the disease and efforts to control it.

## **Current and Recent Initiatives**

### *Grand Lisboa Palace*

Construction work on the Grand Lisboa Palace, the Group's integrated resort on Cotai, was completed in late 2019 and application was made for the relevant licenses to begin operation in the second half of 2020.

When open, the Grand Lisboa Palace will comprise a total gross floor area of 521,435 square metres plus 77,158 square metres of parking area. More than 90% of the total area will be devoted to a full range of non-gaming facilities, including hotel towers bearing the insignia "Grand Lisboa Palace", "Palazzo Versace" and "Karl Lagerfeld", totaling approximately 1,900 rooms, plus facilities for events, meetings and conferences, shopping, dining and entertainment, and a casino, at an estimated total project cost of approximately \$39 billion.

In May 2019, SJM announced the signing of an agreement with China Duty Free Group Co., Ltd. ("CDFG") to open CDFG's Macau flagship outlet at Grand Lisboa Palace, which will cover approximately 7,500 square metres on the first floor of the project's retail mall.

In January 2020, the Company announced the signing of an agreement between SJM and NYH Gestao de Vendas a Retalho Limitada ("NYH") for NYH to set up a high-class department store on the second floor of the project's retail mall. The store will be under the brand or style "New Yaohan" and will cover approximately 15,500 square metres.

As at 31 December 2019, SJM had entered into capital commitments in connection with the Grand Lisboa Palace project with a total value of approximately \$6.8 billion.

### *Gaming Concession Extension*

In March 2019, a Concession Extension Contract was executed between the Macau Government and SJM, pursuant to which the gaming concession of SJM, which was due to expire on 31 March 2020, would be extended for a further period up to 26 June 2022 which coincides with the expiry date of other concessionaires so that all the original gaming concessions will expire at the same time. Details of the Concession Extension Contract were disclosed in the Company's announcement dated 15 March 2019.

Pursuant to the Concession Extension Contract, SJM submitted a bank guarantee in amount of MOP3,500 million (equivalent to approximately HK\$3,398 million) to the Macau Government on 12 June 2019 to warrant the fulfilment of an already existing commitment of labour liabilities after the expiry of the Concession Extension Contract.

## 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 \$14,504 million (not including \$1,021 million pledged bank deposits) as at 31 December 2019. This represented a decrease of 22.4% as compared with the position as at 31 December 2018 of \$18,691 million. The decrease was mainly attributable to cash outflows for repayment of syndicated loan facilities and payment for construction of the Grand Lisboa Palace during the year.

Total outstanding balances of bank loans drawn by the Group as at 31 December 2019 amounted to \$15,281 million (as at 31 December 2018: \$15,445 million). The maturity of the Group's borrowings as at 31 December 2019 is as follows:

<b>Maturity Profile</b>			
<b>Within 1 year</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Total</b>
1%	33%	66%	100%

### Gearing Ratio

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less bank balances and cash to total assets (excluding bank balances and cash)) was zero at the end of 2019 (as at 31 December 2018: zero).

### Capital Expenditure Commitments

Capital expenditure commitments by the Group amounted to \$7.1 billion as at 31 December 2019 (as at 31 December 2018: \$9.5 billion), of which \$6.8 billion were for the Grand Lisboa Palace project. As at 31 December 2019, the Group was in construction of the Grand Lisboa Palace, with an estimated total project cost of approximately \$39 billion, including capital expenditure commitments to date.

The Grand Lisboa Palace project and future projects will be funded by a combination of internal resources and debt financing. The exact investment plans for the Group's projects are subject to change based upon execution of the business plans, progress of the projects, market conditions and management's view of future business conditions.

## **Pledge of Assets**

As at 31 December 2019, certain of the Group's property and equipment and right-of-use assets (2018: property and equipment and land use rights) with carrying values of \$31,901 million and \$1,887 million, respectively (as at 31 December 2018: \$27,719 million and \$1,797 million, respectively), were pledged to banks for loan facilities. In addition, the Group had pledged bank deposits of \$1,021 million as at 31 December 2019 (2018: \$147 million).

## **Contingent Liabilities and Guarantees**

As at 31 December 2019, the total amount of guarantees of the Group given to banks of \$87 million (2018: \$87 million), which were guarantees in respect of credit facilities granted to an associate and an investee company. The Group had no significant contingent liabilities as at 31 December 2019.

## **Financial Risk**

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

## **Material Acquisitions and Disposals**

The Group made no material acquisitions or material disposals of subsidiaries and associated companies during the year ended 31 December 2019.

## **Human Resources**

As at 31 December 2019, the Group had approximately 20,700 full-time employees. The Group's employee turnover rate was minimal in 2019.

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

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year ended 31 December 2019.

## **CORPORATE GOVERNANCE CODE**

The Company is committed to the establishment of good corporate governance practices and its management team has strived to uphold the highest standards of corporate governance and transparency.

The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Corporate Governance Code (“**CG Code**”) as stated in Appendix 14 to the Listing Rules on the Stock Exchange.

During the year ended 31 December 2019, the Company has complied with the code provisions of the CG Code.

## **CLOSURE OF REGISTER OF MEMBERS FOR 2020 ANNUAL GENERAL MEETING**

Book close dates for 2020 Annual General Meeting (both days inclusive)	:	3 June 2020 to 9 June 2020
Latest share registration date for 2020 Annual General Meeting	:	2 June 2020
Latest time to lodge transfer documents with the Company’s share registrar	:	4:30 p.m. on Tuesday, 2 June 2020
Name and address of the Company’s share registrar	:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong

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

Record date for proposed final dividend	:	12 June 2020
Latest time to lodge transfer documents with the Company’s share registrar	:	4:30 p.m. on Friday, 12 June 2020
Name and address of the Company’s share registrar	:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
Expected payment date (if approved at the 2020 Annual General Meeting)	:	24 June 2020

## **2020 ANNUAL GENERAL MEETING**

The 2020 Annual General Meeting of the Company will be held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong at 2:30 p.m. on Tuesday, 9 June 2020. Notice of Annual General Meeting will be published on the Stock Exchange’s website and the Company’s website and despatched to shareholders of the Company in due course.

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

The Group’s consolidated financial statements for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company. The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Company’s auditor, Deloitte Touche Tohmatsu (the “**Auditor**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

By order of the Board  
**SJM Holdings Limited**  
**Ho Chiu Fung, Daisy**  
*Chairman and Executive Director*

Hong Kong, 16 March 2020

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