



澳門博彩控股有限公司
SJM HOLDINGS LIMITED

於香港註冊成立的有限責任公司 股份代號：880
incorporated in Hong Kong with limited liability Stock Code : 880

2018

ANNUAL REPORT · 年報





ABOUT US

SJM Holdings Limited (the “Company”) is the holding company of Sociedade de Jogos de Macau, S.A. (“SJM”), one of the six companies authorised to operate casino games of fortune and other games of chance in casinos, under the terms of a concession granted by the Government of the Macau Special Administrative Region (“Macau”) in March 2002, and the only casino gaming concessionaire with its roots in Macau.

SJM’s casinos are located in prime locations on the Macau Peninsula and Taipa and convenient to principal entry points. Gaming operations comprise VIP gaming, mass market table gaming and slot machines.

The Grand Lisboa Palace, SJM’s integrated resort on Cotai, is currently under construction. The Grand Lisboa Palace will feature a total of approximately 1,900 hotel rooms and suites, facilities for meetings and conferences, shopping, dining and entertainment, and a casino.

As at 31 December 2018, SJM operated 20 casinos, comprising more than 1,700 gaming tables and over 2,400 slot machines.



CONTENTS

3	Chairman's Statement
4	Financial Highlights and Dividend Schedule
5	Chief Executive Officer's Statement
6	Business Review
13	Prospects and Recent Developments
14	Financial Review
16	Corporate Social Responsibility
20	Event Highlights
22	Awards
24	Directors and Senior Management
33	Directors' Report
65	Corporate Governance Report
95	Environmental, Social and Governance Report
105	Independent Auditor's Report
111	Consolidated Statement of Profit or Loss and Other Comprehensive Income
113	Consolidated Statement of Financial Position
115	Consolidated Statement of Changes in Equity
116	Consolidated Statement of Cash Flows
118	Notes to the Consolidated Financial Statements
216	Five-Year Financial Summary
217	Corporate Information
218	Definitions



GRAND LISBOA PALACE

上葡京



CHAIRMAN'S STATEMENT



It is my pleasure and honour to serve as Chairman of SJM Holdings, especially as we enter one of the most exciting and potentially productive times in our Group's long history.

SJM will soon extend our presence in Macau from Macau Peninsula, where we have for many years held a dominant share of our market, to Cotai with the completion of the Grand Lisboa Palace. The Grand Lisboa Palace is the third property to carry our Lisboa brand name, but we intend it to be significantly different from and complementary to our existing operations. Conceived in a unique East-West style, the resort will cater to the upscale aspirations of visitors from China and around the world.

Notable features of the Grand Lisboa Palace are our two fashion-branded hotels, the Palazzo Versace and the Karl Lagerfeld which, together with our own brand Grand Lisboa Palace Hotel, all surpass five-star standards. With a full complement of luxurious non-gaming facilities, the Grand Lisboa Palace firmly plants SJM's flag not just in Cotai but also among the most prestigious integrated resorts in Asia, and will be an important anchor of our presence in Macau for decades to come.

The Grand Lisboa Palace exemplifies the commitment of SJM to continue developing and positioning our business. All the talents of our staff, both new and long-standing, as well as the diverse capabilities of each of our Board members, will be utilized in achieving our strategy. What we set out to do is to maximize our potential in all segments of casino gaming and attractive non-gaming activities, whilst constantly striving to improve our efficiency. Our primary focus remains on Macau though we selectively consider opportunities elsewhere in the Asian region.

SJM fully adheres to the principles of our founder Dr. Stanley Ho, who has always believed in building an enterprise of value to society. We continue this legacy through efforts to improve the environment of Macau and the well-being of all of its residents, through donations and sponsorship of worthy activities, covering charities, welfare groups, education, culture, sports and major tourist events. Our employment policies further reflect our commitment to Macau society as around 90% of our approximately 20,400 employees are local Macau residents.

Our outlook for SJM and for Macau over the medium and long term is confidently optimistic. Balancing uncertainties in the global macro economy that are always present, is the growing appeal of Macau as a tourism and leisure destination, aided by progressive enhancements in infrastructure such as the Hong Kong-Zhuhai-Macau Bridge. In addition, the Central Government's Belt and Road and Greater Bay Area initiatives will provide further benefit to the local economy.

In conclusion, I would like to express my grateful thanks to all of our employees for their loyalty and diligent work during the past year, to each of our directors for their wise counsel, and to our shareholders and business partners for their support.

Ho Chiu Fung, Daisy

Chairman and Executive Director

Hong Kong, 28 February 2019

FINANCIAL HIGHLIGHTS AND DIVIDEND SCHEDULE

FINANCIAL HIGHLIGHTS

	Year Ended 31 December 2018 (HK\$ million)	Year Ended 31 December 2017 (HK\$ million) (restated)
Net Gaming Revenue	33,677	31,095
Hotel, Catering, Retail and Other Income	1,063	822
Adjusted EBITDA*	3,724	3,074
Profit attributable to owners of the Company	2,850	1,963
Earnings per share		
basic	HK50.4 cents	HK34.7 cents
diluted	HK50.3 cents	HK34.7 cents
Dividend per ordinary share		
proposed final dividend	HK21 cents	HK15 cents
interim dividend paid	HK8 cents	HK5 cents

* *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 deregistration of a subsidiary, loss on modification of long-term bank loans and impairment loss (including reversal) on property and equipment.*

DIVIDEND SCHEDULE

Events	Date and Time
Announcement of proposed final dividend	28 February 2019
2019 Annual General Meeting (to approve the proposed final dividend)	2:30 p.m. on Tuesday, 11 June 2019
Ex-dividend date	13 June 2019
Record date for proposed final dividend	14 June 2019
Latest time to lodge transfer documents with share registrar to qualify for proposed final dividend	4:30 p.m. on Friday, 14 June 2019
Expected payment date of proposed final dividend (if approved at the 2019 Annual General Meeting)	27 June 2019

CHIEF EXECUTIVE OFFICER'S STATEMENT

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

Macau's gaming market experienced positive growth in 2018, continuing the expansion of 2017, which reversed the previous three years' declining revenue. Reasons for the increase include Macau's 9.8% growth in visitor arrivals, including 13.8% growth in arrivals from the Mainland, as well as the ramp-up of new casino resort projects in Cotai. Gaming revenue growth was mainly in the mass segment, and as expected favoured the developing Cotai area as opposed to Macau Peninsula.

SJM enjoyed decent increases in mass market gaming revenue and slot machine revenue, which grew by 12.1% and 12.6%, respectively, in 2018 compared with the previous year, whilst our VIP gaming revenue declined by 1.1%. SJM's market share of Macau gaming revenue was 14.9% in 2018. We are pleased to report that the Group's Adjusted EBITDA (as defined herein) increased by 21.1% and profit attributable to owners of the Company increased by 45.2%.

At the Group's flagship Casino Grand Lisboa, VIP gaming revenue, mass market table gaming revenue and slot machine revenue increased by 0.5%, 13.3% and 16.0%, respectively. The property showed an increase in Adjusted Grand Lisboa EBITDA of 24.3% for the year. Occupancy at the Grand Lisboa Hotel was 95.5% for the full year, at an average room rate of \$1,495.

In 2018 the Group maintained a strong financial position, whilst drawing against banking facilities arranged during the previous year to finance construction of the Grand Lisboa Palace. Total cash and bank balances stood at \$18.8 billion as at 31 December 2018, and debt outstanding of the Group was \$15.4 billion.

The Group's Grand Lisboa Palace project on Cotai, which embodies our long-term confidence in Macau and in China as well as our commitment to the solid diversification of our tourism and hospitality businesses, made substantial progress in 2018. We are anticipating construction of the resort to complete in the first half of this year and we will seek the relevant licenses to begin operation as soon as possible thereafter. The Grand Lisboa Palace will increase our hotel room capacity almost five-fold and will provide best-in-category shopping, dining, entertainment and events facilities that will enhance Macau's position as a world centre of tourism and leisure.

In 2018 SJM continued its strong support of the local community. We actively supported the Macau SAR Government's policy on prioritising purchases from local SMEs, as we launched the "SJM and Macau SME Procurement Partnership Programme" jointly with the Macao Chamber of Commerce in 2016, and up until 31 December 2018, 1,250 local suppliers have enrolled in the Programme. SJM also launched a programme in 2018 to aid local SME restaurants that were affected by severe Typhoon Hato by distributing free dining coupons to residents and visitors.

Subject to approval by shareholders at the 2019 annual general meeting, the Board of Directors has recommended a final dividend of HK21 cents per ordinary share. In addition to the interim dividend of HK8 cents per ordinary share paid previously, total dividends for the year would amount to HK29 cents per ordinary share.

I would like to express my greatest appreciation to our staff for their dedication and hard work. I would also like to welcome new senior management and executives to the Group in the year who will strengthen our leadership for the next stage in our growth journey, particularly for the Grand Lisboa Palace Project. I must also thank our business partners, shareholders and other stakeholders for their ongoing engagement. Last but not least, I would like to thank my fellow Board members for their support and guidance.

So Shu Fai

Vice-Chairman and Executive Director
Chief Executive Officer

Hong Kong, 28 February 2019

BUSINESS REVIEW

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

MARKET ENVIRONMENT

Macau's casino gaming revenue improved in 2018 to the highest level since 2015. The 14.0% increase over 2017 reported by the Macau Gaming Inspection and Coordination Bureau ("DICJ") resulted from several factors, including the opening and ramp-up of new casino resorts in the Cotai area and growth in visitation to Macau. The greatest revenue growth occurred in the mass market sector, which expanded in 2018 by 19.4% over 2017, whilst the VIP sector and slot machines showed growth during the year of 10.2% and 14.3%, respectively.

Visitation to Macau increased by 9.8% to 35.8 million in 2018 according to the Macau Government Statistics and Census Service. Visitors from the Mainland increased by 13.8% to 25.3 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 2018 all increased materially from last year, as did total net revenue and net gaming revenue:

Group operating results	For the year ended 31 December		Increase
	2018 HK\$ million	2017 HK\$ million (restated)	
Total net revenue	34,410	31,771	8.3%
Net gaming revenue	33,677	31,095	8.3%
Profit attributable to owners of the Company	2,850	1,963	45.2%
Adjusted EBITDA ¹	3,724	3,074	21.1%
Adjusted EBITDA Margin ²	10.8%	9.7%	1.1%

¹ 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 deregistration of a subsidiary, loss on modification of long-term bank loans and impairment loss (including reversal) on property and equipment.

² Adjusted EBITDA Margin is Adjusted EBITDA divided by total net revenue.

BUSINESS REVIEW

VIP gross gaming revenue of the Group decreased by 1.1% in 2018 while mass market table gross gaming revenue increased by 12.1%. According to statistics from the MSAR government, gaming revenue of Macau increased by 14.0% in 2018, comprising a 10.2% increase in VIP gross gaming revenue, a 19.4% increase in mass market table gross gaming revenue and a 14.3% increase in slot machine gross gaming revenue.

During 2018, the Group accounted for 14.9% of Macau's casino gaming revenue of \$294,025 million which represented a decline in market share from 16.1% for the full year 2017.

The Group's Adjusted EBITDA Margin for the year was 10.8%, an increase from 9.7% in 2017.

Attributable profit in the Reporting Period was affected by deductions of share-based payments which were \$10 million in 2018, as compared with \$63 million in the previous year. Depreciation in 2018 was \$1,163 million compared with \$1,203 million in 2017, and interest expense was \$28 million, compared with \$34 million in 2017.

OPERATING RESULTS — VIP GAMING

VIP operations	For the year ended		Increase/ (Decrease)
	31 December 2018	2017	
Gross gaming revenue (HK\$ million)	19,663	19,877	(1.1%)
Average daily net-win per VIP gaming table (HK\$)	187,055	185,229	1.0%
VIP chips sales (HK\$ million)	670,700	636,741	5.3%
Average number of VIP gaming tables (Average of month-end numbers)	288	294	(2.0%)

VIP gaming operations accounted for 44.8% of the Group's total gross gaming revenue in 2018, as compared with 47.9% for the previous year. As at 31 December 2018, SJM had 287 VIP gaming tables in operation with 19 VIP promoters, as compared with 279 VIP gaming tables and 19 VIP promoters as at 31 December 2017. As at 31 December 2018, SJM operated VIP gaming in 14 of its casinos.

The Group's gross gaming revenue from VIP gaming operations amounted to approximately 12.2% of total VIP gaming revenue in Macau, compared to 13.6% in the previous year, according to figures from the DICJ in Macau. The hold rate for SJM's VIP operations was 2.93% in 2018 as compared with 3.12% in 2017.

BUSINESS REVIEW

OPERATING RESULTS — MASS MARKET TABLE GAMING

Mass market operations	For the year ended 31 December		Increase
	2018	2017	
Gross gaming revenue (HK\$ million)	23,080	20,584	12.1%
Average daily net-win per mass market gaming table (HK\$)	44,657	40,571	10.1%
Average number of mass market gaming tables (Average of month-end numbers)	1,416	1,390	1.9%

Gross gaming revenue from mass market table gaming operations comprised 52.6% of the Group's total gross gaming revenue in 2018, as compared with 49.6% in 2017. SJM had 1,425 mass market gaming tables in operation as at 31 December 2018, as compared with 1,424 mass market gaming tables as at 31 December 2017.

OPERATING RESULTS — SLOT MACHINES AND OTHER GAMING OPERATIONS

Slot machine operations	For the year ended 31 December		Increase
	2018	2017	
Gross gaming revenue (HK\$ million)	1,157	1,027	12.6%
Average daily net-win per slot machine (HK\$)	1,188	1,066	11.4%
Average number of slot machines (Average of month-end numbers)	2,668	2,640	1.1%

Gross gaming revenue from slot machine operations comprised 2.6% of the Group's total gross gaming revenue in 2018, compared with 2.5% in 2017. SJM had 2,454 slot machines in service as at 31 December 2018 as compared with 2,473 slot machines as at 31 December 2017.

As at 31 December 2018, SJM operated slot machines in 13 of its casinos.

BUSINESS REVIEW

OPERATING RESULTS — CASINO GRAND LISBOA

SJM's flagship Casino Grand Lisboa showed an increase in gross gaming revenue of 4.7%, Adjusted Grand Lisboa EBITDA was 24.3% and attributable profit was 33.8% during the year.

Casino Grand Lisboa	For the year ended 31 December		Increase
	2018	2017	
Gross gaming revenue (HK\$ million)	15,663	14,959	4.7%
Profit attributable to the Group (HK\$ million)	1,878	1,404	33.8%
Adjusted Grand Lisboa EBITDA ³ (HK\$ million)	2,081	1,675	24.3%
Adjusted Grand Lisboa EBITDA Margin (over gross gaming revenue)	13.3%	11.2%	2.1%

³ 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 deregistration of a subsidiary, loss on modification of long-term bank loans and impairment loss (including reversal) on property and equipment, and before elimination of inter-company consumption.

Operating results of Casino Grand Lisboa are as follows:

Casino Grand Lisboa	For the year ended 31 December		Increase/ (Decrease)
	2018	2017	
VIP operations			
Gross gaming revenue (HK\$ million)	10,155	10,106	0.5%
Average daily net-win per VIP gaming table (HK\$)	244,042	225,110	8.4%
VIP chips sales (HK\$ million)	361,746	353,100	2.4%
Average number of VIP gaming tables (Average of month-end numbers)	114	123	(7.3%)
Mass market operations			
Gross gaming revenue (HK\$ million)	5,063	4,469	13.3%
Average daily net-win per mass market gaming table (HK\$)	50,811	45,012	12.9%
Average number of mass market gaming tables (Average of month-end numbers)	273	272	0.4%
Slot machine operations			
Gross gaming revenue (HK\$ million)	445	384	16.0%
Average daily net-win per slot machine (HK\$)	1,568	1,286	21.9%
Average number of slot machines (Average of month-end numbers)	778	817	(4.8%)

Casino Grand Lisboa operated 266 mass market gaming tables and 115 VIP gaming tables as at 31 December 2018, compared with 276 and 121, respectively at the end of the previous year.

As at 31 December 2018, Casino Grand Lisboa operated a total of 720 slot machines. Jackpots are awarded frequently, with the total exceeding \$259 million for slot machines and over \$45 million for table games (Caribbean Stud Poker) in 2018. During 2018, Casino Grand Lisboa attracted a total of over 11 million visitors.

BUSINESS REVIEW

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").

Other self-promoted casinos	For the year ended 31 December		Increase/ (Decrease)
	2018	2017	
Gross gaming revenue (HK\$ million)	6,265	6,294	(0.5%)
Profit attributable to the Group (HK\$ million)	627	344	82.5%
Adjusted EBITDA (HK\$ million)	890	618	44.2%
Adjusted EBITDA Margin (over gross gaming revenue)	14.2%	9.8%	4.4%

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

Other self-promoted casinos	For the year ended 31 December		Increase/ (Decrease)
	2018	2017	
VIP operations			
Gross gaming revenue (HK\$ million)	1,630	2,110	(22.8%)
Average daily net-win per VIP gaming table (HK\$)	159,454	206,501	(22.8%)
VIP chips sales (HK\$ million)	55,151	62,589	(11.9%)
Average number of VIP gaming tables (Average of month-end numbers)	28	28	—
Mass market operations			
Gross gaming revenue (HK\$ million)	4,327	3,926	10.2%
Average daily net-win per mass market gaming table (HK\$)	33,873	29,717	14.0%
Average number of mass market gaming tables (Average of month-end numbers)	350	362	(3.3%)
Slot machine operations			
Gross gaming revenue (HK\$ million)	308	257	19.9%
Average daily net-win per slot machine (HK\$)	1,118	908	23.0%
Average number of slot machines (Average of month-end numbers)	756	776	(2.6%)

As at 31 December 2018, Casino Lisboa operated a total of 22 VIP gaming tables, 109 mass market gaming tables and 56 slot machines, and Casino Oceanus at Jai Alai operated a total of 194 mass market gaming tables and 348 slot machines, plus 42 mass market gaming tables and 76 slot machines in the casino area of the Jai Alai building. Casino Taipa operated 5 mass market gaming tables and 97 slot machines.

BUSINESS REVIEW

OPERATING RESULTS — SATELLITE CASINOS

As at 31 December 2018, 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 150 VIP gaming tables, 809 mass market gaming tables and 1,157 slot machines, as at 31 December 2018.

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

Satellite casinos	For the year ended 31 December		Increase/ (Decrease)
	2018	2017	
Gross gaming revenue (HK\$ million)	21,972	20,234	8.6%
Profit attributable to the Group (HK\$ million)	689	656	5.0%
Adjusted EBITDA (HK\$ million)	647	675	(4.1%)
Adjusted EBITDA Margin (over gross gaming revenue)	2.9%	3.3%	(0.4%)

Operating results of satellite casinos are as follows:

Satellite casinos	For the year ended 31 December		Increase/ (Decrease)
	2018	2017	
VIP operations			
Gross gaming revenue (HK\$ million)	7,879	7,660	2.9%
Average daily net-win per VIP gaming table (HK\$)	146,845	145,741	0.8%
VIP chips sales (HK\$ million)	253,803	221,052	14.8%
Average number of VIP gaming tables (Average of month-end numbers)	147	144	2.1%
Mass market operations			
Gross gaming revenue (HK\$ million)	13,690	12,188	12.3%
Average daily net-win per mass market gaming table (HK\$)	47,357	44,170	7.2%
Average number of mass market gaming tables (Average of month-end numbers)	792	756	4.8%
Slot machine operations			
Gross gaming revenue (HK\$ million)	403	386	4.4%
Average daily net-win per slot machine (HK\$)	974	1,010	(3.6%)
Average number of slot machines (Average of month-end numbers)	1,134	1,047	8.3%

BUSINESS REVIEW

NON-GAMING OPERATIONS

For the year ended 31 December 2018, the Grand Lisboa Hotel contributed \$518 million in revenue and \$33 million in Adjusted Grand Lisboa EBITDA to the Group as compared with \$526 million in revenue and \$81 million in Adjusted Grand Lisboa EBITDA for the previous year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 95.5% for the full year, as compared with 93.8% for the previous year, and the average room rate for the full year 2018 was approximately \$1,495 as compared with \$1,609 in 2017.

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 2019. 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.

Operating results for the Sofitel at Ponte 16, in which SJM’s interest is 51%, contributed \$214 million in revenue to the Group in 2018, compared with a contribution of \$200 million in 2017. The occupancy rate of the 408-room hotel averaged 92.7% for the full year 2018 as compared with 91.4% in 2017, whilst average room rate increased by 6.9% to \$1,144. The Sofitel at Ponte 16 received numerous travel industry awards in 2018, in both business and luxury categories.

Income from all hotel, catering, retail and related services, after inter-company elimination, totaled \$733 million in 2018, an increase of 8.4% from \$676 million in 2017, due primarily to improved hotel room occupancy and retail operations.

PROSPECTS AND RECENT DEVELOPMENTS

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

OUTLOOK

The Group's performance in 2019 and over the medium term is susceptible to the overall economic performance of the surrounding region, government regulatory policies, and the level of visitation to Macau, as well as to the competitive situation among the casino operators in Macau. During this period, the Group is committed to maintaining its strength in both the mass market and VIP gaming sectors while striving to improve its operating efficiency.

The Group is optimistic about its future prospects, given the potential for growth of visitation and spending in Macau, infrastructure developments that improve access to Macau, including the Hong Kong-Zhuhai-Macau Bridge, Macau's position in China's Greater Bay Area, the general prosperity of the Asian region, the Group's strategically located network of casinos and its strong balance sheet.

CURRENT AND RECENT INITIATIVES

Grand Lisboa Palace

Construction of the Grand Lisboa Palace, SJM's future integrated resort on Cotai, which began in February 2014, made good progress in 2018, following setbacks which occurred in the second half of 2017 due to Typhoon Hato and a fire. SJM aims to complete construction of the project in the first half of 2019.

When open, which is expected by the end of 2019, 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 \$36 billion. As announced in October 2018, China Duty Free Group Co., Ltd. has agreed with SJM to open a flagship store of approximately 7,500 square metres at Grand Lisboa Palace.

SJM signed a \$25 billion syndicated loan facilities agreement in April 2017 primarily to finance the construction costs of the Grand Lisboa Palace. The loan facilities ("Facilities") consist of a \$15 billion term loan facility and a \$10 billion revolving loan facility, each with final maturity at end March 2022. Of these facilities, \$15 billion had been drawn by the end of 2018. All amounts outstanding under the Facilities bear interest at HIBOR (for HK\$), LIBOR (for US\$) and MAIBOR (for MOP), in each case plus an applicable margin which is subject to adjustment quarterly according to the then existing leverage ratio.

As at 31 December 2018, SJM had entered into capital commitments in connection with the Grand Lisboa Palace project with a total value of approximately \$8.7 billion.

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 \$18,691 million (not including \$147 million pledged bank deposits) as at 31 December 2018. This represented an increase of 17.6% as compared with the position as at 31 December 2017 of \$15,890 million. The increase was mainly attributable to cash inflows for drawdown of syndicated loan facilities during the year.

Total outstanding balances of bank loans drawn by the Group as at 31 December 2018 amounted to \$15,445 million (as at 31 December 2017: \$8,135 million). The maturity of the Group's borrowings as at 31 December 2018 is as follows:

Within 1 year	Maturity Profile			Total
	1–2 years	2–5 years		
1%	16%	83%	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 2018 (as at 31 December 2017: zero).

CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments by the Group amounted to \$9.5 billion as at 31 December 2018 (as at 31 December 2017: \$15.6 billion), of which \$8.7 billion were for the Grand Lisboa Palace project. As at 31 December 2018, the Group was in construction of the Grand Lisboa Palace, with an estimated total project cost of approximately \$36 billion, including capital expenditure commitments to date.

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

PLEDGE OF ASSETS

As at 31 December 2018, certain of the Group's property and equipment and land use rights with carrying values of \$27,719 million and \$1,797 million, respectively (as at 31 December 2017: \$21,762 million and \$1,892 million, respectively), were pledged to banks for loan facilities. In addition, the Group had pledged bank deposits of \$147 million as at 31 December 2018 (2017: \$147 million).

FINANCIAL REVIEW

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2018, the total amount of guarantees of the Group given to banks of \$87 million (2017: \$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 2018.

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 2018.

HUMAN RESOURCES

As at 31 December 2018, the Group had approximately 20,400 full-time employees. The Group's employee turnover rate was minimal in 2018.

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.

CORPORATE SOCIAL RESPONSIBILITY

“From society, to society” is a core value of the SJM Group. In 2018 we continued to support education, arts and culture, sports and other charitable activities to benefit the residents of Macau and to encourage our employees to do likewise.

In November 2018 SJM was awarded the “Corporate Social Responsibility” Excellence Award by the Business Awards of Macau in recognition of the Company’s concentrated efforts to support local SME restaurants affected by Typhoon Hato in 2017 in the San Ma Lou and Inner Harbour areas of Macau.

EDUCATION

The SJM Scholarship Programme awards scholarships annually at University of Macau for ten outstanding students selected by the faculties.

For children of staff, the SJM Scholarship Programme awards ten scholarships annually to students, who are each awarded MOP20,000 per year until they finish their studies of up to five years. In addition, two best performing students in the past academic year are selected and each presented with an additional award of MOP5,000. Since its establishment in 2005, the SJM Scholarship Programme has witnessed the graduation of 91 students. The Alumni Association of Scholarship for SJM Employees’ Children was established in 2012, aiming to promote SJM’s core value of “from society, to society,” and encourage active participation by alumni in social services for the benefit of the community. The SJM Scholarship Programme received recognition from The Youth Committee of Macao Chamber of Commerce and Associação de Jovens Empresários Chineses de Macau at an appreciation ceremony in December 2018.



In addition to offering scholarships to children of staff, SJM also sponsors the full school fees of staff to further their studies at Macau Millennium College, and encourages employees to return to school by completing secondary school education at Millennium Secondary School. Moreover, SJM awards scholarships at local educational institutions and sponsors their activities. In April 2018 staff participation in patriotic education programmes in Jinggangshan, Jiangxi was organised by the SJM Staff Welfare Consultative Committee.

In addition to offering scholarships to children of staff, SJM also sponsors the full school fees of staff to further their studies at Macau Millennium College, and encourages employees to return to school by completing secondary school education at Millennium Secondary School. Moreover, SJM awards scholarships at local educational institutions and sponsors their activities. In April 2018 staff participation in patriotic education programmes in Jinggangshan, Jiangxi was organised by the SJM Staff Welfare Consultative Committee.

SJM staff were the first batch of corporate employees to attend the training course on Chinese history and culture offered jointly by Macau Millennium College and a research institute of the Chinese Academy of Social Sciences in October 2018.

ARTS AND CULTURE

SJM regularly sponsors cultural events in Macau such as art exhibitions, and provides or subsidises Hong Kong/Macau ferry tickets for arts and culture groups. SJM also supports cultural activities such as Chinese Opera at the Kam Pek Community Centre in Macau’s Inner Harbour neighbourhood and music performances at the Clube Militar de Macau.

CORPORATE SOCIAL RESPONSIBILITY

In March 2018 SJM was a Platinum Sponsor of the 7th Macau Literary Festival. In November 2018 SJM was a sponsor of the 18th Macau Food Festival and in December 2018 Grand Lisboa Hotel sponsored the Macao International Parade.



SPORTS

In November 2018 SJM continued as the title sponsor of the Formula 3 racing team, "SJM Theodore Racing", at the 65th Macau Grand Prix. SJM also was the title sponsor of the "SJM Macau GT Cup — FIA GT World Cup" for the fourth consecutive year.



SJM provides or subsidises Hong Kong/Macau ferry tickets for sports organisations in Macau such as Macau Special Olympics and Macau Dance Sport Federation for exchanges in Hong Kong. SJM was also a sponsor of the 23rd annual Macau Jockey Club Charity Day, held in May 2018. In August 2018 SJM was the sponsor of 2018 Wushu Masters Challenge organised by the Sports Bureau of the Macau SAR Government and the Wushu General Association of Macau. SJM also sponsored the Macao International Dragon Boat Races held in June 2018. SJM formed nine dragon boat teams to compete in the local and international races and won three championships and one first runner-up. Grand Lisboa was the title sponsor of "Grand Lisboa Hotel CESG & KOM Macau Esports Tournament" held at Macao Convention Centre in April 2018 and "Grand Lisboa Hotel • Macau E-sports Carnival 2018" held at Macau Forum in June 2018.

RESPONSIBLE GAMING

In 2018, SJM's Performance Improvement Department ("PID") continued its work with the Yat On Responsible Gambling Counselling Centre ("Yat On Centre") to actively promote responsible gaming ("RG") in Macau. In addition, PID cooperated with Yat On Centre in organising responsible gaming training for 1,244 new



employees, and on the "RG Ambassadors training programme" and "SJM RG Internship programme". PID also conducted activities at various SJM casinos every week to promote RG through interactive games for 11,895 staff members. In addition, SJM organised different RG activities and competitions, including "SJM RG Funfair 2018", "RG Comic Colouring", "RG Quiz", "RG Crossword Puzzle" and "RG Funfair Game Design" competitions for its employees and their family members during 2018.

CORPORATE SOCIAL RESPONSIBILITY

SJM's Responsible Gambling Committee and PID participated in RG activities organised by the Macau SAR Government and various NGOs, including "Responsible Gambling Symposium 2018" and a series of seminars on "Avoid Negative Impacts from Gambling; Establish Healthy and Wonderful Life". Members of the Asian Responsible Gaming Alliance visited SJM and exchanged views on RG promotion. SJM staff also actively participated in Macau SAR Government training programmes, including earning certificates as Macau Responsible Gambling Advisors and Advanced Macau Responsible Gambling Advisors.

OTHER COMMUNITY ACTIVITIES IN 2018

In December 2018 SJM hosted a Charity Auction and Michelin-starred Dinner at Grand Lisboa, which raised funds for Macau charities. SJM was the successful bidder for the featured item of the auction, and all money raised was donated to local charities including Tung Sin Tong Charitable Society, Kiang Wu Hospital Charitable Association, Obra das Mães, Macau Special Olympics, Macau Holy House of Mercy, Charity Fund From The Readers of Macao Daily News (2018 "Walk for a Million" in Macau), Caritas de Macau (2019 Caritas Macau Charity Bazaar), Yat On Responsible Gambling Counselling Centre, Macau Social Services Centre and Macau Association of the Hearing Impaired.



Also in December 2018 SJM donated to the annual charity event "Walk for a Million" in Macau, and over 3,000 SJM staff and directors participated in the Walk. SJM also participated in the Parade for Celebration of the Year of the Dog by the Macao Government Tourism Office.

SJM Holdings was a major sponsor of the Global Tourism Economy Forum in Macau in October 2018, and the Gold Diamond sponsor of the charity show Gala Spectacular 2018 by Po Leung Kuk in October 2018.



Since 2015 the SJM Volunteer Team has encouraged and organised volunteer activities by employees. During 2018, more than 650 SJM staff members volunteered to help the needy in society, working with such organisations as Macau Social Services Centre, Macau Special Olympics, Macau Association of the Hearing Impaired, Macau Youth Volunteers Association, Macau Holy House of Mercy, Caritas de Macau and Bosco Youth Service Network.

CORPORATE SOCIAL RESPONSIBILITY

The SJM Volunteer Team was crowned champion at the Responsible Gaming Sports Day and the first runner-up in the first Macau Sign Language Signing Contest. Members of the SJM Volunteer Team received Outstanding Volunteer Awards and Volunteer Recognition Awards at the 10th International Volunteer Recognition Ceremony.



SUPPORT FOR MACAU'S SMEs

To support the Macau SAR Government's policy on prioritising purchases from local SMEs, SJM jointly launched the "SJM and Macau SME Procurement Partnership Programme" with the Macao Chamber of Commerce in August 2016. Since the programme was launched and up to 31 December 2018, 1,250 local SMEs have enrolled. Total procurement from local SMEs in 2018 was over MOP900 million.

In addition, SJM launched the "SJM provides benefits to SME restaurants in San Ma Lou and Inner Harbour Area, promoting Macau as the City of Gastronomy" campaign from August to December 2018 to support the Macau SAR Government's policy on local SMEs. The campaign distributed free dining coupons to residents and visitors, in order to aid local SME restaurants that were affected by Typhoon Hato. The campaign also promoted Macau's culinary culture in conjunction with the "2018 Macau Year of Gastronomy" initiative by providing free advertising and other publicity opportunities for the participating restaurants.

ENVIRONMENTAL PROTECTION

SJM participated in activities during "Macau Energy Saving Week", including the One-hour Lights Off and Dress Casual Summer campaigns. The Company is a co-organiser of the Seventh International Forum on Clean Energy. The forum, held in Macau in December 2018, brought together representatives from domestic and foreign governments, ambassadors, as well as delegates from industry associations, enterprises, universities and research institutions to present, discuss and exchange views on the clean and efficient use of hydropower, wind power, photovoltaics, nuclear energy, electricity and coal, as well as smart energy and energy blockchain technology, focusing on promoting industrialisation and international cooperation for clean energy and smart energy technology. The forum also witnessed the launch of the 2018 Blue Book on International Clean Energy Industry Development and the 2018 Blue Book on Smart Energy Industry Innovation and Development.



SJM received various awards in recognition of its contributions on environmental protection: Grand Lisboa Hotel received the Continuous Energy Saving Award (Hotel Group) in Macau Energy Saving Activity 2018, and Sofitel Macau at Ponte 16 received the Silver Award in Macao Green Hotel Award 2017–2019 and the "Environmental Performance" Gold Award at the 2018 Business Awards of Macau.

EVENT HIGHLIGHTS

JANUARY



SJM signs Occupational Safety and Health Charter

FEBRUARY

SJM participates in the Parade for Celebration of the Year of the Dog organised by Macao Government Tourism Office



SJM hosts traditional Gala Dinner on Lunar New Year's Eve

JUNE



Opening of SJM's Macau Gaming History Gallery



Annual General Meeting of SJM Holdings Limited

AUGUST



14th Annual SJM Scholarship Awards



SJM launches campaign to support SME restaurants in San Ma Lou and Inner Harbour

OCTOBER



SJM celebrates China's National Day with staff



SJM signs a Memorandum of Understanding with China Duty Free Group Co., Ltd. for its Macau flagship store to open at Grand Lisboa Palace



SJM is the title sponsor of SJM Theodore Racing for the 65th Macau Grand Prix Formula 3 Race

NOVEMBER



SJM is the title sponsor of the SJM Macau GT Cup — FIA GT World Cup



2018 SJM Charity Auction and Michelin-starred Dinner

DECEMBER



SJM directors and staff members participate in Macau's Walk for a Million 2018



New Year's countdown at Grand Lisboa



New Year's countdown at Ponte 16 Resort

AWARDS

Numerous awards were received by the Group in 2018, including the following:

- SJM Holdings was presented the “Global Chinese Business 1000 — Outstanding Performance Award (Hong Kong)” by Yazhou Zhoukan.



- SJM received the “Corporate Social Responsibility” Excellence Award at the 2018 Business Awards of Macau.
- Yat On Responsible Gambling Counselling Centre, supported by SJM, received the “Non-Profit Organisation” Excellence Award at the 2018 Business Awards of Macau.



- SJM Volunteer Team members received Outstanding Volunteer Awards and Volunteer Recognition Awards at the 10th International Volunteer Recognition Ceremony hosted by Macau Youth Volunteers Association and supported by the Social Welfare Bureau of the Macau SAR Government.



- The SJM Scholarship Programme received recognition at Caridade Social 2017-18, jointly organised by The Youth Committee of Macao Chamber of Commerce and Associação de Jovens Empresários Chineses de Macau.

Grand Lisboa

- Hurun Hot Hotel Awards 2018 — Best Presidential Suite in Macao
- Best City Landmark Hotel of the Year by Target Taste Award 2018
- “Best Hotel Group Wine List — Outstanding” by China’s Wine List of the Year Awards 2018
- “Luxury Hotel of the Year” and the “Landmark View of the Year” at Sohu Travel Hotel Awards 2018
- Top 10 Best Restaurant Hotel by 2018 KOL Gold List
- The Spa at Grand Lisboa Hotel was awarded the Grand Jury Award of the Year at SpaChina Awards Ceremony 2018
- Continuous Energy Saving Award (Hotel Group) and Excellence Award in Hotel Group B in Macau Energy Saving Activity 2018



Robuchon au Dôme, Grand Lisboa

- Three Michelin Stars by Michelin Guide Hong Kong Macau 2019
- Wine Spectator Grand Award 2018
- 3-Glass Rating (Excellent) by China’s Wine List of the Year Awards 2018
- China’s Wine List of the Year Hall of Fame Awards by China’s Wine List of the Year Awards 2018
- South China Morning Post 100 Top Tables 2018
- Three-star Restaurant in Ctrip Gourmet List 2018
- Ranked 6th in the Top 100 Restaurants in the World by Elite Traveler
- Four-Star Rating by Forbes Travel Guide 2018
- Hong Kong Tatler Best Restaurants 2019
- My Favourite Hotel Restaurant in Macau by U Favourite Food Awards 2018
- Superior Award by Macau Elite Service Award 2018
- Two diamonds by 2018 Black Pearl Restaurant Guide
- 2018 editor recommended restaurant by 2018 IFood Award
- Ranked 5th in Top 100+ Asian Restaurants by 2018 Opinionated About Dining





The Eight, Grand Lisboa

- Three Michelin Stars by Michelin Guide Hong Kong Macau 2019
- 3-Glass Rating (Excellent) by China's Wine List of the Year Awards 2018
- Two-star Restaurant in Ctrip Gourmet List 2018
- Best Hotel Restaurant by The 9th Best Design Hotel Awards
- Hong Kong Tatler Best Restaurants 2019
- South China Morning Post 100 Top Tables 2018
- Superior Award by Macau Elite Service Award 2018
- Three diamonds by 2018 Black Pearl Restaurant Guide
- 2018 editor recommended restaurant by 2018 IFood Award
- Best Chinese Cuisine of the Year by Target Taste Award 2018
- Ranked 13th in Top 100+ Asian Restaurants by 2018 Opinionated About Dining



The Kitchen, Grand Lisboa

- One Michelin Star by Michelin Guide Hong Kong Macau 2019
- Wine Spectator Best of Award of Excellence 2018
- 2-Glass Rating (Outstanding) by China's Wine List of the Year Awards 2018
- One-star Restaurant in Ctrip Gourmet List 2018
- One diamond by 2018 Black Pearl Restaurant Guide



Casa Don Alfonso, Grand Lisboa

- Wine Spectator Grand Award 2018
- 3-Glass Rating (Excellent) by China's Wine List of the Year Awards 2018
- Hong Kong Tatler Best Restaurants 2019
- Ctrip Select in Ctrip Gourmet List 2018
- Service Star Award by Quality Tourism Services Accreditation Scheme
- Ranked 45th in Top 100+ Asian Restaurants by 2018 Opinionated About Dining



Sofitel Macau at Ponte 16

- Silver Award in Macao Green Hotel Award 2017–2019
- "Environmental Performance" Gold Award at 2018 Business Awards of Macau
- Unique Luxury Hotel of the Year China by Luxury Travel Guide 2018
- Luxury Romantic Hotel by 2018 World Luxury Hotel Awards
- Luxury Hotel of the Year by Sohu Travel Hotel Awards 2018
- Scored 8.5 out of 10 at Guest Review Awards 2017 by Booking.com
- Le Chinois was awarded 2018 Certificate of Excellence by TripAdvisor
- Privé French restaurant was awarded My Favourite Hotel Restaurant in Macau by U Favourite Food Awards 2018
- So SPA was awarded Luxury Beauty Spa by 2018 World Luxury Spa Awards
- Spa Hotel of the Year by Sohu Travel Hotel Awards 2018

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Ho Chiu Fung, Daisy, aged 54, was elected an Executive Director of the Company in June 2017. She was appointed to succeed as Chairman of the Company in June 2018, and was appointed as the Chairman of the Executive Committee of the board of directors of the Company (the "Board") in July 2018, and a member of the Nomination Committee and the Remuneration Committee of the Board in February 2019. Ms. Ho is also a director of a number of principal subsidiaries of the Company. She was an appointed representative of Shun Tak Holdings Limited, which is a corporate director of Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") (the controlling shareholder of the Company), up till 31 March 2010, and has thereafter become an appointed representative of Lanceford Company Limited, which is also a corporate director of STDM, since 1 April 2010. She was appointed an executive director of Shun Tak Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE Main Board"), in 1994, and has been the deputy managing director and chief financial officer of Shun Tak Holdings Limited since 1999. She is also a member of the executive committee, remuneration committee and nomination committee of Shun Tak Holdings Limited and a director of a number of its subsidiaries.

Ms. Ho is Vice President and an executive committee member of The Real Estate Developers Association of Hong Kong, Fellow of The Hong Kong Institute of Directors, Governor of The Canadian Chamber of Commerce in Hong Kong, Vice President of Macao Association of Building Contractors and Developers, Member of The Chinese General Chamber of Commerce and of its Ladies Committee, Life member of Macao Chamber of Commerce and member of its Ladies Committee, Member of the Hong Kong Institute of Real Estate Administrators, Chairman of Hong Kong Ballet, Vice-chairman of Po Leung Kuk, Honorary Vice President of the Hong Kong Girl Guides Association, World Fellow of The Duke of Edinburgh's Award World Fellowship, Chairman cum Director of University of Toronto (Hong Kong) Foundation Limited and Chairman of its Scholarship Selection Committee, Dean's International Advisory Committee Member of Joseph L. Rotman School of Management – University of Toronto, Member of Advisory Council of the Canadian International School of Hong Kong and Director of Tianjin Education Foundation (Hong Kong) Limited.

Ms. Ho holds a Master of business administration degree in finance from the University of Toronto, Canada and a Bachelor's degree in marketing from the University of Southern California, U.S.A.

Ms. Ho is a daughter of Dr. Ho Hung Sun, Stanley, the Chairman Emeritus of the Company.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Mr. Fok Tsun Ting, Timothy, aged 73, was appointed as an Executive Director of the Company in 2010, and was appointed as a member of the Cotai Project Committee of the Board in 2015. He was appointed as a Co-Chairman of the Company in June 2018, and was appointed as a member of the Executive Committee of the Board in July 2018. Mr. Fok has been a director of Sociedade de Jogos de Macau, S.A. (“SJM”) since 2014.

Mr. Fok is the chairman of Fok Ying Tung Group, the chairman of Fok Ying Tung Foundation and a member of the Trust Committee of Henry Fok Foundation. He is an honorary member of the International Olympic Committee, a vice-president – East Asia of the Olympic Council of Asia, the president of the Sports Federation and Olympic Committee of Hong Kong, China and the president of the Hong Kong Football Association. Mr. Fok was a member of the 8th, 9th, 10th, 11th and 12th National Committee of Chinese People’s Political Consultative Conference (“CPPCC”) and a vice-chairman of the Committee of Education, Science, Culture, Health and Sports of CPPCC. He was elected as a member of the Legislative Council of Hong Kong, representing the Sports, Performing Arts, Culture and Publication functional constituency from 1998 to 2012.

Mr. Fok was appointed as a Justice of the Peace by the Hong Kong Special Administrative Region (“Hong Kong SAR”) Government in 1998, and was awarded the Gold Bauhinia Star Medal and the Silver Bauhinia Star Medal by the Hong Kong SAR Government in 2004 and 1999 respectively. He was awarded the Olympic Order in Silver by International Olympic Committee in October 2018.

Mr. Fok was educated at the University of Southern California, U.S.A. He is a fellow member of The Hong Kong Institute of Directors.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Deputada Leong On Kei, Angela, aged 57, has been an Executive Director of the Company since 2007. She was appointed as a Co-Chairman of the Company in June 2018. Deputada Leong has been a member of the Remuneration Committee and the Nomination Committee of the Board since 2008, a member of the Executive Committee of the Board since 2009, and a member of the Cotai Project Committee of the Board since 2015. She has been the Chairman of the Staff Welfare Consultative Committee of SJM since 2005, a director of SJM since 2007, the Managing Director of SJM since 2010, and Chief Administrative Officer of SJM since 2014. Deputada Leong has been a director of STDM since 2005.

Deputada Leong is actively involved in public and community services in China, Hong Kong and Macau. She is a Standing Committee member of the Jiangxi Provincial Committee of CPPCC, a vice-chairman of Jiangxi Federation of Returned Overseas Chinese, Honorary Citizen of Jinggangshan, Jiangxi Province, Honorary President of Jinggangshan Cadre Training Academy, Jiangxi Province and Honorary Principal of Jinggangshan Experimental Primary School, Jiangxi Province. In 2005, 2009, 2013 and 2017, respectively, Deputada Leong was elected a member of the 3rd, 4th, 5th and 6th Legislative Assemblies of the Macau Special Administrative Region (“Macau SAR”) and the chairman of the 6th Administrative Council of the Legislative Assemblies of Macau SAR. She is a member of the 2nd, 3rd and 4th Elective Committee of Chief Executive of Macau SAR and an elective committee member of the 10th, 11th, 12th and 13th National People’s Congress of Macau SAR, China. She is a member of Tourism Development Committee of Macau SAR since 2018.

Deputada Leong is currently a consultant of Macao Basic Law Promotion Association, a member of the Board of Trustee of Macao Foundation, the president of the General Association of Administrators and Promoters for Macau Gaming Industry, a vice-president of the Board of Supervisors of The Macao Chamber of Commerce, an honorary consultant of The Women’s General Association of Macau, the president of Macau Social Services Centre, a vice-president of Federation of Macau China Sport General Associations, the president of Macau Dance Sport Federation, a director of Stanley Ho Astronautics Training Foundation, a member of Advisory Committee of Kiang Wu Nursing College of Macau and the chairman of The Hong Kong Island Social Services Charitable Foundation. She was a Standing Committee member of Zhuhai Municipal Committee of CPPCC until December 2016 and a member of the Cultural Industries Committee of Macau SAR from 2010 to 2016. Deputada Leong was a director of Po Leung Kuk from 2005 to 2015, a vice-chairman of Po Leung Kuk from 2011 to 2014, the chairman of Po Leung Kuk from 2014 to 2015 and a member of Advisory Board of Po Leung Kuk from 2015 to 2016.

Deputada Leong was awarded the Medal of Merit – Industry and Commerce by the Macau SAR Government in 2009. She was awarded the Business Awards of Macau – Award of Female Entrepreneur in 2013 and the Bronze Bauhinia Star by Hong Kong SAR Government in 2015.

Deputada Leong is a fellow member of The Hong Kong Institute of Directors.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Dr. So Shu Fai, aged 67, was appointed a director of the Company in 2006. He is currently the Chief Executive Officer and an Executive Director of the Company, and was appointed as the Vice-Chairman of the Company in June 2018. Dr. So is responsible for execution of the Company's strategy and the overall management of the Company's business. He was the Chairman of the Executive Committee of the Board from 2009 to July 2018 and thereafter a member of the said committee. Dr. So was the Chairman of the Remuneration Committee and the Nomination Committee of the Board from 2008 to 2012 and thereafter a member of the said committees. He was appointed as a member of the Cotai Project Committee of the Board in 2015. Dr. So has been a director of SJM and a member of the senior management of SJM since 2002, and was elected as the chairman of the board of directors of SJM in 2013. He is a director of a number of principal subsidiaries, an associate and a joint venture of the Company. Dr. So joined STDM in 1976 and has over 40 years of experience in the casino business.

Dr. So is an executive director of China Merchants Land Limited, a company listed on the HKSE Main Board. He was an independent non-executive director of SHK Hong Kong Industries Limited, a company listed on HKSE Main Board until June 2015. Dr. So is also a director of Estoril-Sol, SGPS, S.A. which is listed on Euronext Lisbon and the chairman of the board of directors of MACAUPORT – Sociedade de Administração de Portos, S.A.

Dr. So is presently the Honorary Consul of the Republic of Portugal in Hong Kong SAR and a consultant of the Economic Development Council of Macau SAR Government. He is the president of Clube Militar de Macau, a member of the board of directors of The University of Hong Kong Foundation for Educational Development and Research, as well as a committee member of the 10th National Committee of the China Federation of Literary and Art Circles. Dr. So was a member of the 9th, 10th, 11th and 12th National Committee of CPPCC and a member of the Committee of Foreign Affairs of the National Committee of CPPCC.

Dr. So was awarded the Honorary University Fellowship by The University of Hong Kong in 2005, the Medal of Merit – Culture by the Macau SAR Government in 2009 and the Doctor of Social Sciences *honoris causa* by the University of Macau in 2012. He was conferred as Comendador da Ordem do Mérito by the Portuguese Government in 2014.

Dr. So graduated with a Bachelor of Science degree from The University of Hong Kong in 1973, and received a doctoral degree in Management Studies from IMC/Southern Cross University, Australia in 2001. Dr. So is a Chartered Secretary and a Chartered Governance Professional and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He is a fellow member of The Hong Kong Institute of Directors.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Mr. Ng Chi Sing, aged 67, was appointed a director of the Company in 2006 and is currently the Chief Operating Officer and an Executive Director of the Company. He has been a member of the Executive Committee of the Board since 2009. Mr. Ng has been a director and the Chief Operating Officer of SJM since 2002. He is responsible for overseeing SJM's operations. He is also a director of a number of principal subsidiaries of the Company and a director of a joint venture of the Company.

Mr. Ng joined STDM in 1978 and has 40 years of experience in the casino business. He served as the deputy general manager for Casino Administration and Operations of STDM from 1999 to 2002. He was a Standing Committee member of the 12th Shanghai Municipal Committee of CPPCC until January 2018.

Mr. Ng was awarded as Chevalier dans l'Ordre National du Mérite by the French Government in 2015.

Mr. Ng holds a Bachelor's degree from The University of Hong Kong and a Master of Management Studies degree from Asia International Open University (Macau). He is a fellow member of The Hong Kong Institute of Directors.

Dr. Chan Un Chan, aged 64, was elected as Executive Director of the Company in June 2018. She has been a director of SJM since 2009. Dr. Chan is a director and a shareholder of STDM. She is the chairman of UNIR (HK) Management Limited, the executive director of Tagus Properties Limited, a director of Hung Choi Land Development Co, Limited, UNIR HOTEL PTY LTD, Sky Shuttle Helicopters Limited and Wei Hang Shipyard (Zhong Shan) Co., Limited.

Dr. Chan actively involves in the charitable and community services in China, Hong Kong and Macau. She is the Vice-Chairman of Beijing Chinese Overseas Friendship Association, Honorary Director of Beijing Xiaoxing Ballet Art Development Foundation, Honorary Director of Guangdong Women and Children's Foundation, Hon. Vice-President of Hong Kong Anti-Cancer Society, Permanent Director of Hong Kong Art Craft Merchants Association Limited, Life Patron of Hong Kong Ballet Group and Vice-Presidente da Assembleia Geral of Obra Das Mães, Macau. Dr. Chan was a director of Tung Wah Group of Hospitals from 2006 to 2008, a vice-chairman of Tung Wah Group of Hospitals from 2008 to 2013 and the chairman of Tung Wah Group of Hospitals from 2013 to 2014, a member of Fundraising Committee 2003 of End Child Sexual Abuse Foundation, and a sponsor of Mobile Classroom of End Child Sexual Abuse Foundation. Dr. Chan was a member of the 11th Guangdong Provincial Committee of CPPCC.

Dr. Chan was awarded the China Children Philanthropists by China Children and Teenagers' Fund in 2008, the World Outstanding Chinese Award by United World Chinese Association in 2008, the Star of Charity by Guangdong Women and Children's Foundation in 2012 and the Bronze Bauhinia Star by the Hong Kong SAR Government in 2014.

Dr. Chan was conferred with Honorary Doctor of Commerce from The University of West Alabama, U.S.A. in 2008, Honorary Doctorate in Management from Lincoln University, U.S.A. in 2009 and Honorary Fellowship Award from Canadian Chartered Institute of Business Administration in 2009.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Mr. Shum Hong Kuen, David, aged 64, has been an Executive Director of the Company since 2007. He has been a member of the Executive Committee and the Cotai Project Committee of the Board since 2009 and 2015 respectively. Mr. Shum was a member of the Nomination Committee of the Board from 2008 to February 2019. He is also a director of a subsidiary of the Company. Mr. Shum has been a director of SJM since 2007 and of Sociedade de Turismo e Desenvolvimento Insular S.A.R.L. since 1998. He is an executive director and a member of the executive committee of the board of directors of Shun Tak Holdings Limited (listed on HKSE Main Board). He is also a director of a number of subsidiaries in the Shun Tak Group.

Mr. Shum holds a Bachelor's degree from the University of Illinois, Urbana-Champaign, U.S.A. and a Master's degree in Business Administration from the University of California, Berkeley, U.S.A. He is a fellow member of the Hong Kong Institute of Directors.

NON-EXECUTIVE DIRECTOR

Dr. Cheng Kar Shun, aged 72, has been a Non-executive Director of the Company since 2013. He has been a director of SJM since 2013.

Dr. Cheng is the chairman and executive director of New World Development Company Limited, Chow Tai Fook Jewellery Group Limited and NWS Holdings Limited, the chairman and non-executive director of New World Department Store China Limited and FSE Services Group Limited (formerly known as "FSE Engineering Holdings Limited"), and the vice-chairman and non-executive director of i-CABLE Communications Limited, all of them are companies listed on HKSE Main Board.

Dr. Cheng is the chairman and managing director of New World China Land Limited, which was listed on the HKSE Main Board and has been withdrawn from listing since August 2016. He was a non-executive director of Lifestyle International Holdings Limited and the chairman and executive director of International Entertainment Corporation, both are listed on the HKSE Main Board, until May 2015 and June 2017 respectively. Dr. Cheng was an independent non-executive director of Hang Seng Bank Limited and HKR International Limited, both are listed on the HKSE Main Board, until May 2018 and March 2018 respectively. He was also the chairman and non-executive director of Newton Resources Ltd, a company listed on the HKSE Main Board, until April 2018.

Dr. Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation, and was a standing committee member of the 12th National Committee of CPPCC until March 2018. He was awarded the Grand Bauhinia Medal and the Gold Bauhinia Star Medal by Hong Kong SAR Government in 2017 and 2001 respectively.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Tak Hay, aged 76, has been an Independent Non-executive Director of the Company since 2007 and a member of the Audit Committee of the Board since 2008, a member of the Remuneration Committee of the Board since 2010, and a member of the Nomination Committee of the Board since 2008 and thereafter appointed as the Chairman of the said committee in 2012.

Mr. Chau has been an independent non-executive director of Tradelink Electronic Commerce Limited (listed on HKSE Main Board) since 2009 and an independent non-executive director of Wheelock and Company Limited (listed on the HKSE Main Board) since 2012.

Mr. Chau graduated from The University of Hong Kong in 1967.

Between 1988 and 2002, Mr. Chau served in a number of principal official positions in the Hong Kong SAR Government, including Secretary for Commerce and Industry, Secretary for Broadcasting, Culture and Sport, and Secretary for Health and Welfare. He was awarded the Gold Bauhinia Star by the Hong Kong SAR Government in 2002.

Dr. Lan Hong Tsung, David, aged 78, has been an Independent Non-executive Director of the Company since 2007, and a member of the Nomination Committee of the Board since 2008, a member of the Audit Committee of the Board since 2010, and a member of the Remuneration Committee of the Board since 2008 and thereafter appointed as the Chairman of the said committee in 2012.

Dr. Lan is the Chairman of David H T Lan Consultants Ltd., the Senior Advisor of Mitsui & Co (HK) Ltd., an independent non-executive director of Nanyang Commercial Bank, Ltd. and a supervisor of Nanyang Commercial Bank (China), Limited. He is also an independent non-executive director and a member of Audit Committee of Cheung Kong Infrastructure Holdings Limited and Hutchison Telecommunications Hong Kong Holdings Limited, each of which is listed on HKSE Main Board, as well as an independent non-executive director and Chairman of Audit Committee of ARA Asset Management (Prosperity) Limited, the manager of HKSE Main Board listed Prosperity Real Estate Investment Trust. Dr. Lan was the non-executive director and the co-chairman of Aurum Pacific (China) Group Limited, listed on the HKSE Growth Enterprise Market, for the period from March 2015 to October 2015. He was an independent non-executive director and a member of the Audit Committee of ARA Asset Management (Fortune) Limited, the manager of HKSE Main Board listed and Singapore Exchange listed Fortune Real Estate Investment Trust until January 2017.

In 2000, Dr. Lan was awarded the Gold Bauhinia Star by the Hong Kong SAR Government for his 39 year-long civil service when he retired as the Secretary for Home Affairs. He was appointed to the 10th and 11th sessions of the National Committee Member of CPPCC.

Dr. Lan graduated from the University of London with a Bachelor of Arts degree and obtained Advanced Management Program (AMP) qualification from the Harvard Business School. He was also a Visiting Fellow of Queen Elizabeth House (Oxford). Dr. Lan was conferred with Doctor of Business Administration (honoris causa) by University of the West of England, Bristol in November 2017, and was conferred with Doctor of Humanities (honoris causa) by Don Honorio Ventura Technological State University and Visiting Professorship awarded by Bulacan State University and Tarlac State University.

Dr. Lan is a Chartered Secretary and a Chartered Governance Professional and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He is also the President of The International Institute of Management and a fellow member of The Hong Kong Institute of Directors.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Hon. Shek Lai Him, Abraham, aged 73, has been an Independent Non-executive Director of the Company since 2007, and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board since 2008. He was appointed as the Chairman of the Cotai Project Committee of the Board in 2015.

Hon. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited and the vice-chairman and an independent non-executive director of ITC Properties Group Limited, both companies are listed on HKSE Main Board. He is also an independent non-executive director of a number of companies listed on the HKSE Main Board, namely, China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Cosmopolitan International Holdings Limited, Country Garden Holdings Company Limited, Everbright Grand China Assets Limited, Goldin Financial Holdings Limited, Hop Hing Group Holdings Limited, Lai Fung Holdings Limited, Lifestyle International Holdings Limited, MTR Corporation Limited, NWS Holdings Limited and Paliburg Holdings Limited. Hon. Shek is an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust, and Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust, both of the Trusts are listed on the HKSE Main Board. He has been an independent non-executive director of CSI Properties Limited, a company listed on HKSE Main Board, since July 2018.

Hon. Shek was an independent non-executive director of ITC Corporation Limited, Midas International Holdings Limited and TUS International Limited, all of which are listed on the HKSE Main Board, until March 2017, January 2018 and January 2017, respectively. He was an independent non-executive director of Dorsett Hospitality International Limited, which was listed on the HKSE Main Board and has been withdrawn from listing since October 2015, until March 2016.

Hon. Shek graduated from the University of Sydney with a Bachelor of Arts degree and a Diploma in Education.

Hon. Shek is a member of the Legislative Council for Hong Kong SAR representing the real estate and construction functional constituency since 2000. He was appointed a Justice of the Peace in 1995, was awarded Silver Bauhinia Star and Gold Bauhinia Star by Hong Kong SAR Government in 2007 and 2013 respectively, was awarded the Honorary University Fellowship by The University of Hong Kong in 2016, and was awarded Honorary Fellowship by The Education University of Hong Kong in March 2018. Hon. Shek is also the chairman and an independent member of English Schools Foundation, a court member of the Hong Kong University of Science and Technology, a non-executive director of the Mandatory Provident Fund Schemes Authority, a court and council member of The University of Hong Kong and a member of the advisory committee on Corruption of the Independent Commission Against Corruption.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Tse Hau Yin, aged 71, has been an Independent Non-executive Director of the Company since 2007, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Board since 2008. He was appointed as a member of the Cotai Project Committee of the Board in 2015. Mr. Tse is the chairman of the Supervisory Committee of SJM and a number of its subsidiary companies.

Mr. Tse is an independent non-executive director of China Huarong Asset Management Company, Limited, China Telecom Corporation Limited, CNOOC Limited and Sinofert Holdings Limited, all of which are listed on HKSE Main Board. Mr. Tse is also an independent non-executive director of OCBC Wing Hang Bank Limited, which was listed on the HKSE Main Board until October 2014. He was an independent non-executive director of Daohe Global Group Limited (listed on the HKSE Main Board) from May 2005 to December 2016.

Mr. Tse joined KPMG in 1976, became a partner in 1984 and retired in 2003. Between 1997 and 2000, he served as the non-executive chairman of KPMG's operations in China and was a member of the KPMG China Advisory Board. Mr. Tse is currently a member of the International Advisory Council of The People's Municipal Government of Wuhan.

Mr. Tse holds a Bachelor of Social Sciences degree from The University of Hong Kong. He is a fellow of the Institute of Chartered Accountants in England and Wales, and a fellow member, past president and a former member of the Audit Committee of the Hong Kong Institute of Certified Public Accountants. Mr. Tse is also a registered auditor in Macau. He is a fellow member of The Hong Kong Institute of Directors.

DIRECTORS' BIOGRAPHICAL DETAILS UPDATE

The Directors' biographical details update, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since 1 July 2018 and up to 31 December 2018 has been reflected in the above section.

SENIOR MANAGEMENT

The executive directors of the Company are regarded as senior management of the Company and its subsidiaries (collectively the "Group") in view of the fact that they are directly responsible for overseeing the implementation of the Company's strategic objectives and the business operations of the Group.

DIRECTORS' REPORT

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

The Directors of the Company have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2018 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst its operating subsidiary, SJM conducts casino gaming operations and gaming-related activities in Macau.

An analysis of the revenues and the results of the Group by operating segment during the financial year is set out in note 5 to the Financial Statements.

PRINCIPAL SUBSIDIARIES

A list of principal subsidiaries, together with their places of incorporation/establishment and operations and particulars of their issued share capital/quota capital and principal activity, is set out in note 44 to the Financial Statements.

FINANCIAL RESULTS

The profit of the Group for the year ended 31 December 2018, and the Statement of Financial Position of the Company and of the Group at that date are set out in the Financial Statements on pages 111 to 215.

DIVIDENDS

An interim dividend of HK8 cents per Share for the six months ended 30 June 2018 (six months ended 30 June 2017: HK5 cents per Share) was paid on 28 September 2018.

The Board recommends a final dividend of HK21 cents per Share (2017: HK15 cents per Share) in respect of the year ended 31 December 2018, which is subject to approval at the forthcoming annual general meeting of the Company to be held on 11 June 2019 (the "2019 AGM").

RESERVES AND DISTRIBUTABLE RESERVES

Movements in the reserves of the Company during the year and reserves available for distribution to Shareholders are set out in note 32 to the Financial Statements. Movements in the reserves of the Group are reflected in the Financial Statements on the Consolidated Statement of Changes in Equity.

The Company's reserves available for distribution to Shareholders as at 31 December 2018 amounted to \$7,490.5 million (31 December 2017: \$7,255.4 million).

DONATIONS

Donations made by the Group during the year amounted to \$7.0 million (31 December 2017: \$6.2 million).

DIRECTORS' REPORT

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the sections headed "Business Review" and "Prospects and Recent Developments" on pages 6 to 12 and page 13 of this Annual Report, respectively.

The financial risk management objectives and policies of the Group are shown in the section headed "Financial Review" on pages 14 and 15 and note 38 to the Financial Statements.

The environmental policies and performance of the Group and its compliance with relevant laws and regulations are set out in the "Environmental, Social and Governance Report" on pages 95 to 104 of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 65 to 94 of this Annual Report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2018 is set out on page 216 of this Annual Report.

CLOSURE OF REGISTER OF MEMBERS FOR 2019 AGM

Book close dates for 2019 AGM	: 4 June 2019 to 11 June 2019 (both days inclusive)
Last share registration date for 2019 AGM	: 3 June 2019
Latest time to lodge transfer documents with the Company's share registrar	: 4:30 p.m. on Monday, 3 June 2019
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
Date and time of 2019 AGM	: 2:30 p.m. on Tuesday, 11 June 2019
Deadline and address for submission of proxy form for 2019 AGM	: 2:30 p.m. on Saturday, 8 June 2019 Suites 3001–3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong or via email at comsec@sjmholdings.com

DIRECTORS' REPORT

RECORD DATE FOR PROPOSED FINAL DIVIDEND

Record date for proposed final dividend	: 14 June 2019
Latest time to lodge transfer documents with the Company's share registrar	: 4:30 p.m. on Friday, 14 June 2019
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	: 27 June 2019 (if approved at the 2019 AGM)

MAJOR SUPPLIERS AND CUSTOMERS

Major Suppliers

The aggregate purchases attributable to the Group's five largest suppliers combined were less than 30% of the Group's total purchases for the year.

Major Customers

During the year, the Group's turnover or sales attributable to the five largest customers was below 30%.

FIXED ASSETS

Details of movements in the property and equipment and land use rights of the Group during the year are set out in notes 13 and 14, respectively, to the Financial Statements.

DIRECTORS' REPORT

MAJOR PROPERTIES

Details of major properties of the Group as at 31 December 2018 are as follows:

Property	Location	Use	Site area (sq.m.)	Gross floor area/ saleable area (sq.m.)	Group interest
Grand Lisboa Palace (under development with expected completion of construction in 2019)	A plot of land located in the Cotai area of Macau, adjacent to Avenida do Aeroporto and Rua de Ténis	A complex containing hotel with gaming area	70,468	521,435	100%
Grand Lisboa Hotel and Casino Complex	Avenida do Infante D. Henrique, N° S/N, Macau	Gaming operation, hotel operation and commercial use	11,626	135,442	100%
Ponte 16	Rua das Lorchas, N° S/N ; Rua do Visconde Paço de Arcos, N° S/N, Macau	Gaming operation, hotel operation and commercial use	23,066	126,500	51%
Centro Internacional de Macau	Rua do Terminal Marítimo, N°s 93–103, Edifício I — Bloco V, Macau	Staff quarters	—	5,582.72	100%
Portion of Casino Lisboa	Basement, G/F, 1/F, 2/F, 3/F of Hotel Lisboa, Praça Ferreira do Amaral, N°s 1–5, Macau	Gaming operation	—	7,585.72	100%
China Merchants Tower (pending for completion of acquisition in June 2019)	Whole of 18th floor, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong	Self-use office	—	2,248.25	100%

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2018 are set out in note 27 to the Financial Statements.

CAPITALISATION OF BORROWING COSTS

Borrowing costs capitalised by the Group during the year amounted to \$463.6 million (2017: \$63.4 million).

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 30 to the Financial Statements.

SHARE OPTION SCHEME

At an annual general meeting of the Company held on 13 May 2009, the Shareholders approved the adoption of the Scheme under which the Directors may grant to any participants of the Scheme Options to subscribe for Shares, subject to the terms and conditions as stipulated therein.

Principal terms of the Scheme

The principal terms of the Scheme are summarised below:

Purpose	: To provide incentives to participants to contribute to the Group and/or to enable the Group to retain and recruit high-calibre employees and/or attract human resources that are valuable to the Group
Participants	: Any employee, officer, agent, consultant or representative of the Company or any subsidiary, including any executive or non-executive director of the Company or any subsidiary, who is regarded as a valuable human resources of the Group based on his work experience, knowledge of the industry and other relevant factors
Total number of Shares available for issue	: The total number of Shares which may be issued upon exercise of all Options must not in aggregate exceed 10% of the nominal amount of the issued share capital of the Company as at 13 May 2009 (that is, 500,000,000 Shares). As at the date of this Annual Report, the total number of Shares available for issue under the Scheme is 33,750,000 Shares, representing approximately 0.60% of the total number of Shares in issue.

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Principal terms of the Scheme (Continued)

Maximum entitlement of each participant	<p>: In any 12-month period (including the proposed grant date):</p> <p>(a) For participants excluding substantial Shareholders, Independent Non-executive Directors or their respective associates:</p> <p>1% of the number of Shares in issue as at the proposed grant date (including the total number of Shares already issued and those which may fall to be issued upon exercise of Options granted and to be granted to him under the Scheme and any other share option scheme(s) of the Company and/or any subsidiary)</p> <p>(b) For substantial Shareholders, Independent Non-executive Directors or their respective associates:</p> <p>(i) 0.1% of the number of Shares in issue as at the proposed grant date (including the total number of Shares already issued and those which may fall to be issued upon exercise of Options granted and to be granted to him under the Scheme and any other share option scheme(s) of the Company and/or any subsidiary); or</p> <p>(ii) not exceeding \$5 million in aggregate value based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on each relevant date on which the grant of Options is made.</p>
Period within which the Shares must be taken up under an Option	: The Board may in its absolute discretion determine, save that such period shall expire on the last day of nine years commencing on the date falling six months after the date of grant.
Minimum period for which an Option must be held before it can be exercised	: Such minimum period under the Scheme is six months from the date of grant. At the time of grant of Options, the Board may specify longer minimum period(s) for which Options must be held before they can be exercised.
Amount payable on acceptance of the Option	: \$1

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Principal terms of the Scheme (Continued)

Period within which payments or calls must or may be made or loans for such purposes must be repaid	: Payable within 28 days from the date of the letter containing the grant, provided that no such grant shall be open for acceptance after the expiry or termination of the Scheme.
Basis of determining the exercise price	: The exercise price shall be determined by the Board at the time the grant of the Options is made and shall not be less than the higher of: <ul style="list-style-type: none"> (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the grant date, which must be a business day; and (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date.
Remaining life of the Scheme	: The Scheme will remain in force for a period of 10 years commencing on the adoption date.

Number of Shares issued or to be issued and consideration received or to be received under the Scheme

During the year, 1,530,000 Options were exercised, and a total of \$9,101,340 was received by the Company as the proceeds for allotment and issue of 1,530,000 Shares.

As at 31 December 2018, 477,085,000 Options were granted under the Scheme with 277,980,000 Options were exercised, and a total of \$1,858,651,740 was received by the Company as the proceeds for the allotment and issue of 277,980,000 Shares.

Excluding 10,835,000 Options lapsed, there were 188,270,000 Options outstanding as at 31 December 2018 (including 3,000,000 Options not yet vested on that date). If all those outstanding share options were exercised, a total of \$2,320,376,420 would be received by the Company as the proceeds for the allotment and issue of 188,270,000 Shares.

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted

Details of the movement in Options granted under the Scheme during the year ended 31 December 2018 were as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per Share	Number of Options					Balance as at 31 December 2018
				Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Directors									
Ho Chiu Fung, Daisy	22 June 2017 (Note 8)	22 December 2017 to 21 December 2026	\$8.33	1,000,000	—	(500,000)	—	—	500,000
	22 June 2017 (Note 8)	22 December 2018 to 21 December 2026	\$8.33	1,000,000	—	—	—	—	1,000,000
	22 June 2017 (Note 8)	22 December 2019 to 21 December 2026	\$8.33	1,000,000	—	—	—	—	1,000,000
Fok Tsun Ting, Timothy	31 August 2010 (Note 3)	28 February 2011 to 27 February 2020	\$7.48	3,000,000	—	—	—	—	3,000,000
	17 March 2011 (Note 4)	17 September 2011 to 16 February 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
Leong On Kei, Angela	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	10,000,000	—	—	—	—	10,000,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	10,000,000	—	—	—	—	10,000,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	10,000,000	—	—	—	—	10,000,000
So Shu Fai	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	11,667,000	—	—	—	—	11,667,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	11,667,000	—	—	—	—	11,667,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	11,666,000	—	—	—	—	11,666,000

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share	Number of Options					Balance as at 31 December 2018
				Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Directors (Continued)									
Cheng Kar Shun	8 October 2013 (Note 5)	8 April 2014 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
	8 October 2013 (Note 5)	8 April 2015 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
	8 October 2013 (Note 5)	8 April 2016 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
Chau Tak Hay	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	—	—	—	166,000
Lan Hong Tsung, David	17 March 2011 (Note 4)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	—	—	—	166,000
Shek Lai Him, Abraham	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	—	—	—	166,000

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share	Number of Options					Balance as at 31 December 2018
				Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Directors (Continued)									
Tse Hau Yin	17 March 2011 (Note 4)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	—	—	—	166,000
Ng Chi Sing	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	10,667,000	—	—	—	—	10,667,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	10,667,000	—	—	—	—	10,667,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	10,666,000	—	—	—	—	10,666,000
Chan Un Chan	21 June 2018 (Note 9)	21 December 2018 to 20 December 2027	\$10.26	—	1,000,000	—	—	—	1,000,000
	21 June 2018 (Note 9)	21 December 2019 to 20 December 2027	\$10.26	—	1,000,000	—	—	—	1,000,000
	21 June 2018 (Note 9)	21 December 2020 to 20 December 2027	\$10.26	—	1,000,000	—	—	—	1,000,000
Shum Hong Kuen, David	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	3,000,000	—	—	—	—	3,000,000
	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
Sub-total (Directors):				124,000,000	3,000,000	(500,000)	—	—	126,500,000

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share	Number of Options					Balance as at 31 December 2018
				Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Associates (as defined in the Listing Rules) of Directors (who are also Employees):									
Ho Hung Sun, Stanley	15 June 2015 (Notes 6 & 10)	15 December 2015 to 14 December 2024	\$9.826	1,667,000	—	—	—	—	1,667,000
	15 June 2015 (Notes 6 & 10)	15 December 2016 to 14 December 2024	\$9.826	1,667,000	—	—	—	—	1,667,000
	15 June 2015 (Notes 6 & 10)	15 December 2017 to 14 December 2024	\$9.826	1,666,000	—	—	—	—	1,666,000
Huen Wai Kei	8 October 2013 (Note 5)	8 April 2014 to 7 April 2023	\$22	67,000	—	—	—	—	67,000
	8 October 2013 (Note 5)	8 April 2015 to 7 April 2023	\$22	67,000	—	—	—	—	67,000
	8 October 2013 (Note 5)	8 April 2016 to 7 April 2023	\$22	66,000	—	—	—	—	66,000
	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	20,000	—	—	—	—	20,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	20,000	—	—	—	—	20,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	20,000	—	—	—	—	20,000
Sub-total (Associates of Directors (who are also Employees)):				5,260,000	—	—	—	—	5,260,000
Employees	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	890,000	—	(440,000)	—	—	450,000
Employees	26 May 2010 (Note 2)	26 November 2010 to 25 November 2019	\$5.03	260,000	—	—	—	—	260,000
Employees	17 March 2011 (Note 4)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
Employees*	8 October 2013 (Note 5)	8 April 2014 to 7 April 2023	\$22	13,168,000	—	—	—	(837,000)	12,331,000
Employee	8 October 2013 (Note 5)	8 October 2014 to 7 April 2023	\$22	1,000,000	—	—	—	(1,000,000)	—
Employees*	8 October 2013 (Note 5)	8 April 2015 to 7 April 2023	\$22	13,118,000	—	—	—	(832,000)	12,286,000
Employee	8 October 2013 (Note 5)	8 October 2015 to 7 April 2023	\$22	500,000	—	—	—	(500,000)	—
Employees*	8 October 2013 (Note 5)	8 April 2016 to 7 April 2023	\$22	13,104,000	—	—	—	(831,000)	12,273,000

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share	Number of Options					Balance as at 31 December 2018
				Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Employee	8 October 2013 (Note 5)	8 October 2016 to 7 April 2023	\$22	500,000	—	—	—	(500,000)	—
Employee	8 October 2013 (Note 5)	8 October 2017 to 7 April 2023	\$22	500,000	—	—	—	(500,000)	—
Employee	8 October 2013 (Note 5)	8 October 2018 to 7 April 2023	\$22	500,000	—	—	—	(500,000)	—
Employees*	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	4,063,000	—	(97,000)	—	(268,000)	3,698,000
Employees*	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	4,063,000	—	(97,000)	—	(268,000)	3,698,000
Employees*	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	3,913,000	—	(96,000)	—	(233,000)	3,584,000
Employee	11 May 2016 (Note 7)	11 November 2016 to 10 November 2025	\$4.89	1,000,000	—	—	—	—	1,000,000
Employee	11 May 2016 (Note 7)	11 November 2017 to 10 November 2025	\$4.89	1,000,000	—	—	—	—	1,000,000
Employee	11 May 2016 (Note 7)	11 November 2018 to 10 November 2025	\$4.89	1,000,000	—	—	—	—	1,000,000
Sub-total (Employees):				61,579,000	—	(730,000)	—	(6,269,000)	54,580,000
Other participants	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	300,000	—	(300,000)	—	—	—
Other participants	8 October 2013 (Note 5)	8 April 2014 to 7 April 2023	\$22	367,000	—	—	—	—	367,000
Other participants	8 October 2013 (Note 5)	8 April 2015 to 7 April 2023	\$22	367,000	—	—	—	—	367,000
Other participants	8 October 2013 (Note 5)	8 April 2016 to 7 April 2023	\$22	366,000	—	—	—	—	366,000
Other participants	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	277,000	—	—	—	—	277,000
Other participants	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	277,000	—	—	—	—	277,000
Other participants	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	276,000	—	—	—	—	276,000
Sub-total (Other participants):				2,230,000	—	(300,000)	—	—	1,930,000
Total:				193,069,000	3,000,000	(1,530,000)	—	(6,269,000)	188,270,000

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Notes:

1. The vesting period for all of the Options granted on 13 July 2009 is six months from the date of grant, except the vesting period for Options in respect of a total of 30,000,000 Shares is one third of vesting on 13 January 2010, then one third of vesting on each of the first and second anniversaries of such vesting date. The closing price of the Shares immediately before the date of grant was \$2.85. The estimated fair value of each Option granted on that date based on an independent valuation is as follows:

166,700,000 Options granted on 13 July 2009	Exercise period	Option unit value
146,700,000	13 January 2010 to 12 January 2019	\$1.25819
10,000,000	13 January 2011 to 12 January 2019	\$1.28888
10,000,000	13 January 2012 to 12 January 2019	\$1.31545

2. The vesting period for all of the Options granted on 26 May 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was \$4.83. The estimated fair value of each Option granted on that date based on an independent valuation is \$2.0178.
3. The vesting period for all of the Options granted on 31 August 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was \$7.49. The estimated fair value of each Option granted on that date based on an independent valuation is \$2.8926.
4. The vesting period for all of the Options granted on 17 March 2011 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was \$12.58. The estimated fair value of each Option granted on that date based on an independent valuation is \$4.5320.
5. The vesting period for 47,460,000 Options granted on 8 October 2013 is approximately 34% vesting on six months from the date of grant, then approximately 33% vesting on each of the first and second anniversaries of such vesting date. The vesting period for 3,000,000 Options granted on 8 October 2013 is approximately 34% vesting on one year from the date of grant, then approximately 16.5% vesting on two, three, four and five years from the date of grant respectively. The closing price of the Shares immediately before the date of grant was \$21.95. The estimated fair value of each Option granted on that date based on an independent valuation is as follows:

50,460,000 Options granted on 8 October 2013	Exercise period	Option unit value
15,863,000	8 April 2014 to 7 April 2023	\$8.4299
1,000,000	8 October 2014 to 7 April 2023	\$8.5172
15,808,000	8 April 2015 to 7 April 2023	\$8.6397
500,000	8 October 2015 to 7 April 2023	\$8.7396
15,789,000	8 April 2016 to 7 April 2023	\$8.8327
500,000	8 October 2016 to 7 April 2023	\$8.8954
500,000	8 October 2017 to 7 April 2023	\$8.9801
500,000	8 October 2018 to 7 April 2023	\$8.9928

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Notes: (Continued)

6. The vesting period for 126,725,000 Options granted on 15 June 2015 is approximately 33.37% vesting on six months from the date of grant, then approximately 33.37% vesting on one year and six months from the date of grant, and the remaining 33.26% vesting on two years and six months from the date of grant. The closing price of the Shares immediately before the date of grant was \$9.96. The estimated fair value of each Option granted on that date based on an independent valuation is as follows:

Category of Participants	Number of Options	Exercise period	Option unit value
Directors	38,669,000	15 December 2015 to 14 December 2024	\$3.4670
Directors	38,669,000	15 December 2016 to 14 December 2024	\$3.4584
Directors	38,662,000	15 December 2017 to 14 December 2024	\$3.4210
Employees	3,342,000	15 December 2015 to 14 December 2024	\$3.3966
Employees	3,342,000	15 December 2016 to 14 December 2024	\$3.4052
Employees	3,211,000	15 December 2017 to 14 December 2024	\$3.3865
Other participants	277,000	15 December 2015 to 14 December 2024	\$3.3966
Other participants	277,000	15 December 2016 to 14 December 2024	\$3.4052
Other participants	276,000	15 December 2017 to 14 December 2024	\$3.3865

7. The vesting period for 3,000,000 Options granted on 11 May 2016 is approximately 33.34% vesting on six months from the date of grant, then approximately 33.33% vesting on one year and six months from the date of grant, and the remaining 33.33% vesting on two years and six months from the date of grant. The closing price of the Shares immediately before the date of grant was \$4.85. The estimated fair value of each Option granted on that date based on an independent valuation is as follows:

3,000,000 Options granted on 11 May 2016	Exercise period	Option unit value
1,000,000	11 November 2016 to 10 November 2025	\$1.6434
1,000,000	11 November 2017 to 10 November 2025	\$1.6497
1,000,000	11 November 2018 to 10 November 2025	\$1.6439

8. The vesting period for 3,000,000 Options granted on 22 June 2017 is approximately 33.34% vesting on six months from the date of grant, then approximately 33.33% vesting on one year and six months from the date of grant, and the remaining 33.33% vesting on two years and six months from the date of grant. The closing price of the Shares immediately before the date of grant was \$8.45. The estimated fair value of each Option granted on that date based on an independent valuation is as follows:

3,000,000 Options granted on 22 June 2017	Exercise period	Option unit value
1,000,000	22 December 2017 to 21 December 2026	\$3.1571
1,000,000	22 December 2018 to 21 December 2026	\$3.1584
1,000,000	22 December 2019 to 21 December 2026	\$3.1552

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Notes: (Continued)

9. The vesting period for 3,000,000 Options granted on 21 June 2018 is approximately 33.34% vesting on six months from the date of grant, then approximately 33.33% vesting on one year and six months from the date of grant, and the remaining 33.33% vesting on two years and six months from the date of grant. The closing price of the Shares immediately before the date of grant was \$10.32. The estimated fair value of each Option granted on that date based on an independent valuation is as follows:

3,000,000 Options granted on 21 June 2018	Exercise period	Option unit value
1,000,000	21 December 2018 to 20 December 2027	\$4.0413
1,000,000	21 December 2019 to 20 December 2027	\$4.0443
1,000,000	21 December 2020 to 20 December 2027	\$4.0523

10. On 12 June 2018, Dr. Ho Hung Sun, Stanley, a director of the Company, retired and has continued as an employee of the Group. The classification of outstanding number of his share options is reclassified to confirm with the current period's presentation.

11. The weighted average closing price of the Shares immediately before the dates on which the Options were exercised is \$8.50.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors:

Dr. Ho Hung Sun, Stanley (retired on 12 June 2018)

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 (elected on 12 June 2018)

Mr. Shum Hong Kuen, David

Non-executive Director:

Dr. Cheng Kar Shun

Independent Non-executive Directors:

Mr. Chau Tak Hay

Dr. Lan Hong Tsung, David

Hon. Shek Lai Him, Abraham

Mr. Tse Hau Yin

Brief biographical details of Directors are set out on pages 24 to 32 of this Annual Report. Details of their remuneration are set out in note 9 to the Financial Statements.

DIRECTORS' REPORT

DIRECTORS (Continued)

In accordance with Article 95 of the Company's articles of association, Mr. Ng Chi Sing, an Executive Director, Dr. Cheng Kar Shun, a Non-executive Director, and Mr. Chau Tak Hay and Dr. Lan Hong Tsung, David, each an Independent Non-executive Director will retire from the Board by rotation at the 2019 AGM. Except Dr. Cheng Kar Shun and Dr. Lan Hong Tsung, David who do not offer themselves for re-election, Mr. Ng Chi Sing and Mr. Chau Tak Hay, both being eligible, offer themselves for re-election as Directors at the 2019 AGM.

In addition, pursuant to Article 96(a) of the Company's articles of association, the Board recommends that Mr. Tsang On Yip, Patrick be elected as a Non-executive Director of the Company and Ms. Wong Yu Pok, Marina be elected as an Independent Non-executive Director of the Company upon conclusion of the 2019 AGM, subject to the approval of the Shareholders at the 2019 AGM. The biographical details of Mr. Tsang On Yip, Patrick and Ms. Wong Yu Pok, Marina are set out in Appendix II of the Company's circular to be despatched on 30 April 2019 together with this Annual Report.

All Independent Non-executive Directors have met all of the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received from each of them an annual written confirmation of his independence and considers each of them to be independent.

Mr. Chau Tak Hay, who will retire from the Board by rotation and offer himself for re-election at the 2019 AGM, has been an Independent Non-executive Director for more than nine years. His re-election at the 2019 AGM will be subject to a separate resolution to be passed by the Shareholders. The Board has assessed and considers that he continues to be independent notwithstanding the length of his tenure in view that he has met all of the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. Besides, in view that he has been served as an Independent Non-executive Director for more than nine years, he understands the overall business of the Group and are familiar with the functions of the Board. His experience in this respect in a gaming company is valuable and it contributes diversity to the Board. As at the date of this Annual Report, Mr. Chau holds less than seven listed company directorships.

Save for certain Directors mentioned above, the following persons were directors of subsidiaries of the Company during the year and up to the date of this report:

Mr. Chan Wai Lun
Mr. Cheung Chung Sing
Mr. Chow Kwok Chung, Peter
Mr. Chung Kin Pong
Ms. Ho Chiu Ha, Maisy
Dr. Ho Hung Sun, Stanley
Ms. Kong Leong
Ms. Kwok Shuk Chong
Dr. Ma Ho Man, Hoffman
Mr. McBain, Robert Earle
Mr. Pyne, Jonathan Charles
Dr. Rui José da Cunha
Mr. Tam Chan Sing, Joseph
Mr. Yeung Hoi Sing, Sonny
Dr. Yip Cheuk Yuen, Bernard

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2019 AGM has a service contract with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Save as disclosed below, no contract of significance (i) to which the Company, its holding company or any of their subsidiaries was a party, and in which a Director was materially interested, whether directly or indirectly, subsisted at any time during the year or at the end of the year, nor (ii) between the Company, or one of its subsidiaries, and a controlling Shareholder or any of its subsidiaries.

Agreements with STDM and/or its subsidiaries/associates

Nature and extent of the connected person's interest in the transaction:

Both Deputada Leong On Kei, Angela and Dr. Chan Un Chan have beneficial interests in STDM and are directors of STDM. Dr. Cheng Kar Shun has beneficial interests in STDM via Many Town Company Limited, a corporate director of STDM, and he is the representative of Many Town Company Limited to act as a director of STDM. Ms. Ho Chiu Fung, Daisy has beneficial interests in STDM via Lanceford Company Limited, a corporate director of STDM, and she is the representative of Lanceford Company Limited to act as a director of STDM. Mr. Shum Hong Kuen, David also has beneficial interests in STDM and he is the representative of Shun Tak Holdings Limited (a corporate director of STDM) to act as a director of STDM.

Connected relationship:

STDM is the controlling Shareholder and therefore STDM and/or its subsidiaries/associates (as defined in the Listing Rules) are connected persons of the Company under the Listing Rules.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Agreements with STDM and/or its subsidiaries/associates (Continued)

Premises Leasing Master Agreement

Parties to the agreement:

STDM and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2018
18 June 2008	18 June 2008 to 31 March 2020 (the Company may terminate the agreement by giving at least three months' prior written notice)	<ul style="list-style-type: none"> • For the leasing of premises by STDM Group to the Group for use as casinos, offices, or for other business purposes. • Payments for the premises comprised rental, utility charges, air conditioning service charges and building management fees where the relevant rental must be fair and reasonable, and may not be higher than the rental for the same or comparable type of premises provided by independent third parties in the ordinary course of business; the utility charges payable are based on actual utility consumption; and the air conditioning expenses and building management fees are determined in accordance with and not exceeding the relevant market prices. • The terms and conditions on which such premises are to be provided should be no less favourable to the Company than those offered by independent third parties. 	See "Annual Caps and Aggregate Amount Table" on page 53 of this Annual Report

Further details of the above transactions were set out in the section "Connected Transactions" in the Prospectus of the Company dated 26 June 2008, the announcements of the Company dated 16 June 2009, 11 September 2009, 30 December 2010, 6 January 2014 and 26 January 2017.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Agreements with STDM and/or its subsidiaries/associates (Continued)

Products and Services Master Agreement

Parties to the agreements:

STDM and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2018
26 January 2017	1 January 2017 to 31 December 2019	<ul style="list-style-type: none"> • For the provision of the following categories of products and services by the STDM Group to the Group: <ul style="list-style-type: none"> (i) hotel accommodation (ii) entertainment (iii) transportation (including jetfoil tickets supplied by Far East Hydrofoil Company, Limited through STDM) (iv) hotel management and operation (v) maintenance services • The provision of each relevant product or service by the STDM Group shall be on normal commercial terms and made with reference to the prevailing market price after arm's length negotiation between the relevant parties or, where there is no relevant market price, on terms negotiated between the relevant parties at arm's length. • The price of the products and services to be provided by the STDM Group including the basis of the calculation of the payments to be made shall be set out in the relevant implementation agreements and must be fair and reasonable. 	See "Annual Caps and Aggregate Amount Table" on page 53 of this Annual Report

Further details of the above transactions were set out in the announcement of the Company dated 26 January 2017.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Agreements with STDM and/or its subsidiaries/associates (Continued)

Chips Agreement

Parties to the agreement:

STDM and SJM

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2018
18 June 2008	No fixed term (may be terminated by mutual agreement or upon termination of SJM's gaming concession contract, whichever is earlier)	<ul style="list-style-type: none"> • For regulating the honouring, borrowing and use of the casino chips of STDM for the purposes of its gaming operations. • Since 1 April 2002, SJM had been borrowing casino chips from STDM for the purpose of its business operation. STDM agreed to reimburse SJM for the aggregate face value of the chips honoured by SJM which were not sold by SJM. The arrangements are now being phased out as explained below. 	See "Annual Caps and Aggregate Amount Table" on page 53 of this Annual Report

Further details of the above transactions were set out in the section "Connected Transactions" in the Prospectus of the Company dated 26 June 2008 and the announcements of the Company dated 30 December 2010, 6 January 2014 and 26 January 2017.

Since SJM has secured its own supply of chips and is no longer borrowing any STDM chips starting from 2011, the overall value of STDM chips redeemed in 2018 has declined substantially from the historical levels seen in earlier years. Furthermore, all casino chips of STDM have been withdrawn from circulation and procedures were put in place for those holding such chips to redeem them for cash or for casino chips of SJM.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Agreements with STDM and/or its subsidiaries/associates (Continued)

Chips Agreement (Continued)

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2018 \$ million (audited)	Annual cap for the year ended 31 December 2018 \$ million	Annual cap for the year ending 31 December 2019 \$ million
Premises Leasing Master Agreement (Note 1)	263.6	307	307
Products and Services Master Agreement (Note 2)			
(i) Hotel accommodation	22.2	92	106
(ii) Entertainment	18.0	69	79
(iii) Transportation	130.2	206	236
(iv) Maintenance services	N/A	N/A	N/A
(v) Hotel management and operation	N/A	N/A	N/A
Chips Agreement (Note 3)	1.1	79	79

Notes:

- In January 2017, the Board approved the annual caps for this category of continuing connected transactions for the three financial years of 31 December 2017, 2018 and 2019 at \$307 million each year. These annual caps have been determined by reference to (i) the existing leases between the Group and the STDM Group; (ii) the expected renewal of certain existing leases during the three years ending 31 December 2019; (iii) the estimated rental adjustments to be made to the renewed leases; and (iv) a buffer for additional and unexpected demand of the Group for the premises owned by the STDM Group for its business operations up to 31 December 2019.
- In January 2017, STDM and the Company renewed the Products and Services Master Agreement and approved the annual caps for the three categories of continuing connected transactions (i.e., hotel accommodation, entertainment, and transportation) for the three financial years of 31 December 2017, 2018 and 2019. Those annual caps are determined by reference to a number of factors including (i) the historical consumption of the products and services by the Group; (ii) the business, marketing and promotion plans of the Group; (iii) the inflation rate in Macau; and (iv) the expected transaction volume and market prices of the products and services. The other two categories of continuing connected transactions (i.e., maintenance services, and hotel management and operation) under the Products and Services Master Agreement are de minimis transactions under the Listing Rules and no annual cap has been set.
- In January 2017, the Board set the annual caps for this category of continuing connected transactions for the three financial years of 31 December 2017, 2018 and 2019 at \$79 million each year. These annual caps for the STDM chips to be redeemed have been determined by reference to the outstanding amount of STDM chips in circulation.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Agreements with STDM and/or its subsidiaries/associates (Continued)

Agreement for property acquisition

Parties to the agreement:

Purchaser: Bondwell Limited ("Bondwell"), a wholly-owned subsidiary of the Company

Seller: Shun Tak Centre Limited ("STC"), which is owned as to over 30% by STDM and is an associate of STDM

Details of the transaction:

Date of agreement	Description of the transaction and its purpose	Consideration
9 November 2018	<ul style="list-style-type: none"> <li data-bbox="485 783 1102 966">• Bondwell agreed to acquire and STC agreed to sell the property, which is the whole of 18th floor, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong (the "Property"). <li data-bbox="485 1008 1102 1115">• The Property is intended for self-use and consolidation of various existing offices of the Group into a single location. <li data-bbox="485 1157 1102 1412">• The consideration is agreed after arm's length negotiations between Bondwell and STC having taken into account, among others, the prevailing market conditions and the estimated market value of the Property. It is not higher than the estimated market value of the Property as appraised by an independent property valuer. <li data-bbox="485 1455 1102 1519">• The consideration is expected to be funded by internal resources of the Group. <li data-bbox="485 1561 1102 1636">• Completion is expected to take place by no later than 14 June 2019. 	<p>\$680 million (\$204 million will be settled upon signing of the agreement, and the remaining balance of \$476 million will be settled upon completion.)</p>

Further details of the above transaction were set out in the announcements of the Company dated 9 and 16 November 2018.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Agreement for Provision of Service and Licensing for Occupation and Use of Space

Nature and extent of the connected person's interest in the transaction:

Tin Hou is a company indirectly controlled over 50% by a half-brother of a director of certain subsidiaries of the Company.

Connected relationship:

Tin Hou is a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

Parties to the agreement:

Tin Hou and SJM

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Aggregate amount
			of transactions in 2018 \$ million (audited)
19 February 2010	1 October 2009 to 31 March 2020 (expiration date of SJM's gaming concession contract) or earlier termination (including winding up or cessation of business of either party)	<ul style="list-style-type: none"> Tin Hou and SJM formalised their business arrangements in respect of the provision by Tin Hou to SJM of certain services in the gaming area located at the Grand Emperor Hotel in Macau (the "Gaming Area") which had commenced in October 2009. In consideration for the provision of related services to SJM, Tin Hou together with the nominated junket promoter, which is a fellow subsidiary of Tin Hou, is entitled to a share of the gross win and gross loss in respect of the monthly operating performance of the Gaming Area. The consideration for the provision of such services was determined after arm's length negotiation. 	979.4

Further details of the said transactions were set out in the announcement of the Company dated 13 December 2010.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Premises Leasing Master Agreement with Deputada Leong On Kei, Angela and/or her associates

Nature and extent of the connected person's interest in the transaction:

Deputada Leong On Kei, Angela and/or her associates lease certain premises to members of the Group at rental fixed between the parties.

Connected relationship:

Deputada Leong On Kei, Angela, a Director, and/or her associates which leases premises to the members of the Group are connected persons of the Company under the Listing Rules.

Parties to the agreements:

Deputada Leong On Kei, Angela and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transaction in 2018
14 December 2016	1 January 2017 to 31 December 2019 (the "Relevant Period") (the Company shall have the right in its sole discretion to renew the agreement for further three years)	<ul style="list-style-type: none"> • Deputada Leong On Kei, Angela agrees to lease and procure her associates to lease certain premises to members of the Group subject to the terms and conditions of the Premises Leasing Master Agreement and the relevant lease implementation agreements. • The relevant rental of each premises shall not be higher than the rental for the same or comparable type of premises provided by independent third parties in the ordinary course of business. The terms and conditions on which such premises are to be provided should be no less favourable to the Group than those offered by independent third parties. • The costs of maintenance and repair of the premises shall be borne, as set out in the lease implementation agreements, by the relevant member of the Group as tenant/lessee in the case of regular maintenance and repair of usage deterioration and by Deputada Leong On Kei, Angela and/or her relevant associate as landlord/lessor in the case of structural repair required to maintain the integrity of the premises. 	See "Annual Caps and Aggregate Amount Table" on page 57 of this Annual Report

Further details of the said transaction were set out in the announcement of the Company dated 14 December 2016.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Premises Leasing Master Agreement with Deputada Leong On Kei, Angela and/or her associates (Continued)

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2018 \$ million (audited)	Annual cap for the year ended 31 December 2018 \$ million	Annual cap for the year ending 31 December 2019 \$ million
Annual rentals (Note)	118.5	184	150

Note:

The annual caps for 2017 to 2019 are determined by reference to (i) the leases entered between the Group and Deputada Leong On Kei, Angela and/or her associates under the premises leasing master agreement dated 22 November 2013; (ii) the expected renewals of the leases under the premises leasing master agreement dated 22 November 2013 during the Relevant Period; (iii) the estimated rental adjustments to be made to the renewed leases; (iv) the estimated premises related fees and charges payable to Deputada Leong On Kei, Angela and/or associates; and (v) a buffer of 10% for any unanticipated fluctuations of market rental (including property management fee, if applicable) and any unexpected fees and charges incidental to the transactions contemplated under the Premises Leasing Master Agreement as well as any additional leases to be entered pursuant to the said Premises Leasing Master Agreement in the Relevant Period.

REVIEW BY AUDITORS

Under Chapter 14A of the Listing Rules, the above transactions constitute continuing connected transactions/connected transaction of the Group and require disclosure in the annual report of the Company.

The Company's auditor, Deloitte Touche Tohmatsu (the "Auditor"), was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 49 to 57 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' REPORT

REVIEW BY AUDITORS (Continued)

The Auditor has confirmed that for the year 2018:

- (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 14 December 2016 and 26 January 2017 made by the Company in respect of each of the disclosed continuing connected transactions.

The Independent Non-executive Directors have reviewed these transactions and the report of the Auditor and confirmed that the continuing connected transactions have been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) either on normal commercial terms or, on terms no less favourable to the Company than the terms available to and from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

At a meeting of the Audit Committee held on 28 February 2019, all the Independent Non-executive Directors reviewed and confirmed compliance with an agreement between SJM and STDM dated 18 June 2008 regarding the honouring and borrowing of STDM chips for the purpose of SJM's casino gaming operations. During the year ended 31 December 2018, the net amount received and receivable on reimbursement of STDM chips in circulation amounted to \$1.1 million.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the usual course of business are set out in note 40 to the Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards. The related party transactions referred in notes 40(b) to 40(i) constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules, and all such related party transactions comply with the requirement under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Dr. Ho Hung Sun, Stanley, who retired as a Director at the annual general meeting of the Company held on 12 June 2018 ("2018 AGM"), had beneficial interests in Melco International Development Limited ("Melco") which, through its interest in Melco Resorts & Entertainment Limited, is also engaged in the casino gaming business in Macau. As at 12 June 2018, he was one of the beneficiaries of a discretionary trust which, via a company controlled by it, interested in 306,382,187 shares of Melco, representing approximately 19.97% of the issued share capital of Melco. Dr. Ho Hung Sun, Stanley is also a beneficial owner of 342 shares of Melco.

Dr. Ho Hung Sun, Stanley is not a member of the board of directors of Melco, nor has he exercised, and is not able to exercise any influence on the daily financial and operating policies of Melco or the sub-concessionaire, Melco Resorts (Macau) Limited.

Save as disclosed, during the year, no Director has been interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business which is required to be disclosed pursuant to the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, interests and short positions of each Director and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, are as follows:

Interests in Shares, underlying Shares and debentures of the Company

Name of Director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued shares
					(Note 2)
Ho Chiu Fung, Daisy	Beneficial owner	Long position	500,000	—	0.01%
	Beneficial owner	Long position	—	2,500,000	0.04%
				(Note 1)	
			500,000	2,500,000	0.05%
Fok Tsun Ting, Timothy	Beneficial owner	Long position	—	9,000,000	0.16%
				(Note 1)	
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	—	8.09%
	Beneficial owner	Long position	—	30,000,000	0.53%
				(Note 1)	
			457,950,000	30,000,000	8.62%

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Interests in Shares, underlying Shares and debentures of the Company (Continued)

Name of Director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued shares
<i>(Note 2)</i>					
So Shu Fai	Beneficial owner	Long position	153,327,922	—	2.71%
		Long position	—	35,000,000	0.62%
				<i>(Note 1)</i>	
			153,327,922	35,000,000	3.33%
Cheng Kar Shun	Beneficial owner	Long position	—	6,000,000	0.11%
				<i>(Note 1)</i>	
Chau Tak Hay	Beneficial owner	Long position	500,000	—	0.01%
	Beneficial owner	Long position	—	500,000	0.01%
				<i>(Note 1)</i>	
			500,000	500,000	0.02%
Lan Hong Tsung, David	Beneficial owner	Long position	100,000	—	0.002%
	Beneficial owner	Long position	—	1,000,000	0.02%
				<i>(Note 1)</i>	
			100,000	1,000,000	0.022%
Shek Lai Him, Abraham	Beneficial owner	Long position	200,000	—	0.004%
	Beneficial owner	Long position	—	500,000	0.01%
				<i>(Note 1)</i>	
			200,000	500,000	0.014%
Tse Hau Yin	Beneficial owner	Long position	500,000	—	0.01%
	Beneficial owner	Long position	—	1,000,000	0.02%
				<i>(Note 1)</i>	
			500,000	1,000,000	0.03%
Ng Chi Sing	Beneficial owner	Long position	118,452,922	—	2.09%
	Beneficial owner	Long position	—	32,000,000	0.57%
				<i>(Note 1)</i>	
			118,452,922	32,000,000	2.66%
Chan Un Chan	Beneficial owner	Long position	2,034,000	—	0.04%
	Beneficial owner	Long position	—	3,000,000	0.05%
				<i>(Note 1)</i>	
			2,034,000	3,000,000	0.09%
Shum Hong Kuen, David	Beneficial owner	Long position	3,000,000	—	0.05%
	Beneficial owner	Long position	—	6,000,000	0.11%
				<i>(Note 1)</i>	
			3,000,000	6,000,000	0.16%

Notes:

- These represent the interests in underlying Shares in respect of share options granted by the Company, the details of which are stated in section "Share Option Scheme" above.
- The percentage has been calculated based on 5,659,659,293 Shares in issue as at 31 December 2018.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Interests in shares, underlying shares and debentures of associated corporations

Sociedade de Turismo e Diversões de Macau, S.A.

Name of Director	Capacity	Long/short position	No. of shares held			Approximate percentage of issued share capital
			Ordinary	Privileged	Total	
Leong On Kei, Angela	Beneficial owner	Long position	637	5,215	5,852	6.86%
Chan Un Chan	Beneficial owner	Long position	5,204	8,271	13,475	15.806%
Shum Hong Kuen, David	Beneficial owner	Long position	1,004	—	1,004	1.18%

Sociedade de Jogos de Macau, S.A.

Name of Director	Capacity	Long/short position	No. of shares held (Type B Shares)	Approximate percentage of issued share capital

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, so far as was known to any Director, as of 31 December 2018, none of the Directors or the chief executives of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, details of substantial Shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of substantial Shareholder	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued Shares
<i>(Note 2)</i>					
Sociedade de Turismo e Diversões de Macau, S.A.	Beneficial owner and its controlled corporation <i>(Note 1)</i>	Long position	3,062,059,500	–	54.10%
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	30,000,000 <i>(Note 3)</i>	8.62%

Notes:

- 12,072,000 Shares are directly held by Konrad Investments Limited, an indirect wholly-owned subsidiary of STDM through Bounty Rich Holdings Limited.
- The percentage has been calculated based on 5,659,659,293 Shares in issue as at 31 December 2018.
- These represent the interests in underlying Shares in respect of the Options granted by the Company, the details of which are stated in the section "Share Option Scheme" above.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any persons (other than a Director or the chief executives of the Company) of any interest or short position in Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

The articles of association of the Company contain a permitted provision which is in force for the benefit of all Directors and directors of associated companies (as defined in the Companies Ordinance (Cap. 622)) of the Company.

DIRECTORS' REPORT

NON-COMPETITION UNDERTAKINGS BY STDM AND DR. HO HUNG SUN, STANLEY

Pursuant to deeds of Non-Competition Undertakings dated 18 June 2008, STDM and Dr. Ho Hung Sun, Stanley have respectively undertaken with the Company that (i) for the period in which the Shares are listed on the Stock Exchange and, variously, STDM remains the controlling Shareholder and Dr. Ho Hung Sun, Stanley remains as a Director, that neither STDM nor Dr. Ho Hung Sun, Stanley will compete with the operation of casino gaming businesses of SJM in Macau (apart from maintaining their interests in Melco) and (ii) they will not increase respective interests in Melco.

Furthermore, STDM has also undertaken with SJM that if it becomes aware of any venue in Macau that is suitable for casino or slot machine operations, it will notify the Company of such opportunity. Dr. Ho Hung Sun, Stanley has undertaken that if he becomes aware of any business opportunity which directly or indirectly competes, or may lead to competition with the casino gaming business of SJM in Macau, he will notify the Company of such opportunity and has also agreed to procure that such business opportunity is first offered to the Group upon terms which are fair and reasonable. It is provided in the Non-Competition Undertaking of Dr. Ho Hung Sun, Stanley that if there is any disagreement between Dr. Ho Hung Sun, Stanley and the Company as to whether any activity or business or proposed activity or business of Dr. Ho Hung Sun, Stanley or any of his associates directly or indirectly competes or may lead to competition with the casino gaming business of SJM, the matter will be determined by the independent Board whose decision will be final and binding.

Since Dr. Ho Hung Sun, Stanley retired as a Director at the 2018 AGM, according to the deed of Non-Competition Undertaking dated 18 June 2008 provided by him to the Company, the said deed ended on 12 June 2018, being the date he ceased to be a Director, and he is no longer subject to the non-competition undertaking set out in the said deed.

At a meeting of the Audit Committee held on 28 February 2019, all the Independent Non-executive Directors reviewed the confirmation from STDM in respect of the Non-Competition Undertaking and confirmed compliance with the Non-Competition Undertaking provided by STDM.

INDEMNITY ON LITIGATION CLAIMS EXISTING AT TIME OF COMPANY'S GLOBAL OFFERING IN 2008

At the meeting of the Audit Committee held on 28 February 2019, all the Independent Non-executive Directors reviewed the position regarding the indemnity provided by STDM-I (liquidated on 15 August 2011) dated 20 November 2007 in respect of certain litigation ongoing at the time of the Company's global offering of Shares (the "STDM-I Surety").

STDM has informed the Company in August 2011 that the board of directors of STDM was satisfied that upon liquidation of STDM-I, the Company (as beneficiary of the STDM-I Surety) would remain entitled to claim directly against STDM under the same terms and conditions as originally established in the STDM-I Surety.

Based on information provided by the law firms in Macau and Hong Kong who had conducted the relevant legal proceedings, the Independent Non-executive Directors confirmed that there was currently no material claim against STDM in respect of the ongoing litigation.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

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 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company until the conclusion of the next annual general meeting is to be proposed at the 2019 AGM.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee of the Company.

By order of the Board of Directors
SJM Holdings Limited

Ho Chiu Fung, Daisy
Director

Hong Kong, 28 February 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 CG Code set out in Appendix 14 to the Listing Rules on the Stock Exchange.

During the year ended 31 December 2018, the Company has complied with code provisions of the CG Code except for the deviation of code provision E.1.2 that, due to health reasons, Dr. Ho Hung Sun, Stanley, the former Chairman who retired at the annual general meeting of the Company held on 12 June 2018 ("2018 AGM"), was absent from the 2018 AGM.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

Directors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry, the Company confirms that all Directors have complied with the required standards as stated in the Model Code for the year ended 31 December 2018.

Relevant employees of the Company

The Board has formalised in writing guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the Company.

Relevant employees include any employee of the Company or a director or employee of a subsidiary or holding company of the Company and, because of such office or employment, possesses inside information in relation to the Company or its securities.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Company is governed by the Board which is responsible for directing and supervising its affairs and overseeing the business, strategic decision and performance of the Group. Execution of the Board's decisions and daily operations are delegated to the management. The functions reserved to the Board and those delegated to management have been formalised in writing. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Group. During the year and up to the date of this report, the composition of the Board is as follows:

The Board (including corporate governance functions) (Total no. of directors: 12 (Note 1))		
Executive Directors (also being the senior management of the Company)	Non-executive Director	Independent Non-executive Directors
Ms. Ho Chiu Fung, Daisy (Chairman) Mr. Fok Tsun Ting, Timothy (Co-Chairman) Deputada Leong On Kei, Angela (Co-Chairman) Dr. So Shu Fai (Vice-Chairman and Chief Executive Officer) Mr. Ng Chi Sing (Chief Operating Officer) Dr. Chan Un Chan (elected on 12 June 2018) Mr. Shum Hong Kuen, David Dr. Ho Hung Sun, Stanley (retired on 12 June 2018)	Dr. Cheng Kar Shun	Mr. Chau Tak Hay Dr. Lan Hong Tsung, David Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin (Note 3)
Average total number: 7 % to total Directors: 58.3%	Total number: 1 % to total Directors: 8.3%	Total number: 4 (Note 2) % to total Directors: 33.4% (Note 4)
Notes:		
1. Maximum number of Directors: 12 (Article 80 of the articles of association of the Company (the "Articles"))		
2. Minimum number of Independent Non-executive Directors: 3 (Listing Rule 3.10(1))		
3. One Independent Non-executive Director having accounting expertise (Listing Rule 3.10(2))		
4. Independent Non-executive Directors represent 1/3 of the Board (Listing Rule 3.10A)		

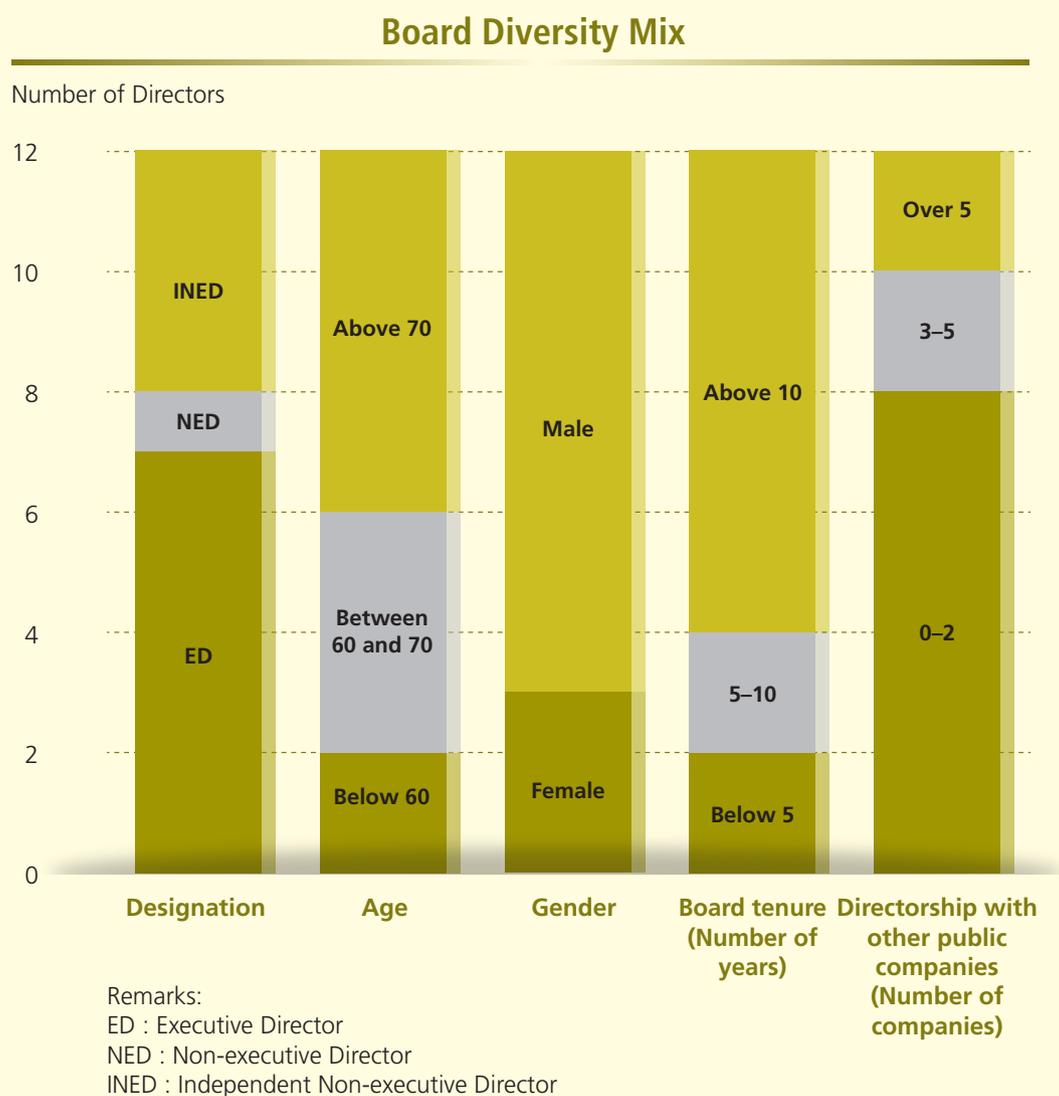
The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) and one-third of the Directors are Independent Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY

The Board adopted a Board diversity policy for the Company in 2013 which stipulates that for identifying individuals suitably qualified to become Directors, the Nomination Committee should consider the benefits of all aspects of diversity including, but not limited to, a number of factors, such as gender, age, race, cultural and educational background, professional experience and industry and business-related experience, in order to maintain an appropriate range of balance of skills, experience and background on the Board. All appointments of Directors should have taken into account the aforesaid factors as a whole for the benefit of the Company. The Nomination Committee will regularly discuss and, if appropriate, agree on any measurable objective for achieving diversity on the Board.

The diversity of the Board has been enhanced subsequent to the retirement of Dr. Ho Hung Sun, Stanley and the election of Dr. Chan Un Chan as Executive Director at 2018 AGM. The Board diversity mix is shown below while their biographical details are set out on pages 24 to 32 of this Annual Report.

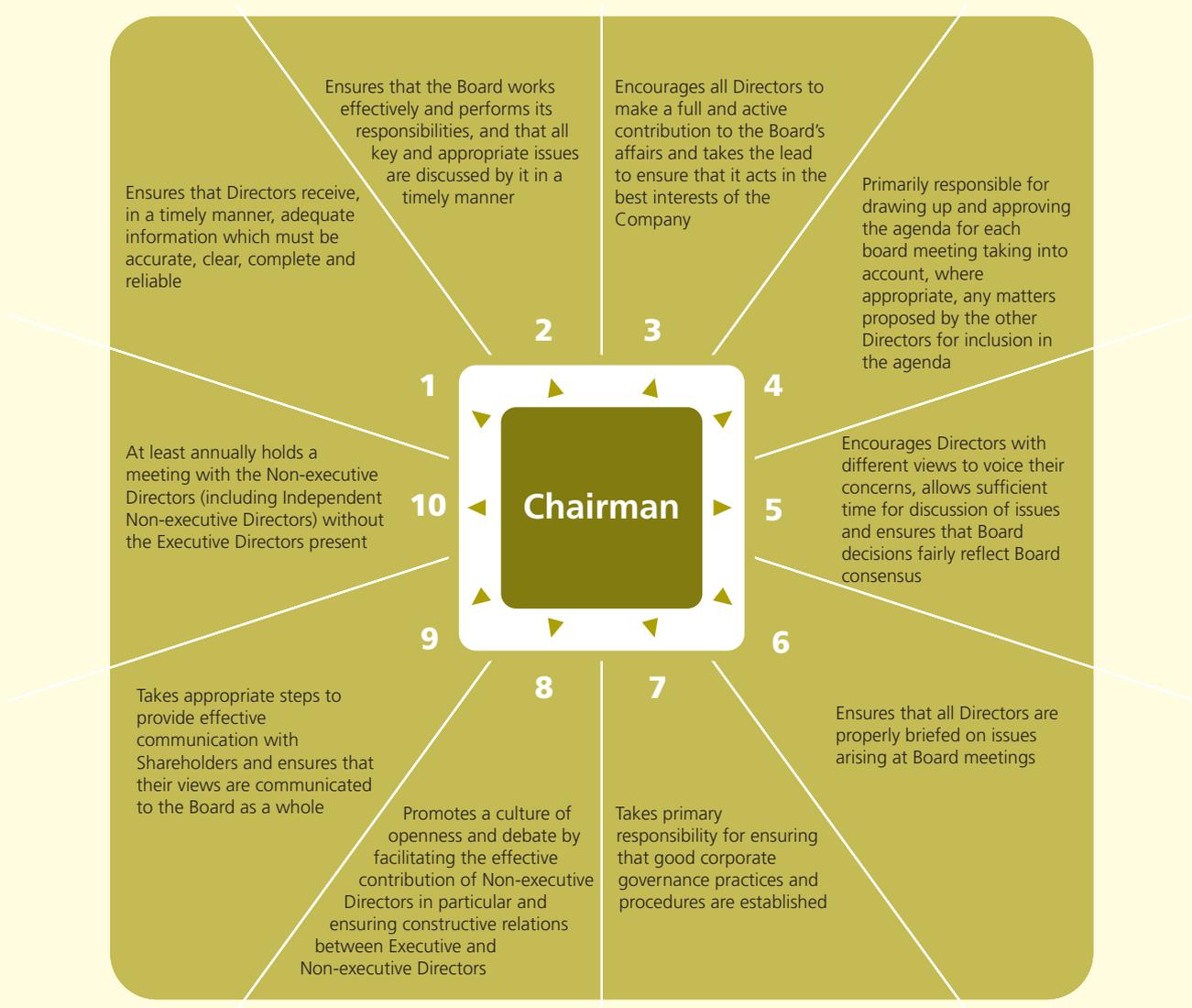


To support the raise of awareness of gender mainstreaming in the community, the Company joined the Gender Focal Point Network for listed companies set up by the Labour and Welfare Bureau and the Women's Commission in Hong Kong in 2016.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are segregated and not performed by the same individual. The Chairman is responsible for the formulation of the Group's overall business development policies while the Chief Executive Officer is responsible for the overall management of the Group's business. The division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established and set out in writing.



Prior to ceasing as Chairman, Dr. Ho Hung Sun, Stanley, the former Chairman, delegated his responsibility for items 1 to 9 above to Dr. So Shu Fai, Executive Director and Chief Executive Officer, and Dr. So Shu Fai is a principal contact person for the Company's investor relations functions. Subsequent to the appointment of Ms. Ho Chiu Fung, Daisy ("Ms. Ho") to succeed as the Chairman with effect from 12 June 2018, Ms. Ho has taken up the roles of the Chairman as mentioned in items 1 to 10 above.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the Articles, the Board has the power to appoint any person as a Director either to fill a causal vacancy or as an addition to the Board. The power to appoint any person as a Director is subject to election by Shareholders at the first general meeting after his/her appointment. No person (other than a retiring Director) shall be appointed or re-appointed at any general meeting unless:

- (i) he is recommended by the Board; or
- (ii) not earlier than the day after the despatch of the notice of the general meeting and not later than seven days prior to the date appointed for the general meeting there has been left at the Company's registered office for the time being a letter, signed by at least two Shareholders (other than the person to be proposed) entitled to vote at the general meeting together holding not less than ten per cent. of the entire issued shares of the Company, notice of his intention to propose a resolution for the appointment or reappointment of that person and a notice executed by that person of his willingness to be appointed or re-appointed.

The Nomination Committee is responsible for considering the suitability of individuals to act as a Director and to make recommendations to the Board on appointment or re-appointment of Directors.

The Articles specify that at each annual general meeting of the Company one-third of the Directors shall retire but shall be eligible for re-election. In determining which Directors shall retire, the Board will make sure that every Director, including those appointed for a specific term, should be subject to rotation at least once every three years. At the forthcoming annual general meeting of the Company to be held on Tuesday, 11 June 2019 ("2019 AGM"), the following Directors will retire from the Board by rotation pursuant to Article 95:

Executive Director	:	Mr. Ng Chi Sing
Non-executive Director	:	Dr. Cheng Kar Shun
Independent Non-executive Directors	:	Mr. Chau Tak Hay Dr. Lan Hong Tsung, David

Except Dr. Cheng Kar Shun and Dr. Lan Hong Tsung, David who do not offer themselves for re-election, Mr. Ng Chi Sing and Mr. Chau Tak Hay both being eligible, offer themselves for re-election at the 2019 AGM.

In addition, pursuant to Article 96(a), the Board recommends that Mr. Tsang On Yip, Patrick be elected as a Non-executive Director of the Company and Ms. Wong Yu Pok, Marina be elected as an Independent Non-executive Director of the Company, subject to the approval of the Shareholders at the 2019 AGM.

The biographical details of (i) the retiring Directors who offered themselves for re-election, and (ii) Mr. Tsang On Yip, Patrick and Ms. Wong Yu Pok, Marina, and the recommendation of the Board for their re-election or election are set out in a circular of the Company to be dated on 30 April 2019 for despatch to Shareholders.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

Each of the Non-executive Directors (including Independent Non-executive Directors) has entered into a letter of appointment with the Company for a term of three years which shall either:

- (i) end in any event on (a) the date of the third annual general meeting after the first election as a Non-executive Director or Independent Non-executive Director (as the case may be) by Shareholders in the annual general meeting; or (b) the date on which a Non-executive Director or Independent Non-executive Director (as the case may be) shall retire by rotation, whichever is the earlier, or;
- (ii) subject to retirement by rotation in accordance with the Articles as amended from time to time and the requirements of the Listing Rules.

The Non-executive Directors (including Independent Non-executive Directors) are highly skilled professionals with expertise and experience in the field of financial management, business development or strategies related to the Group's business. They bring independent judgment to bear on issues of strategy, policy and performance, accountability, resources, key appointments and standards of conduct, and enable the Board to maintain high standards of compliance with financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of Shareholders and the Company.

Independent Non-executive Directors and other Non-executive Directors have given a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They have given the Board and any Board committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. All Independent Non-executive Directors have attended the 2018 AGM.

Other roles of Non-executive Directors (including Independent Non-executive Directors) include:

- (i) taking the lead where potential conflicts of interest arise;
- (ii) serving on the Audit, Remuneration, Nomination and other Board committees; and
- (iii) scrutinizing the Company's performance in achieving corporate goals and objectives, and monitoring reporting of performance.

All Independent Non-executive Directors have met all of the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received from each of them an annual written confirmation of his independence and considers each of them to be independent.

The Independent Non-executive Directors have been expressly identified as such in all corporate communications that disclose the names of Directors. The Company has been maintaining the number of Independent Non-executive Directors at one-third of the number of the Board members and has ensured that the Board contains an Independent Non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF DIRECTORS

The management of the Company updates the Directors on their duties and responsibilities as well as the conduct, business activities and development of the Group. It supplies the Directors and Board committees with adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval. It also supplies additional information than is volunteered by it upon any request and enquiry by the Directors. Timely updates on changes in laws and compliance issues relevant to the Group and appropriate information on the Group's business and activities are provided to our Directors. The Board and each Director has separate and independent access to the senior management, Chief Legal Counsel and Company Secretary, whenever necessary, for any information relevant to the Group they may require in discharging their duties.

Given the essential unitary nature of the Board, the Non-executive Directors have the same duties of care and skill and fiduciary duties as the Executive Directors. Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. The Directors have disclosed the identity of the public companies or organisations and an indication of the time involved to the Board and the Board has confirmed that the Directors have spent sufficient time performing their duties in the Company. The Board has established a written procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

The Company has formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company has arranged Directors' and Officers' liability insurance in respect of any legal action against Directors.

CORPORATE GOVERNANCE REPORT

PRACTICE AND CONDUCT OF MEETINGS

Notices of Board meetings are usually served to all Directors before the meeting in accordance with the Articles. Notice of at least 14 days is given for regular Board meetings to give all Directors an opportunity to attend. Reasonable notice is given for all other Board meetings. Board meeting agenda and papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner and at least three days or such other agreed period before the intended date of a Board or Board committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

All Directors are entitled to have access to Board papers and related materials, prepared in such form and quality sufficient to enable the Board to make an informed decision on matters placed before it. Queries raised by the Directors will be responded promptly and fully, if possible. All Directors have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

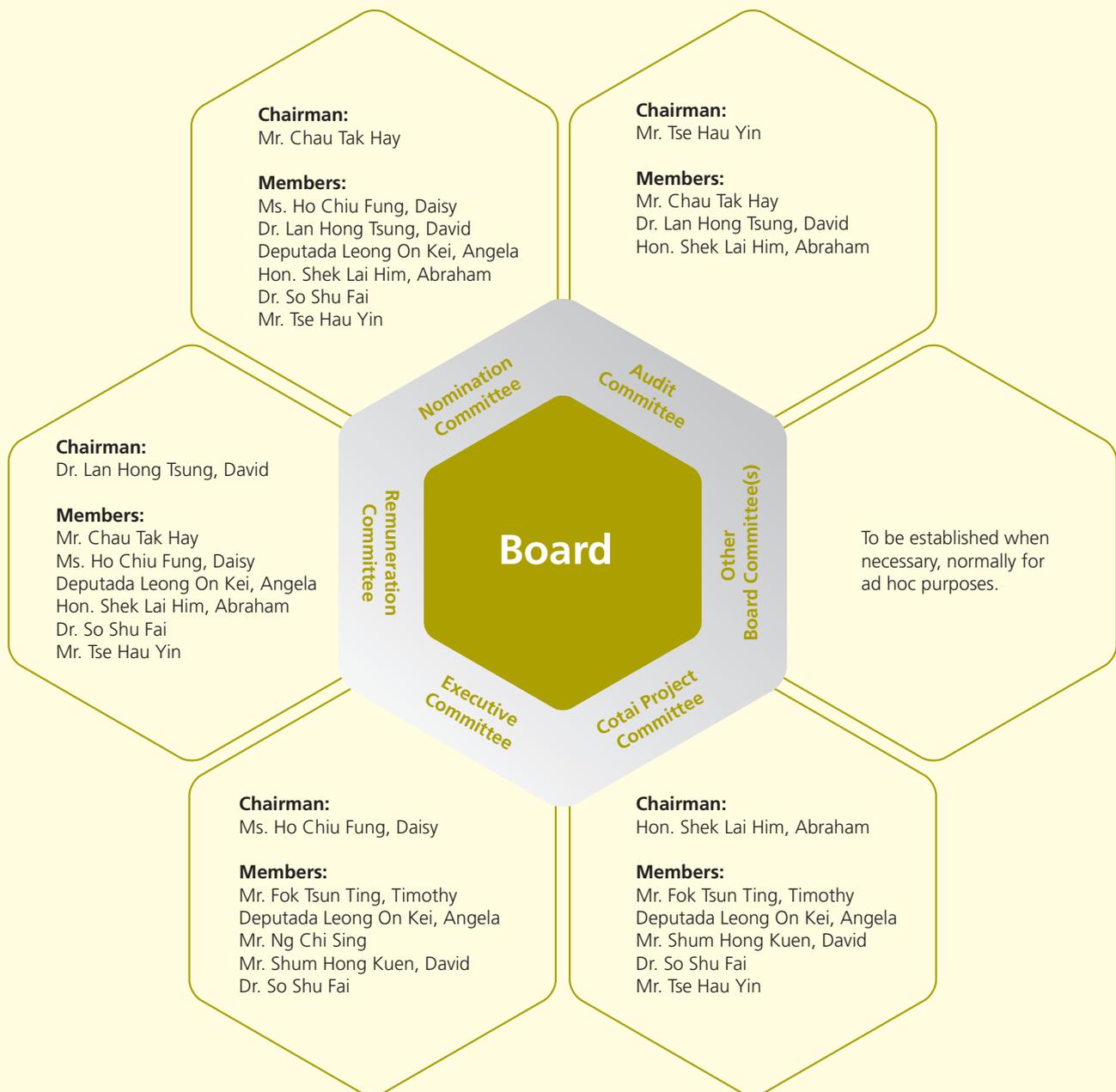
The Company Secretary is responsible for keeping minutes of all Board meetings and Board committee meetings which record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed, if any. Draft minutes are circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection and/or is sent to them for records, if necessary.

According to current Board practice, any material transaction that involves a conflict of interests for a substantial Shareholder or a Director will be dealt with by a physical Board meeting rather than a written resolution at which the Independent Non-executive Directors who, and whose associates, have no material interest in the transaction should be present at that Board meeting. The interested Director is required to abstain from voting and will not be counted in the quorum, except as permitted under the Articles. In addition, he shall be physically absent from the venue of the meeting during the time the relevant contract, arrangement or matter is being discussed and voted on by the other Directors.

CORPORATE GOVERNANCE REPORT

BOARD AND BOARD COMMITTEE MEETINGS

The following sections explain the responsibilities and the work that each Board committee undertook in 2018. The terms of reference and membership of Audit Committee, Remuneration Committee and Nomination Committee are disclosed in full on the websites of the Company and the Stock Exchange. In addition, the Board has set up two other Board committees, namely Executive Committee and Cotai Project Committee, with clear terms of reference.



CORPORATE GOVERNANCE REPORT

BOARD AND BOARD COMMITTEE MEETINGS (Continued)

The Board schedules regular Board meetings in advance, at least four times a year at approximately quarterly intervals, to give Directors the opportunity to participate actively, either in person or through electronic means of communication. Directors are consulted for their views regarding inclusion of specific matters in the agenda for regular Board meetings and the draft agenda is circulated to Directors for their comments. Special Board meetings are convened as and when needed. Together with the Audit Committee, Executive Committee, Nomination Committee and Remuneration Committee meetings as aforesaid, there is an effective framework for the Board and Board committees to perform their work and discharge their duties. In view of the size and complexity of the Group's project in Cotai, Macau, an ad hoc Board committee, Cotai Project Committee, was formed in 2015 to specifically monitor the progress and the costs for the development of the said project.

During the year ended 31 December 2018, eight Board meetings were held. Details of individual Directors' attendance at the Board meetings, the Board committee meetings and the 2018 AGM held in the year are set out in the following table:

Name of Directors	Board Meetings (including corporate governance functions)	Audit Committee Meetings	Executive Committee Meeting	Cotai Project Committee Meeting	Remuneration Committee Meetings	Nomination Committee Meeting	2018 AGM
(Note 3)							
<i>Executive Directors:</i>							
Ms. Ho Chiu Fung, Daisy	8/8 (Note 1)	N/A	4/4 (Note 2)	N/A	N/A	N/A	1/1
Mr. Fok Tsun Ting, Timothy	7/8	N/A	4/4 (Note 2)	8/18	N/A	N/A	1/1
Deputada Leong On Kei, Angela	8/8 (Note 1)	N/A	8/8	16/18	3/3	3/3	1/1
Dr. So Shu Fai	8/8	N/A	8/8	16/18	3/3	3/3	1/1
Mr. Ng Chi Sing	8/8	N/A	7/8	N/A	N/A	N/A	1/1
Dr. Chan Un Chan (elected on 12 June 2018)	5/5 (Note 1)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Shum Hong Kuen, David	8/8 (Note 1)	N/A	8/8	16/18	N/A	3/3	1/1
Dr. Ho Hung Sun, Stanley (retired on 12 June 2018)	0/3 (Note 1)	N/A	0/4 (Note 2)	N/A	N/A	N/A	0/1
<i>Non-executive Director:</i>							
Dr. Cheng Kar Shun	0/8 (Note 1)	N/A	N/A	N/A	N/A	N/A	0/1
<i>Independent Non-executive Directors:</i>							
Mr. Chau Tak Hay	8/8	5/5	N/A	N/A	3/3	3/3	1/1
Dr. Lan Hong Tsung, David	6/8	5/5	N/A	N/A	3/3	3/3	1/1
Hon. Shek Lai Him, Abraham	8/8	5/5	N/A	18/18	3/3	3/3	1/1
Mr. Tse Hau Yin	8/8	5/5	N/A	16/18	3/3	3/3	1/1

Notes:

1. According to Article 94(L), a Director who has a material interest in respect of certain types of contractual arrangements cannot vote or be counted in the quorum at the meeting and, he/she shall also be physically absent from the venue of the meeting during the time the relevant contract, arrangement or matter is being discussed and voted on by the other Directors.

Dr. Ho Hung Sun, Stanley, Ms. Ho Chiu Fung, Daisy, Deputada Leong On Kei, Angela, Dr. Cheng Kar Shun, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David were interested in certain continuing connected transactions. All of them had to physically absent themselves from voting on the related Board resolutions at one of the Board meetings held during the year.

2. Upon retirement as a Director on 12 June 2018, Dr. Ho Hung Sun, Stanley also ceased to act as a member of the Executive Committee. With effect from 31 July 2018, Ms. Ho Chiu Fung, Daisy was appointed as the Chairman and a member of the Executive Committee, and Mr. Fok Tsun Ting, Timothy was appointed as a member of the Executive Committee.
3. The number of Cotai Project Committee meetings disclosed above is for its regular and adjourned meetings for the purposes of receiving progress and budget update for the Cotai Project. In addition to those regular meetings, during the year, there were 18 informal Cotai Project Committee discussion meetings held to consider ad hoc items for the Cotai project, and two site visits were conducted for the Cotai Project.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD — BOARD COMMITTEES

The Board has proper delegation of its powers and has established three standing Board committees, namely Audit Committee, Remuneration Committee and Nomination Committee in accordance with the requirements under the Listing Rules, with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Group's affairs. The Board may establish other Board committee(s) when necessary in accordance with the Articles. The Board has established an additional standing Board committee, namely the Executive Committee, whose primary purpose is to oversee the implementation of the Company's strategic objectives and the business operations of the Group, as well as an ad hoc Board committee, namely Cotai Project Committee, whose primary purpose is to monitor the progress and the costs for the development of the Group's project in Cotai, Macau. In addition, the Board has established an ad hoc Board committee with specific terms of reference during the year for the purpose of dealing with transactions of the Company.

The terms of references of all Board committees have required them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so. Sufficient resources, including the advice of the external auditors and other independent professional advisers, are provided to the Board committees to enable them to discharge their duties.

AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

Audit Committee (established in June 2008)						
<table border="1"> <thead> <tr> <th style="text-align: left;">Committee members</th> </tr> </thead> <tbody> <tr> <td> <i>Independent Non-executive Directors:</i> Mr. Tse Hau Yin (Committee Chairman) Mr. Chau Tak Hay Dr. Lan Hong Tsung, David Hon. Shek Lai Him, Abraham </td> </tr> <tr> <td> Total number of members: 4 % of total Independent Non-executive Directors: 100% </td> </tr> </tbody> </table>	Committee members	<i>Independent Non-executive Directors:</i> Mr. Tse Hau Yin (Committee Chairman) Mr. Chau Tak Hay Dr. Lan Hong Tsung, David Hon. Shek Lai Him, Abraham	Total number of members: 4 % of total Independent Non-executive Directors: 100%	<table border="1"> <thead> <tr> <th style="text-align: left;">Committee secretary</th> </tr> </thead> <tbody> <tr> <td> Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Audit Committee) </td> </tr> </tbody> </table>	Committee secretary	Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Audit Committee)
Committee members						
<i>Independent Non-executive Directors:</i> Mr. Tse Hau Yin (Committee Chairman) Mr. Chau Tak Hay Dr. Lan Hong Tsung, David Hon. Shek Lai Him, Abraham						
Total number of members: 4 % of total Independent Non-executive Directors: 100%						
Committee secretary						
Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Audit Committee)						
Minimum number of meetings per year: 2 In attendance: representatives from auditor, Chairman, Chief Financial Officer, Managers from Finance and Accounts Department, Administrative Manager-Internal Audit, Anti-Money Laundering Compliance Officer, Chief Legal Counsel and Company Secretary and/or other external professionals						

The Audit Committee is accountable to the Board and its primary role and function is to assist the Board to monitor the Company's financial reporting process, to recommend the appointment of Auditor, to consider the nature and scope of audit reviews, to ensure that effective internal control and risk management systems are in place and to review the Group's interim and annual financial statements. The Audit Committee has access to, and maintains an independent communication with, the external auditor and the management, including the Group's internal audit department, to ensure effective information exchange on all relevant financial and accounting matters.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (Continued)

Under the terms of reference of the Audit Committee, it is specified that any former partner of the Company's existing auditing firm is prohibited from acting as a member of the Audit Committee for a period of two years commencing on the date of his ceasing:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is the later.

The Audit Committee reports to the Board the major items covered by the committee at each meeting, draws the Board's attention to important issues that the Board should be aware of, identifies any matters in respect of which it considers that action or improvement is needed and makes appropriate recommendations.

In 2018, the Audit Committee held five meetings and its principal work performed is set out in the table below. In general, it has reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management and internal controls, and financial reporting matters, including the review of the interim and annual results of the Company. Details of attendance of each Audit Committee member, on a named basis, at each Audit Committee meeting held during the year are set out in the table on page 74.

Principal work performed by the Audit Committee during 2018

Review of annual financial statements of the Group for the year ended 31 December 2017, interim financial statements of the Group for the six months ended 30 June 2018, and quarterly unaudited key performance indicators of the Group for the three months ended 31 March 2018 and 30 September 2018 respectively, with recommendations to the Board for approval

Review and approval of the engagement letter of the Auditor, the nature and scope of the audit, their reporting obligations and their work plan

Review of the Auditor's performance and recommendation to the Board for re-appointment of the Auditor

Appointment of the Auditor to perform a physical count of chips and review the relevant report

Review of risk management and internal control systems of the Group and assessment of their effectiveness

Review of internal audit reports, the major findings and recommendations from internal audit

Review and approval of internal audit work plan for 2019

Review and report on connected transactions (including continuing connected transactions) carried out during the year

Review of the template for monthly update (including financial information and business operations) of the Group, with recommendations to the Board for approval

Review of the arrangements for the Company's employees to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, with recommendations to the Board for approval

Review of the Terms of Reference of the Audit Committee, with recommendation to the Board for approval

The terms of reference of the Audit Committee, which conform to the code provision requirements of the CG Code, are available on the Stock Exchange's website and the Company's website.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The composition of the Remuneration Committee is as follows:

Remuneration Committee (established in June 2008)	
<p>Committee members</p> <p><i>Independent Non-executive Directors:</i> Dr. Lan Hong Tsung, David (Committee Chairman) Mr. Chau Tak Hay Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin</p> <p><i>Executive Directors:</i> Ms. Ho Chiu Fung, Daisy <i>(appointed on 28 February 2019)</i> Deputada Leong On Kei, Angela Dr. So Shu Fai</p> <p>Total number of members: 7 % of total Independent Non-executive Directors: 57%</p>	<p>Committee secretary</p> <p>Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Remuneration Committee)</p>
<p>Minimum number of meetings per year: 1</p> <p>In attendance: Chairman, Chief Legal Counsel and Company Secretary</p>	

The principal role and function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, to review their specific remuneration packages and terms of service contracts, to review and approve performance-based remuneration, and to assess the performance of the Executive Directors.

The Remuneration Committee reports to the Board the major items covered by the committee at each meeting, reviews the policy for the remuneration of Directors based on the performance of Executive Directors, adopts the model set out in Code Provision B.1.2(c)(i) of the CG Code to approve the remuneration packages and service contracts of Executive Directors and senior management, makes recommendations on the remuneration packages and service contracts of Non-executive Directors (including Independent Non-executive Directors) and Board committee members (including Audit Committee, Cotai Project Committee, Executive Committee, Nomination Committee and Remuneration Committee) and other remuneration-related matters to the Board. The Remuneration Committee has the duty to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The terms of reference of the Remuneration Committee, which conform to the code provision requirements of the CG Code, are available on the Stock Exchange's website and the Company's website.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE (Continued)

In 2018, the Remuneration Committee held three meetings and its principal work performed is set out in the table below:

Principal work performed by the Remuneration Committee during 2018

Review of the remuneration of Executive Directors and senior management for 2018 and the special fees for 2017 based on their performances and the Company's policy and approval in relation to the same

Review of the remuneration of Non-executive Directors including Independent Non-executive Directors for 2018 and the special fees for 2017, with recommendations to the Board for approval

Review of the remuneration of Board committees for 2018, with recommendations to the Board for approval

Review of the share option grant policy of the Company, with recommendation to the Board for approval

Review of the Options granted and exercise position

Review of the Terms of Reference of the Remuneration Committee, with recommendation to the Board for approval

Review of the remuneration of Ms. Ho Chiu Fung, Daisy as the Chairman, Mr. Fok Tsun Ting, Timothy and Deputada Leong On Kei, Angela as the Co-Chairmen, and Dr. So Shu Fai as the Vice-Chairman, and approval in relation to the same

Review of the remuneration of Dr. Chan Un Chan who was recommended by the Board for election as an Executive Director at the 2018 AGM, with recommendation to the Board for approval

No individual Director has taken part in setting his or her own remuneration. Details of attendance of each Remuneration Committee member, on a named basis, at the Remuneration Committee meetings held during the year are set out in the table on page 74.

The Remuneration Committee consults the Chairman and/or Chief Executive Officer about proposals relating to remuneration of other Executive Directors and may access to professional advice if considered necessary. In view that the Chairman's direct participation in the Remuneration Committee can facilitate the setting of the Company's policy and structure for all Directors and senior management remuneration, the remuneration packages of Directors and senior management, and the share option proposals to Directors more effectively, Ms. Ho Chiu Fung, Daisy has been appointed as an additional member of the Remuneration Committee with effect from 28 February 2019.

The emoluments of Directors, including basic fee and special fee, are based on each Director's individual skill, work performed and involvement in the Group's affairs, the Company's performance and profitability, remuneration benchmarking in the industry and prevailing market conditions. At the annual general meeting of the Company held on 12 June 2018, a resolution was passed to authorise the Board to fix the Directors' remuneration. A resolution will be proposed at the 2019 AGM to obtain Shareholders' authorisation for the Board to fix Directors' remuneration.

The Executive Directors are also the senior management of the Company and their remuneration is disclosed in note 9 to the Financial Statements. Retirement benefits schemes of the Group are set out in note 36 to the Financial Statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The composition of the Nomination Committee is as follows:

Nomination Committee (established in June 2008)	
<p>Committee members</p> <p><i>Independent Non-executive Directors:</i> Mr. Chau Tak Hay (Committee Chairman) Dr. Lan Hong Tsung, David Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin</p> <p><i>Executive Directors:</i> Ms. Ho Chiu Fung, Daisy <i>(appointed on 28 February 2019)</i> Deputada Leong On Kei, Angela Mr. Shum Hong Kuen, David <i>(resigned on 28 February 2019)</i> Dr. So Shu Fai</p> <p>Total number of members: 7 % of total Independent Non-executive Directors: 57%</p>	<p>Committee secretary</p> <p>Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Nomination Committee)</p>
<p>Minimum number of meetings per year: 1</p> <p>In attendance: Chairman, Chief Legal Counsel and Company Secretary</p>	

The Nomination Committee is accountable to the Board and its primary role and function is to review the structure, size and composition of the Board, to make recommendations to the Board on appointment or re-appointment of Directors and to assess the independence of Independent Non-executive Directors on an annual basis. It is a mandatory requirement to nominate candidates to fill casual vacancies of the Board. During the nomination process, the Nomination Committee makes reference to a number of selection criteria set out in the Nomination Policy (for details, please refer to the "Nomination Policy" section below).

The terms of reference of the Nomination Committee, which conform to the code provision requirements of the CG Code, are available on the Stock Exchange's website and the Company's website.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

In 2018, the Nomination Committee held three meetings and its principal work performed is set out in the table below:

Principal work performed by the Nomination Committee during 2018

Review of the structure, size and composition of the Board and various Board committees, with recommendations to the Board regarding any proposed changes

Assessment of the independence of the Independent Non-executive Directors (all of them have been serving in the Board for more than nine years)

Review of the policy concerning diversity of Board members of the Company, with recommendation to the Board

Review of the qualifications and suitability of retiring Directors who would offer themselves for re-election at the forthcoming annual general meeting, with recommendations to the Board for approval

Review of the Terms of Reference of the Nomination Committee, with recommendation to the Board for approval

Consideration of the nomination of Ms. Ho Chiu Fung, Daisy as the Chairman, Mr. Fok Tsun Ting, Timothy and Deputada Leong On Kei, Angela as the Co-Chairmen, and Dr. So Shu Fai as the Vice-Chairman, with recommendation to the Board

Consideration of the nomination of Dr. Chan Un Chan for election as Executive Director upon the retirement of Dr. Ho Hung Sun, Stanley at the 2018 AGM, with recommendation to the Board

Consideration of the Nomination Policy for the Board of the Company, with recommendation to the Board

Details of attendance of each Nomination Committee member, on a named basis, at Nomination Committee meeting held during the year are set out in the table on page 74.

In April 2018, the Nomination Committee reviewed the biography of Dr. Chan Un Chan and made recommendation to the Board for her election as an Executive Director at the 2018 AGM in view of her extensive knowledge and experience in a variety of business investments, including hospitality, real estate, leisure, retail and transportation, etc., in the Greater China and South East Asian region. The Nomination Committee believes that she will provide valuable contributions to the businesses of the Group and her joining will enhance the Board diversity of the Company.

In February 2019, the Nomination Committee reviewed the biography of Mr. Tsang On Yip, Patrick and made recommendation to the Board for his election as a Non-executive Director at the 2019 AGM in view of his extensive finance and investment experiences acquired over a 20-year career in investment banking and subsequently in Chow Tai Fook Enterprises Limited. Besides, the Nomination Committee reviewed the biography of Ms. Wong Yu Pok, Marina and made recommendation to the Board for her election as an Independent Non-executive Director at the 2019 AGM in view that she can provide professional analysis and independent advice for the business of the Group. Ms. Wong has worked with PricewaterhouseCoopers for over 30 years, specialising in China tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors on the structuring of their business and investment in China. As an independent non-executive director of a listed company which involves in sizeable property, hotel and retail businesses, her knowledge and experience in mixed-use development project and hospitality business can contribute to the future development of the Group. She meets the requirements of independence under Rule 3.13 of the Listing Rules and holds less than seven listed company directorships. The Nomination Committee believes that they will provide valuable contributions to the businesses of the Group and their joining will enhance the Board diversity of the Company.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

The reasons why the Board believes Mr. Ng Chi Sing and Mr. Chau Tak Hay, the retiring Directors, should be re-elected and Mr. Tsang On Yip, Patrick and Ms. Wong Yu Pok, Marina should be elected at the 2019 AGM are set out in the circular of the Company to be dated on 30 April 2019 accompanying the notice of the 2019 AGM.

Since the Chairman's direct participation in the Nomination Committee can facilitate the nomination process of Directors, the review of the Board and Board committees' structures, size and composition, Board diversity, and succession planning for Directors and senior management more effectively, Ms. Ho Chiu Fung, Daisy has been appointed as a member of the Nomination Committee replacing Mr. Shum Hong Kuen, David with effect from 28 February 2019. Mr. Shum will devote more time to act as a Cotai Project Committee member while the Cotai Project is approaching its completion and opening stage.

NOMINATION POLICY

In October 2018, the Board adopted a Nomination Policy for the Board members of the Company. The Nomination Committee can identify candidates for nomination as Directors and is responsible for selection of suitable candidates based on the selection criteria set out in the Nomination Policy (e.g. reputation for integrity, character and qualifications, accomplishment and experience, time commitment, and diversity) for nomination to the Board for consideration. For Directors stand for re-election at a general meeting, the Nomination Committee should also consider their suitability based on the aforesaid criteria. In addition, the Nomination Committee should consider the independence of an Independent Non-executive Director if he has served for a period of more than 9 years, and if he would still be able to devote sufficient time to the Board if he holds seven or more listed company directorships.

According to the Nomination Policy, the identified candidates shall provide their curriculum vitae to the Nomination Committee for consideration. If appropriate, the Nomination Committee may conduct an interview with the candidates for obtaining further information to determine their suitability for nomination. Once sufficient information is available, a Nomination Committee meeting will be held to consider the nomination, and if appropriate, make recommendations to the Board. If the number of candidates is more than the vacancies available, the Nomination Committee shall try its best to nominate the same number of suitable candidates for filling the vacancies and recommend them to the Board for consideration. If more candidates are nominated than the vacancies available, the Board shall be responsible for deciding which nominated persons shall be appointed as Directors to fill causal vacancies or recommend to the shareholders for election as Directors. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting or to be appointed as Directors to fill causal vacancies. If more candidates than the vacancies available for election at a general meeting, the "gross-vote" method will be used to determine who shall be elected as Directors.

The Nomination Committee should review the Board composition annually and, when appropriate, make recommendation to the Board to search for suitable candidates for succeeding the positions of Directors or senior management. The Board is responsible for monitoring the implementation of the Nomination Policy. The Nomination Committee will review the Nomination Policy annually, which will include an assessment of the effectiveness of the Nomination Policy, and recommend any proposed amendment to the Board for approval.

CORPORATE GOVERNANCE REPORT

EXECUTIVE COMMITTEE

The composition of the Executive Committee is as follows:

Executive Committee (established in June 2009)	
<p>Committee members</p> <p><i>Executive Directors:</i> Ms. Ho Chiu Fung, Daisy (Committee Chairman) <i>(appointed on 31 July 2018)</i> Mr. Fok Tsun Ting, Timothy <i>(appointed on 31 July 2018)</i> Deputada Leong On Kei, Angela Mr. Ng Chi Sing Mr. Shum Hong Kuen, David Dr. So Shu Fai <i>(ceased to be the first Chairman on 31 July 2018)</i> Dr. Ho Hung Sun, Stanley <i>(ceased to be a member on 12 June 2018)</i></p> <p>Total number of members: 6 % of total Executive Directors: 100%</p>	<p>Committee secretary</p> <p>Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Executive Committee)</p>
<p>Minimum number of meetings per year: meet as often as it determines is necessary</p> <p>In attendance: Company Secretary and, when invited, Chief Financial Officer, Chief Legal Counsel and the relevant department heads</p>	

The Executive Committee is established with the following main duties and powers:

- (a) to oversee the implementation of the Company's strategic objectives and risk management policies;
- (b) to oversee the business and operations of all of the business units of the Group;
- (c) to put in place programs for management development and succession of management personnel;
- (d) to oversee the realization by the Company of the strategic objectives set by the Board; and
- (e) to monitor and oversee the financial and operational performance of the Group.

The Executive Committee has established specific written terms of reference which deal clearly with its authority and duties. The said terms of reference require the Executive Committee to report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

CORPORATE GOVERNANCE REPORT

EXECUTIVE COMMITTEE (Continued)

In 2018, the Executive Committee held eight meetings and its principal work performed is set out in the table below:

Principal work performed by the Executive Committee during 2018

Review of the pricing strategy for food and beverage outlets of Grand Lisboa Palace
Review of the marketing and public relations plan for food and beverage outlets of Grand Lisboa Palace
Review of the loyalty Program for customer of the Group
Review of the terms for right of use of the department stores to be located at Grand Lisboa Palace
Review of the pre-opening budget for Grand Lisboa Palace and cash flow position of the Group
Approval of the appointment of corporate representatives of the Company to attend general meetings of the Company's subsidiaries

Details of attendance of each Executive Committee member, on a named basis, at Executive Committee meeting held during the year are set out in the table on page 74.

COTAI PROJECT COMMITTEE

The composition of the Cotai Project Committee is as follows:

Cotai Project Committee (established in January 2015)	
<p>Committee members</p> <p><i>Independent Non-executive Directors:</i> Hon. Shek Lai Him, Abraham (Committee Chairman) Mr. Tse Hau Yin</p> <p><i>Executive Directors:</i> Mr. Fok Tsun Ting, Timothy Deputada Leong On Kei, Angela Mr. Shum Hong Kuen, David Dr. So Shu Fai</p> <p>Total number of members: 6 % of total Independent Non-executive Directors: 33%</p>	<p>Committee secretary</p> <p>Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Cotai Project Committee)</p>
<p>Minimum number of meetings per year: approximately once every month</p> <p>In attendance: Chairman and other directors, Project Director, President of Grand Lisboa Palace, Chief Financial Officer, Administrative Manager-Internal Audit, Company Secretary, executive architect, quantity surveyor, independent project monitoring consultant, independent project management consultant and, when invited, the relevant department heads for the Cotai Project, designers and contractors</p>	

CORPORATE GOVERNANCE REPORT

COTAI PROJECT COMMITTEE (Continued)

The primary purpose and responsibility of the Cotai Project Committee is to supervise and monitor the development of the Cotai project to ensure the progress are in line with the plan and the terms of the contracts and the costs are in line with the budget, and to report to the Board the status and make any recommendation, if appropriate. The Cotai Project Committee has established specific written terms of reference which deal clearly with its authority and duties.

In 2018, the Cotai Project Committee held 18 regular and adjourned meetings, 18 informal Cotai Project Committee discussion meetings and two site visits, and its principal work performed is set out in the table below:

Principal work performed by the Cotai Project Committee during 2018

Review of the progress of the construction and non-construction parts of the Cotai Project, including any deviation from the budget estimate and the timeline for completion

Review of the financial commitments and payment progress for the Cotai Project

Review of the variation orders, prolongation claims and final accounts for the Cotai Project

Review of the potential claims from the consultants, designers and contractors of the Cotai Project

Consideration of the issues raised from Project Director, Cotai Operations Team, the executive architect, the quantity surveyor, the independent project monitoring consultant and the independent project management consultant in relation to the Cotai Project

Consideration of the selection and awarding of the tenders for construction and non-construction parts of the Cotai Project, and make recommendation to the senior management

Consideration of design issues on the Cotai Project which may affect the timeline and cost for the Cotai Project

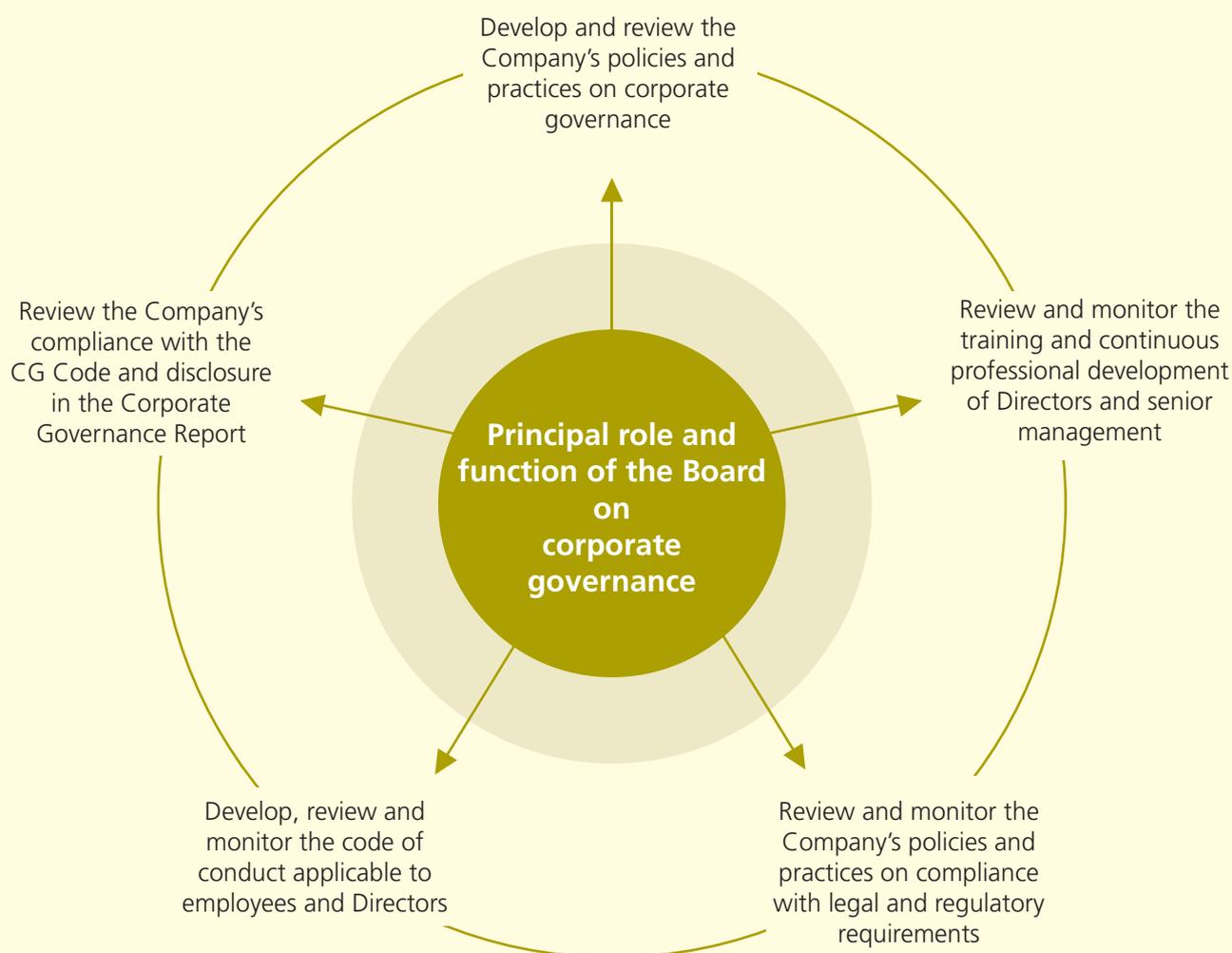
Dealing with other ad hoc issues relating to the Cotai Project

Details of attendance of each Cotai Project Committee member, on a named basis, at Cotai Project Committee meeting held during the year are set out in the table on page 74.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in Code Provision D.3.1 of the CG Code. The principal role and function of the Board in relation to corporate governance is set out below:



In 2012, the Board adopted a code of conduct applicable to Directors and employees of the Company. The said code of conduct covers the areas of, amongst other things, ethical commitment, prevention of bribery, offer and acceptance of advantage, entertainment, conflict of interest, relationship with Directors and employees, suppliers, contractors and customers, keeping of records, accounts and other documents. The said code of conduct has been annexed to the Company's Employee Handbook to ensure that the employees have a knowledge of and to comply with the relevant requirements.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS (Continued)

In addition to the latest terms of reference of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, the Articles and the updated list of the Company's directors identifying their role and functions have been posted on the Stock Exchange's website and the Company's website, whilst procedures for Shareholders to propose a person for election as a Director has been posted on the Company's website.

In 2018, the principal work performed by the Board in relation to corporate governance functions is set out in the table below:

Principal work performed by the Board in relation to corporate governance functions during 2018

Review of existing policies and issues relating to corporate governance, including but not limited to the Corporate Governance Policy, Legal and Regulatory Compliance Policy and Code of Conduct applicable to Directors and employees of the Company

Approval of the Nomination Policy for the Board of the Company

Review and monitoring of the training and continuous professional development of Directors and senior management and the number and nature of offices held by the Directors in other public companies or organisations and other significant commitments

Review and approval of the amendments to terms of reference of Audit Committee, Cotai Project Committee, Executive Committee, Nomination Committee and Remuneration Committee of the Company

Review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Receiving Director's Induction

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment. The Director's induction is to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant legal and other regulatory requirements and the business and governance policies of the Company.

Attending Briefing and Professional Development Training

Arrangements are in place for providing continuing briefing and professional development training to Directors whenever necessary. In January and November 2018, the Company organised Macau Cotai site visits for the Directors.

Continuous Professional/Business Development Plan for Directors

The Board has adopted a Continuous Professional/Business Development Plan for Directors. The purpose of this plan is to provide flexibility for the Directors to choose training methods which are most suitable to them and to encourage the Directors to enhance their knowledge and skills by joining professional bodies and attending the courses/seminars/programs/functions offered by such bodies.

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

The Directors informed the Company that they had received the following training and continuous professional development during the year from 1 January 2018 to 31 December 2018:

Director	Type of training	
	Reading regulatory updates	Attend seminars/briefings
<i>Executive Directors:</i>		
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 (<i>elected on 12 June 2018</i>)	✓	✓
Mr. Shum Hong Kuen, David	✓	✓
Dr. Ho Hung Sun, Stanley (<i>retired on 12 June 2018</i>)	—	—
<i>Non-executive Director:</i>		
Dr. Cheng Kar Shun	✓	✓
<i>Independent Non-executive Directors:</i>		
Mr. Chau Tak Hay	✓	✓
Dr. Lan Hong Tsung, David	✓	✓
Hon. Shek Lai Him, Abraham	✓	✓
Mr. Tse Hau Yin	✓	✓

FINANCIAL REPORTING

The Board is accountable to the Shareholders and is committed to presenting comprehensive and timely information to the Shareholders on an assessment of the Company's performance, financial position and prospects. A separate statement containing a discussion and analysis of the Group's performance is included on pages 6 to 12 in this Annual Report.

Starting from 2010, the Company has been announcing quarterly unaudited key performance indicators of the Group for the three months ended 31 March and 30 September respectively to enable its Shareholders, investors and the public to better appraise the position and business performance of the Group. Such financial information is prepared using the accounting policies applied to the Company's interim and annual financial statements.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the presentation of financial statements which give a true and fair view of the state of affairs of the Company and the Group and the results and cash flow for each financial period. In preparing the financial statements, the Directors have to ensure that appropriate accounting policies are adopted. The financial statements are prepared on a going concern basis.

The Board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports and other financial disclosures required under the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.

AUDITOR'S RESPONSIBILITY

The Auditor of the Company is Deloitte Touche Tohmatsu. A statement by the Auditor about their reporting responsibilities is included in the Independent Auditor's Report on the Company's Financial Statements on pages 105 to 110.

In arriving at its opinion, the Auditor conducted a full scope audit without any restrictions and had access to individual Directors (including Audit Committee members) and management of the Company.

The Auditor was available at the annual general meeting of the Company to answer questions which Shareholders may have.

AUDITOR'S REMUNERATION

The remunerations paid and payable to Deloitte Touche Tohmatsu, the Auditor of the Company and their respective associates in respect of statutory audit and non-audit services (with each significant non-audit service assignment listed out separately) provided to the Group in 2018 and 2017 is set out below:

Audit and Non-audit Services	2018 HK\$ million	2017 HK\$ million
Annual audit	10.2	9.9
Interim review	4.0	3.8
Quarterly results review	0.7	0.6
Test counts of chips	0.1	0.1
Tax consultancy and advisory	0.8	0.4
Consultancy for Cotai Project	8.4	8.0
Total	24.2	22.8

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective system of risk management and internal controls and for evaluating their effectiveness, on which a review is conducted at least annually. The system is designed in the framework as set out below:



Such system of risk management and internal controls is aimed at limiting the risks of the Company to an acceptable level but cannot, of itself, eliminate all risks.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

The key procedures established by the Board to provide effective risk management and internal controls include:

Key procedures for providing effective risk management and internal controls

A defined management structure and a risk management framework with clear strategy, lines of responsibility and limits of authority

An appropriate organizational structure, and well defined policy and procedures, which adequately provides the necessary information flow for risk analysis and management decisions

Proper budgetary and management accounting control to ensure efficient allocation of resources and to provide timely financial and operational performance indicators for managing business activities and risks

Effective financial reporting control to ensure the recording of complete, accurate and timely accounting and management information

Review work conducted by Risk Management Committee and Audit Committee

The Board continues to oversee on an on-going basis, through the Audit Committee, the effectiveness of the systems of risk management and internal control that includes finance, operation, compliance and internal audit. The review process consists of:

Review process of effectiveness of the systems of risk management and internal control

Assessment of risks and internal controls by the Internal Audit Department

Compliance review of gaming regulations by the Compliance Department

Operational management's assurance of the maintenance of controls

Control issues identified by external auditor during statutory audit

Assessment of inherent and potential risks by Risk Management Committee

External consultant's review conducted on a periodic basis, or if required, of the effectiveness of the Group's system of internal controls in specific areas including compliance, procurement, information technology and anti-money laundering

The findings of the above reviews are reported to the Audit Committee.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

The head of the Internal Audit Department of SJM performs operational and compliance audits on a regular basis. The department head has many years of working experience in audit and financial management, and is assisted by a team of internal auditors, who are either university graduates with accounting degrees or audit professionals and on average have relevant internal audit experience of five years or more. The Internal Audit Department carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control system, and provides assurance to the Board and executive management on an on-going basis. Internal Audit Department adopts a risk and control-based audit methodology in designing the audit plan that is reviewed and approved by the Audit Committee.

During the year ended 31 December 2018, Internal Audit Department performed reviews of the effectiveness of the internal control system of the Group's businesses in respect to business processes, practices and procedures, which covered all material controls, including financial, operational, compliance and risk management functions. In addition, Internal Audit Department conducted AML reviews and submitted its reports to the Audit Committee quarterly with findings and recommendations for improvements. All in all, Internal Audit Department was not aware of any significant defect or weakness of the internal control system that would have an adverse impact on the financial position or operations of the Group. The Audit Committee is satisfied with the internal audit work performed and the adequacy of resources and qualifications of the staff within Internal Audit Department.

The Macau DICJ Authority also conducts compliance audits on AML and gaming related operations on an annual basis whilst inspectors from the DICJ are involved inspecting and monitoring key processes in the Group's casinos on a daily basis.

SJM has established the Risk Management Committee to implement a framework for assessing and monitoring risks faced by the Group. In 2016 a consulting firm was retained to assist in designing a risk management process for the Group, to map out the Group's current risk universe and assist on compiling a risk register. The terms of reference of the Risk Management Committee requires the Committee to meet at least quarterly to update the risk register based on inputs from risk owners and classifies and prioritises risks. On a semi-annual basis the Committee reports to the Audit Committee of the Board on the status of risk management controls including an evaluation of the major risks identified by the Group. During each semi-annual period the Risk Management Committee reviews specific areas of risk that are of concern to the Audit Committee or management, meeting with the relevant risk owners, and reporting to the Audit Committee.

For the year under review, the Board considers that the risk management and internal control systems of the Group are adequate and effective and the Company has complied with the relevant code provisions in the CG Code.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Kwok Shuk Chong is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of Company Secretary of the Company. She is a Chartered Secretary and a Chartered Governance Professional and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She has more than 20 years of experience in company secretarial practices in professional firms, private and listed groups of companies. Ms. Kwok has taken no less than 15 hours of relevant professional training in 2018.

The Board is responsible for the approval of the selection, appointment or dismissal of the Company Secretary. The Company Secretary should have day-to-day knowledge of the Company's affairs. She reports to the Chief Executive Officer of the Company, and is responsible for advising the Board on governance matters and to facilitate induction and professional development for Directors. In addition, the Company Secretary shall ensure good information flow within the Board and that the Board policy and procedures are followed.

SHAREHOLDERS' RIGHTS

Procedures for convening a general meeting

Pursuant to Article 49 of the Articles, the Board may, whenever it thinks fit, convene a general meeting. General meetings shall also be convened by the Directors on the requisition of Shareholders pursuant to section 566 of the Hong Kong Companies Ordinance.

According to section 566 of the Hong Kong Companies Ordinance, the Shareholders may request the Directors to call a general meeting of the Company. The Directors are required to call a general meeting if the Company has received requests to do so from Shareholders representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings. A request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Requests may consist of several documents in like form. A request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person or persons making it.

Enquiries and suggestions from Shareholders or investors to the Board are welcomed by mail to the Company's registered office at Suites 3001-3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong or via email to ir@sjmholdings.com for the attention of the Investor Relations Department. For putting forward proposals at any Shareholders' meeting of the Company, Shareholders are invited to send their proposals by mail to the Company's registered office as aforesaid or via email to comsec@sjmholdings.com.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (Continued)

Procedures for putting forward proposals at an annual general meeting

The rights of Shareholders and the procedures for demanding a poll on resolutions at a Shareholders' meeting are contained in the Articles. The Listing Rules require that voting is by way of poll at all general meetings of the Company except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Any questions from Shareholders regarding voting by way of poll will be answered after explanation of the procedures.

Poll results will be posted on the websites of the Company and of the Stock Exchange.

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. It is the Company's general practice that the Chairman of the Board as well as Chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, their duly appointed delegates, who are members of the relevant committees, are available to answer questions at the annual general meeting of the Company. At general meeting, individual resolutions are proposed on each substantially separate issue, including the election of individual Directors.

Notices to Shareholders are sent, in the case of annual general meetings, at least 20 clear business days before the meeting, and are sent at least 10 clear business days before in the case of all other general meetings.

DIVIDEND POLICY

According to the dividend policy set out in the Company's initial public offering (the "IPO Offering") prospectus dated 26 June 2008, the Board intends to distribute 50% of the Company's net profit as dividends for periods subsequent to the IPO Offering. The payment and the amount of any dividends will depend on the Company's financial condition, results of operations, cash flow, statutory and regulatory restrictions on the payment of dividends by the Company, future prospects and other factors that the Board may consider relevant. Holders of the Company's Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

Dividends may be paid only out of the Company's distributable profits as permitted under Hong Kong law, which does not restrict the payment of dividends to non-resident holders of our securities.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company recognises the importance of maintaining on-going and timely communications with Shareholders and the investment community to enable them to form their own judgment and to provide constructive feedback. The Board has adopted a Shareholders' Communication Policy for the Company. The Company holds press conferences, analysts' briefings and investor meetings/calls after the announcement of its financial results, and regularly participates in investment forums and briefings hosted by investment banks. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner. Enquiries and suggestions from Shareholders or investors are welcomed by mail to the Company's registered office at Suites 3001–3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong or by email to ir@sjmholdings.com for the attention of the Investor Relations Department.

The last general meeting of the Company was an annual general meeting which was 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 on Tuesday, 12 June 2018 at 2:30 p.m. at which resolutions were duly passed in respect of major items such as (i) the adoption of the audited financial statements and the reports of the Directors and the Auditor for the year ended 31 December 2017, (ii) declaration of a final dividend, (iii) re-election and election of Directors and authorisation of the Board to fix the Directors' remuneration, (iv) re-appointment of the Auditor and authorisation of the Board to fix their remuneration, (v) approval of the repurchase mandate of the Company, and (vi) approval of the grant of Options under the Scheme of the Company and issue and allotment of Shares arising from exercising the Options.

The important dates for the 2019 AGM and the proposed final dividend are set out on page 4 of this Annual Report.

The Company's website at <http://www.sjmholdings.com> posts information and updates on the Company's business developments and operations, as well as press releases and financial information.

LOOKING FORWARD

We will continue to review and enhance our corporate governance practices taking into account of the internal environment of the Group as well as the external regulatory requirements, practices and developments.

For and on behalf of the Board of Directors

SJM Holdings Limited

Ho Chiu Fung, Daisy

Chairman and Executive Director

Hong Kong, 28 February 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company believes that sound environmental, social and governance (“ESG”) performance is critically important to the sustainable development of our business and of our community. The Company is committed, not only to achieving strong financial results, but also to promoting environmental protection, social responsibility and effective corporate governance.

The Board is responsible for our ESG strategy and reporting. We have established an ESG working team to engage our management and employees across all functions in order to identify relevant ESG issues and to assess their materiality to our business as well as our stakeholders, through reviewing our operations and internal discussions. Disclosures relating to the material ESG issues identified have been included in this ESG Report pursuant to the requirements of Appendix 27 of the Listing Rules (the “ESG Guide”).

The table below shows the ESG issues which were determined to be material to the Group, together with the aspects on the ESG Guide to which they relate, based on the assessment performed by the ESG working team. This ESG Report mainly covers the policies, initiatives and performance of the Group as set out below in relation to these issues, for the year from 1 January to 31 December 2018 (the “Reporting Period”):

ESG Aspects as set forth in ESG Guide	Material ESG issues for the Group	Properties/Companies being assessed
A. Environmental		
A1 Emissions	Carbon emissions, waste management	Casino Grand Lisboa and Grand Lisboa Hotel (material properties of the Group)
A2 Use of resources	Use of energy and water	
A3 The environment and natural resources	Air quality, climate related issues	
B. Social		
B1 Employment	Labour practices	the Group
B2 Health & safety	Workplace health and safety	
B3 Development and training	Employee development and training	
B4 Labour standards	Anti-child and forced labour	
B5 Supply chain management	Green procurement	
B6 Product responsibility	Food safety, responsible gaming and data privacy	
B7 Anti-corruption	Anti-corruption and money laundering	
B8 Community investment	Community programs, employee volunteering and donation	

Note: Since the Group is principally engaged in the gaming and hotel business, no significant levels of pollutants were discharged into the air or water and no substantial amounts of packaging materials were used in the Reporting Period. Therefore, disclosures relating to these aspects, as set forth in the ESG Guide, are not applicable to the Group and so have not been made.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

We have established environmental policies and have communicated measurable environmental objectives to our employees. We proactively encourage our staff to protect the environment through training, education and communication. Our ultimate goal is to have all employees adopting environmentally-responsible behavior in both the workplace and their daily lives.

The Company always keeps itself up-to-date on developments in local legislation and standards for environmental protection and is committed to achieving a level of environmental performance that goes beyond compliance. During the Reporting Period, the Group did not experience any cases of non-compliance relating to environmental laws and regulations in Macau and Hong Kong.

A1 Emissions

Carbon Emissions

The major source of our carbon emissions is the use of energy. We have deployed various energy-saving initiatives to help reduce our carbon footprint (please refer to the "Use of Energy" section below). For several years, the Company has supported the Carbon Footprint Repository for Hong Kong-listed companies initiated by the Environment Protection Department of the Hong Kong Government (the "EPD"). We submitted a carbon emissions report for our offices in Hong Kong for such purpose in 2017, which is available on the EPD's website (<http://www.carbon-footprint.hk>).

Waste Management

During the Reporting Period, waste generated from our business activities in Casino Grand Lisboa and Grand Lisboa Hotel mainly consists of paper (e.g. office paper and marketing materials) and plastic bottles for water provided to our guests:

Type of waste	Amount	
	2018	2017
Paper	16,639.20 Kg	15,998.57 Kg
Bottled water (plastic bottle)	707,307.31 Litres	542,764.80 Litres
Water consumption for the whole Grand Lisboa building	745,863 m³	755,673 m ³
Water consumption intensity	5.51 m³/m²	5.58 m ³ /m ²

No substantial hazardous waste was produced by the Company during the Reporting Period.

The Group has launched a number of waste management programs, including:

- Recycling of glass, cardboard, paper materials, metal, waste oil, soap bars, printing cartridges and batteries, with collection facilities placed across our properties;
- Paperless approval processes and paperless meetings to reduce the use of hardcopy documents;
- Installation of food waste decomposing machines; and
- Use of environmental friendly chemicals for laundry and cleaning.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Waste Management (Continued)

We are now in priority making use of recycled materials, from both internal and external sources, to produce corporate stationery for internal use and documents published for external consumption, as well as items from non-paper sources, where feasible. We use recycled paper for production of the Company's letter paper and envelopes, and recommended recipients to choose electronic communications with the Company. We have also indicated in the Company's emails sent to recipients to consider the environment before printing the emails.

Besides, the Company uses recycled paper for the production of annual and interim reports, and encourages its Shareholders and investors to choose to receive the Company's corporate communications by electronic means to reduce the number of hard copies of the said reports to be produced.

A2 Use of Resources

With the vision of helping to protect the planet and of incorporating environmental sustainability into its business functions and processes, SJM proactively seeks opportunities for increasing operating efficiency in order to reduce the use of resources. SJM also closely monitors the utilization of resources and reports to senior management on this aspect of performance. Appropriate remedial actions to improve our efficiency in the use of resources are taken, whenever necessary.

Use of Energy

The energy consumed by Casino Grand Lisboa and Grand Lisboa Hotel during the Reporting Period is summarized as follows:

Type	Amount		Greenhouse gas emission ("GHG")	
	2018	2017	2018	2017
Scope 1				
Gasoline	9,219.01 Litres	19,449.81 Litres	24.36 Tonnes CO₂e	52.67 Tonnes CO ₂ e
Diesel	37,357.24 Litres	28,233.10 Litres	98.98 Tonnes CO₂e	74.81 Tonnes CO ₂ e
LPG	1,027,714.77 Kg	1,018,027.63 Kg	3,100.62 Tonnes CO₂e	3,071.39 Tonnes CO ₂ e
Scope 2				
Purchased Electricity for the whole Grand Lisboa building	75,661,800 kWh	79,752,360 kWh	56,932 Tonnes CO₂e	60,010 Tonnes CO ₂ e
Purchased electricity intensity	558.63 kWh/m²	558.83 kWh/m ²	0.420 Tonnes CO₂e	0.443 Tonnes CO ₂ e

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Use of Energy (Continued)

Types of air emissions by Casino Grand Lisboa and Grand Lisboa Hotel during the Reporting Period are set out below:

	Air emissions by Casino Grand Lisboa and Grand Lisboa Hotel	
	2018	2017
NOx emissions	0.962 Tonne	0.953 Tonne
SOx emissions	0.006 Tonne	0.006 Tonne

Note: The above statistics represent the major direct and indirect amounts of energy consumed by the Casino Grand Lisboa and Grand Lisboa Hotel, and the corresponding GHG during the Reporting Period. GHG are calculated with reference to the Greenhouse Gas Protocol using carbon conversion factors published by the Environmental Protection Department in Hong Kong. A unit of tonne in the above statistics equals to 1,000 Kg.

To achieve higher energy efficiency, Casino Grand Lisboa and Grand Lisboa Hotel adopted an energy saving plan and implemented the following key initiatives during the Reporting Period:

- Connection to the intelligent building management system to ensure better temperature control for the air conditioning units in back-of-house common areas;
- Blinds for windows in the highest floors to reduce solar heat in air-conditioned areas and hence the energy for air-conditioning required will be reduced accordingly;
- Heat recovery chiller is adopted to recover the heat generated for the chilled water system and redirected for various heating application, such as pool preheating and preheating hot water system;
- An optimal air-conditioning control program to select the best configuration for the chiller plant automatically, based on the in-door requirement and out-door condition;
- An indoor air quality monitoring system that conserves energy by reducing the need for energy to be expended pumping outdoor fresh air through the Grand Lisboa building;
- Heat pumps with energy efficiency that is 60% higher than traditional electric heaters for water heating; and
- LED lights in most parts of the Grand Lisboa building which save up to 25% in energy usage, compared with fluorescent lights.

During the Reporting Period, Grand Lisboa Hotel replaced existing fluorescent tubes with LED fluorescent light together with motion detection device at car park area and incandescent light bulbs at guestroom area with LED lighting. The total energy saving after the replacement work is about 237,615 kW per year. The replacement plan also involved back of house area. The energy saving after replacing the lighting with LED at back-of-house, the saving is about 147,168 kW per year. In total there is 384,783 kW per year energy saving for Grand Lisboa Hotel contributed in Green Building scheme.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Use of Energy (Continued)

In 2018, Grand Lisboa Hotel had participated in the “Macau Energy Saving Activity 2018” organized by Companhia de Electricidade de Macau-CEM, S.A. and Office for Development of Energy Sector of Macau SAR, and won the “Macau Energy Saving Activity 2018” Hotel Group B Excellence Award and Continuous Saving Award.

For Grand Lisboa Palace, the Group’s new project in Cotai, we target to achieve US Green Building Council Leadership in Energy and Environmental Design (LEED) Silver Certification for the hotel portion by project completion, and the room control units being installed in all hotel guestrooms will contain the function for automatic controlling of lighting, room air conditioning and window curtains for energy saving.

For podium portion of Grand Lisboa Palace, energy saving considerations have been adopted in design of building services for future operations:

- Use of variable speed drives for controlling chilled and hot water pumps to reduce electrical power consumption from water side pump-and-pipe systems;
- Use of variable speed drives for controlling air handling units to reduce electrical power consumption from air side fan-and-duct systems;
- Use of Cental Plant Management System and Building Management System to optimize the operations of water side equipment including chillers, heat pumps, cooling towers and water pumps, and air side equipment including air handling units in energy saving modes; and
- Use of energy efficient lights such as LED lights in most parts of the podium areas.

For awareness-building, various workshops have been held to facilitate our employees with brainstorming and sharing ideas on resolving specific environmental issues including energy usage. We also promote the idea of energy conservation with our guests and staff through use of posters, stickers or emails that have relevant slogans. Our guests have been provided with different green options such as reducing the frequency of changing bed linen, towels and bathrobes to help us further save energy and water.

Use of Water

During the Reporting Period, water consumed by Casino Grand Lisboa and Grand Lisboa Hotel was 745,863 cubic meters (2017: 755,673 cubic meters). We have established a water management platform and reduction plan, and managed to use water in a more efficient way through the following measures:

- Utilizing a sophisticated filtration system enabling the use and reuse of water in swimming pools; and
- Deploying water saving devices, including automatic sensors in faucets, water saving shower heads and dual flush water closets.

A3 The Environment and Natural Resources

Air quality

In order to help improve air quality, the Group aims to reduce air emissions generated from its properties and vehicles in Macau by regular examination and green initiatives. Hydro vent and electro-static precipitators have been installed to remove the grease content in the kitchen exhaust and reduce its temperature before discharging outside, in order to minimize pollution.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (Continued)

A3 The Environment and Natural Resources (Continued)

Air quality (Continued)

According to the new Regime of Tobacco Prevention and Control in Macau law, starting from 1 January 2019, smoking in the indoor areas of casinos has been completely banned except for in the smoking rooms inside the casinos that has been established and approved according to the new standards. SJM is committed to fulfilling and complying with the Regime of Tobacco Prevention and Control requirements in Macau law. To protect and to provide a comfortable staying environment for the non-smoking guests, Grand Lisboa Hotel has 4 levels of non-smoking floors with a total of 90 non-smoking guest rooms.

We actively seek new ways of improving the indoor air quality of our properties in Macau for the health of our guests and staff, such as deploying electrostatic and ultra-violet/mobile air purifiers and duct type ionizers. Indoor environmental quality audits are conducted annually for certain of our facilities.

Climate-related issues

In August 2017, Super Typhoon “Hato” caused tremendous impact to and resulted in enormous economic loss to Macau. It claimed the lives of 10 people across the city and left more than 240 people injured. Besides, some areas in Macau went without electricity, and the water supply suspended for several days. It also adversely affected the Group’s operations, and some properties recorded different degree of damages, including the construction site of Grand Lisboa Palace.

In order to reduce the impact from another Super Typhoon “Mangkhut” in 2018, the Macau Government coordinated and negotiated with six gaming concessionaires/sub-concessionaires that all casinos in Macau suspended operations from 11:00 p.m. on 15 September 2018, which is claimed to be the first time in history, to ensure the safety of staff, tourists and residents in Macau. The Group also implemented a number of precaution measures in its properties, including the construction site of Grand Lisboa Palace, well in advance from the arrival of Typhoon “Mangkhut” and therefore the property damages and financial loss to the Group were minimized.

In order to eliminate the wind and water impact of the resort, the building of Grand Lisboa Palace has been designed to withstand 1 in 200 years of wind load and the ground floor of the building has been raised to 5.3 mPD as compared to the street level of 4.1 mPD. Meanwhile, the Group has hired an insurance specialist to assess the types of insurance to be purchased for Grand Lisboa Palace and other properties of the Group as well as to review the adequacy of insurance coverage in order to mitigate the financial loss to the Group due to future impact from typhoons.

B. SOCIAL

B1 Employment

Labour Practices

To ensure that the Group is able to operate according to professional and ethical labour practices, the Group has developed clear work processes with robust control mechanisms, which have been clearly communicated to all employees. Employee handbooks have been established in Hong Kong and Macau, with sets of policies to govern employees’ affairs such as payroll, attendance, termination, transfer and promotion and rules of conduct. Our Hong Kong offices and Macau offices are in compliance with the relevant labour laws and regulations in Hong Kong and Macau respectively.

We also aim to promote the diversity of our workforce, including in terms of age, gender and nationality, as well as a culture of equal opportunity. Our management regularly reviews the Company’s remuneration policy in relation to relevant market standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B1 Employment (Continued)

Labour Practices (Continued)

The total workforce of the Group as at 31 December 2018 and 2017 is summarized as follows:

Gender	No. of employees		Employment Type	No. of employees	
	2018	2017		2018	2017
Male	9,498	9,440	Full-time (Permanent)	17,304	17,029
Female	10,997	10,961	Part-time (Permanent)	15	16
			Full-time (Contract)	3,114	3,218
			Part-time (Contract)	62	138
Total	20,495	20,401	Total	20,495	20,401

Age	No. of employees		Geographical Region (by work location)	No. of employees	
	2018	2017		2018	2017
18–30	2,858	2,994	Hong Kong	75	67
31–40	5,932	6,039	Macau	20,420	20,334
41–50	5,962	5,899	Overseas	—	—
51–60	5,021	4,889			
>=61	722	580			
Total	20,495	20,401	Total	20,495	20,401

B2 Health and Safety

Workplace health and safety

The Group has established a set of policies which is focused on maintaining a healthy and safe working environment, and which includes the following requirements:

- The facilities operated by employees should meet safety and health standards;
- Expert advice should be obtained to identify health and safety risk in our operations and the corresponding mitigating actions that should be taken; and
- Relevant information and training should be provided to employees in respect of risks to their health and safety which may arise out of their work.

The Group did not violate any health and safety laws and regulations of Macau and Hong Kong, where applicable, during the Reporting Period.

The Company has established a mechanism for monitoring occupational health and safety, as well as procedures for dealing with related risks. We engage our employees in the determination of appropriate occupational health and safety precautionary measures. Accident reporting and investigation procedures have also been adopted for the follow-up of any health and safety incidents.

Regular inspections and management review of health and safety have been performed to ensure the effectiveness of the policies and measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B3 Development and Training

Employee development and training

The Group strives to promote the long-term development of its employees by providing learning opportunities that broaden their skills and make them valuable assets to the Group.

Various in-house staff training programs are offered to staff including in the areas of human resources, marketing, finance, governance, lifestyle and life skills, supervisory and managerial skills, as well as various technical training courses relating to their respective job duties. Employees are also welcome to participate in any training courses of interest to them. We also provide scholarships to support employees enroll in degree-bearing programs offered by educational institutions and development courses offered by external training companies.

SJM also provides on-boarding training for each employee, covering various topics such as occupational safety, industry knowledge (for those without gaming or hospitality backgrounds), know-how required to build a prestige integrated resort, as well as corporate governance and responsible gaming.

The percentage of employees of the Group in Macau receiving training and the average training hours per employee during the Reporting Period are summarized as follows:

Gender/Employee Category	Percentage of employee trained		Average training hours per employee	
	2018	2017	2018	2017
Male	14.98%	17.12%	9.92	7.14
Female	10.83%	21.68%	5.58	5.35
General employees	11.04%	18.90%	9.28	6.45
Middle management	24.38%	25.03%	3.17	3.64

Note: The percentage of employees trained is calculated as the total number of trained employees in the category over the total number of employees in that category during the Reporting Period.

B4 Labour Standards

Anti-child and forced labour

The Company strictly prohibits the use of child and forced labour in the Group, and is totally committed to creating a work environment which respects human rights. We do not allow people aged under 21 to enter or work in our casinos, in compliance with Macau law.

In addition to having well-established recruitment processes requiring background checks on candidates (including examining identity cards to ensure applicants are aged 21 or over) and formalised reporting procedures to address any exceptions found, the Group also performs regular reviews and inspections to detect the existence of any child or forced labour in our operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B5 Supply Chain Management

Green procurement

We promote green and environmentally friendly procurement in our casinos, hotels and offices, and encourage our third party-promoted casinos to adopt environmental protection measures such as reducing their carbon footprint and complying with the Regime of Tobacco Prevention and Control. Suppliers with certificates and proofs on their products that are under the green category will be considered for our future purchase. Third party-promoted casinos are also required to report the extent of their compliance with the Regime of Tobacco Prevention and Control and we also encourage them to do this.

The geographical distribution of SJM group suppliers is as follows:

Geographical region	No. of Suppliers 2018
Hong Kong	443
Macau	1,720
Others	162
Total	2,325

B6 Product Responsibility

Food safety

Since SJM provides food and beverages in its casino and hotel operations, it has established a well-structured policy to ensure food safety and in compliance with relevant laws and regulations in Macau. There was no incident regarding food safety during the Reporting Period.

Regular inspections of kitchens, to ensure the safety of the food and beverages we provide, comply with laws and regulations.

Responsible gaming

As a casino operator, we are committed to promoting responsible gaming. Please refer to the "Corporate Social Responsibility" section in this Annual Report for details.

Intellectual property rights

Relevant departments of the Group are responsible to ensure the protection of intellectual property rights for all licenses and copyrights.

Data privacy

Each of our casinos and restaurants has adopted its own policies on consumer data protection which comply with relevant laws and regulations in Macau. Workshops on the awareness of data privacy and protection have been conducted for relevant staff.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B7 Anti-corruption

Anti-corruption and money laundering

The Group is bound by the laws of the places where it or its business operates on anti-bribery and prevention of fraud and money laundering. The code of conduct adopted by the Company sets out procedures for preventing corruption. We have in place a number of policies addressing anti-corruption, such as acceptance of gifts, and conflicts of interest, which provide guidance to employees in these areas. SJM has also set up a special team and has established policies and procedures to deal with anti-money laundering issues in gaming operations.

Training on anti-money laundering has been provided to employees of all operations levels, in order to raise their awareness of the code of conduct as well as related procedures and guidelines. Those procedures and guidelines have been duly communicated to employees by making available to them the policies and operation manuals. On regular basis, employees will be randomly selected for testing of their knowledge and understanding of the policies and procedures.

We established and adopted a whistle-blowing system for reporting by employees any improprieties in financial reporting, internal control or other matters. Our Anti-Money Laundering Compliance Team and Internal Audit Department are responsible for dealing with reported cases according to their nature. Both these teams seek the assistance of the Group's Legal Departments, if necessary. Reports are made on a periodical and quarterly basis to the Audit Committee.

During the Reporting Period, no legal case regarding corruption was brought against the Company or its employees. Also, there were no material cases of non-compliance with laws and regulations on anti-money laundering in Macau.

B8 Community Investment

Community programs, employee volunteering and donation

"From society, to society" is a core value of the Company. We have been supporting education, arts and culture, sports and other charitable activities for the benefit of the Macau community for many years. Please refer to the "Corporate Social Responsibility" section of this Annual Report for the details of our community programs, employee volunteering and donations.

For and on behalf of the Board of Directors

SJM Holdings Limited

Ho Chiu Fung, Daisy

Chairman and Executive Director

Hong Kong, 28 February 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

**TO THE MEMBERS OF
SJM HOLDINGS LIMITED**

澳門博彩控股有限公司

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of SJM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 111 to 215, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

How our audit addressed the key audit matters

Valuation of advances to gaming promoters and other receivables from gaming promoters and service providers

We identified the valuation of advances to gaming promoters and other receivables from gaming promoters and service providers as a key audit matter due to the estimation uncertainty inherent in the Group management's credit risk assessment process in respect of the collectability of those advances and other receivables according to the recent financial performance, repayment history and all available forward looking information of those gaming promoters and service providers.

As disclosed in note 4 to the consolidated financial statements, the Group's advances to gaming promoters and other receivables from gaming promoters and service providers, net of related loss allowance, amounted to HK\$1,049.5 million as at 31 December 2018. As disclosed in note 38, the Group provided HK\$47.0 million impairment allowance for other receivables from gaming promoters and service providers as the management considered a service provider is credit impaired during the year ended 31 December 2018. Any adverse changes in the business environment and financial performance of those gaming promoters and service providers may impact the recoverability of those advances and other receivables.

Our procedures in relation to the valuation of advances to gaming promoters and other receivables from gaming promoters and service providers included:

- Obtaining an understanding and evaluating the relevant control procedures over the management's process in respect of reviewing the financial performance of gaming promoters and service providers; and
- Evaluating the appropriateness of the credit assessment policy and sufficiency of the related loss allowance by reviewing information in respect of the financial performance of gaming promoters and service providers, expected growth rate and future development of gaming industry, and checking the repayment history and the subsequent settlements in respect of those advances and other receivables on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Key audit matters

How our audit addressed the key audit matters

Capitalisation of additions to and the carrying values of construction in progress ("CIP") of Grand Lisboa Palace Project ("GLP Project")

We identified the capitalisation of additions to and the carrying values of CIP of GLP Project as a key audit matter due to the significance of the GLP Project to the Group's consolidated financial statements.

As disclosed in note 13 to the consolidated financial statements, additions to CIP for GLP Project amounted to HK\$6,602.4 million during the year ended 31 December 2018 and the carrying values of CIP of GLP Project amounted to approximately HK\$24,774.0 million as at 31 December 2018 which accounted for 43.9% of the Group's total assets as at 31 December 2018. The relevant accounting policies in relation to capitalisation of additions to CIP are set out in note 3.6 "Property and equipment" and note 3.9 "Borrowing costs" to the consolidated financial statements.

Our procedures in relation to capitalisation of additions to and the carrying values of CIP of GLP Project included:

- Obtaining an understanding of the progress of GLP Project by interviewing the Group's project management team, external quantity surveyors and architects;
- Evaluating the appropriateness of the Group's construction costs and borrowing costs capitalisation policies by analysing the nature of those costs capitalised against the requirements of HKAS 16 "Property, Plant and Equipment" and HKAS 23 "Borrowing Costs"; and
- Checking, on a sample basis, the amount of additions capitalised with reference to the contractors' invoices, and quantity surveyors' and architects' certificates of the construction contract works; and recalculating the borrowing costs capitalised in CIP of GLP Project.

INDEPENDENT AUDITOR'S REPORT

Key audit matters

How our audit addressed the key audit matters

Accuracy and completeness of disclosure of related party transactions

We identified the accuracy and completeness of disclosure of related party transactions as set out in respective notes to the consolidated financial statements as a key audit matter due to the high volume of business transactions with related parties during the year ended 31 December 2018.

Our procedures in relation to the accuracy and completeness of disclosure of related party transactions included:

- Obtaining an understanding of the Group's policies and procedures in respect of the capturing of related party transactions and how management ensures all transactions and balances with related parties have been accurately disclosed in the consolidated financial statement;
- Agreeing the amounts disclosed to underlying documentation and reviewing relevant agreements, on a sample basis, as part of our evaluation of the disclosure; and
- Evaluating the completeness of the disclosures through review of statutory information, books and records and other documents obtained during the course of our audit.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Kwok Lai Sheung.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK\$ million	2017 HK\$ million (restated)
Gaming, hotel, catering, retail and related services revenues	5(a)	34,410.1	31,770.7
Gaming revenue	6	33,677.1	31,094.8
Special gaming tax, special levy and gaming premium		(17,004.5)	(16,086.3)
Hotel, catering, retail and related services income		16,672.6	15,008.5
Cost of sales and services on hotel, catering, retail and related services		733.0	675.9
Other income, gains and losses		(387.1)	(346.4)
Marketing and promotional expenses		330.3	145.8
Operating and administrative expenses		(5,831.0)	(4,891.2)
Finance costs	7	(8,566.2)	(8,666.6)
Share of profits of an associate	16	(27.5)	(33.5)
Share of profits of a joint venture	17	8.9	48.3
		6.6	6.0
Profit before taxation	8	2,939.6	1,946.8
Taxation	10	(27.4)	(11.9)
Profit for the year		2,912.2	1,934.9
Other comprehensive income (expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income		266.4	—
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of available-for-sale investments in equity securities		—	(83.7)
Total comprehensive income for the year		3,178.6	1,851.2
Profit (loss) for the year attributable to:			
owners of the Company		2,850.1	1,963.4
non-controlling interests		62.1	(28.5)
		2,912.2	1,934.9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 HK\$ million	2017 HK\$ million (restated)
Total comprehensive income (expense) for the year attributable to:			
owners of the Company		3,116.5	1,879.7
non-controlling interests		62.1	(28.5)
		3,178.6	1,851.2
Earnings per share:			
Basic	12	HK50.4 cents	HK34.7 cents
Diluted	12	HK50.3 cents	HK34.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK\$ million	2017 HK\$ million
Non-current assets			
Property and equipment	13	30,378.6	24,690.4
Land use rights	14	2,264.0	2,396.8
Art works and diamonds	15	281.3	281.3
Interest in an associate	16	306.5	257.8
Interest in a joint venture	17	127.7	121.1
Investments in equity instruments designated at fair value through other comprehensive income	18	916.3	—
Available-for-sale investments in equity securities	19	—	244.6
Other assets	20	1,346.2	925.4
Pledged bank deposit	21	145.6	145.6
		35,766.2	29,063.0
Current assets			
Inventories		90.8	82.7
Trade and other receivables	22	1,848.9	1,165.6
Financial assets at fair value through profit or loss	23	—	84.3
Pledged bank deposits	21	1.3	1.3
Short-term bank deposits	24	12,368.7	9,719.1
Bank balances and cash	24	6,322.7	6,171.0
		20,632.4	17,224.0
Current liabilities			
Trade and other payables	25	11,957.6	11,173.8
Taxation payable		116.8	84.7
Long-term bank loans	27	200.0	200.0
		12,274.4	11,458.5
Net current assets		8,358.0	5,765.5
Total assets less current liabilities		44,124.2	34,828.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK\$ million	2017 HK\$ million
Non-current liabilities			
Other payables	25	882.9	1,094.2
Long-term bank loans	27	15,244.8	7,935.0
Amounts due to non-controlling interests of a subsidiary	28	287.1	280.0
Deferred taxation	29	22.8	50.1
		16,437.6	9,359.3
Net assets		27,686.6	25,469.2
Capital and reserves			
Share capital	30	11,254.1	11,241.5
Reserves		16,298.0	14,155.3
Equity attributable to owners of the Company		27,552.1	25,396.8
Non-controlling interests		134.5	72.4
Total equity		27,686.6	25,469.2

The consolidated financial statements on pages 111 to 215 were approved and authorised for issue by the Board of Directors on 28 February 2019 and are signed on its behalf by:

Ho Chiu Fung, Daisy
Director

So Shu Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital HK\$ million	Share options reserve HK\$ million	Investment revaluation reserve HK\$ million	Retained profits HK\$ million	Attributable to owners of the Company HK\$ million	Non-controlling interests HK\$ million	Total HK\$ million
At 1 January 2017	11,237.6	838.7	98.3	12,578.2	24,752.8	88.4	24,841.2
Profit (loss) for the year	—	—	—	1,963.4	1,963.4	(28.5)	1,934.9
Other comprehensive expense for the year	—	—	(83.7)	—	(83.7)	—	(83.7)
Total comprehensive (expense) income for the year	—	—	(83.7)	1,963.4	1,879.7	(28.5)	1,851.2
Exercise of share options	3.9	(1.2)	—	—	2.7	—	2.7
Deemed capital contribution from non-controlling interests	—	—	—	—	—	6.0	6.0
Deregistration of a subsidiary	—	—	—	—	—	6.2	6.2
Recognition of equity-settled share-based payments	—	62.8	—	—	62.8	—	62.8
Release of lapsed equity-settled share-based payments	—	(8.2)	—	8.2	—	—	—
Arising from changes in cash flow estimates on amount due to non-controlling interests of a subsidiary	—	—	—	—	—	0.3	0.3
Dividends paid (note 11)	—	—	—	(1,301.2)	(1,301.2)	—	(1,301.2)
	3.9	53.4	—	(1,293.0)	(1,235.7)	12.5	(1,223.2)
At 31 December 2017	11,241.5	892.1	14.6	13,248.6	25,396.8	72.4	25,469.2
Adjustments (note 2.2)	—	—	44.9	276.1	321.0	—	321.0
At 1 January 2018 (restated)	11,241.5	892.1	59.5	13,524.7	25,717.8	72.4	25,790.2
Profit for the year	—	—	—	2,850.1	2,850.1	62.1	2,912.2
Other comprehensive income for the year	—	—	266.4	—	266.4	—	266.4
Total comprehensive income for the year	—	—	266.4	2,850.1	3,116.5	62.1	3,178.6
Exercise of share options	12.6	(3.5)	—	—	9.1	—	9.1
Recognition of equity-settled share-based payments	—	10.2	—	—	10.2	—	10.2
Release of lapsed equity-settled share-based payments	—	(49.8)	—	49.8	—	—	—
Dividends paid (note 11)	—	—	—	(1,301.5)	(1,301.5)	—	(1,301.5)
	12.6	(43.1)	—	(1,251.7)	(1,282.2)	—	(1,282.2)
At 31 December 2018	11,254.1	849.0	325.9	15,123.1	27,552.1	134.5	27,686.6

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK\$ million	2017 HK\$ million
Operating activities		
Profit before taxation	2,939.6	1,946.8
Adjustments for:		
Interest income	(299.1)	(122.7)
Interest expenses	20.4	19.6
Imputed interest on amount due to non-controlling interests of a subsidiary	7.1	13.9
Dividend income	(20.7)	(3.8)
Share of profits of an associate	(8.9)	(48.3)
Share of profits of a joint venture	(6.6)	(6.0)
Depreciation of property and equipment	1,162.8	1,202.9
Loss (gain) on disposal/write-off of property and equipment	0.9	(2.1)
Loss allowance on financial assets	47.0	—
Operating lease rentals in respect of land use rights	42.8	42.7
Amortisation of intangible asset	—	1.6
Gain on change in fair value of financial assets at fair value through profit or loss	—	(6.2)
Share-based payments	10.2	62.8
(Reversal of) impairment loss on property and equipment	(5.4)	8.3
Loss on deregistration of a subsidiary	—	10.1
Loss on modification of long-term bank loans	12.9	—
Operating cash flows before movements in working capital	3,903.0	3,119.6
Increase in inventories	(8.1)	(14.2)
Increase in trade and other receivables	(26.8)	(137.4)
Increase (decrease) in trade and other payables	190.7	(337.7)
Cash from operations	4,058.8	2,630.3
Income tax paid	(22.6)	(41.1)
Net cash from operating activities	4,036.2	2,589.2

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK\$ million	2017 HK\$ million
Investing activities		
Interest received	269.5	94.4
Dividends received	22.0	2.5
Purchase of property and equipment	(5,777.3)	(5,928.3)
Proceeds from disposal of property and equipment	1.6	8.4
Additions of land use rights	—	(182.4)
Deposits paid for acquisitions of property and equipment	(595.5)	(63.8)
Repayment from an investee company	7.4	6.6
Advances to contractors	(668.5)	—
Withdrawal of short-term bank deposits	25,429.2	8,581.1
Placement of short-term bank deposits	(28,078.8)	(14,650.0)
Withdrawal of pledged bank deposits	—	268.5
Net cash used in investing activities	(9,390.4)	(11,863.0)
Financing activities		
Interest paid	(451.7)	(61.4)
Dividends paid	(1,301.5)	(1,301.2)
Proceeds from issue of shares	9.1	2.7
New long-term bank loans raised	7,450.0	8,235.0
Repayment of long-term bank loans	(200.0)	(646.7)
Repayment to non-controlling interests of a subsidiary	—	(294.0)
Net cash from financing activities	5,505.9	5,934.4
Net increase (decrease) in cash and cash equivalents	151.7	(3,339.4)
Cash and cash equivalents at 1 January	6,171.0	9,510.4
Cash and cash equivalents at 31 December	6,322.7	6,171.0
Analysis of the balances of cash and cash equivalents, representing bank balances and cash	6,322.7	6,171.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

SECTION A

THE COMPANY'S STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Notes	2018 HK\$ million	2017 HK\$ million
Non-current assets			
Property and equipment		0.2	0.3
Investments in subsidiaries	42	4,359.3	4,359.3
		4,359.5	4,359.6
Current assets			
Other receivables, deposits and prepayments		39.5	30.5
Amounts due from subsidiaries	43	9,859.9	8,255.1
Short-term bank deposits		5,610.0	6,639.3
Bank balances and cash		24.4	407.9
		15,533.8	15,332.8
Current liabilities			
Other payables and accruals		8.2	11.8
Amount due to a subsidiary	43	291.5	291.6
		299.7	303.4
Net current assets		15,234.1	15,029.4
Net assets		19,593.6	19,389.0
Capital and reserves			
Share capital	30	11,254.1	11,241.5
Reserves	32	8,339.5	8,147.5
Total equity		19,593.6	19,389.0

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 28 February 2019 and is signed on its behalf by:

Ho Chiu Fung, Daisy
Director

So Shu Fai
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

SECTION B

1. GENERAL

SJM Holdings Limited (the “Company”) is a public limited company incorporated in Hong Kong and acts as an investment holding company. The Company’s ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its subsidiaries are principally engaged in the development and operation of casinos and related facilities in Macau Special Administrative Region, the People’s Republic of China (“Macau SAR”). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”), a company established in Macau SAR. The address of registered office and principal place of business of the Company is disclosed in Corporate information of this report.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

The Company and its subsidiaries (collectively referred as the “Group”) has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to HKFRS 9 Prepayment Features with Negative Compensation which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- gaming operations
- hotel, catering and retail operations

The Group has applied the full retrospective method of transition to HKFRS 15 and the comparative figures have been restated.

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of applying HKFRS 15 on the Group’s consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Line items that were not affected by the changes have not been included.

	Year ended 31 December 2017	Adjustments	Year ended 31 December 2017
	HK\$ million (originally stated)	HK\$ million (Note)	HK\$ million (restated)
Gaming revenue	41,290.2	(10,195.4)	31,094.8
Hotel, catering, retail and related services income	584.7	91.2	675.9
Cost of sales and services on hotel, catering, retail and related services	(285.7)	(60.7)	(346.4)
Marketing and promotional expenses	(14,991.7)	10,100.5	(4,891.2)
Operating and administrative expenses	(8,731.0)	64.4	(8,666.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

2.1 HKFRS 15 Revenue from Contracts with Customers (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Note: The adjustments represent the impact on presentation in the following areas:

- *a change in the presentation of, and accounting for, revenue generated from goods or services provided on a complimentary basis that are currently provided to gaming patrons and gaming promoters, related costs of sales and services on hotel, catering, retail and related services that were previously included in operating and administrative expenses and certain promotional expenses to gaming promoters that were previously included in marketing and promotional expenses. The amounts were reclassified to conform with current year’s presentation.*
- *a change in the measurement of the loyalty points related to its customer relationship programs which is accounted for as a separate performance obligation and allocating the transaction price to performance obligations for providing gaming and hotel operations and related services and loyalty points under the relative stand-alone selling price. When the benefits are redeemed, revenue will be recognised in the respective category of the goods or services provided.*

2.2 HKFRS 9 Financial Instruments and the related amendments

In current year, the Group has applied HKFRS 9 Financial Instruments Amendments to HKFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and liabilities, 2) expected credit losses (“ECL”) for financial assets and other items, and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

2.2 HKFRS 9 Financial Instruments and the related amendments (Continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale (“AFS”) investments in equity securities HK\$ million	Financial assets at fair value through profit or loss (“FVTPL”) HK\$ million	Investments in equity instruments designated at fair value through other comprehensive income (“FVTOCI”) HK\$ million	Investment revaluation reserve HK\$ million	Retained profits HK\$ million
Closing balance at 31 December 2017— HKAS 39		244.6	84.3	—	14.6	13,248.6
Effect arising from initial application of HKFRS 9:						
Reclassification						
From AFS	(a)	(244.6)	—	244.6	(250.0)	250.0
From FVTPL	(b)	—	(84.3)	84.3	(26.1)	26.1
Remeasurement						
From cost less impairment to fair value	(a)	—	—	321.0	321.0	—
		(244.6)	(84.3)	649.9	44.9	276.1
Opening balance at 1 January 2018		—*	—*	649.9*	59.5*	13,524.7
*The movement during the year:						
Adjusted balance at 1 January 2018		—	—	649.9	59.5	
Other comprehensive income during the year		—	—	266.4	266.4	
At 31 December 2018		—	—	916.3	325.9	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

2.2 HKFRS 9 Financial Instruments and the related amendments (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes:

(a) AFS investments in equity securities

From AFS investments in equity securities to FVTOCI

The Group elected to present in other comprehensive income (“OCI”) for the fair value changes of all its investments in equity securities previously classified as AFS. These securities are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$244.6 million were reclassified from AFS investments in equity securities to equity instruments designated at FVTOCI. The fair value gains or losses of HK\$14.6 million relating to those investments previously carried at fair value continued to accumulate in investment revaluation reserve. In addition, impairment losses previously recognised of HK\$250.0 million were transferred from retained profits to investment revaluation reserve as at 1 January 2018.

From cost less impairment to FVTOCI

The Group elected to present in OCI for the fair value changes of all its unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, the fair value gain of HK\$321.0 million relating to those unquoted equity investments previously carried at cost less impairment was adjusted to investments in equity instruments designated at FVTOCI and investment revaluation reserve as at 1 January 2018, and is continued to accumulate in the investment revaluation reserve.

(b) Financial assets at FVTPL

From financial assets at FVTPL to FVTOCI

The Group elected to present in OCI for the fair value changes of all its listed equity securities previously classified as financial assets at FVTPL. At the date of initial application of HKFRS 9, the directors of the Company re-considered that these securities are not held for trading and not expected to be sold in the foreseeable future. Accordingly, HK\$84.3 million was reclassified from financial assets at FVTPL to investments in equity instruments designated at FVTOCI. The fair value losses of HK\$26.1 million relating to those investments previously carried at fair value were transferred from retained profits to investment revaluation reserve at 1 January 2018 which will not be subsequently reclassified to profit or loss under HKFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

2.2 HKFRS 9 Financial Instruments and the related amendments (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes: (Continued)

- (c) The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for advances to gaming promoters and others receivables from gaming promoters and services providers. The balances are assessed individually.

ECL for other financial assets at amortised cost, including advances to contractors, other sundry receivables, bank deposits and bank balances, amounts due from ultimate holding company/an associate/a joint venture/an investee company and financial guarantee contracts are assessed on 12 months expected credit loss (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, no additional credit loss allowance has been recognised against retained profits.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017	HKFRS 9	1 January 2018
	HK\$ million	HK\$ million	HK\$ million
	(audited)		(restated)
Non-current assets			
Investments in equity instruments designated at FVTOCI	—	649.9	649.9
AFS investments in equity securities	244.6	(244.6)	—
Current assets			
Financial assets at FVTPL	84.3	(84.3)	—
Capital and reserves			
Investment revaluation reserve	(14.6)	(44.9)	(59.5)
Retained profits	(13,248.6)	(276.1)	(13,524.7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards (Continued)

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

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 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirement of HKFRS 15 as to whether the transfer of relevant assets should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront land use right as investing cash flows in relation to leasehold lands for own use, while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, while upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature, as appropriate.

Under HKAS 17, the Group has already recognised land use rights for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 Leases (Continued)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK\$733.1 million (2017: HK\$923.2 million) as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$66.9 million and refundable rental deposits received of HK\$7.9 million as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle

HKAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

The directors of the Company do not anticipate that the application of the amendments to HKAS 23 and HKAS 28 will have a material effect on the consolidated financial statements.

The directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a material effect on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3.2 Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at deemed cost plus additional capital contribution, less any identified impairment loss. The deemed cost represents the carrying amounts of consolidated net assets of the subsidiaries at the date on which they were transferred to the Company at the time of a group reorganisation in prior accounting periods.

3.3 Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Interest in an associate (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When an objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.4 Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the joint venture's accounting policies to those of the Group. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Interest in a joint venture (Continued)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When an objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3.5 HKFRS 15 Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 HKFRS 15 Revenue from contracts with customers (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations including obligation to provide goods or services to patrons on complementary basis and patron's options to acquire additional goods or services for free or at a discount in future granted under customer relationship programs, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified goods or service before that goods or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The directors of the Company considered that the Group acts as a principal for gaming operations in casinos with services provided by gaming promoters and service providers as the Group controls the specified service to be provided by the Group before services transferred to a customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 HKFRS 15 Revenue from contracts with customers (Continued)

Revenue recognition

The Group's revenue contracts with customers consist of casino, hotel rooms, food and beverage, retail and other transactions.

Gaming revenue is the aggregate net difference between gaming wins and losses. Commissions paid to gaming promoters and rebates paid to patrons are recorded as a reduction to gaming revenue. The Group accounts for gaming revenue on a portfolio basis given the similar characteristics of wagers by recognising net win per gaming day.

For casino transactions that include complimentary goods and services provided by the Group to gaming customers on a discretionary basis to incentivise gaming, the Group allocates revenue to the goods or services delivered based upon relative stand-alone selling prices. Discretionary complimentary provided by the Group and supplied by third parties are deducted from liabilities in relation to complementary goods and services and amounts owned are paid to the third parties. The Group accounts for complimentary on a portfolio basis given the similar characteristics of the incentives by recognising redemption per gaming day.

For casino transactions that include award points earned by customers under the Group's loyalty programs, the Group allocates a portion of the net win based upon the relative standalone selling price of such award points (less estimated breakage). Such allocated amount is deferred and recognised in liabilities in relation to loyalty points under customer relationship programs until customers redeem the award points for free goods and services. Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue. Redemption of award points at third party outlets are deducted from the liabilities in relation to loyalty points under customer relationship programs and amounts owed are paid to the third parties.

The transaction price of hotel rooms, food and beverage, and retail transactions is the net amount collected from the customer for such goods and services. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for the food and beverage, retail and other services.

The Group has other contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays. For such arrangements, the Group allocates revenue to each good or service based on its relative stand-alone selling price. The Group primarily determines the stand-alone selling price of hotel rooms, food and beverage, and retail goods and services based on the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property and equipment

Property and equipment, including leasehold land (classified as finance leases) and buildings held for use in the supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

When the buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as land use rights and amortised over a straight line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of construction in progress. Construction in progress is carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are ready for their intended use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

For the leasehold land and buildings in Macau SAR, where the cost of land use rights cannot be reliably separated from the cost of land and buildings, the cost of land and buildings is treated as finance lease and depreciated and amortised on a straight line basis over the remaining lease term of the land or estimated useful life of the buildings or remaining terms of the gaming concession, whichever is shorter.

The cost of other buildings in Macau SAR is depreciated over 25 years or 40 years using the straight line method, which represents the shorter of respective lease term or estimated useful life of buildings.

The cost of leasehold improvements is depreciated on a straight line basis over the period of the respective tenancy leases, the remaining terms of the gaming concession or their respective estimated useful lives, whichever is shorter.

Depreciation is recognised so as to write off the cost of other property and equipment, less their residual values, over their estimated useful lives, using the straight line method, at the following rates per annum:

Chips	25%
Furniture, fixtures and equipment	7.6%–50%
Gaming equipment	25%
Motor vehicles	20%
Vessels	3.3%–16.7%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property and equipment (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of an item of property and equipment is determined as the difference between the net sales proceeds and the carrying amount of the item and is recognised in profit or loss.

3.7 Leasehold land and buildings

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3.8 Land use rights

Land use rights represent prepaid lease rentals under operating leases and are initially stated at cost. The cost of land use rights is charged to the profit or loss on a straight line basis over the lease term.

3.9 Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Intangible asset

Intangible asset with finite useful life that is acquired separately is carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful life is recognised on a straight-line basis over their estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible asset with indefinite useful life that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.11 Art works and diamonds

Art works and diamonds are stated at cost less accumulated impairment loss.

Art works and diamonds are derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

3.12 Inventories

Inventories, which mainly represent food and beverage held for sale, are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments

Financial assets and financial liabilities are recognised in the Group's and the Company's statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments designated at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains and losses" line item in profit or loss.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including advances to gaming promoters, other receivables from gaming promoters and service providers, advances to contractors, other sundry receivables, bank deposits and bank balances, amounts due from ultimate holding company/an associate/a joint venture/an investee company) and financial guarantees contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL "12m ECL" represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group applies simplified approach to recognise lifetime ECL for advances to gaming promoters. For all other instruments, the Group measures the loss allowance equal to 12m ECL under general approach, unless, when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on advances to gaming promoters and other receivables from gaming promoters and services providers are assessed individually.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the ability of gaming promoter or service provider to meet its debt obligations;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the gaming promoter or service provider;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the gaming promoter or service provider that results in a significant decrease in the ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition, the Group considers the changes in the risk that the specified debtor will default on the contract.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of ECL (Continued)

For ECL on financial guarantee contracts which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

Except for the financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of advances to gaming promoters and other receivables from gaming promoters and service providers where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified into the following specified categories: FVTPL, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income, gains and losses line item. Fair value is determined in the manner described in note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including bank deposits and balances, trade and other receivables, amounts due from subsidiaries/an associate/a joint venture/an investee company) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS investments in equity securities, a significant or prolonged decline in fair value of the security below its cost is considered to be objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances to gaming promoters and other receivables from gaming promoters and service providers, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the advances to gaming promoters and other receivables from gaming promoters and service providers are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investment, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivables is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to non-controlling interests of a subsidiary and long-term bank loans are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values. It is subsequently measured at the higher of:

- (i) the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 January 2018)/HKAS 37 Provisions, Contingent Liabilities and Contingent Assets (before application of HKFRS 9 on 1 January 2018); and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition/substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Non-substantial modifications of financial liabilities (under HKFRS 9 since 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Non-substantial modifications of financial liabilities (before application of HKFRS 9 on 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.14 Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Impairment losses on tangible and intangible assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or the cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.15 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because it excludes items of income or expense that are taxable or deductible in other years and it further excludes profit or loss items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in a joint venture and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.16 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's accounting policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expenses on a straight line basis.

3.18 Equity-settled share-based payment transactions

(a) Share options granted to directors and employees of the Group

Equity-settled share based payments to directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Equity-settled share-based payment transactions (Continued)

(b) *Share options granted to other participants*

Equity-settled share-based payment transactions with parties other than directors and employees are measured at the fair values of the goods or services received, unless that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the goods or the counterparty renders service. The fair values of the goods or services received are recognised as expenses, unless the goods or services qualify for recognition as assets.

3.19 Retirement benefits costs

Payments to defined contribution retirement benefits plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3.20 Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. KEY SOURCES OF ESTIMATION

The key assumptions concerning the future, and other key sources of estimation at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Loss allowance on advances to gaming promoters and other receivables from gaming promoters and service providers

The Group grants pre-approved revolving credit lines and short-term temporary advances to its gaming promoters and service providers with good credit histories and financial track records. For the outstanding balances from inactive gaming promoters and service providers, an estimated allowance for doubtful accounts is maintained to reduce the Group's receivables to their recoverable amounts. The allowances are estimated based on credit reviews of gaming promoters or service providers with outstanding balance and an evaluation of the amounts expected to be recovered with reference to relevant commissions accrued to, and deposits received from, the relevant gaming promoters or service providers at the end of the reporting period, the continuous business relationship, the commissions payable to the relevant gaming promoters or service providers, the cheques, and guarantees obtained and the financial background of the relevant gaming promoters or service providers. The management has also assessed all available forward looking information, including but not limited to expected growth rate and future development of gaming industry. When the actual future cash flows from the settlement of the outstanding balances from gaming promoters or service providers are less than expected, a material impairment loss may arise and affect profit or loss in the period of change. As at 31 December 2018, the carrying amount of advances to gaming promoters and other receivables from gaming promoters and service providers are HK\$1,049.5 million (2017: HK\$1,167.9 million), net of related loss allowance of HK\$179.5 million (2017: HK\$132.5 million).

Estimates of timing and amount of repayment of amounts due to non-controlling interests of a subsidiary

Save as disclosed in note 28, the amounts due to non-controlling interests of a subsidiary as at 31 December 2018 of HK\$287.1 million (2017: HK\$280.0 million) are repayable only when the subsidiary has surplus funds which require significant estimates. Surplus fund represents cash available in the subsidiary after estimated payments of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest. As such, the carrying amount of such amounts due to non-controlling interests of a subsidiary and the deemed contribution by non-controlling interests may be adjusted to reflect the revised estimated cash flows when the Group revises its estimates of the surplus funds and consequently the timing and amount of repayment to the non-controlling interests, and may affect the amount of imputed interest to be recognised in profit or loss over the expected life of such amounts due to non-controlling interests of a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. 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.

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”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. OPERATING SEGMENTS (Continued)

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	
	2018 HK\$ million	2017 HK\$ million (restated)	2018 HK\$ million	2017 HK\$ million
Gaming operations: recognised at a point in time	33,677.1	31,094.8	3,331.6	2,413.8
Hotel, catering and retail operations: External sales: Catering, retail and other operations: recognised at a point in time	441.8	409.0		
Hotel operations: recognised over time	291.2	266.9		
	733.0	675.9		
Inter-segment sales: Catering, retail and other operations: recognised at a point in time	33.5	35.5		
Hotel operations: recognised over time	123.5	130.5		
	157.0	166.0		
Eliminations	890.0 (157.0)	841.9 (166.0)	(456.6)	(471.1)
	733.0	675.9		
Total: recognised at a point in time	34,118.9	31,503.8		
recognised over time	291.2	266.9		
	34,410.1	31,770.7		
Reconciliation from segment results to profit before taxation:			2,875.0	1,942.7
Unallocated corporate income			205.1	70.5
Unallocated corporate expenses			(156.0)	(126.9)
Change in fair value of financial assets at FVTPL			—	6.2
Share of profits of an associate			8.9	48.3
Share of profits of a joint venture			6.6	6.0
Profit before taxation			2,939.6	1,946.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. OPERATING SEGMENTS (Continued)

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before taxation earned by each segment without allocation of corporate income and expenses, change in fair value of financial assets at FVTPL and share of profits of an associate/a joint venture. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

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

	2018 HK\$ million	2017 HK\$ million
ASSETS		
Segment assets:		
gaming operations	16,494.0	12,761.1
hotel, catering and retail operations	4,662.4	5,050.6
	21,156.4	17,811.7
Interest in an associate	306.5	257.8
Interest in a joint venture	127.7	121.1
Unallocated bank deposits, bank balances and cash	5,669.2	7,095.9
Other unallocated assets	29,138.8	21,000.5
Group's total	56,398.6	46,287.0
LIABILITIES		
Long-term bank loans:		
gaming operations	15,078.0	7,599.5
hotel, catering and retail operations	130.1	190.0
unallocated corporate bank loans	236.7	345.5
	15,444.8	8,135.0
Other segment liabilities:		
gaming operations	10,338.4	10,199.1
hotel, catering and retail operations	261.1	267.3
	10,599.5	10,466.4
Total segment liabilities	26,044.3	18,601.4
Unallocated liabilities	2,667.7	2,216.4
Group's total	28,712.0	20,817.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. OPERATING SEGMENTS (Continued)

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

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

- (i) other unallocated assets include mainly certain property and equipment, certain land use rights, art works and diamonds, amounts due from an associate/a joint venture/an investee company, AFS investments in equity securities, investments in equity instruments designated at FVTOCI and financial assets at FVTPL.
- (ii) unallocated liabilities include mainly certain construction payables and amounts 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

	2018 HK\$ million	2017 HK\$ million
Additions to non-current assets (other than financial instruments):		
gaming operations	325.3	196.1
hotel, catering and retail operations	56.0	16.7
corporate level*	6,903.0	6,020.3
	7,284.3	6,233.1

* Amount includes certain land use rights, property and equipment, and art works and diamonds where the directors of the Company consider it impracticable to divide into individual segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. OPERATING SEGMENTS (Continued)

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

	2018 HK\$ million	2017 HK\$ million
Depreciation and amortisation:		
gaming operations	620.1	657.0
hotel, catering and retail operations	536.7	539.4
corporate level	6.0	8.1
	1,162.8	1,204.5
Loss (gain) on disposal/write-off of property and equipment:		
gaming operations	0.5	(3.6)
hotel, catering and retail operations	0.4	1.5
	0.9	(2.1)
Share-based payments:		
gaming operations	6.9	48.8
corporate level	3.3	14.0
	10.2	62.8
Finance costs:		
gaming operations	3.2	5.7
hotel, catering and retail operations	6.1	8.2
corporate level	18.2	19.6
	27.5	33.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. OPERATING SEGMENTS (Continued)

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

	2018 HK\$ million	2017 HK\$ million
Interest income:		
gaming operations	119.8	59.0
hotel, catering and retail operations	3.2	5.1
corporate level	176.1	58.6
	299.1	122.7
Loss allowance on financial assets		
gaming operations	47.0	—
(Reversal of) impairment loss		
on property and equipment:		
gaming operations	(4.8)	7.7
hotel, catering and retail operations	(0.6)	0.6
	(5.4)	8.3
Loss on deregistration of a subsidiary		
gaming operations	—	10.1

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. GAMING REVENUE

	2018 HK\$ million	2017 HK\$ million (restated)
Gaming revenue from:		
VIP gaming operations	19,663.2	19,877.0
mass market table gaming operations	23,080.3	20,583.6
slot machine and other gaming operations	1,156.5	1,026.8
	43,900.0	41,487.4
Less: commissions and incentives	(10,222.9)	(10,392.6)
	33,677.1	31,094.8

7. FINANCE COSTS

	2018 HK\$ million	2017 HK\$ million
Interest on:		
long-term bank loans	484.0	79.7
payable for acquisition of land use rights	—	3.3
Imputed interest on amounts due to non-controlling interests of a subsidiary	7.1	13.9
	491.1	96.9
Less: Amount capitalised	(463.6)	(63.4)
	27.5	33.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. PROFIT BEFORE TAXATION

	2018 HK\$ million	2017 HK\$ million
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration (<i>note 9</i>)	100.3	167.4
Less: Amount capitalised	(11.2)	(10.9)
	89.1	156.5
Retirement benefits scheme contributions for other staff	212.1	206.8
Less: Forfeited contributions	(28.6)	(33.8)
	183.5	173.0
Other staff costs	5,660.1	5,696.1
Share-based payments to other staff	0.6	7.8
Total other staff costs	5,660.7	5,703.9
Total employee benefit expenses	5,933.3	6,033.4
Operating lease rentals in respect of:		
land use rights	45.5	45.4
rented premises	440.4	448.2
	485.9	493.6
Loss allowance on financial assets	47.0	—
Amortisation of intangible asset (included in operating and administrative expenses)	—	1.6
Auditor's remuneration	15.0	14.4
Depreciation of property and equipment	1,162.8	1,202.9
Impairment loss on property and equipment	—	8.3
Loss on deregistration of a subsidiary	—	10.1
Loss on disposal/write-off of property and equipment	0.9	—
Loss on modification of long-term bank loans	12.9	—
Share-based payments to other participants (included in operating and administrative expenses)	—	0.4
<i>and after crediting:</i>		
Bank interest income	299.1	122.7
Dividend income	20.7	3.8
Gain on change in fair value of financial assets at FVTPL	—	6.2
Gain on disposal of property and equipment	—	2.1
Reversal of impairment loss on property and equipment	5.4	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of directors during the year are analysed as follows:

	2018					2017				
	Base fees HK\$ million (Note a)	Special fees HK\$ million (Note b)	Other fees HK\$ million (Note c)	Share-based payments HK\$ million	Total HK\$ million	Base fees HK\$ million (Note a)	Special fees HK\$ million (Note b)	Other fees HK\$ million (Note c)	Share-based payments HK\$ million	Total HK\$ million
THE COMPANY										
Executive directors:										
Dr. Ho Hung Sun, Stanley (Note d)	0.4	—	—	—	0.4	1.0	0.4	0.1	—	1.5
Ms. Ho Chiu Fung, Daisy (Note f)	0.8	0.3	0.9	3.3	5.3	0.3	0.1	0.3	4.9	5.6
Mr. Fok Tsun Ting, Timothy	1.4	0.5	0.1	—	2.0	1.6	0.7	0.1	—	2.4
Deputada Leong On Kei, Angela Dr. So Shu Fai	1.5	0.5	0.1	—	2.1	1.7	0.7	0.1	—	2.5
(Chief Executive Officer)	1.7	0.5	0.1	—	2.3	2.1	0.9	0.1	—	3.1
Mr. Ng Chi Sing	0.5	0.2	0.1	—	0.8	0.5	0.2	0.1	—	0.8
Mr. Shum Hong Kuen, David	1.2	0.4	0.1	—	1.7	1.6	0.7	0.1	—	2.4
Dr. Chan Un Chan (Note g)	0.3	0.1	0.1	—	0.5	—	—	—	—	—
Dr. Rui José da Cunha (Note e)	—	—	—	—	—	0.2	0.1	—	—	0.3
Non-executive director:										
Dr. Cheng Kar Shun	0.5	0.2	0.1	—	0.8	0.5	0.2	0.1	—	0.8
Independent non-executive directors:										
Mr. Chau Tak Hay	0.7	0.2	0.1	—	1.0	0.7	0.3	0.1	0.2	1.3
Dr. Lan Hong Tsung, David	0.7	0.2	0.1	—	1.0	0.7	0.3	0.1	0.2	1.3
Hon. Shek Lai Him, Abraham	1.5	0.5	0.1	—	2.1	2.0	0.9	0.1	0.2	3.2
Mr. Tse Hau Yin	1.4	0.5	0.1	—	2.0	1.9	0.8	0.1	—	2.8
	12.6	4.1	2.0	3.3	22.0	14.8	6.3	1.4	5.5	28.0
SUBSIDIARIES										
Executive directors:										
Dr. Ho Hung Sun, Stanley (Note d)	10.6	3.5	1.1	—	15.2	23.3	9.7	2.4	2.2	37.6
Ms. Ho Chiu Fung, Daisy (Note f)	—	—	—	—	—	—	—	—	—	—
Mr. Fok Tsun Ting, Timothy	1.1	0.4	0.8	—	2.3	0.4	0.2	0.5	1.3	2.4
Deputada Leong On Kei, Angela Dr. So Shu Fai	9.5	3.5	2.2	—	15.2	8.6	3.6	2.8	13.0	28.0
(Chief Executive Officer)	12.3	4.2	1.2	—	17.7	11.4	4.8	1.4	15.2	32.8
Mr. Ng Chi Sing	10.6	3.5	1.2	—	15.3	10.4	4.3	1.2	13.9	29.8
Mr. Shum Hong Kuen, David	1.1	0.4	0.3	—	1.8	0.4	0.2	0.5	1.3	2.4
Dr. Chan Un Chan (Note g)	0.2	—	0.2	6.3	6.7	—	—	—	—	—
Dr. Rui José da Cunha (Note e)	—	—	—	—	—	1.3	0.2	0.2	0.7	2.4
Non-executive director:										
Dr. Cheng Kar Shun	0.4	0.1	0.4	—	0.9	0.4	0.2	0.4	1.3	2.3
Independent non-executive directors:										
Mr. Chau Tak Hay	—	—	—	—	—	—	—	—	—	—
Dr. Lan Hong Tsung, David	—	—	—	—	—	—	—	—	—	—
Hon. Shek Lai Him, Abraham	0.8	0.3	—	—	1.1	—	—	0.2	—	0.2
Mr. Tse Hau Yin	0.8	0.2	1.1	—	2.1	—	—	1.3	0.2	1.5
	47.4	16.1	8.5	6.3	78.3	56.2	23.2	10.9	49.1	139.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

	2018					2017				
	Base fees HK\$ million (Note a)	Special fees HK\$ million (Note b)	Other fees HK\$ million (Note c)	Share- based payments HK\$ million	Total HK\$ million	Base fees HK\$ million (Note a)	Special fees HK\$ million (Note b)	Other fees HK\$ million (Note c)	Share- based payments HK\$ million	Total HK\$ million
THE GROUP										
Executive directors:										
Dr. Ho Hung Sun, Stanley (Note d)	11.0	3.5	1.1	—	15.6	24.3	10.1	2.5	2.2	39.1
Ms. Ho Chiu Fung, Daisy (Note f)	0.8	0.3	0.9	3.3	5.3	0.3	0.1	0.3	4.9	5.6
Mr. Fok Tsun Ting, Timothy	2.5	0.9	0.9	—	4.3	2.0	0.9	0.6	1.3	4.8
Deputada Leong On Kei, Angela	11.0	4.0	2.3	—	17.3	10.3	4.3	2.9	13.0	30.5
Dr. So Shu Fai (Chief Executive Officer)	14.0	4.7	1.3	—	20.0	13.5	5.7	1.5	15.2	35.9
Mr. Ng Chi Sing	11.1	3.7	1.3	—	16.1	10.9	4.5	1.3	13.9	30.6
Mr. Shum Hong Kuen, David	2.3	0.8	0.4	—	3.5	2.0	0.9	0.6	1.3	4.8
Dr. Chan Un Chan (Note g)	0.5	0.1	0.3	6.3	7.2	—	—	—	—	—
Dr. Rui José da Cunha (Note e)	—	—	—	—	—	1.5	0.3	0.2	0.7	2.7
Non-executive director:										
Dr. Cheng Kar Shun	0.9	0.3	0.5	—	1.7	0.9	0.4	0.5	1.3	3.1
Independent non-executive directors:										
Mr. Chau Tak Hay	0.7	0.2	0.1	—	1.0	0.7	0.3	0.1	0.2	1.3
Dr. Lan Hong Tsung, David	0.7	0.2	0.1	—	1.0	0.7	0.3	0.1	0.2	1.3
Hon. Shek Lai Him, Abraham	2.3	0.8	0.1	—	3.2	2.0	0.9	0.3	0.2	3.4
Mr. Tse Hau Yin	2.2	0.7	1.2	—	4.1	1.9	0.8	1.4	0.2	4.3
	60.0	20.2	10.5	9.6	100.3	71.0	29.5	12.3	54.6	167.4

Notes:

- (a) Base fee represents a fixed fee paid for the holding of an office as a director and, where appropriate, a board committee member.
- (b) Special fee represents a performance-based discretionary payment.
- (c) Other fees paid to Deputada Leong On Kei, Angela include the fee (including performance-based discretionary payment) acting as the chairman of the Staff Welfare Consultative Committee of Sociedade de Jogos de Macau, S.A. ("SJM"), a subsidiary of the Company. Other fees paid to Mr. Tse Hau Yin represents the fee (including performance-based discretionary payment) acting as supervisory committee chairman of SJM and its certain subsidiaries. Other fees paid to all directors also include various allowances.
- (d) Retired as executive director with effect from 12 June 2018.
- (e) Retired as executive director with effect from 13 June 2017.
- (f) Appointed as executive director with effect from 13 June 2017.
- (g) Appointed as executive director with effect from 12 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Executive directors are also senior management of the Group.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The five highest paid individuals of the Group for the year ended 31 December 2018 included five (2017: four) directors of the Company, whose emoluments are disclosed above and the remaining one for the year ended 31 December 2017 was an employee of the Group, details of whose emolument was as follows:

	2018 HK\$ million	2017 HK\$ million
Employee:		
salaries and allowances	—	6.3
share-based payments	—	—
	—	6.3

No emoluments were paid by the Group to the directors and the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office in both years. None of the directors and the five highest paid individuals has waived any emoluments during both years.

10. TAXATION

	2018 HK\$ million	2017 HK\$ million
Macau SAR Complementary Tax ("CT"):		
current tax	54.6	42.8
underprovision in prior year	0.1	—
	54.7	42.8
Deferred taxation credit (note 29)	(27.3)	(30.9)
	27.4	11.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. TAXATION (Continued)

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 years from 2017 to 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 Macau Pataca ("MOP") 23.2 million (equivalent to HK\$22.5 million) for each of the years ended/ending 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 profit arising from the respective jurisdictions.

Tax charge for the year is reconciled to profit before taxation as follows:

	2018	2017
	HK\$ million	HK\$ million
Profit before taxation	2,939.6	1,946.8
Tax at the applicable income tax rate of 12%	352.7	233.6
Effect of tax exemption granted to the Group	(409.3)	(314.3)
Effect of share of results of an associate and a joint venture	(1.9)	(6.5)
Effect of income not taxable for tax purpose	(25.4)	(8.5)
Effect of expenses not deductible for tax purpose	48.3	34.4
Effect of tax losses not recognised	96.0	50.7
Effect of deductible temporary difference not recognised	(55.6)	—
Underprovision in respect of prior year	0.1	—
Special Complementary Tax	22.5	22.5
Tax charge for the year	27.4	11.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. DIVIDENDS

	2018 HK\$ million	2017 HK\$ million
Interim dividend per ordinary share paid:		
HK8 cents for 2018	452.7	—
HK5 cents for 2017	—	282.9
Final dividend per ordinary share paid:		
HK15 cents for 2017	848.8	—
HK18 cents for 2016	—	1,018.3
	1,301.5	1,301.2

A final dividend of HK21 cents per ordinary share, totalling HK\$1,189.3 million, is proposed by the directors of the Company at a board meeting held on 28 February 2019, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,663,109,293 ordinary shares in issue at the date of this report.

12. 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:

Earnings

	2018 HK\$ million	2017 HK\$ million
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	2,850.1	1,963.4

Number of shares

	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,658,874,526	5,657,433,129
Effect of dilutive potential ordinary shares on share options	4,128,152	3,817,342
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,663,002,678	5,661,250,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Chips	Furniture, fixtures and equipment	Gaming equipment	Leasehold improvements	Motor vehicles	Vessels	Construction in progress	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
COST									
At 1 January 2017	4,941.7	459.1	6,254.3	727.6	3,734.3	44.3	286.1	13,336.6	29,784.0
Additions	1.0	—	114.7	64.1	19.6	4.5	—	5,995.3	6,199.2
Disposals/write-off	—	—	(66.5)	(180.8)	(29.7)	(0.5)	—	—	(277.5)
Transfers	—	—	557.3	—	461.0	—	—	(1,018.3)	—
Transfers-out	—	—	—	—	—	—	—	(142.0)	(142.0)
At 31 December 2017	4,942.7	459.1	6,859.8	610.9	4,185.2	48.3	286.1	18,171.6	35,563.7
Additions	0.8	1.2	98.7	40.4	56.3	4.7	—	6,647.4	6,849.5
Disposals/write-off	—	—	(48.5)	(69.9)	(4.4)	(0.2)	—	—	(123.0)
Transfers	—	—	28.9	—	16.1	—	—	(45.0)	—
At 31 December 2018	4,943.5	460.3	6,938.9	581.4	4,253.2	52.8	286.1	24,774.0	42,290.2
DEPRECIATION AND IMPAIRMENT									
At 1 January 2017	1,976.9	454.7	4,392.7	543.2	2,480.1	32.0	53.0	—	9,932.6
Provided for the year	236.0	2.9	559.7	80.8	306.5	4.6	13.1	—	1,203.6
Impairment loss recognised in profit or loss	—	—	0.6	2.9	4.8	—	—	—	8.3
Eliminated on disposals/write-off	—	—	(63.1)	(180.7)	(27.1)	(0.3)	—	—	(271.2)
At 31 December 2017	2,212.9	457.6	4,889.9	446.2	2,764.3	36.3	66.1	—	10,873.3
Provided for the year	236.0	1.7	548.9	80.0	279.0	5.4	13.2	—	1,164.2
Impairment loss reversed in profit or loss	—	—	(0.6)	—	(4.8)	—	—	—	(5.4)
Eliminated on disposals/write-off	—	—	(47.1)	(69.2)	(4.0)	(0.2)	—	—	(120.5)
At 31 December 2018	2,448.9	459.3	5,391.1	457.0	3,034.5	41.5	79.3	—	11,911.6
CARRYING VALUES									
At 31 December 2018	2,494.6	1.0	1,547.8	124.4	1,218.7	11.3	206.8	24,774.0	30,378.6
At 31 December 2017	2,729.8	1.5	1,969.9	164.7	1,420.9	12.0	220.0	18,171.6	24,690.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. PROPERTY AND EQUIPMENT (Continued)

At 31 December 2018, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate carrying value of HK\$1,494.8 million (2017: HK\$1,957.1 million) in respect of the Group's gaming business have to be returned to the Macau SAR government upon completion of the term of the concession in 2020.

Other staff costs of HK\$355.8 million (2017: HK\$275.2 million), operating lease rentals in respect of rented premises of HK\$17.4 million (2017: HK\$37.6 million), operating lease rentals in respect of land use rights of HK\$92.1 million (2017: HK\$92.1 million), depreciation expenses of HK\$1.4 million (2017: HK\$0.7 million) and interest expenses of HK\$463.6 million (2017: HK\$60.1 million) have been capitalised in construction in progress for the year ended 31 December 2018.

During the year ended 31 December 2018, additions of the construction in progress of Grand Lisboa Palace Project (as defined in note 14) amounted to HK\$6,602.4 million (2017: HK\$5,989.4 million). At 31 December 2018, the carrying values of the construction in progress of HK\$24,774.0 million (2017: HK\$18,171.6 million) represents the construction in progress of Grand Lisboa Palace Project. During the year ended 31 December 2017, the Group's construction in progress, which is the integral parts of a building of Grand Lisboa Palace Project under construction, has been damaged due to a fire. The management of the Company conducted an assessment of the damage from the fire by reviewing the reports from the Group's project management team and external quantity surveyors and determined there was no evidence to indicate that the future economic performance and useful lives of the building under construction would be affected significantly. Moreover, the management of the Company obtained the analysis from the in-house legal counsels and considered that substantially all the damages on the relevant construction work are recoverable in accordance with the performance obligations of the contractors under the terms of construction contracts. Thus, no impairment loss was recognised on this event. The insurance assessment to those construction works that covered by the All-Risks insurance policy is in substantial progress up to the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. LAND USE RIGHTS

	2018 HK\$ million	2017 HK\$ million
CARRYING VALUE		
At 1 January	2,396.8	2,522.2
Additions	—	4.0
Interest capitalised (note 7)	—	3.3
Released to profit or loss during the year	(42.8)	(42.7)
Released and capitalised to construction in progress during the year	(90.0)	(90.0)
At 31 December	2,264.0	2,396.8

The amount represents prepayment of rentals for land use rights situated in Macau SAR.

In 2012, the Group accepted a land concession contract with Macau SAR government in respect of the lease of a parcel of land in Macau SAR for the development and operation of a casino, hotels and entertainment complex (the "Grand Lisboa Palace Project"). Pursuant to the land concession contract, the total land premium is HK\$2,087.9 million. The land concession contract was approved and the grant of land use rights was finalised by Macau SAR government in 2013. The remaining land premium payable to Macau SAR government were paid by 8 semi-annual instalments together with a fixed interest of 5% per annum. The acquisition cost of land use rights was settled in May 2017.

15. ART WORKS AND DIAMONDS

The amounts represent the aggregate cost of art works and diamonds held by the Group. In the opinion of the directors of the Company, the recoverable amounts of the art works and diamonds are at least their carrying amounts at the end of both reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. INTEREST IN AN ASSOCIATE

	2018 HK\$ million	2017 HK\$ million
Cost of unlisted investment	25.0	25.0
Discount on acquisition	6.8	6.8
Share of post-acquisition profits	274.7	226.0
	306.5	257.8

The cost of investment in an associate represents the Group's 49% quota capital of an entity, Zhen Hwa Harbour Construction Company Limited, which is established in Macau SAR and engaged in the provision of construction services in Macau SAR and investment holding.

The associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2018 HK\$ million	2017 HK\$ million
Current assets	1,420.0	1,436.5
Non-current assets	98.6	92.1
Current liabilities	(1,480.2)	(1,562.9)
Revenue	865.8	740.7
Profit for the year	71.9	329.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. INTEREST IN AN ASSOCIATE (Continued)

The unrecognised share of results of an associate*:

	2018 HK\$ million	2017 HK\$ million
At 1 January	551.2	707.1
Unrecognised share of results for the year	27.5	(155.9)
At 31 December	578.7	551.2

* The Group's share of accumulated losses on a construction project is limited to a fixed amount of HK\$97.1 million as agreed with the holding company of the associate.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate and share of profits recognised in the consolidated financial statements:

Reconciliation of interest in an associate

	2018 HK\$ million	2017 HK\$ million
Net assets (liabilities) of an associate	38.4	(34.3)
Unrecognised share of loss of an associate	578.7	551.2
Adjusted net assets of an associate	617.1	516.9
Proportion of the Group's ownership interest in an associate	49%	49%
Effect of fair value adjustments at acquisition	302.4 4.1	253.3 4.5
Carrying amount of the Group's interest in an associate	306.5	257.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. INTEREST IN AN ASSOCIATE (Continued)

Reconciliation of share of profits of an associate

	2018 HK\$ million	2017 HK\$ million
Results for the year of an associate	71.9	329.4
Unrecognised share of results for the year	27.5	(155.9)
Unrealised profits for the year	(81.2)	(74.9)
Adjusted profits for the year of an associate	18.2	98.6
Proportion of the Group's ownership interest in an associate	49%	49%
Share of profits of an associate	8.9	48.3

17. INTEREST IN A JOINT VENTURE

	2018 HK\$ million	2017 HK\$ million
Cost of unlisted investment	39.7	39.7
Share of post-acquisition profits	88.0	81.4
	127.7	121.1

The cost of investment in a joint venture represents the Group's 49% quota capital in an entity, Chong Fung Real Estate Investment Limited, which is established in Macau SAR and engaged in property investment in Macau SAR.

According to the legal form and terms of the contractual arrangements, each of the two joint venturers that have joint control of the arrangement have rights to the net assets of the arrangement, hence it is regarded as a joint venture.

At the end of the reporting period, included in the cost of investment is goodwill of HK\$34.3 million (2017: HK\$34.3 million) arising on acquisition of the joint venture.

The joint venture is accounted for using the equity method in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	2018 HK\$ million	2017 HK\$ million
Current assets	195.6	181.1
Non-current assets	27.1	28.0
Current liabilities	(32.1)	(32.0)
Revenue	14.4	14.4
Profit for the year	13.5	12.3
The above profit for the year includes the following:		
Depreciation	0.9	0.9
Interest income	3.1	2.1

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	2018 HK\$ million	2017 HK\$ million
Net assets of a joint venture	190.6	177.1
Proportion of the Group's ownership interest in a joint venture	49%	49%
	93.4	86.8
Goodwill	34.3	34.3
Carrying amount of the Group's interest in a joint venture	127.7	121.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

At 31 December 2018, the amounts comprise equity shares listed in Hong Kong of HK\$352.3 million and unlisted equity shares in a private entity established in the British Virgin Islands of HK\$564.0 million that are carried at fair value. These investments are not held for trading, instead, they are held for long-term strategic purposes. The management has elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

19. AVAILABLE-FOR-SALE INVESTMENTS IN EQUITY SECURITIES

At 31 December 2017, the amount comprised equity shares listed in Hong Kong that were carried at fair value. The management estimated the fair value of the AFS investments in equity securities with reference to the quoted bid price in an active market and the market condition at the end of the reporting period. Such investments were reclassified as investments in equity instruments designated at FVTOCI upon the initial application of HKFRS 9 (note 2.2).

20. OTHER ASSETS

	2018 HK\$ million	2017 HK\$ million
Deposits made on acquisitions of property and equipment	723.3	288.4
Rental deposits (<i>note 22</i>)	25.2	40.6
Other receivables from gaming promoters and service providers (<i>note 22</i>)	445.9	437.2
Amount due from an associate	88.4	88.4
Amount due from a joint venture	14.4	14.4
Amount due from an investee company	49.0	56.4
	1,346.2	925.4

The amounts due from an associate/a joint venture/an investee company/other receivables from gaming promoters and service providers are unsecured, interest-free and have no fixed repayment terms. At 31 December 2018, the management of the Group expects that these amounts will not be realised within 12 months from the end of the reporting period, hence, these amounts are classified as non-current assets.

At 31 December 2018, HK\$14.8 million (2017: HK\$142.0 million) was included in the deposits made on acquisitions of property and equipment in respect of damaged property and equipment to be replaced by contractors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. PLEDGED BANK DEPOSITS

	2018 HK\$ million	2017 HK\$ million
Non-current portion		
Bank deposit pledged: to secure bank facilities (<i>Note</i>)	145.6	145.6
Current portion		
Bank deposits pledged: others	1.3	1.3

Note: The amount represents deposit pledged to secure the bank facilities granted to a subsidiary of the Company. The bank facilities represent a guarantee amounting to HK\$291.3 million from 1 April 2007 to the earlier of 180 days after the expiry of the gaming concession contract or 31 March 2020, which is in favour of the Macau SAR government against the legal and contractual financial obligations of SJM under the gaming concession contract.

At 31 December 2018, the pledged bank deposits carry interest rates ranging from 1.00% to 1.75% (2017: 1.00%) per annum.

Details of impairment assessment of pledged bank deposits for the year ended 31 December 2018 are set out in note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK\$ million	HK\$ million
Advances to gaming promoters, net	210.4	268.0
Other receivables from gaming promoters and service providers, net	839.1	899.9
Advances to contractors	668.5	—
Prepayments	291.4	154.9
Other sundry receivables	310.6	320.6
	2,320.0	1,643.4
Less: Non-current portion	(471.1)	(477.8)
Current portion	1,848.9	1,165.6

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 2018, 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.

At 31 December 2018, the management expects that other receivables from gaming promoters and service providers and rental deposits of HK\$445.9 million (2017: HK\$437.2 million) and HK\$25.2 million (2017: HK\$40.6 million) respectively will not be realised or released within 12 months from the end of the reporting period. Hence, such amounts are classified as non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. 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:

	2018 HK\$ million	2017 HK\$ million
Age		
0 to 30 days	210.4	224.6
31 to 60 days	—	43.4
	210.4	268.0

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 38.

Movement in the loss allowance

	2018 HK\$ million	2017 HK\$ million
At 1 January	132.5	132.5
Loss allowance recognised	47.0	—
At 31 December	179.5	132.5

Loss allowance with an aggregate balance of HK\$179.5 million (2017: HK\$132.5 million) represents individually impaired advances to gaming promoters and other receivables from gaming promoters and service providers as the management considered the outstanding balances from these gaming promoters and service providers were uncollectible.

Advances to contractors represent construction costs of Grand Lisboa Palace Project advanced to contractors. The amounts are unsecured, interest-free and the management expects the amounts will be realised within 12 months from the end of the reporting period. Hence, such amounts are classified as current assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. TRADE AND OTHER RECEIVABLES (Continued)

Prepayments and other sundry receivables of the Group which included certain balances between the Group and related companies are detailed as follows:

	2018 HK\$ million	2017 HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group	237.7	48.9
An associate of the Group	5.2	1.8
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	150.9	133.0
	393.8	183.7

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount comprised equity shares listed in Hong Kong that were carried at fair value which was the quoted bid price in an active market at the end of the reporting period. Such investments were reclassified as investment in equity instrument designated at FVTOCI upon the initial application of HKFRS 9 (note 2.2).

24. SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

At 31 December 2018, the short-term bank deposits carried fixed interest rates ranging from 1.00% to 3.00% (2017: 0.90% to 2.06%) per annum with original maturity ranging over 3 months to 6 months (2017: 3 months to 6 months) and are classified as current assets since their remaining maturity is within 12 months from the end of the reporting period.

At 31 December 2018, bank balances carried effective interest rates ranging from 0.13% to 2.55% (2017: 0.01% to 1.93%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. TRADE AND OTHER PAYABLES

	2018 HK\$ million	2017 HK\$ million
Trade payables	1,389.1	1,248.8
Special gaming tax payable	1,451.2	1,306.1
Chips in circulation	4,480.7	4,987.7
Chips in custody and deposits received from gaming patrons and gaming promoters	597.9	516.4
Payables for acquisition of property and equipment	38.0	50.7
Construction payables	2,550.0	2,140.9
Accrued staff costs	1,678.9	1,472.6
Rentals payables	171.1	157.1
Withholding tax payable for gaming promoters and employees	21.1	19.2
Other sundry payables and accruals	462.5	368.5
	12,840.5	12,268.0
Less: Non-current portion	(882.9)	(1,094.2)
Current portion	11,957.6	11,173.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. TRADE AND OTHER PAYABLES (Continued)

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

	2018	2017
	HK\$ million	HK\$ million
Age		
0 to 30 days	1,373.2	1,224.5
31 to 60 days	10.4	14.4
61 to 90 days	2.3	5.2
Over 90 days	3.2	4.7
	1,389.1	1,248.8

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.

The Group provides numerous products and services to its customers. There is often a timing difference between the cash payment by the customers and recognition of revenue for each of the associated performance obligations. The Group has the following main types of liabilities associated with contracts with customers including in other sundry payables and accruals: (1) liabilities in relation to loyalty points under customer relationship programs and (2) other deferred revenue.

The liabilities in relation to loyalty points under customer relationship programs represent a deferral of revenue for future goods and services to be provided by the Group until gaming patrons redeem points earned. The loyalty points are expected to be redeemed and recognised as revenue within one year of being earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. TRADE AND OTHER PAYABLES (Continued)

The other deferred revenue represents accrued goods or services provided on a complimentary basis to gaming patrons and gaming promoters for future goods and services provided by the Group. The majority of these goods or services are expected to be recognised as revenue within one year of being granted.

The following table summarises the liability activity related to contracts with customers:

	Liabilities in relation to loyalty points under customer relationship programs		Other deferred revenue	
	2018 HK\$ million	2017 HK\$ million	2018 HK\$ million	2017 HK\$ million
Balance at 1 January	26.7	24.8	6.4	6.1
Balance at 31 December	21.8	26.7	6.4	6.4
(Decrease) increase	(4.9)	1.9	—	0.3

Trade and other payables of the Group included certain balances between the Group and related companies are detailed as follows:

	2018 HK\$ million	2017 HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group	77.5	61.2
An associate of the Group	167.8	171.2
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	341.3	271.9
	586.6	504.3

26. FINANCIAL GUARANTEE OBLIGATIONS

The fair value of financial guarantee obligations set out in note 41 in respect of an investee company and an associate at initial recognition is insignificant. No provision for financial guarantee contracts has been made at 31 December 2018 and 31 December 2017 as the default risk is low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

27. LONG-TERM BANK LOANS

	2018 HK\$ million	2017 HK\$ million
The syndicated secured long-term bank loans are repayable:		
within one year	200.0	200.0
between one to two years	2,451.5	1,700.0
between two to five years	12,793.3	6,235.0
	15,444.8	8,135.0
Less: current portion	(200.0)	(200.0)
Non-current portion	15,244.8	7,935.0

Variable-rate bank loans comprises:

	Carrying amounts	
	2018 HK\$ million	2017 HK\$ million
Secured bank loans for Grand Lisboa Palace Project ("GLP Bank Loans")		
HK\$ bank loan at 3-months		
Hong Kong Interbank Offered Rate		
("HIBOR") + 1.50% per annum (2017: HIBOR + 1.75% per annum)	12,449.1	6,220.5
United State dollars ("US\$") bank loan at 3-months		
London Interbank Offered Rate		
("LIBOR") + 1.50% per annum (2017: LIBOR + 1.75% per annum)	1,217.6	608.4
MOP bank loan at 3-months		
Macau Interbank Offered Rate		
("MAIBOR") + 1.50% per annum (2017: MAIBOR + 1.75% per annum)	1,343.1	671.1
	15,009.8	7,500.0
Secured bank loans for Ponte 16 ("P16 Bank Loans")		
HK\$ bank loan at 3-months HIBOR + 2.13% per annum		
(2017: HIBOR + 2.50% per annum)	435.0	635.0
Total bank loans	15,444.8	8,135.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

27. LONG-TERM BANK LOANS (Continued)

GLP Bank Loans

In August 2018, the Group entered into an agreement to modify certain financial covenants and repayment schedule of the GLP Bank Loans facilities. The Group recorded a loss of HK\$12.9 million on modification of the GLP Bank Loans facilities during the year ended 31 December 2018.

At 31 December 2018, the range of effective interest rates of the secured bank loans is 3.89% to 4.32% (2017: 2.71% to 3.19%) per annum. The purposes of the secured syndicated loan facilities are for financing the Grand Lisboa Palace Project.

At 31 December 2018, the GLP Bank Loans are secured by certain property and equipment and land use rights of the Group with carrying values of HK\$27,215.9 million (2017: HK\$21,153.0 million) and HK\$1,740.3 million (2017: HK\$1,830.4 million), respectively. In addition, the other key terms and securities for such long-term bank loans pledged are set out as follows:

- (i) an assignment of all material project documents, receivables and related receivables generated from gaming and hotel operation of SJM and its certain subsidiaries, if default;
- (ii) floating charges over all assets (except immovable property) and legal charges over certain bank accounts of SJM and its certain subsidiaries;
- (iii) an unconditional and irrevocable funding and completion undertaking for the Grand Lisboa Palace Project;
- (iv) assignments of all the rights and benefits of insurance and reinsurance policies and construction contracts relating to certain properties held by the Group, if default;
- (v) share pledges over the shares of certain subsidiaries; and
- (vi) a legally promissory note (i.e. notarised livranca) for HK\$27,500 million issued by SJM and endorsed by the Company and certain subsidiaries of SJM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

27. LONG-TERM BANK LOANS (Continued)

P16 Bank Loans

At 31 December 2018, the effective interest rates of the secured bank loans is 4.45% (2017: 3.68%) per annum. The main purpose of the loans is to finance the payment of the land premium and the related cost for any land concession modification in respect of the phase 3 development project at Ponte 16 and settle certain loans from non-controlling shareholders.

At 31 December 2018, the P16 Bank Loans were secured by certain property and equipment and land use rights of the Group with carrying values of HK\$503.1 million (2017: HK\$609.0 million) and HK\$56.6 million (2017: HK\$61.7 million) respectively. In addition, the other key terms and securities for such long-term bank loans pledged are set out as follows:

- (i) financial guarantees with promissory notes given by certain subsidiaries and the non-controlling shareholders amounting to approximately HK\$1,000 million (2017: HK\$1,000 million) and HK\$490 million (2017: HK\$490 million) respectively;
- (ii) an assignment of all receivables and income from gaming and hotel operation of Pier 16 – Property Development Limited (“Pier 16 – Property”) and its subsidiaries, if default;
- (iii) floating charges over all assets (except immovable property) and legal charges over certain bank accounts of certain subsidiaries;
- (iv) assignments of all the rights and benefits of insurance policies relating to certain properties held by the Group, if default; and
- (v) share pledges over the shares of certain subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY

At the end of reporting period, the amounts are unsecured, interest-free and to be repaid from surplus funds. The surplus funds represent the cash available in the relevant subsidiary of the Group after estimated payments of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayments together with the accrued interests.

During the year ended 31 December 2018, imputed interest of HK\$7.1 million (2017: HK\$13.9 million) on the amounts due to non-controlling interests of a subsidiary of HK\$287.1 million (2017: HK\$280.0 million) has been recognised at a weighted average original interest rate of approximately 2.51% (2017: 2.51%) per annum. At 31 December 2018, the principal amount was HK\$317.4 million (2017: HK\$317.4 million).

The relevant bank facility allows the subsidiary to repay shareholders' loan, subject to certain terms and conditions, including certain leverage ratio requirements. On this basis, the Group agreed with the non-controlling shareholders of that subsidiary on the amounts and timing of the repayment of the amounts due to them, taking into account the estimate of amounts and timing of repayment of bank loans pursuant to the bank facility agreement. The total carrying amounts were classified as non-current liabilities. During the year ended 31 December 2017, these carrying amounts were adjusted by HK\$0.3 million because of changes in cash flow estimates, computed based on the present value of future cash outflows discounted at the original effective interest rate (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities need to be offset for both years.

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the year:

	Accelerated tax depreciation HK\$ million	Tax losses HK\$ million	Total HK\$ million
At 1 January 2017	(91.9)	10.9	(81.0)
Credit to profit or loss (<i>note 10</i>)	26.6	4.3	30.9
At 31 December 2017	(65.3)	15.2	(50.1)
Credit to profit or loss (<i>note 10</i>)	0.9	26.4	27.3
At 31 December 2018	(64.4)	41.6	(22.8)

Also, at 31 December 2018, the Group has unrecognised tax losses of HK\$1,452.5 million (2017: HK\$959.8 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. These unrecognised tax losses will expire in three years from the year of assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

30. SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amount HK\$ million
Ordinary shares with no par value		
At 1 January 2017	5,657,179,293	11,237.6
Exercise of share options	950,000	3.9
At 31 December 2017	5,658,129,293	11,241.5
Exercise of share options	1,530,000	12.6
At 31 December 2018	5,659,659,293	11,254.1

During the year ended 31 December 2018, 1,530,000 (2017: 950,000) share options were exercised, resulting in the issue of 740,000, 500,000 and 290,000 (2017: 950,000) ordinary shares in the Company at a price of HK\$2.82, HK\$8.33 and HK\$9.826 (2017: HK\$2.82) per share respectively.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. SHARE OPTION SCHEME

According to an ordinary resolution passed at the annual general meeting held on 13 May 2009, the Company adopted a share option scheme (the "Scheme"), which will expire on 13 May 2019, for the purpose of providing incentives to participants to contribute to the Group and/or to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group. Under the Scheme, the directors may grant options to any employees, officers, agents, consultants or representatives of the Company or any subsidiary, including directors of the Company and any subsidiary (the "Participants") who, as the directors may determine in their absolute discretion, are regarded as valuable human resources of the Group.

One-third of the options granted are exercisable for a period of nine years commencing on the date each falling six months, 1.5 years and 2.5 years after the date of grant. All options granted are expiring on the last day of the said nine years period; where the acceptance date should not be later than 28 days after the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed in nominal amount of 10% of the issued share capital of the Company at the date of adoption of the Scheme. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time.

The maximum entitlement of each Participant, excluding substantial shareholders and independent non-executive directors, in any 12-month period (including the date of grant) is 1% of the number of shares in issue as at the date of grant. No grant may be made to substantial shareholders and independent non-executive directors of the Company or their respective associates if such grant would result in the shares issued and falling to be issued upon the exercise of such options proposed to be granted and all other options already granted and to be granted (a) representing in aggregate over 0.1% of the number of shares then in issue; and (b) having an aggregate value, based on the closing price of the shares on each relevant date on which the grant of such options is made, is in excess of HK\$5 million, unless such grant has first been approved by the independent shareholders in general meeting.

On 21 June 2018, a total of 3,000,000 share options with the estimated fair value of approximately HK\$12.1 million at the date of grant to a director, were granted at an exercise price of HK\$10.26 per share under the terms of the Scheme. Total consideration received from the Participants for taking up the options granted amounted to HK\$1.

On 22 June 2017, a total of 3,000,000 share options with the estimated fair value of approximately HK\$9.5 million at the date of grant to a director, were granted at an exercise price of HK\$8.33 per share under the terms of the Scheme. Total consideration received from the Participants for taking up the options granted amounted to HK\$1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. SHARE OPTION SCHEME (Continued)

A summary of the movements of the outstanding options during the year ended 31 December 2018 under the Scheme is as follows:

Type of participants	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options								
					Outstanding at 1.1.2017	Granted in 2017	Exercised in 2017	Lapsed in 2017	Outstanding at 31.12.2017	Granted in 2018	Exercised in 2018	Lapsed in 2018	Outstanding at 31.12.2018
Directors	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	3,000,000	—	—	—	3,000,000	—	—	—	3,000,000
	31.8.2010	31.8.2010 to 27.2.2011	28.2.2011 to 27.2.2020	7.48	3,000,000	—	—	—	3,000,000	—	—	—	3,000,000
	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	4,000,000	—	—	—	4,000,000	—	—	—	4,000,000
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	1,000,000	—	—	—	1,000,000	—	—	—	1,000,000
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	1,000,000	—	—	—	1,000,000	—	—	—	1,000,000
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	1,000,000	—	—	—	1,000,000	—	—	—	1,000,000
	15.6.2015	15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	36,002,000	—	—	—	36,002,000	—	—	—	36,002,000
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	36,002,000	—	—	—	36,002,000	—	—	—	36,002,000
	15.6.2015	15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	35,996,000	—	—	—	35,996,000	—	—	—	35,996,000
	22.6.2017	22.6.2017 to 21.12.2017	22.12.2017 to 21.12.2026	8.33	—	1,000,000	—	—	1,000,000	—	(500,000)	—	500,000
	22.6.2017	22.6.2017 to 21.12.2018	22.12.2018 to 21.12.2026	8.33	—	1,000,000	—	—	1,000,000	—	—	—	1,000,000
	22.6.2017	22.6.2017 to 21.12.2019	22.12.2019 to 21.12.2026	8.33	—	1,000,000	—	—	1,000,000	—	—	—	1,000,000
	21.6.2018	21.6.2018 to 20.12.2018	21.12.2018 to 20.12.2027	10.26	—	—	—	—	—	1,000,000	—	—	1,000,000
	21.6.2018	21.6.2018 to 20.12.2019	21.12.2019 to 20.12.2027	10.26	—	—	—	—	—	1,000,000	—	—	1,000,000
	21.6.2018	21.6.2018 to 20.12.2020	21.12.2020 to 20.12.2027	10.26	—	—	—	—	—	1,000,000	—	—	1,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. SHARE OPTION SCHEME (Continued)

Type of participants	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options								
					Outstanding at 1.1.2017	Granted in 2017	Exercised in 2017	Lapsed in 2017	Outstanding at 31.12.2017	Granted in 2018	Exercised in 2018	Lapsed in 2018	Outstanding at 31.12.2018
Employees	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	1,840,000	—	(950,000)	—	890,000	—	(440,000)	—	450,000
	26.5.2010	26.5.2010 to 25.11.2010	26.11.2010 to 25.11.2019	5.03	260,000	—	—	—	260,000	—	—	—	260,000
	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	3,000,000	—	—	—	3,000,000	—	—	—	3,000,000
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	13,510,000	—	—	(275,000)	13,235,000	—	—	(837,000)	12,398,000
	8.10.2013	8.10.2013 to 7.10.2014	8.10.2014 to 7.4.2023	22	1,000,000	—	—	—	1,000,000	—	—	(1,000,000)	—
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	13,460,000	—	—	(275,000)	13,185,000	—	—	(832,000)	12,353,000
	8.10.2013	8.10.2013 to 7.10.2015	8.10.2015 to 7.4.2023	22	500,000	—	—	—	500,000	—	—	(500,000)	—
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	13,444,000	—	—	(274,000)	13,170,000	—	—	(831,000)	12,339,000
	8.10.2013	8.10.2013 to 7.10.2016	8.10.2016 to 7.4.2023	22	500,000	—	—	—	500,000	—	—	(500,000)	—
	8.10.2013	8.10.2013 to 7.10.2017	8.10.2017 to 7.4.2023	22	500,000	—	—	—	500,000	—	—	(500,000)	—
	8.10.2013	8.10.2013 to 7.10.2018	8.10.2018 to 7.4.2023	22	500,000	—	—	—	500,000	—	—	(500,000)	—
	15.6.2015	15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	5,866,000	—	—	(116,000)	5,750,000	—	(97,000)	(268,000)	5,385,000
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	5,859,000	—	—	(109,000)	5,750,000	—	(97,000)	(268,000)	5,385,000
	15.6.2015	15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	5,732,000	—	—	(133,000)	5,599,000	—	(96,000)	(233,000)	5,270,000
	11.5.2016	11.5.2016 to 10.11.2016	11.11.2016 to 10.11.2025	4.89	1,000,000	—	—	—	1,000,000	—	—	—	1,000,000
11.5.2016	11.5.2016 to 10.11.2017	11.11.2017 to 10.11.2025	4.89	1,000,000	—	—	—	1,000,000	—	—	—	1,000,000	
11.5.2016	11.5.2016 to 10.11.2018	11.11.2018 to 10.11.2025	4.89	1,000,000	—	—	—	1,000,000	—	—	—	1,000,000	
Other participants	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	300,000	—	—	—	300,000	—	(300,000)	—	—
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	367,000	—	—	—	367,000	—	—	—	367,000
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	367,000	—	—	—	367,000	—	—	—	367,000
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	366,000	—	—	—	366,000	—	—	—	366,000
	15.6.2015	15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	277,000	—	—	—	277,000	—	—	—	277,000
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	277,000	—	—	—	277,000	—	—	—	277,000
	15.6.2015	15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	276,000	—	—	—	276,000	—	—	—	276,000
					192,201,000	3,000,000	(950,000)	(1,182,000)	193,069,000	3,000,000	(1,530,000)	(6,269,000)	188,270,000
Weighted average exercise price per share					HK\$12.63	HK\$8.33	HK\$2.82	HK\$18.31	HK\$12.57	HK\$10.26	HK\$5.95	HK\$20.51	HK\$12.32

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. SHARE OPTION SCHEME (Continued)

On 12 June 2018, a director of the Company retired and has continued as an employee of the Group. The classification of outstanding number of such ex-director's share option is reclassified to employees' section.

In respect of the above options exercised during the year, the weighted average closing price per share at the dates of exercise was HK\$8.73 (2017: HK\$6.81). At the end of the reporting period, 185,270,000 share options are exercisable (2017: 189,569,000).

These fair values of options at grant date were calculated using either the Black-Scholes pricing model ("Black-Scholes") or the Binomial option pricing model ("Binomial"). The inputs into the models were as follows:

Date of grant	13 July 2009	26 May 2010	31 August 2010	17 March 2011	8 October 2013	15 June 2015	11 May 2016	22 June 2017	21 June 2018
Model	Black-Scholes	Binomial	Binomial	Black-Scholes	Binomial	Binomial	Binomial	Binomial	Binomial
Number of share options	166,700,000	500,000	5,000,000	116,000,000	50,460,000	126,725,000	3,000,000	3,000,000	3,000,000
Vesting period	6 to 30 months from the date of grant	6 to 60 months from the date of grant	6 to 30 months from the date of grant						
Closing share price at date of grant	HK\$2.82	HK\$5.03	HK\$7.48	HK\$12.14	HK\$22	HK\$9.83	HK\$4.76	HK\$8.33	HK\$10.26
Expected/contractual life	5–6 years	9.5 years	9.5 years	5 years	9.5 years	9.5 years	9.5 years	9.5 years	9.5 years
Exercise price per share	HK\$2.82	HK\$5.03	HK\$7.48	HK\$12.496	HK\$22	HK\$9.826	HK\$4.89	HK\$8.33	HK\$10.26
Exercise multiple (Directors)	N/A	1.79 times	1.81 times	N/A	2 times	2.8 times	N/A	2.8 times	2.8 times
Exercise multiple (Employees and other participants)	N/A	1.79 times	1.81 times	N/A	2 times	2.2 times	2.2 times	N/A	N/A
Expected volatility	66.46%	56.16%	49.56%	54.83%	47.55%	47.00%	47.13%	42.02%	38.17%
Risk-free interest rate	1.74–1.94 %	2.35%	1.89%	2.49%	2.03%	1.74%	1.67%	1.25%	2.27%
Expected dividend yield	3.26%	1.79%	1.87%	3.33%	3.182%	5.5%	5.25%	2.88%	1.95%

As the Black-Scholes and Binomial models require the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility used in the valuation of options was determined by using the historical volatility of the Company's share price since the Company's shares were listed on the Stock Exchange in July 2008. The expected life used in Black-Scholes has been estimated, based on the management's best estimates of the vesting period, exercise period and employee's behavioural considerations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. SHARE OPTION SCHEME (Continued)

The contractual life used in the Binominal model is the full life of share options from date of grant to expiry date provided by the Company. For estimation of the early exercise behaviour of a director (2017: a director), the management assumed an exercise multiple of 2.8 times (2017: 2.8 times) for options granted in 2018 and 2017 based on the historical exercise behaviour of the Company's director.

The Company's share options granted to other participants are by reference to the fair values of the share options granted to employees for providing similar management services.

During the year ended 31 December 2018, the Group recognised total expenses of HK\$10.2 million (2017: HK\$62.8 million), in relation to share options granted by the Company.

32. RESERVES

	Share options reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
THE COMPANY			
At 1 January 2017	838.7	6,846.3	7,685.0
Exercise of share options	(1.2)	—	(1.2)
Recognition of equity settled share-based payments	62.8	—	62.8
Release of lapsed equity-settled share-based payments	(8.2)	8.2	—
Dividends paid (<i>note 11</i>)	—	(1,301.2)	(1,301.2)
Profits and total comprehensive income for the year (<i>Note</i>)	—	1,702.1	1,702.1
At 31 December 2017	892.1	7,255.4	8,147.5
Exercise of share options	(3.5)	—	(3.5)
Recognition of equity settled share-based payments	10.2	—	10.2
Release of lapsed equity-settled share-based payments	(49.8)	49.8	—
Dividends paid (<i>note 11</i>)	—	(1,301.5)	(1,301.5)
Profits and total comprehensive income for the year (<i>Note</i>)	—	1,486.8	1,486.8
At 31 December 2018	849.0	7,490.5	8,339.5

Note: Amount included dividend income from SJM of HK\$1,456.3 million (2017: HK\$1,747.6 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018, property and equipment totalling HK\$160.6 million (2017: HK\$37.2 million) were settled by utilising deposits made on acquisitions of property and equipment during the year.

34. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land use rights		Rented premises and other assets	
	2018 HK\$ million	2017 HK\$ million	2018 HK\$ million	2017 HK\$ million
Within one year	11.2	8.8	361.2	346.8
In the second to fifth year inclusive	44.9	44.9	160.3	362.8
After five years	148.6	159.9	6.9	—
	204.7	213.6	528.4	709.6

Note: The above disclosure commitment also included payment of HK\$26.6 million which are related to arrangements that contain lease and non-lease elements.

Leases of rented premises are negotiated for terms ranging from 1 to 13 years.

Lease term of land use rights in Macau SAR are negotiated for a term of 25 years at a fixed rental, which is subject to revision in the future.

At 31 December 2018, operating lease rentals committed to related parties amounted to HK\$360.8 million (2017: HK\$618.7 million) which fall due as follows:

	Rented premises	
	2018 HK\$ million	2017 HK\$ million
Within one year	289.2	298.4
In the second to fifth year inclusive	71.6	320.3
	360.8	618.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

35. CAPITAL COMMITMENTS

	2018 HK\$ million	2017 HK\$ million
Capital expenditure in respect of property and equipment:		
Authorised but not contracted for:		
Grand Lisboa Palace Project	4,098.5	6,651.8
Others	93.4	150.5
	4,191.9	6,802.3
Contracted for but not provided in the consolidated financial statements:		
Grand Lisboa Palace Project	4,632.5	8,567.0
Others	715.6	236.8
	5,348.1	8,803.8

At the end of the reporting period, capital expenditure in respect of property and equipment committed to acquire from related parties amounted to HK\$829.2 million (2017: HK\$296.9 million).

At 31 December 2018, the estimated total project costs for the Grand Lisboa Palace Project by the Group's management is approximately HK\$36,000 million (2017: HK\$36,000 million).

36. RETIREMENT BENEFITS SCHEMES

Employees employed by the Group's operations in Macau SAR are members of government-managed social benefits schemes operated by the Macau SAR government. The Macau SAR operations are required to pay a monthly fixed contribution to the social benefits schemes to fund the benefits. The only obligation of the Group with respect to the social benefits schemes operated by the Macau SAR government is to make the required contributions under the schemes.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of a trustee. The Group contributes 5% of the relevant payroll costs to the MPF Scheme, which is matched with mandatory contribution of all employees. For certain employees, the maximum monthly contribution was limited to HK\$1,500 per employee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. RETIREMENT BENEFITS SCHEMES (Continued)

The Group operates a defined contribution retirement scheme for all qualifying employees since 1 July 2003. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees. The retirement scheme cost recognised in profit or loss represents contributions payable to the funds by the Group at rates specified in the rules of the scheme.

Where there are employees of the Group who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of long-term bank loans, amounts due to non-controlling interests of a subsidiary, and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in these consolidated financial statements.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, as well as raising bank borrowings and issuing new debt or the redeeming of existing debt.

38. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

Financial instruments are fundamental to the Group's daily operations. The risks associated with financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS (Continued)

(b) Categories of financial instruments

	2018 HK\$ million	2017 HK\$ million
Financial assets		
Investments in equity instruments designated at FVTOCI	916.3	—
Financial assets at FVTPL	—	84.3
AFS investments in equity securities	—	244.6
Amortised cost/Loans and receivables (including cash and cash equivalents)	21,020.0	17,684.7
	21,936.3	18,013.6
Financial liabilities		
Amortised cost	26,502.2	18,841.3

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3.

(c) Credit risk management and impairment assessment

As at the end of the reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the Group's consolidated statement of financial position; and
- the amount of financial guarantee obligations and contingent liabilities disclosed in notes 26 and 41 respectively.

The Group has concentration of credit risk as 100% (2017: 99%) of the advances and receivables are due from the Group's five largest gaming promoters. Other than concentration of credit risk on advances to and receivables from gaming promoters, amounts due from an associate/a joint venture/ an investee company and liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk management and impairment assessment (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating for the gaming promoters and service providers. The Group assessed the ECL for advances to gaming promoters and other receivables from gaming promoters and service providers individually as at 1 January 2018 and 31 December 2018.

During the year ended 31 December 2018, the Group provided impairment allowance of 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 2018, loss allowance with an aggregate balance of HK\$179.5 million represents individually impaired advances to gaming promoters and other receivables from gaming promoters and service providers as the management considered the outstanding balances from these gaming promoters and service providers were uncollectible.

No impairment allowance is recognised for the remaining advances to gaming promoters and other receivables from gaming promoters and service providers since the loss given default and exposure at default are significantly reduced as those advances to gaming promoters and other receivables from gaming promoters and service providers are subject to certain offsetting and enforceable netting agreements as well as due to the low probability of default of the gaming promoters and service providers based on historical credit loss experience. The management has also assessed all available forward looking information, including but not limited to expected growth rate and future development of gaming industry, and concluded that there is no significant increase in credit risk.

For the interest receivable and credit card receivables included in other sundry receivables, bank deposits and bank balances, no allowance for impairment was made since the management considers the probability of default is negligible as such amounts are receivable from or placed in banks in Macau SAR and Hong Kong having good reputation and are considered to have low credit risk.

For the amounts due from ultimate holding company/an associate/a joint venture/an investee company, other amounts in other sundry receivables and advances to contractors, no allowance for impairment was made since the management considers the probability of default is minimal after assessing the counter-parties' financial background and creditability and/or exposure at default is minimal.

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was HK\$87.3 million as at 31 December 2018. Details of the financial guarantee contracts are set out in note 41. At the end of the reporting period, the management assessed that no credit facilities were utilised under guarantee and financial positions of that associate and that investee company, and concluded that there has been no significant credit risk arising from the financial guarantee contracts. Accordingly, there was no loss allowance for financial guarantee contracts issued by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to its bank balances and bank loans (2017: bank balances and bank loans). The Group is also exposed to fair value interest rate risk in relation to its fixed-rate bank deposits, pledged bank deposits, short-term bank deposits and bank loans. The Group currently does not have a policy on hedging of interest rate risks. However, the management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR/LIBOR/MAIBOR arising from bank loans.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank loans and bank balances (2017: bank loans and bank balances). The analyses were prepared assuming these balances outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points (2017: 50 basis points) increase represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate for bank loans and bank balances in the next financial year having regard to the trends in HIBOR/LIBOR/MAIBOR and global economic environment. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

If interest rates on bank loans and bank balances (2017: bank loans and bank balances) had been 50 basis points (2017: 50 basis points) higher and all other variables were held constant, the potential effect on profit for the year:

	2018 HK\$ million	2017 HK\$ million
Decrease in profit for the year	(56.3)	(20.5)

(e) Price risk management

The Group is exposed to equity price risk on the investments in equity securities measured at FVTPL and FVTOCI (2017: financial assets at FVTPL and AFS investments measured at FVTOCI and cost less impairment), operating in gaming, entertainment and hotel industry sector. The Group currently does not have a policy to hedge such risk. For financial assets at FVTPL and AFS investments in equity securities quoted in the stock exchange, the management monitors market price exposure and will consider hedging significant market price exposure should the need arise. In addition, the Group also interested in certain unquoted equity securities for investees operating in gaming, entertainment and hotel industry sector for long term strategic purposes which has been designated at FVTOCI (2017: AFS investments measured at cost less impairment). The Group has designated a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS (Continued)

(e) Price risk management (Continued)

The sensitivity analyses below have been determined base on the exposure to equity price risk on the equity securities in investments in equity instruments designated at FVTOCI, financial assets at FVTPL and AFS investments in equity securities at the end of the reporting period, excluding AFS investments in equity securities at cost less impairment for the year ended 31 December 2017. If the equity price on such equity securities had been 10% (2017: 10%) higher/lower, the potential effect on profit for the year/investment revaluation reserve is as follows:

- the Group's profit for the year ended 31 December 2018 would increase/decrease by HK\$nil (2017: increase/decrease by HK\$8.4 million) arising from the listed equity securities in financial assets at FVTPL; and
- the Group's investment revaluation reserve would increase/decrease by HK\$91.6 million (2017: increase/decrease by HK\$24.5 million) arising from the listed equity securities and unlisted equity securities in investments in equity instruments designated at FVTOCI (2017: equity securities in AFS investments in equity securities measured at FVTOCI).

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk and price risk as the year end exposure does not reflect the exposure during the year.

(f) Liquidity risk management

The management considers that the Group's holding of bank balances and cash, bank deposits, together with net cash flow from operating activities and committed credit facilities, can provide adequate sources of funding to enable the Group to meet in full its financial obligations due in the foreseeable future and manage its liquidity position. In addition, the management of the Group expects to fund the remaining estimated construction costs and commitments of its development projects in Macau SAR through a proper balance between internal generated funds and credit facilities secured by the projects' assets.

The following table details the Group's remaining contractual maturities of financial liabilities that are exposed to liquidity risk based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount of interest payment is estimated based on the interest rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS (Continued)

(f) Liquidity risk management (Continued)

	Weighted average effective interest rate	On demand HK\$ million	Not more than 3 months HK\$ million	Over	Over	Over 1 year HK\$ million	Total undiscounted cash flow HK\$ million	Carrying amount HK\$ million
				3 months but not more than 6 months HK\$ million	6 months but not more than 1 year HK\$ million			
At 31 December 2018								
Trade payables	—	—	1,387.0	2.1	—	—	1,389.1	1,389.1
Chips in circulation	—	4,480.7	—	—	—	—	4,480.7	4,480.7
Other payables	—	—	3,268.3	38.9	709.5	883.8	4,900.5	4,900.5
Amounts due to non-controlling interests of a subsidiary	2.51%	—	—	—	—	317.4	317.4	287.1
Long-term bank loans (Note (i))	4.12%	—	207.0	208.2	418.3	16,321.9	17,155.4	15,444.8
Financial guarantee obligations (Note (ii))	—	87.3	—	—	—	—	87.3	—
		4,568.0	4,862.3	249.2	1,127.8	17,523.1	28,330.4	26,502.2
At 31 December 2017								
Trade payables	—	—	1,236.9	11.4	0.5	—	1,248.8	1,248.8
Chips in circulation	—	4,987.7	—	—	—	—	4,987.7	4,987.7
Other payables	—	—	2,580.4	33.1	481.2	1,095.1	4,189.8	4,189.8
Amounts due to non-controlling interests of a subsidiary	2.51%	—	—	—	—	317.4	317.4	280.0
Long-term bank loans (Note (i))	2.80%	—	106.2	106.4	212.7	8,414.8	8,840.1	8,135.0
Financial guarantee obligations (Note (ii))	—	87.3	—	—	—	—	87.3	—
		5,075.0	3,923.5	150.9	694.4	9,827.3	19,671.1	18,841.3

Notes:

- (i) The amounts included above for variable-rate bank loans are subject to change if variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.
- (ii) The amounts included in the undiscounted cash flow above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. However, based on expectations at the end of the reporting period, the Group considers that it is likely that no amount will be payable under the arrangement. This estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement of financial instruments

The management of the Group determines the appropriate valuation techniques and inputs for fair value measurements.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2018 HK\$ million	31 December 2017 HK\$ million			
AFS investments in equity securities					
Listed equity securities	—	244.6	Level 1	Quoted bid prices in an active market	N/A
Financial assets at FVTPL					
Listed equity securities	—	84.3	Level 1	Quoted bid prices in an active market	N/A
Investments in equity instruments designated at FVTOCI					
Listed equity securities	352.3	—	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity securities	564.0	—	Level 2	Recent transaction price of the investments	N/A

There were no transfers between Level 1 and 2 during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement of financial instruments (Continued)

In estimating the fair value of unlisted equity securities, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages qualified third party valuers to perform the valuation. The management of the Group works closely with the qualified third party valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports the findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the unlisted equity securities.

Information about the valuation techniques and inputs used in determining the fair value of unlisted equity securities are disclosed above.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

Reconciliation of Level 3 fair value measurements of unlisted equity securities

	Unlisted equity securities HK\$ million
At 1 January 2018 (restated)	321.0
Unrealised gain in OCI	243.0
Transfer into Level 2 (<i>Note</i>)	(564.0)
At 31 December 2018	—

Note: For unlisted equity investment, the fair value as at 31 December 2018 is based on recent transaction price becoming available during the year. Thus, the instrument was transferred from Level 3 to Level 2 category.

All gains and losses included in OCI relate to the unlisted equity instruments designated at FVTOCI held at the end of the reporting period and are reported as changes of investment revaluation reserve.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS (Continued)

(h) Financial assets and financial liabilities subject to offsetting and enforceable netting agreements

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable netting agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Please refer to note 22 for detail offsetting arrangements.

Financial assets subject to offsetting and enforceable netting agreements

	Gross amounts of recognised financial assets HK\$ million	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$ million	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million	Related amounts of financial instruments not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
Advances to gaming promoters at 31 December 2018	338.3	(127.9)	210.4	(125.6)	84.8
at 31 December 2017	418.0	(150.0)	268.0	(50.8)	217.2

	Gross amounts of recognised financial liabilities HK\$ million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$ million	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million	Related amounts of financial instruments not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
Trade payables at 31 December 2018	449.0	(127.9)	321.1	(125.6)	195.5
at 31 December 2017	238.6	(150.0)	88.6	(50.8)	37.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

38. FINANCIAL INSTRUMENTS (Continued)

(h) Financial assets and financial liabilities subject to offsetting and enforceable netting agreements (Continued)

Financial liabilities subject to offsetting and enforceable netting agreements (Continued)

The Group currently has a legally enforceable right to set off the advances to gaming promoters and the trade payables to these counterparties that are due to be settled on the same date and the Group intends to settle these balances on a net basis. Details of the arrangements are set out in note 22.

The gross amounts of the recognised advances to gaming promoters and trade payables and their net amounts as presented in the Group's consolidated statement of financial position, both of which have been disclosed in the above tables, are measured at amortised cost.

The amounts which have been offset against the related recognised advances to gaming promoters and trade payables in the Group's consolidated statement of financial position are subject to enforceable netting agreements and measured on the same basis as the recognised financial assets and financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Long-term bank loans <i>(note 27)</i> HK\$ million	Amounts due to non- controlling interests of a subsidiary <i>(note 28)</i> HK\$ million	Interest payables <i>(Note)</i> HK\$ million	Dividend payables HK\$ million	Total HK\$ million
At 1 January 2018	8,135.0	280.0	22.8	—	8,437.8
Financing cash flows	7,250.0	—	(451.7)	(1,301.5)	5,496.8
Loss on modification of long-term bank loans	12.9	—	—	—	12.9
Interest expenses	46.9	7.1	437.1	—	491.1
Dividend recognised	—	—	—	1,301.5	1,301.5
At 31 December 2018	15,444.8	287.1	8.2	—	15,740.1
At 1 January 2017	539.1	566.4	1.2	—	1,106.7
Financing cash flows	7,588.3	(294.0)	(61.4)	(1,301.2)	5,931.7
Wavier of amounts due to non-controlling interests	—	(6.0)	—	—	(6.0)
Fair value adjustments	—	(0.3)	—	—	(0.3)
Foreign exchange difference	7.6	—	—	—	7.6
Interest expenses	—	13.9	83.0	—	96.9
Dividend recognised	—	—	—	1,301.2	1,301.2
At 31 December 2017	8,135.0	280.0	22.8	—	8,437.8

Note: The amount is included in trade and other payables as set out in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40. RELATED PARTY TRANSACTIONS

- (a) Other than the transactions and balances with related parties disclosed in respective notes in the consolidated financial statements, during the year, the Group had the following significant transactions with related parties and/or connected parties (as defined under Chapter 14A of the Listing Rules):

Relationship	Nature of transactions	2018 HK\$ million	2017 HK\$ million	
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group ("STDM Group")	Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules			
	Property rentals (note 40(c))	263.6	276.8	
	Transportation (note 40(d))	130.2	137.7	
	Hotel accommodation (note 40(d))	22.2	19.0	
	Entertainment and staff messing (note 40(d))	18.0	19.8	
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules			
	Share of administrative expenses (note 40(e) and (f))	1.7	1.6	
	Cleaning services (note 40(f))	27.6	26.1	
	Hotel management and operation (note 40(d) and (f))	21.1	26.0	
	Promotional and advertising services (note 40(d) and (f))	13.7	9.8	
	Maintenance services (note 40(d) and (f))	15.0	17.4	
	Others (note 40(f))	17.4	17.7	
	Certain directors of the Company and of its subsidiaries and their associates (as defined under Chapter 14A of the Listing Rules)	Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules		
		Service fees in relation to the promotion of a casino (note 40(g))	979.4	1,176.2
Property rentals (note 40(i))		118.5	139.8	
Exempt continuing connected transactions under Chapter 14A of the Listing Rules				
Transportation (note 40(h) and (f))		18.4	17.2	
Others (note 40(f))		66.1	60.6	
Entities other than above in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	Service fees in relation to the promotion of a casino (note 40(j))	710.4	399.3	
	Insurance expenses	108.4	92.5	
	Promotion and advertising expenses	0.7	10.0	
	Service fee in relation to foreign currencies exchange	11.5	12.2	
	Construction costs	3.4	110.4	
	Others	8.9	31.0	
An associate	Construction costs and management fee paid	356.9	370.1	
A joint venture	Property rentals	14.4	14.4	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40. RELATED PARTY TRANSACTIONS (Continued)

- (b) In 2002, SJM was granted a concession to operate casinos in Macau SAR. For this purpose, STDM transferred its gaming assets to SJM. SJM has been borrowing casino chips from STDM for the purpose of its business operation since SJM, as a new concessionaire from 2002, did not have sufficient casino chips to meet its business needs. According to the gaming concession contract, SJM is permitted to use STDM's casino chips, both in treasury and those put in circulation by STDM prior to 1 April 2002 and should honour such casino chips. In order to regulate the borrowing and use of STDM chips, the Group entered into an agreement with STDM dated 18 June 2008 (the "Chips Agreement") regarding the honouring and borrowing of STDM chips. Under the Chips Agreement, the Group has agreed to honour the STDM chips in circulation upon their redemption by patrons or clients. In addition, STDM has agreed to reimburse the STDM chips presented by the Group to STDM, by paying to the Group in cheque the aggregate face value of chips so presented within the same quarter when such presentation takes place. During the year ended 31 December 2018, the net amount received or receivable on reimbursement of STDM chips in circulation amounted to HK\$1.1 million (2017: HK\$0.6 million).
- (c) The Company entered into an agreement dated 18 June 2008 with STDM for the leasing of properties by STDM or the members of the STDM group to the Group. The term of each implementing lease will be for a term commencing on a date specified in the relevant implementing lease and ending on a date not later than 31 March 2020. The amounts of transactions during the year were disclosed in note 40(a) above.
- (d) The Company entered into an agreement dated 18 June 2008 with STDM for the provision of products and services by STDM and its associates (the "Products and Services Master Agreement"). The types of products and services include hotel accommodation, hotel management and operation, entertainment and staff messing, dredging services, transportation, promotional and advertising services, travel agency services and maintenance services. On 19 June 2011, the Company entered into a renewed products and services master agreement with STDM ("Renewed Master Agreement") for the provision of products and services as described in the Products and Services Master Agreement, except for hotel management and operations, promotional and advertising services, and travel agency services, which are regarded as de minimis transactions as described in note 40(f). The Renewed Master Agreement expired on 31 December 2013, and was renewed on 6 January 2014 for a term of three years from 1 January 2014 and was further renewed on 26 January 2017 for a term of three years from 1 January 2017 with similar terms for the provision of products and services for five categories: hotel accommodation, entertainment and staff messing, transportation, hotel management and operation, and maintenance services. The transaction amounts for the hotel management and operations and maintenance services during the year were de minimis as described in note 40(f).
- (e) The Company entered into an agreement with STDM dated 18 June 2008 (the "Administrative Cost Sharing Agreement") whereby STDM and its associates have agreed to continue to share certain administrative services.

Starting from 2014, these transactions were exempted as continuing connected transactions under Rule 14A.98 of the Listing Rules. The amount of transactions during the year was disclosed in note 40(a) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40. RELATED PARTY TRANSACTIONS (Continued)

- (f) These are individually de minimis transactions as defined under Rule 14A.76 of the Listing Rules, which are continuing connected transactions on normal commercial terms, exempt from reporting, annual review, announcement and independent shareholders' approval requirements as defined under Rule 14A.76(1) of the Listing Rules.
- (g) SJM entered into an agreement with Tin Hou Limited ("Tin Hou") dated 19 February 2010 regarding the provision of management services and promotion service to SJM in the gaming area of Grand Emperor Hotel in Macau SAR for the period from 1 October 2009 to the expiry of SJM's gaming license on 31 March 2020 or any earlier termination with 21 days' notice to the other party who is in default of the agreement. Tin Hou is a company controlled over 50% by a half-brother of a director of subsidiaries of the Company and is a connected person of the Company pursuant to Rule 14A.07(4) and 14A.12(2)(a) of the Listing Rules.
- (h) On 24 June 2011, SJM, a subsidiary of the Company, and Shun Tak & CITS Coach (Macao) Limited ("ST-CITS") entered into a master service agreement to formalise business arrangements between the Group and ST-CITS together with its subsidiaries in relation to the provision of transportation services within Macau locally as well as operating cross border routes to mainland cities of China.

Such agreement was renewed on 31 December 2016 for a term of three years from 1 January 2017 with similar terms as the previous agreement. The transaction amount for transportation during the year was de minimis as described in note 40(f).

- (i) The Company entered into an agreement dated 22 November 2013 with a director of the Company for the leasing of properties by the director and her associates to the Group effective from 1 January 2014. The term of each implementing lease was for a term commencing on a date specified in the relevant implementing lease and ended on a date not later than 31 December 2016. Such agreement was renewed on 14 December 2016 for a term of three years from 1 January 2017 with similar terms as the previous agreement. The amounts of transactions during the year were disclosed in note 40(a) above.
- (j) Service fees in relation to the promotion of a casino were paid to an entity in which certain directors of the Group were the directors and/or key management personnel of the entity.
- (k) Save as disclosed in note 27, in addition to the securities provided by the Group to the relevant bank, the non-controlling interests of a subsidiary also provided securities to secure the syndicated secured bank loans of the Group. At the end of the reporting period, the key terms and securities pledged are set out as follows:
 - (i) financial guarantee with promissory note of HK\$490 million (2017: HK\$490 million); and
 - (ii) share pledges over all shares in Pier 16 – Property and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40. RELATED PARTY TRANSACTIONS (Continued)

- (l) In November 2007, the immediate holding company, STDM-Investments Limited (“STDM-I”), has provided a surety (the “STDM-I-Surety”) in favour of the Company for the due and punctual payment of obligations the Company may incur in relation to:
- (i) penalties incurred by the Company for any non-criminal violations of relevant laws or regulations pertaining to anti-money laundering, where such violations occurred prior to the listing of the ordinary shares of the Company on the Stock Exchange; and
 - (ii) losses or contingency provisions incurred by the Company in connection with any judgement of any lawsuit, as set out in the paragraph headed “Litigation” in Appendix VII to the Company’s prospectus dated 26 June 2008, to which the Company is a party and which is pending at the time of listing of the ordinary shares of the Company on the Stock Exchange.

STDM has informed the Company in August 2011 that the board of directors of STDM was satisfied that upon liquidation of STDM-I, which occurred during the year ended 31 December 2011, the Company (as beneficiary of the STDM-I-Surety) would remain entitled to claim directly against STDM under the same terms and conditions as originally established in the STDM-I Surety.

41. CONTINGENT LIABILITIES AND GUARANTEES

	2018		2017	
	Maximum guarantees given HK\$ million	Credit facilities utilised HK\$ million	Maximum guarantees given HK\$ million	Credit facilities utilised HK\$ million
Guarantees given to banks in respect of credit facilities granted to:				
an associate	67.3	—	67.3	—
an investee company	20.0	—	20.0	—
	87.3	—	87.3	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

42. INVESTMENTS IN SUBSIDIARIES

	2018 HK\$ million	2017 HK\$ million
Unlisted shares, at cost	3,972.3	3,972.3
Deemed capital contribution in relation to issue of convertible bonds by a subsidiary	387.0	387.0
	4,359.3	4,359.3

Details of the Company's principal subsidiaries at the end of the reporting period are set out in note 44.

43. AMOUNTS DUE FROM SUBSIDIARIES/AMOUNT DUE TO A SUBSIDIARY

The amounts due from subsidiaries are unsecured, interest-free and expected to be realised within 12 months from the end of the reporting period.

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

44. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the respective reporting periods are as follows:

(a) General information of subsidiaries

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ quota capital	Attributable proportion of nominal value of issued share capital/ quota capital held by		Principal activity
			the Group		
			2018	2017	
Brilliant Sky International Limited	Macau SAR	Quota capital: MOP25,000	100%	100%	Provision of marketing and promotion services
Brilliant Sky Investments Limited	British Virgin Islands/Macau SAR	Share — US\$1	100%	100%	Investment holding
Brilliant Talent Hospitality Services Limited	Macau SAR	Quota capital: MOP25,000	100%	100%	Provision of hospitality services
Cotai Magnific View-Property Development Company Limited	Macau SAR	Ordinary shares: MOP1,000,000	100%	100%	Preparation for property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

44. PRINCIPAL SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ quota capital	Attributable proportion of nominal value of issued share capital/ quota capital held by		Principal activity
			the Group	2017	
			2018	2017	
Grand Lisboa – Hotel Administration Company Limited	Macau SAR	Ordinary shares: MOP1,000,000	100%	100%	Hotel operations
Grand Lisboa – Property Investment Company Limited	Macau SAR	Ordinary shares: MOP1,000,000	100%	100%	Property holding
Honour State International Limited	British Virgin Islands/Macau SAR	Share — US\$1	100%	100%	Securities holding
Macau Dredging Services Limited	Macau SAR	Quota capital: MOP1,000,000	100%	100%	Provision of dredging services
Nam Van Lake View Investment Limited	Macau SAR	Quota capital: MOP1,000,000	100%	100%	Property holding
New Hop Wo Catering Company Limited	Macau SAR	Quota capital: MOP100,000	100%	100%	Provision of food and beverage services
Pier 16 – Entertainment Group Corporation Limited	Macau SAR	Quota capital: MOP25,000	51%	51%	Provision of management services for casino operations
Pier 16 – Gaming Promotion, Limited	Macau SAR	Quota capital: MOP50,000	51%	51%	Provision of gaming promotion services
Pier 16 – Management Limited	Macau SAR	Quota capital: MOP25,000	51%	51%	Hotel operations
Pier 16 – Property Development Limited	Macau SAR	Ordinary shares: MOP10,000,000	51%	51%	Property holding
SJM – Customer Services (HK) Limited	Hong Kong	Ordinary share: HK\$1	100%	100%	Provision of customer services
SJM – F&B Services Limited	Macau SAR	Quota capital: MOP25,000	100%	100%	Provision of food and beverage services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

44. PRINCIPAL SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ quota capital	Attributable proportion of nominal value of issued share capital/ quota capital held by		Principal activity
			the Group		
			2018	2017	
SJM Holdings Management Services Limited	Hong Kong	Ordinary shares: HK\$2	100%	100%	Provision of management services
SJM – Investment Limited	Macau SAR	Quota capital: MOP1,000,000	100%	100%	Investment holding
SJM Retail Services Private Limited	Macau SAR	Quota capital: MOP25,000	100%	100%	Provision of retail services
SJM – Project Management Services (HK) Limited	Hong Kong	Ordinary shares: HK\$1	100%	100%	Provision of human resources and project management services
Sociedade de Jogos de Macau, S.A.	Macau SAR	Ordinary shares: Type A shares MOP270,000,000 Type B shares: MOP30,000,000	100% (Note (a))	100% (Note (a))	Casino operations and investment holding
Vast Field Investments Limited	British Virgin Islands/Macau SAR	Ordinary shares: US\$1	100%	100%	Investment holding

Notes:

- (a) Pursuant to the relevant requirements under Macau SAR law, SJM's ordinary shares are divided into two categories, namely, Type A shares and Type B shares representing 90% and 10% equity interests in SJM respectively. Holders of Type A shares have voting control of SJM in its shareholders' meeting. Except for one Type A share directly held by a wholly-owned subsidiary of the Company, the Company holds all the remaining Type A shares, whilst Type B shares are held by the managing director of SJM, pursuant to the relevant requirements under Macau SAR law. As Type B shares have restricted rights and only entitle the holder of Type B shares to an aggregate amount of MOP1 of dividend payable, the Company is effectively entitled to a 100% economic interest in SJM.
- (b) Except for SJM Holdings Management Services Limited and SJM, all other principal subsidiaries listed above are indirectly held by the Company.
- (c) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (d) None of the subsidiaries had any debt securities outstanding at the end of both reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

44. PRINCIPAL SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

At the end of both reporting periods, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries are operated in Macau SAR. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Place of Incorporation or establishment/operations	Number of subsidiaries	
		2018	2017
Gaming related operations	Macau SAR	2	2
	Hong Kong	2	—
		4	2
Hotel, catering and retail related operations	Macau SAR	1	1
Investment holdings/Inactive	British Virgin Islands/Macau SAR	15	15
	British Virgin Islands/Hong Kong	5	4
	Hong Kong	3	1
	Macau SAR	6	5
	Samoa	1	1
		30	26
		35	29

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non- controlling interests	
		2018	2017	2018	2017	2018	2017
		HK\$ million	HK\$ million	HK\$ million	HK\$ million		
Pier 16 – Property Development Limited	Macau SAR	49%	49%	62.1	(28.5)	134.7	72.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

44. PRINCIPAL SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Pier 16 – Property Development Limited

	2018 HK\$ million	2017 HK\$ million
Current assets	461.9	269.3
Non-current assets	729.5	881.8
Current liabilities	(463.3)	(350.8)
Non-current liabilities	(829.0)	(1,027.9)
Equity attributable to owners of the company	(100.9)	(227.6)
	2018 HK\$ million	2017 HK\$ million
Revenue	732.5	620.1
Cost of sales and expenses	(637.6)	(667.5)
Profit (loss) for the year	126.7	(36.8)
Profit (loss) attributable to owners of the company	126.7	(36.8)
Net cash inflow from operating activities	363.1	224.4
Net cash (outflow) inflow from investing activities	(20.1)	241.2
Net cash outflow from financing activities	(220.5)	(525.4)
Net cash inflow (outflow)	122.5	(59.8)

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				2018 HK\$ million
	2014 HK\$ million (restated)	2015 HK\$ million (restated)	2016 HK\$ million (restated)	2017 HK\$ million (restated)	
RESULTS					
Gaming, hotel, catering, retail and related services revenues <i>(Note)</i>	55,757.2	36,724.8	31,819.5	31,770.7	34,410.1
Gaming revenue <i>(Note)</i>	54,908.1	36,040.9	31,201.0	31,094.8	33,677.1
Profit before taxation	6,869.7	2,490.2	2,348.3	1,946.8	2,939.6
Taxation	(88.3)	(38.3)	(33.8)	(11.9)	(27.4)
Profit for the year	6,781.4	2,451.9	2,314.5	1,934.9	2,912.2
Profit (loss) for the year attributable to					
— owners of the Company	6,730.7	2,465.0	2,326.5	1,963.4	2,850.1
— non-controlling interests	50.7	(13.1)	(12.0)	(28.5)	62.1
	6,781.4	2,451.9	2,314.5	1,934.9	2,912.2
As at 31 December					
	2014 HK\$ million	2015 HK\$ million	2016 HK\$ million	2017 HK\$ million	2018 HK\$ million
ASSETS AND LIABILITIES					
Total assets	42,215.1	36,854.7	38,755.0	46,287.0	56,398.6
Total liabilities	(17,352.8)	(13,375.3)	(13,913.8)	(20,817.8)	(28,712.0)
Net assets	24,862.3	23,479.4	24,841.2	25,469.2	27,686.6

Note: 2014–2017 comparative figures have been restated under full retrospective method of transition of HKFRS 15.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Executive Director

Ms. Ho Chiu Fung, Daisy
(appointed Chairman on 12 June 2018)

Co-Chairmen and Executive Directors

Mr. Fok Tsun Ting, Timothy
Deputada Leong On Kei, Angela
(both appointed Co-Chairmen on 12 June 2018)

Vice-Chairman, Executive Director and Chief Executive Officer

Dr. So Shu Fai
(appointed Vice-Chairman on 12 June 2018)

Executive Director and Chief Operating Officer

Mr. Ng Chi Sing

Executive Directors

Dr. Chan Un Chan (elected on 12 June 2018)
Mr. Shum Hong Kuen, David

Non-executive Director

Dr. Cheng Kar Shun

Independent Non-executive Directors

Mr. Chau Tak Hay
Dr. Lan Hong Tsung, David
Hon. Shek Lai Him, Abraham
Mr. Tse Hau Yin

AUDIT COMMITTEE

Mr. Tse Hau Yin (Committee Chairman)
Mr. Chau Tak Hay
Dr. Lan Hong Tsung, David
Hon. Shek Lai Him, Abraham

NOMINATION COMMITTEE

Mr. Chau Tak Hay (Committee Chairman)
Ms. Ho Chiu Fung, Daisy (appointed on 28 February 2019)
Dr. Lan Hong Tsung, David
Deputada Leong On Kei, Angela
Hon. Shek Lai Him, Abraham
Dr. So Shu Fai
Mr. Tse Hau Yin

REMUNERATION COMMITTEE

Dr. Lan Hong Tsung, David (Committee Chairman)
Mr. Chau Tak Hay
Ms. Ho Chiu Fung, Daisy (appointed on 28 February 2019)
Deputada Leong On Kei, Angela
Hon. Shek Lai Him, Abraham
Dr. So Shu Fai
Mr. Tse Hau Yin

CHIEF FINANCIAL OFFICER

Mr. McBain, Robert Earle

CHIEF LEGAL COUNSEL

Mr. Pyne, Jonathan Charles

COMPANY SECRETARY

Ms. Kwok Shuk Chong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3001–3006, 30th Floor
One International Finance Centre
1 Harbour View Street, Central
Hong Kong
Tel: (852) 3960 8000
Fax: (852) 3960 8111
Website: <http://www.sjmholdings.com>
Email (Investor Relations): ir@sjmholdings.com

LISTING INFORMATION

Share listing: Hong Kong Stock Exchange (Main Board)
Listing date: 16 July 2008
Stock short name: SJM Holdings
Stock code: 880 (Hong Kong Stock Exchange)
0880.HK (Reuters)
880:HK (Bloomberg)
Board lot: 1,000 shares
Designated Securities Eligible for Short Selling
Constituent of Hang Seng HK35 Index
Hang Seng Shenzhen Hong Kong Index
Hang Seng Shenzhen Hong Kong Consumption Index
Eligible Stock for both “buy” and “sell” of
Southbound Trading of Shanghai-Hong Kong Stock
Connect and Shenzhen-Hong Kong Stock Connect

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen’s Road East, Wanchai
Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Website: <http://www.computershare.com.hk>
Email: hkinfo@computershare.com.hk

LEGAL ADVISORS

On Hong Kong Law:
Linklaters

On Macau Law:
C&C Advogados
Riquito Advogados

FINANCIAL ADVISOR

Somerley Capital Limited

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Macau) Limited
Bank of China Limited
BNP Paribas
Industrial and Commercial Bank of China (Asia) Limited
Chong Hing Bank Limited

DEFINITIONS

In this report, unless the context states otherwise, the following expressions shall have the following meanings:

- “Adjusted EBITDA” : 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 deregistration of a subsidiary, loss on modification of long-term bank loans and impairment loss (including reversal) on property and equipment,
- “ Adjusted EBITDA Margin” : the Adjusted EBITDA divided by total net revenue
- “Adjusted Grand Lisboa EBITDA” : 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 deregistration of a subsidiary, loss on modification of long-term bank loans and impairment loss (including reversal) on property and equipment, and before elimination of inter-company consumption
- “Adjusted Grand Lisboa EBITDA Margin” : the Adjusted Grand Lisboa EBITDA divided by gross gaming revenue
- “Administrative Cost Sharing Agreement” : the agreement dated 18 June 2008 entered into between the Company and STDM by which STDM and/or its associates (as defined in the Listing Rules) and the Group have agreed to share the costs of certain administrative services, which was renewed on 19 June 2011 and expired on 31 December 2013
- “Board” : the board of Directors of the Company
- “CG Code” : Corporate Governance Code set out in Appendix 14 of the Listing Rules
- “Chips Agreement” : the agreement dated 18 June 2008 entered into between STDM and SJM to regulate the honouring, borrowing and use of the casino chips of STDM for the purposes of SJM’s gaming operations
- “CODM” : the chief operation decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as a group of senior management that makes strategic decisions
- “Company” or “SJM Holdings” : SJM Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Stock Exchange
- “connected person(s)” : has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“CT”	: the Complementary Tax of the Macau SAR
“DICJ”	: Direcção de Inspeção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
“Director(s)”	: the director(s) of the Company
“Grand Lisboa Palace Project”	: the development and operation of a casino, hotel and entertainment complex on a parcel of land in Cotai, Macau SAR leased by Macau SAR Government to SJM for 25 years starting from 15 May 2013
“Group”	: the Company and its subsidiaries
“Hong Kong” or “Hong Kong SAR”	: the Hong Kong Special Administrative Region of the People’s Republic of China
“HKAS”	: Hong Kong Accounting Standard
“HKFRSs”	: Hong Kong Financial Reporting Standards
“HKICPA”	: Hong Kong Institute of Certified Public Accountants
“HKSE Main Board”	: the Main Board of the Stock Exchange
“Listing Rules”	: The Rules Governing the Listing of Securities on the Stock Exchange
“Macau” or “Macau SAR” or “MSAR”	: the Macau Special Administrative Region of the People’s Republic of China
“Model Code”	: the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
“Options”	: share options which the Directors may grant to any participants of the Scheme
“Other Self-promoted Casinos”	: Casino Lisboa, Casino Oceanus at Jai Alai and Casino Taipa
“Pier 16 – Property”	: Pier 16 – Property Development Limited, a 51% subsidiary of the Company
“Products and Services Master Agreement”	: the agreement entered into between the Company and STDM on 18 June 2008 for the provision of products and services by STDM and/or its associates (as defined in the Listing Rules) to the Group
“Renewed Master Agreement”	: the products and services master agreement dated 19 June 2011 entered into between the Company and STDM in relation to the renewal of the Products and Services Master Agreement which was renewed on 6 January 2014 and was further renewed on 26 January 2017 for a term of three years from 1 January 2017

DEFINITIONS

“Scheme”	: the share option scheme of the Company adopted on 13 May 2009
“SFO”	: the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	: the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	: holder(s) of the Share(s)
“SJM”	: Sociedade de Jogos de Macau, S.A., a joint stock company “sociedade anónima” incorporated under the laws of Macau and a subsidiary of the Company
“Special Complementary Tax”	: the dividend tax which shareholders are obligated to pay to Macau SAR government for dividend distribution
“ST-CITS”	: Shun Tak & CITS Coach (Macao) Limited, a company incorporated in Macau with limited liability
“STDM”	: Sociedade de Turismo e Diversões de Macau, S.A., a controlling Shareholder
“STDM Group”	: STDM and its associates (as defined in the Listing Rules), excluding the Group
“STDM-I”	: STDM-Investments Limited, a subsidiary of STDM liquidated on 15 August 2011
“STDM-I-Surety”	: indemnity provided by STDM-I dated 20 November 2007 in respect of certain litigation ongoing at the time of the Company’s global offering of Shares
“Stock Exchange”	: The Stock Exchange of Hong Kong Limited
“the Reporting Period”	: the period for the year ended 31 December 2018
“Tin Hou”	: Tin Hou Limited, a company controlled over 50% by a half-brother of a director of subsidiaries of the Company
“HK\$”	: Hong Kong dollar(s), the lawful currency of Hong Kong
“MOP”	: Macau Pataca(s), the lawful currency of Macau
“US\$”	: United State dollar(s), the lawful currency of the United States of America
“%”	: per cent



Designed And Produced By: EDICO Financial Press Services Limited
設計及製作：鉅京財經印刷服務有限公司



Visit our website

到訪我們的網站

<http://www.sjmholdings.com>

Protect our environment, choose to receive corporate communication by electronic means

保護環境，選用電子形式收取公司通訊

