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澳門博彩控股有限公司 SJM HOLDINGS LIMITED

incorporated in Hong Kong with limited liability Stock Code : 880

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Increase/ (Decrease)
	2016	2015	
	HK\$ million	HK\$ million	
Gaming Revenue	41,272	48,282	(14.5%)
Hotel, Catering and Other Income	765	601	27.3%
Adjusted EBITDA*	3,417	3,862	(11.5%)
Profit attributable to owners of the Company	2,327	2,465	(5.6%)
Earnings per share			
— basic	HK41.1 cents	HK43.6 cents	(5.7%)
— diluted	HK41.1 cents	HK43.5 cents	(5.5%)
Dividend per ordinary share			
— proposed final dividend	HK18 cents	HK15 cents	
— interim dividend paid	<u>HK6 cents</u>	<u>HK10 cents</u>	
— total dividends for the year	<u>HK24 cents</u>	<u>HK25 cents</u>	(4.0%)

* Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, premium on acquisition written off, loss on disposal/write-off of property and equipment, share-based payments, and impairment loss on available-for-sale investment in equity securities and assets of a subsidiary.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK18 cents per ordinary share of the Company (the “**Share**”) (2015: final dividend of HK15 cents per Share), for the year ended 31 December 2016, which is subject to approval at the forthcoming annual general meeting of the Company to be held on Tuesday, 13 June 2017 (the “**2017 Annual General Meeting**”).

OPERATING HIGHLIGHTS

- Gaming revenue net of direct sales incentives including customer relationship programs earned by Sociedade de Jogos de Macau, S.A. (“**SJM**”), a subsidiary of the Company, was HK\$41,272 million in 2016, a decrease of 14.5% from the previous year.
- Adjusted EBITDA of the Group was HK\$3,417 million, a decrease of 11.5% from the previous year.
- Profit attributable to owners of the Company was HK\$2,327 million, a decrease of 5.6% from the previous year.
- SJM had a 19.1% share of Macau’s gaming revenue, including 22.7% of mass market table gaming revenue and 17.3% of VIP gaming revenue.
- The Group’s flagship Casino Grand Lisboa had declines in gaming revenue, Adjusted Grand Lisboa EBITDA and attributable profit for the year of 14.0%, 18.2% and 15.8%, respectively.
- Grand Lisboa Hotel’s occupancy rate increased by 8.7% to 91.7% for the full year, whilst average room rate decreased by 22.2% to HK\$1,581.
- The Group maintained its strong balance sheet, with cash, bank balances and pledged bank deposits totaling HK\$13,568 million as at 31 December 2016.
- Construction work on the Group’s integrated resort on Cotai, the Grand Lisboa Palace, made substantial progress in 2016. The Group currently expects construction of the project to be completed around the end of 2017 for opening in the first half of 2018.
- A final dividend of HK18 cents per Share has been proposed. If the proposed dividend is approved at the forthcoming annual general meeting of the Company, total dividends for 2016, including interim dividend of HK6 cents per Share paid in September 2016, would be HK24 cents per Share, equal to 58.4% of diluted earnings per Share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Gaming, hotel, catering and related services revenues		<u>41,798.4</u>	<u>48,863.7</u>
Gaming revenue	4	<u>41,272.5</u>	48,282.3
Special gaming tax, special levy and gaming premium		<u>(16,068.5)</u>	<u>(18,819.9)</u>
		25,204.0	29,462.4
Hotel, catering and related services income		525.9	581.4
Cost of sales and services on hotel, catering and related services		(241.4)	(249.0)
Other income, gains and losses		239.0	19.4
Marketing and promotional expenses		(15,022.7)	(18,147.8)
Operating and administrative expenses		(8,367.6)	(9,196.0)
Finance costs	5	(44.9)	(51.9)
Share of profits of an associate		49.1	64.7
Share of profits of a joint venture		<u>6.9</u>	<u>7.0</u>
Profit before taxation	6	2,348.3	2,490.2
Taxation	7	<u>(33.8)</u>	<u>(38.3)</u>
Profit for the year		<u>2,314.5</u>	<u>2,451.9</u>
Other comprehensive income (expense):			
Item that may be subsequently reclassified to profit or loss:			
Available-for-sale investment in equity securities:			
Gains (losses) arising during the year		117.1	(397.2)
Reclassification adjustment upon impairment		<u>—</u>	<u>250.0</u>
Other comprehensive income (expense) for the year		<u>117.1</u>	<u>(147.2)</u>
Total comprehensive income for the year		<u>2,431.6</u>	<u>2,304.7</u>
Profit for the year attributable to			
— owners of the Company		2,326.5	2,465.0
— non-controlling interests		<u>(12.0)</u>	<u>(13.1)</u>
		<u>2,314.5</u>	<u>2,451.9</u>
Total comprehensive income for the year attributable to			
— owners of the Company		2,443.6	2,317.8
— non-controlling interests		<u>(12.0)</u>	<u>(13.1)</u>
		<u>2,431.6</u>	<u>2,304.7</u>
Earnings per share			
— Basic	9	<u>HK41.1 cents</u>	<u>HK43.6 cents</u>
— Diluted	9	<u>HK41.1 cents</u>	<u>HK43.5 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Non-current assets			
Property and equipment		19,851.4	14,054.4
Land use rights		2,522.2	2,634.5
Intangible asset		1.6	7.9
Art works and diamonds		281.6	281.3
Interest in an associate		172.8	109.8
Interest in a joint venture		115.1	108.2
Available-for-sale investment in equity securities		328.3	211.2
Other assets		286.3	346.2
Pledged bank deposits		145.6	424.1
		<u>23,704.9</u>	<u>18,177.6</u>
Current assets			
Inventories		68.5	63.0
Trade and other receivables	<i>10</i>	1,480.7	1,658.2
Financial assets at fair value through profit or loss		78.1	61.4
Pledged bank deposits		262.2	80.9
Short-term bank deposits		3,650.2	6,441.7
Bank balances and cash		9,510.4	10,371.9
		<u>15,050.1</u>	<u>18,677.1</u>
Current liabilities			
Trade and other payables	<i>11</i>	11,633.4	10,730.3
Payable for acquisition of land use rights		178.4	343.9
Taxation payable		83.0	59.7
Long-term bank loans		539.1	158.4
Amounts due to non-controlling interests of subsidiaries		293.3	5.0
		<u>12,727.2</u>	<u>11,297.3</u>
Net current assets		<u>2,322.9</u>	<u>7,379.8</u>
Total assets less current liabilities		<u>26,027.8</u>	<u>25,557.4</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 31 December 2016*

	<i>Notes</i>	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Non-current liabilities			
Other payables	<i>11</i>	832.5	603.6
Payable for acquisition of land use rights		—	178.4
Long-term bank loans		—	554.4
Amounts due to non-controlling interests of subsidiaries		273.1	630.0
Deferred taxation		81.0	111.6
		<u>1,186.6</u>	<u>2,078.0</u>
Net assets		<u>24,841.2</u>	<u>23,479.4</u>
Capital and reserves			
Share capital		11,237.6	11,235.7
Reserves		<u>13,515.2</u>	<u>12,090.2</u>
Equity attributable to owners of the Company		24,752.8	23,325.9
Non-controlling interests		<u>88.4</u>	<u>153.5</u>
Total equity		<u>24,841.2</u>	<u>23,479.4</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited company incorporated in Hong Kong and acts as an investment holding company. The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its subsidiaries are principally engaged in the development and operation of casinos and related facilities in Macau Special Administrative Region, the People's Republic of China ("**Macau SAR**"). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A., a company established in Macau SAR. The address of registered office and principal place of business of the Company is Suites 3001–3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

2. BASIS OF PREPARATION

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

2.1 Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs and the Hong Kong Accounting Standards ("**HKASs**") issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

The application of 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.

2. BASIS OF PREPARATION (Continued)

2.2 New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
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 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

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

⁴ Effective for annual periods beginning on or after 1 January 2017

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

3. OPERATING SEGMENTS

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

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

For gaming operations, the chief operating decision maker (the “**CODM**”), which is a group of executive directors of the Company, regularly analyses gaming revenue in terms of VIP gaming operations, mass market table gaming operations, slot machine and other gaming operations. The CODM reviews the revenue and operating results of gaming operations as a whole for resources allocation and performance assessment. For hotel and catering operations, the CODM regularly reviews the performance on the basis of individual hotel. For segment reporting under HKFRS 8, financial information of the Group's hotels with similar economic characteristics has been aggregated into a single operating segment named “hotel and catering operations”.

3. OPERATING SEGMENTS (Continued)

Segment information about these businesses is presented below:

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

	Segment revenue		Segment results	
	2016	2015	2016	2015
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Gaming operations	<u>41,272.5</u>	<u>48,282.3</u>	2,626.7	2,924.4
Hotel and catering operations				
— external sales	525.9	581.4		
— inter-segment sales	<u>261.7</u>	<u>260.0</u>		
	787.6	841.4	(305.4)	(294.0)
Eliminations	<u>(261.7)</u>	<u>(260.0)</u>		
	<u>525.9</u>	<u>581.4</u>		
	<u>41,798.4</u>	<u>48,863.7</u>		
			2,321.3	2,630.4
<i>Reconciliation from segment results to profit before taxation:</i>				
Unallocated corporate income			79.9	174.9
Unallocated corporate expenses			(125.6)	(119.6)
Impairment loss on available-for-sale investment in equity securities			—	(250.0)
Change in fair value of financial assets at fair value through profit or loss			16.7	(17.2)
Share of profits of an associate			49.1	64.7
Share of profits of a joint venture			<u>6.9</u>	<u>7.0</u>
Profit before taxation			<u>2,348.3</u>	<u>2,490.2</u>

3. OPERATING SEGMENTS (Continued)

Segment results represent the profit before taxation earned by each segment without allocation of corporate income and expenses, impairment loss on available-for-sale investment in equity securities, change in fair value of financial assets at fair value through profit or loss and share of results 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 operating segments is as follows:

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
<i>Assets</i>		
Segment assets		
— gaming operations	14,804.5	14,542.1
— hotel and catering operations	<u>4,507.6</u>	<u>5,188.3</u>
	19,312.1	19,730.4
Interest in an associate	172.8	109.8
Interest in a joint venture	115.1	108.2
Unallocated bank deposits, bank balances and cash	4,001.3	7,152.0
Other unallocated assets	<u>15,153.7</u>	<u>9,754.3</u>
Group's total	<u><u>38,755.0</u></u>	<u><u>36,854.7</u></u>
<i>Liabilities</i>		
Long-term bank loans		
— gaming operations	238.7	315.6
— hotel and catering operations	<u>300.4</u>	<u>397.2</u>
	-----539.1	-----712.8
Other segment liabilities		
— gaming operations	10,727.4	10,486.4
— hotel and catering operations	<u>279.2</u>	<u>320.5</u>
	<u><u>11,006.6</u></u>	<u><u>10,806.9</u></u>
Total segment liabilities	11,545.7	11,519.7
Unallocated liabilities	<u>2,368.1</u>	<u>1,855.6</u>
Group's total	<u><u>13,913.8</u></u>	<u><u>13,375.3</u></u>

3. OPERATING SEGMENTS (Continued)

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

- (i) other unallocated assets include mainly certain property and equipment, certain land use rights, art works and diamonds, amounts due from an associate/a joint venture/an investee company, available-for-sale investment in equity securities and financial assets at fair value through profit or loss.
- (ii) unallocated liabilities include mainly payable for acquisition of land use rights and amounts due to non-controlling interests of subsidiaries.
- (iii) all assets are allocated to operating 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 operating segments, other than liabilities not attributable to respective segments as mentioned in (ii).

(c) Other segment information of the Group

	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
Additions to non-current assets (other than financial instruments)		
— gaming operations	1,396.6	573.1
— hotel and catering operations	46.7	142.2
— corporate level*	5,423.9	3,057.7
	<u>6,867.2</u>	<u>3,773.0</u>
Depreciation and amortisation		
— gaming operations	593.1	639.0
— hotel and catering operations	464.2	455.5
— corporate level	13.7	6.5
	<u>1,071.0</u>	<u>1,101.0</u>
Loss (gain) on disposal/write-off of property and equipment		
— gaming operations	0.9	(3.8)
— hotel and catering operations	—	7.4
— corporate level	(0.2)	—
	<u>0.7</u>	<u>3.6</u>

* 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.

3. OPERATING SEGMENTS (Continued)

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

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Share-based payments		
— gaming operations	154.0	298.4
— corporate level	<u>15.9</u>	<u>15.7</u>
	<u>169.9</u>	<u>314.1</u>
Finance costs		
— gaming operations	11.1	11.9
— hotel and catering operations	9.5	15.0
— corporate level	<u>24.3</u>	<u>25.0</u>
	<u>44.9</u>	<u>51.9</u>
Interest income		
— gaming operations	63.1	77.4
— hotel and catering operations	11.5	15.0
— corporate level	<u>66.2</u>	<u>161.7</u>
	<u>140.8</u>	<u>254.1</u>
Allowance for doubtful debts		
— gaming operations	<u>2.8</u>	<u>49.7</u>
Impairment loss on property and equipment		
— gaming operations	<u>12.6</u>	<u>—</u>
Impairment loss on deposits made on acquisitions		
— gaming operations	<u>22.8</u>	<u>—</u>

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

4. GAMING REVENUE

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Gaming revenue from		
— VIP gaming operations	19,933.8	25,063.9
— mass market table gaming operations	20,437.5	22,385.4
— slot machine and other gaming operations	<u>1,066.7</u>	<u>1,140.2</u>
	41,438.0	48,589.5
Less: direct sales incentives including customer relationship programs	<u>(165.5)</u>	<u>(307.2)</u>
	<u><u>41,272.5</u></u>	<u><u>48,282.3</u></u>

The comparative figures were reclassified to conform with current year's presentation.

5. FINANCE COSTS

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Interest on		
— bank borrowings	20.6	26.8
— acquisition of land use rights	19.7	36.4
Imputed interest on amount due to non-controlling interests of a subsidiary	<u>24.3</u>	<u>25.1</u>
	64.6	88.3
Less: Amount capitalised	<u>(19.7)</u>	<u>(36.4)</u>
	<u><u>44.9</u></u>	<u><u>51.9</u></u>

6. PROFIT BEFORE TAXATION

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration		
— fees, salaries, bonus and other benefits	99.4	95.1
— share-based payments	<u>138.9</u>	<u>216.8</u>
	238.3	311.9
Less: Amount capitalised	<u>(7.8)</u>	<u>—</u>
	<u>230.5</u>	<u>311.9</u>
Retirement benefits scheme contributions for other staff	206.3	215.5
Less: Forfeited contributions	<u>(27.0)</u>	<u>(21.7)</u>
	<u>179.3</u>	<u>193.8</u>
Share-based payments to other staff	29.7	95.6
Other staff costs	<u>5,657.4</u>	<u>5,926.8</u>
	<u>5,687.1</u>	<u>6,022.4</u>
Total employee benefit expenses	<u>6,096.9</u>	<u>6,528.1</u>
Operating lease rentals in respect of		
— land use rights	45.0	45.0
— rented premises	<u>360.2</u>	<u>374.4</u>
	<u>405.2</u>	<u>419.4</u>

6. PROFIT BEFORE TAXATION (Continued)

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Allowance for doubtful debts (<i>Note</i>)	2.8	49.7
Amortisation of intangible asset (included in operating and administrative expenses)	6.3	6.3
Auditor's remuneration	13.4	13.4
Depreciation of property and equipment	1,064.7	1,094.7
Impairment loss on available-for-sale investment in equity securities	—	250.0
Impairment loss on property and equipment	12.6	—
Impairment loss on deposits made on acquisitions	22.8	—
Loss on change in fair value of financial assets at fair value through profit or loss	—	17.2
Loss on disposal/write-off of property and equipment	0.7	3.6
Share-based payments to other participants (included in operating and administrative expenses)	1.3	1.7
 <i>and after crediting:</i>		
Interest income from:		
— bank deposits	139.6	254.1
— others	1.2	—
	<u>140.8</u>	<u>254.1</u>
Dividend income	3.6	4.0
Gain on change in fair value of financial assets at fair value through profit or loss	<u>16.7</u>	<u>—</u>

Note: During the year ended 31 December 2015, there was a charge of HK\$142.5 million relating to the suspension of a satellite casino, comprising an allowance for doubtful debts of HK\$49.7 million and certain marketing and promotional expenses to be reimbursed by the service provider of HK\$92.8 million.

7. TAXATION

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Current tax — Macau SAR Complementary Tax	64.4	59.7
Deferred taxation	<u>(30.6)</u>	<u>(21.4)</u>
	<u><u>33.8</u></u>	<u><u>38.3</u></u>

No provision for Macau SAR Complementary Tax (“CT”) on gaming related income is made for a subsidiary, Sociedade de Jogos de Macau, S.A. (“SJM”). Pursuant to the approval notice issued by the Macau SAR government dated 23 November 2011 and 27 September 2016, SJM has been exempted from CT for income generated from gaming operations for the years from 2012 to 2016 and 2017 to 2020, respectively.

In addition, pursuant to the approval letter dated 10 August 2012 issued by the Financial Services Bureau of the Macau SAR government, SJM’s shareholders were obligated to pay the dividend tax of MOP42.3 million (equivalent to HK\$41.1 million) for dividend distributed by SJM (the “**Special Complementary Tax**”) for each of the years from 2012 to 2016. During the year, the Company, as a shareholder of SJM, was obligated to pay HK\$41.1 million (2015: HK\$41.1 million). During the year, SJM has applied for extension of approval from Financial Services Bureau of the Macau SAR government. The application has not been approved up to date of this announcement.

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

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

8. DIVIDENDS

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Interim dividend per ordinary share paid		
— HK6 cents for 2016	339.5	—
— HK10 cents for 2015	—	565.6
Final dividend per ordinary share paid		
— HK15 cents for 2015	848.5	—
— HK62 cents for 2014	<u>—</u>	<u>3,507.2</u>
	<u>1,188.0</u>	<u>4,072.8</u>

A final dividend of HK18 cents per ordinary share, totalling HK\$1,018.3 million, is proposed by the directors of the Company at a board meeting held on 28 February 2017, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,657,179,293 ordinary shares in issue at the date of this announcement.

9. EARNINGS PER SHARE

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

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
<i>Earnings</i>		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>2,326.5</u>	<u>2,465.0</u>
	2016	2015
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,656,977,654	5,656,504,361
Effect of dilutive potential ordinary shares on share options	<u>2,526,118</u>	<u>4,455,733</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,659,503,772</u>	<u>5,660,960,094</u>

10. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Advances to gaming promoters (2015: gaming promoters and patrons), net	425.3	646.9
Other receivables from gaming promoters and service providers, net	601.4	528.1
Prepayments	164.5	183.9
Other sundry receivables	<u>289.5</u>	<u>299.3</u>
	<u><u>1,480.7</u></u>	<u><u>1,658.2</u></u>

Advances to gaming promoters (2015: gaming promoters and patrons) 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. For advances to gaming patrons, the credit period granted to pre-approved gaming patrons with good financial track records was generally 15 days. At 31 December 2016, all of the advances to gaming promoters (2015: gaming promoters and patrons) (net of allowances) are neither past due nor impaired.

Advances are only granted to gaming promoters (2015: gaming promoters and patrons) 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.

The following is the aged analysis of advances to gaming promoters (2015: gaming promoters and patrons) at the end of the reporting period based on the date of credit granted:

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Age		
0 to 30 days	<u><u>425.3</u></u>	<u><u>646.9</u></u>

10. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts

	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
At 1 January	132.5	82.8
Allowance for doubtful debts	2.8	49.7
Written-off	<u>(2.8)</u>	<u>—</u>
At 31 December	<u>132.5</u>	<u>132.5</u>

Allowance for doubtful debts with an aggregate balance of HK\$132.5 million (2015: HK\$132.5 million) represents individually impaired advances to gaming promoters (2015: gaming promoters and patrons), 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.

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

11. TRADE AND OTHER PAYABLES

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Trade payables	1,239.1	1,309.5
Special gaming tax payable	1,282.0	1,402.8
Chips in circulation	4,419.1	4,403.4
Chips in custody and deposits received from gaming patrons and gaming promoters	1,457.8	1,280.9
Payables for acquisition of property and equipment	96.7	86.6
Construction payables	1,975.6	1,210.1
Accrued staff costs	1,319.2	1,045.6
Rentals payables	247.3	187.7
Withholding tax payable for gaming promoters and employees	17.0	17.1
Other sundry payables and accruals	<u>412.1</u>	<u>390.2</u>
	12,465.9	11,333.9
Less: Non-current portion	<u>(832.5)</u>	<u>(603.6)</u>
Current portion	<u><u>11,633.4</u></u>	<u><u>10,730.3</u></u>

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

	2016 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Age		
0 to 30 days	1,213.4	1,298.7
31 to 60 days	16.9	7.0
61 to 90 days	4.4	1.9
Over 90 days	<u>4.4</u>	<u>1.9</u>
	<u><u>1,239.1</u></u>	<u><u>1,309.5</u></u>

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

BUSINESS REVIEW

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

Market Environment

Macau's casino gaming revenue declined in 2016 for the third straight year. The 3.3% decline resulted from multiple factors, including changes in administrative policies in Mainland China, and weakness in some sectors of the Chinese economy. The effects of these conditions were felt mainly in upper-end play in each sector of Macau's gaming market: VIP, mass market and slot machines.

Visitation to Macau increased moderately by 0.8% to 31 million in 2016, according to the Macau Government Statistics and Census Service. Visitors from the Mainland increased by 0.2% to 20.5 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 total revenue, gaming revenue, profit attributable to owners of the Company and Adjusted EBITDA for the year ended 31 December 2016 each declined from last year, whilst Adjusted EBITDA Margin increased:

Group operating results	For the year ended 31 December		Increase/ (Decrease)
	2016	2015	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Total revenue	41,798	48,864	(14.5%)
Gaming revenue	41,272	48,282	(14.5%)
Profit attributable to owners of the Company	2,327	2,465	(5.6%)
Adjusted EBITDA ¹	3,417	3,862	(11.5%)
Adjusted EBITDA Margin ²	8.2%	7.9%	0.3%

¹ Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, premium on acquisition written off, loss on disposal/write-off of property and equipment, share-based payments, and impairment loss on available-for-sale investment in equity securities and assets of a subsidiary.

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

VIP gaming revenue of the Group declined by 20.5% in 2016 and mass market table gaming revenue decreased by 8.2%. According to statistics from the MSAR government, gaming revenue of Macau declined by 3.3% in 2016, comprising a 6.9% decline in VIP gaming revenue, a 1.8% increase in mass market table gaming revenue and a 3.1% decrease in slot machine gaming revenue.

During 2016, the Group accounted for 19.1% of Macau's casino gaming revenue of \$216,709 million. The Group's overall market share declined from 21.7% for the full year 2015.

The Group's Adjusted EBITDA Margin for the year was 8.2%, an increase from 7.9% in 2015. If calculated under United States generally accepted accounting principles ("US GAAP"), the Group's Adjusted EBITDA Margin would be 12.6% for 2016, as compared with 12.4% in 2015 (See "Comparison with United States GAAP Accounting" on page 32 below).

Net profit for the year 2016 included \$241 million received as a one-time refund of excess dredging expenses by the Group's harbour dredging unit in previous years. Net profit for the year 2015 was affected by a one-off impairment loss on available-for-sale investment in equity securities of \$250 million and the impact on profit of suspension of a satellite casino of \$143 million. Deductions of share-based payments were \$170 million in 2016, as compared with \$314 million in the previous year. Depreciation in 2016 was \$1,065 million compared with \$1,095 million in 2015, and interest expense was \$45 million, compared with \$52 million in 2015.

Operating Results — VIP Gaming

VIP operations	For the year ended 31 December		Increase/ (Decrease)
	2016	2015	
Gaming revenue (HK\$ million)	19,934	25,064	(20.5%)
Average daily net-win per VIP gaming table (HK\$)	160,188	144,261	11.0%
VIP chips sales (HK\$ million)	657,849	773,445	(14.9%)
Average number of VIP gaming tables (Average of month-end numbers)	340	476	(28.6%)

VIP gaming operations accounted for 48.3% of the Group's total gaming revenue in 2016, as compared with 51.9% for the previous year. As at 31 December 2016, SJM had 315 VIP gaming tables in operation with 20 VIP promoters, as compared with 386 VIP gaming tables and 19 VIP promoters as at 31 December 2015. As at 31 December 2016, SJM operated VIP gaming in 13 of its casinos.

The Group's gaming revenue from VIP gaming operations amounted to approximately 17.3% of total VIP gaming revenue in Macau, compared to 20.2% in the previous year, according to figures from the Gaming Inspection and Coordination Bureau in Macau. The hold rate for SJM's VIP operations decreased in 2016 to 3.03% from 3.22% in 2015.

Operating Results — Mass Market Table Gaming

Mass market operations	For the year ended 31 December		Increase/ (Decrease)
	2016	2015	
Gaming revenue (HK\$ million)	20,272	22,078	(8.2%)
Average daily net-win per mass market gaming table (HK\$)	42,888	49,380	(13.1%)
Average number of mass market gaming tables (Average of month-end numbers)	1,302	1,242	4.8%

Gaming revenue from mass market table gaming operations comprised 49.1% of the Group's total gaming revenue in 2016, as compared with 45.7% in 2015. SJM had 1,301 mass market gaming tables in operation as at 31 December 2016, as compared with 1,247 mass market gaming tables as at 31 December 2015.

Operating Results — Slot Machines and Other Gaming Operations

Slot machine operations	For the year ended 31 December		Increase/
	2016	2015	(Decrease)
Gaming revenue (HK\$ million)	1,067	1,140	(6.4%)
Average daily net-win per slot machine (HK\$)	1,071	1,151	(6.9%)
Average number of slot machines (Average of month-end numbers)	2,717	2,711	0.2%

Gaming revenue from slot machine operations, which includes other electronic gaming machines and the game of Tombola, comprised 2.6% of the Group's total gaming revenue in 2016, compared with 2.4% in 2015. SJM had 2,132 slot machines in service as at 31 December 2016 as compared with 2,645 slot machines as at 31 December 2015.

As at 31 December 2016, SJM operated slot machines in 12 of its casinos.

Operating Results — Casino Grand Lisboa

SJM's flagship Casino Grand Lisboa showed a decline in revenue and profitability during the year. Visitation to Grand Lisboa decreased during the course of year from an average of 30,118 visitors per day in the first quarter, to an average of 29,215 visitors per day in the fourth quarter.

Casino Grand Lisboa	For the year ended 31 December		(Decrease)
	2016	2015	
Revenue (HK\$ million)	14,056	16,345	(14.0%)
Profit attributable to the Group (HK\$ million)	1,424	1,692	(15.8%)
Adjusted Grand Lisboa EBITDA ³ (HK\$ million)	1,764	2,157	(18.2%)
Adjusted Grand Lisboa EBITDA Margin ⁴	12.6%	13.2%	(0.6%)

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, premium on acquisition written off, loss on disposal/write-off of property and equipment, share-based payments, impairment loss on available-for-sale investment in equity securities and assets of a subsidiary, and before elimination of inter-company consumption.

⁴ Adjusted Grand Lisboa EBITDA Margin is Adjusted Grand Lisboa EBITDA divided by revenue.

Operating results of Casino Grand Lisboa are as follows:

Casino Grand Lisboa	For the year ended 31 December		Increase/ (Decrease)
	2016	2015	
<i>VIP operations</i>			
Gaming revenue (HK\$ million)	9,097	10,943	(16.9%)
Average daily net-win per VIP gaming table (HK\$)	198,848	199,878	(0.5%)
VIP chips sales (HK\$ million)	330,274	343,670	(3.9%)
Average number of VIP gaming tables (Average of month-end numbers)	125	150	(16.7%)
<i>Mass market operations</i>			
Gaming revenue (HK\$ million)	4,570	4,998	(8.6%)
Average daily net-win per mass market gaming table (HK\$)	46,330	52,455	(11.7%)
Average number of mass market gaming tables (Average of month-end numbers)	275	271	1.5%
<i>Slot machine operations</i>			
Gaming revenue (HK\$ million)	389	404	(3.7%)
Average daily net-win per slot machine (HK\$)	1,347	1,458	(7.6%)
Average number of slot machines (Average of month-end numbers)	789	759	4.0%

Mass market gaming tables operated at Casino Grand Lisboa were 268 tables as at 31 December 2016, the same as 268 tables as at 1 January 2016, whilst VIP tables were reduced from 136 to 124 during the same period.

If calculated under US GAAP, the Adjusted Grand Lisboa EBITDA Margin of Casino Grand Lisboa would be approximately 19.3% for 2016, as compared with 20.3% in 2015 (See “Comparison with United States GAAP Accounting” on page 32 below).

During 2016, Casino Grand Lisboa attracted a total of over 10.5 million visitors, an average of 28,938 visitors per day, a decrease of 3.5% over the previous year.

As at 31 December 2016, Casino Grand Lisboa operated a total of 692 slot machines. Jackpots are paid frequently, with the total exceeding \$242 million for slot machines and over \$38 million for table games (Caribbean Stud Poker) in 2016.

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		
	2016	2015	(Decrease)
Revenue (HK\$ million)	5,824	6,478	(10.1%)
Profit attributable to the Group (HK\$ million)	414	530	(21.9%)
Adjusted EBITDA (HK\$ million)	618	749	(17.6%)
Adjusted EBITDA Margin	10.6%	11.6%	(1.0%)

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

Other self-promoted casinos	For the year ended 31 December		Increase/
	2016	2015	(Decrease)
<i>VIP operations</i>			
Gaming revenue (HK\$ million)	1,981	2,476	(20.0%)
Average daily net-win per VIP gaming table (HK\$)	186,598	165,437	12.8%
VIP chips sales (HK\$ million)	57,320	66,502	(13.8%)
Average number of VIP gaming tables (Average of month-end numbers)	29	41	(29.3%)
<i>Mass market operations</i>			
Gaming revenue (HK\$ million)	3,643	3,781	(3.7%)
Average daily net-win per mass market gaming table (HK\$)	27,882	34,059	(18.1%)
Average number of mass market gaming tables (Average of month-end numbers)	362	311	16.4%
<i>Slot machine operations</i>			
Gaming revenue (HK\$ million)	200	221	(9.4%)
Average daily net-win per slot machine (HK\$)	921	911	1.1%
Average number of slot machines (Average of month-end numbers)	590	660	(10.6%)

As at 31 December 2016, Casino Lisboa operated a total of 28 VIP gaming tables, 132 mass market gaming tables and 107 slot machines, and Casino Oceanus at Jai Alai operated a total of 200 mass market gaming tables and 338 slot machines. Casino Taipa, which opened in November 2016, operated 5 mass market gaming tables and 109 slot machines. Casino area in the Jai Alai building reopened in December 2016 with 35 mass market gaming tables.

Operating Results — Satellite Casinos

As at 31 December 2016, SJM operated 14 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Jimei, Casino Kam Pek Paradise, Casino Lan Kwai Fong, Casino L'Arc Macau, Casino Macau Jockey Club, Casino Ponte 16 and Casino Club VIP Legend. (Operations at Casino Greek Mythology have been suspended since 31 December 2015.)

Twelve of SJM's satellite casinos are located on the Macau Peninsula whilst two satellite casinos are located on the island of Taipa, comprising a total of 163 VIP gaming tables, 661 mass market gaming tables and 886 slot machines, as at 31 December 2016.

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

Satellite casinos	For the year ended 31 December		Increase/
	2016	2015	(Decrease)
Revenue (HK\$ million)	21,393	25,459	(16.0%)
Profit attributable to the Group (HK\$ million)	757	640	18.3%
Adjusted EBITDA (HK\$ million)	810	722	12.1%
Adjusted EBITDA Margin	3.8%	2.8%	1.0%

Operating results of satellite casinos in 2015 were materially affected by the suspension of operations of Casino Greek Mythology on 31 December 2015. Excluding the impact of Casino Greek Mythology's suspension, the Adjusted EBITDA Margin of satellite casinos would have been 3.4% for the year ended 31 December 2015.

Operating results of satellite casinos are as follows:

Satellite casinos	For the year ended 31 December		Increase/
	2016	2015	(Decrease)
<i>VIP operations</i>			
Gaming revenue (HK\$ million)	8,856	11,645	(23.9%)
Average daily net-win per VIP gaming table (HK\$)	130,089	111,551	16.6%
VIP chips sales (HK\$ million)	270,254	363,273	(25.6%)
Average number of VIP gaming tables (Average of month-end numbers)	186	286	(35.0%)
<i>Mass market operations</i>			
Gaming revenue (HK\$ million)	12,060	13,299	(9.3%)
Average daily net-win per mass market gaming table (HK\$)	49,633	55,253	(10.2%)
Average number of mass market gaming tables (Average of month-end numbers)	665	661	0.6%
<i>Slot machine operations</i>			
Gaming revenue (HK\$ million)	477	515	(7.3%)
Average daily net-win per slot machine (HK\$)	974	1,092	(10.8%)
Average number of slot machines (Average of month-end numbers)	1,339	1,292	3.6%

Non-gaming Operations

For the year ended 31 December 2016, the Grand Lisboa Hotel contributed \$515 million in revenue and \$84 million in Adjusted Grand Lisboa EBITDA to the Group as compared with \$551 million in revenue and \$95 million in Adjusted Grand Lisboa EBITDA for the previous year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 91.7% for the full year, as compared with 83.0% for the previous year, and the average room rate for the full year 2016 was approximately \$1,581 as compared with \$2,030 in 2015. During most of the year, the hotel's room renovation programme was ongoing, resulting in approximately 5% of rooms being out of service. Room renovation was completed in September 2016.

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" were the only restaurants in Macau to receive three stars in the 2016 Michelin Guide. Modern steakhouse "The Kitchen" was also awarded one star. The wine cellars of "Robuchon au Dôme" and "Don Alfonso 1890" received the Grand Award and "The Kitchen" received the Best of Award of Excellence from *Wine Spectator*. "Robuchon au Dôme" was also among the Top 20 Restaurants of 2017 selected by *Hong Kong Tatler*.

Operating results for the Sofitel at Ponte 16, in which SJM's interest is 51%, contributed \$192 million in revenue to the Group in 2016, compared with a contribution of \$214 million in 2015. The occupancy rate of the 408-room hotel averaged 87.6% for the full year 2016 as compared with 89.1% in 2015, whilst average room rate decreased by 12.1% to \$1,059. The Sofitel at Ponte 16 received numerous travel industry awards in 2016, in both business and luxury categories.

Income from all hotel, catering and related services, after inter-company elimination, totaled \$526 million in 2016, a decrease of 9.5% from \$581 million in 2015, due primarily to lower hotel room occupancy and average room rates. Other income, increased to \$239 million from \$19 million during the year, primarily affected by the refund of excess dredging expenses received from Macau SAR Government in 2016 and impairment loss on available-for-sale investment in equity securities incurred in 2015.

PROSPECTS AND RECENT DEVELOPMENTS

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

Outlook

The Group's performance in 2017 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.

Whilst it is not clear how long the conditions which inhibited gaming revenue growth during the past three years will continue, the Group remains optimistic about its future prospects, given the potential for growth of visitation and spending in Macau, infrastructure developments that improve access to Macau, the general prosperity of the Asian region, the Group's strategically located network of casinos and its strong balance sheet.

Recent Events and Current Initiatives

In pursuit of the Group's strategy of growing its business through expansion of casino and casino-related operations in Macau and improvement in the operating efficiency of existing business units, the Group has been and is progressing on a number of initiatives in 2016 and 2017, which are described below.

Grand Lisboa Palace

Construction of the Grand Lisboa Palace, SJM's future integrated resort on Cotai, which began on 13 February 2014, made good progress in 2016, and the Group anticipates opening the project in the first half of 2018.

Upon completion, the Grand Lisboa Palace will comprise 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 2,000 rooms, plus facilities for meetings and conferences, shopping, dining and entertainment, and a casino, at an estimated total project cost of approximately \$36 billion.

During the year ended 31 December 2016, certain banks had offered syndicated bank facilities of \$25 billion to the Group primary to finance the construction costs of the Grand Lisboa Palace. The Group is currently seeking the required approval by the Macau SAR Government and expects to conclude the arrangements in early 2017.

As at 31 December 2016, SJM had entered into capital commitments in connection with the Grand Lisboa Palace project with a total value of approximately \$21.2 billion.

Casino Grand Lisboa

In August 2016, renovation work on the ground floor of Casino Grand Lisboa was completed. The renovated area now comprises a more inviting entrance, new retailing space and space for additional gaming tables. In March 2017, a new dragon-themed VIP Premium area will be opened on the 31st floor of Grand Lisboa. A high-end gaming experience for our Dragon Club card members, the area will have 7 gaming tables, 12 slot machines, 10 hotel rooms, a club lounge and outdoor terraces for guests.

Hotel Grand Lisboa

Hotel Grand Lisboa completed a room renovation programme which was the first major overhaul and updating of accommodation since the opening of the hotel in 2009. The programme, which began in the summer of 2014, kept approximately 5% of rooms out of services until September 2016.

Jai Alai Renovation

SJM reopened the casino area in the Jai Alai building in December 2016 and later in 2017 will open the Hotel Jai Alai, with 132 rooms, plus restaurants and retail shops, which will enhance the business of Casino Oceanus at Jai Alai, which include the casino areas in Oceanus and Jai Alai building.

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 \$13,161 million (not including \$408 million pledged bank deposits) as at 31 December 2016. This represented a decrease of 21.7% as compared with the position as at 31 December 2015 of \$16,814 million. The decrease was mainly attributable to cash outflows for dividends and capital expenditure during the year.

Total outstanding balances of bank loans drawn by the Group as at 31 December 2016 amounted to \$539 million (as at 31 December 2015: \$713 million). The maturity of the Group's borrowings as at 31 December 2016 is as follows:

Maturity Profile		
Within 1 year	1–2 years	Total
100%	Not applicable	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 2016 (as at 31 December 2015: zero).

Capital Expenditure Commitments

Capital expenditure commitments by the Group amounted to \$21.4 billion as at 31 December 2016 (as at 31 December 2015: \$25.2 billion), of which \$21.2 billion were for the Grand Lisboa Palace project. As at 31 December 2016, 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 2016, certain of the Group's property and equipment and land use rights with carrying values of \$753 million and \$63 million, respectively (as at 31 December 2015: \$883 million and \$68 million, respectively), were pledged to banks for loan facilities. In addition, the Group had pledged bank deposits of \$408 million as at 31 December 2016 (2015: \$505 million).

Contingent Liabilities and Guarantees

As at 31 December 2016, the total amount of guarantees of the Group given to banks of \$87 million (2015: \$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 2016.

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, although it may consider doing so in the future. As at 31 December 2016, the equivalent of approximately \$260 million of the Group's outstanding borrowings were denominated in Chinese Yuan, of which the foreign exchange risk has been fully set off with a matching amount of deposits. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations. Over 98% 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 2016.

Human Resources

As at 31 December 2016, the Group had approximately 20,600 full-time employees. The Group's employee turnover rate was minimal in 2016.

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.

Comparison with United States GAAP Accounting

The Group's results are prepared in compliance with Hong Kong generally accepted accounting principles ("HK GAAP"). In comparing the Group's results to those of companies whose results are prepared under US GAAP, it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher Adjusted EBITDA Margin than that calculated under HK GAAP. If calculated under US GAAP, the Group's Adjusted EBITDA Margin would be approximately 12.6% for the year ended 31 December 2016, as compared with HK GAAP which gives an Adjusted EBITDA Margin of 8.2% for the same period.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year ended 31 December 2016.

CORPORATE GOVERNANCE CODE

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

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

During the year ended 31 December 2016, the Company has complied with the code provisions of the CG Code, except for the deviation from the code provisions A.2.7 and E.1.2 that due to health reasons, Dr. Ho Hung Sun, Stanley did not meet the non-executive directors of the Company in 2016 and was absent from the annual general meeting of the Company held on 16 June 2016.

CLOSURE OF REGISTER OF MEMBERS FOR 2016 ANNUAL GENERAL MEETING

- Book close dates for 2016 Annual General Meeting (both days inclusive) : 9 June 2017 to 13 June 2017
- Latest time to lodge transfer documents with the Company's share registrar : 4:30 p.m. on 8 June 2017
- Name and address of the Company's share registrar : Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

RECORD DATE FOR PROPOSED FINAL DIVIDEND

- Record date for proposed final dividend : 16 June 2017
- Latest time to lodge transfer documents with the Company's share registrar : 4:30 p.m. on 16 June 2017
- Name and address of the Company's share registrar : Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
- Expected payment date (if approved at the 2017 Annual General Meeting) : 28 June 2017

2017 ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company will be held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong at 2:30 p.m. on Tuesday, 13 June 2017. Notice of Annual General Meeting will be published on the Stock Exchange's website and the Company's website and despatched to shareholders of the Company in due course.

PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS

The Group's consolidated financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee of the Company. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Company's auditor, Deloitte Touche Tohmatsu (the "**Auditor**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

By order of the Board
SJM Holdings Limited
So Shu Fai

Executive Director and Chief Executive Officer

Hong Kong, 28 February 2017

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