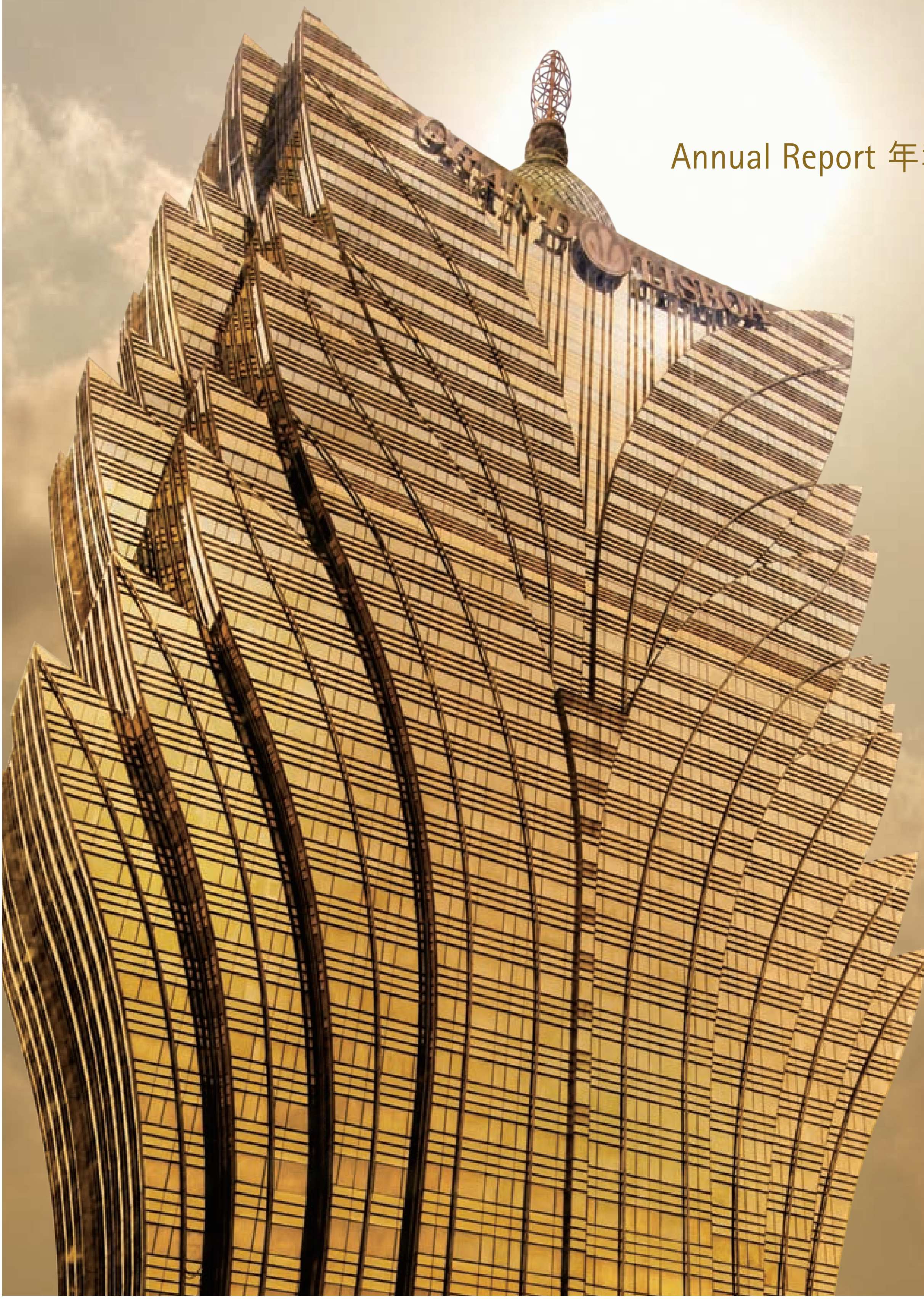


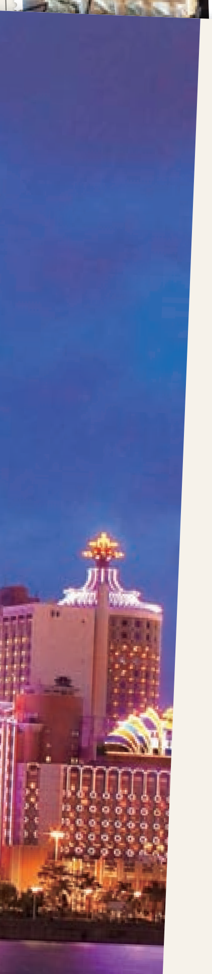
澳門博彩控股有限公司
SJM HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)
(在香港註冊成立的有限責任公司)

Stock Code 股份代號：880

Annual Report 年報 2010

Macau is
our Home!



ABOUT US

SJM Holdings Limited (the "Company" or "SJM Holdings") 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. SJM is the only casino gaming concessionaire with its roots in Macau, and is the largest in terms of gaming revenue and number of casinos.

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

As at 31 December 2010, SJM operated 17 casinos and 4 slot machine lounges, comprising around 1,700 gaming tables and over 4,100 slot machines.

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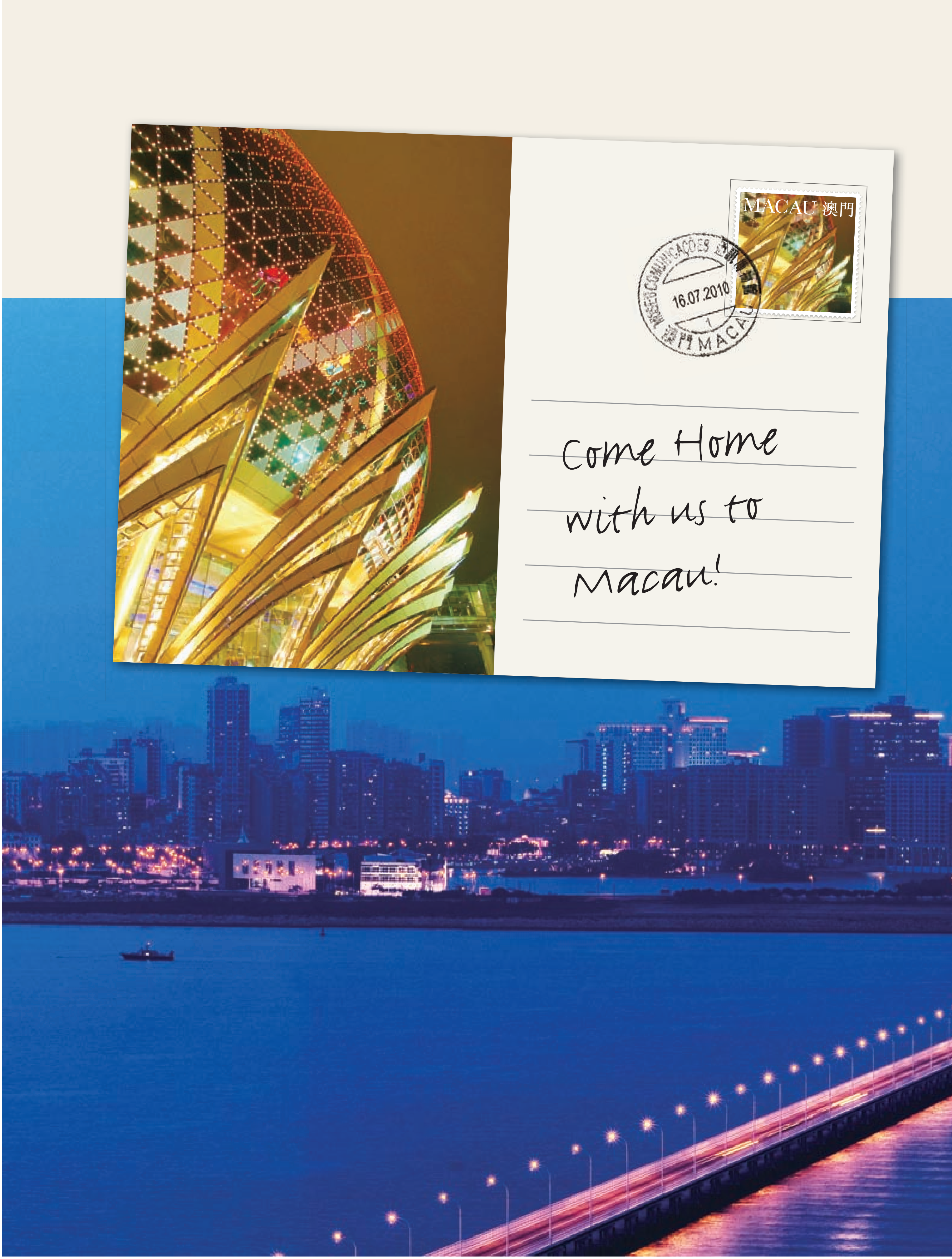
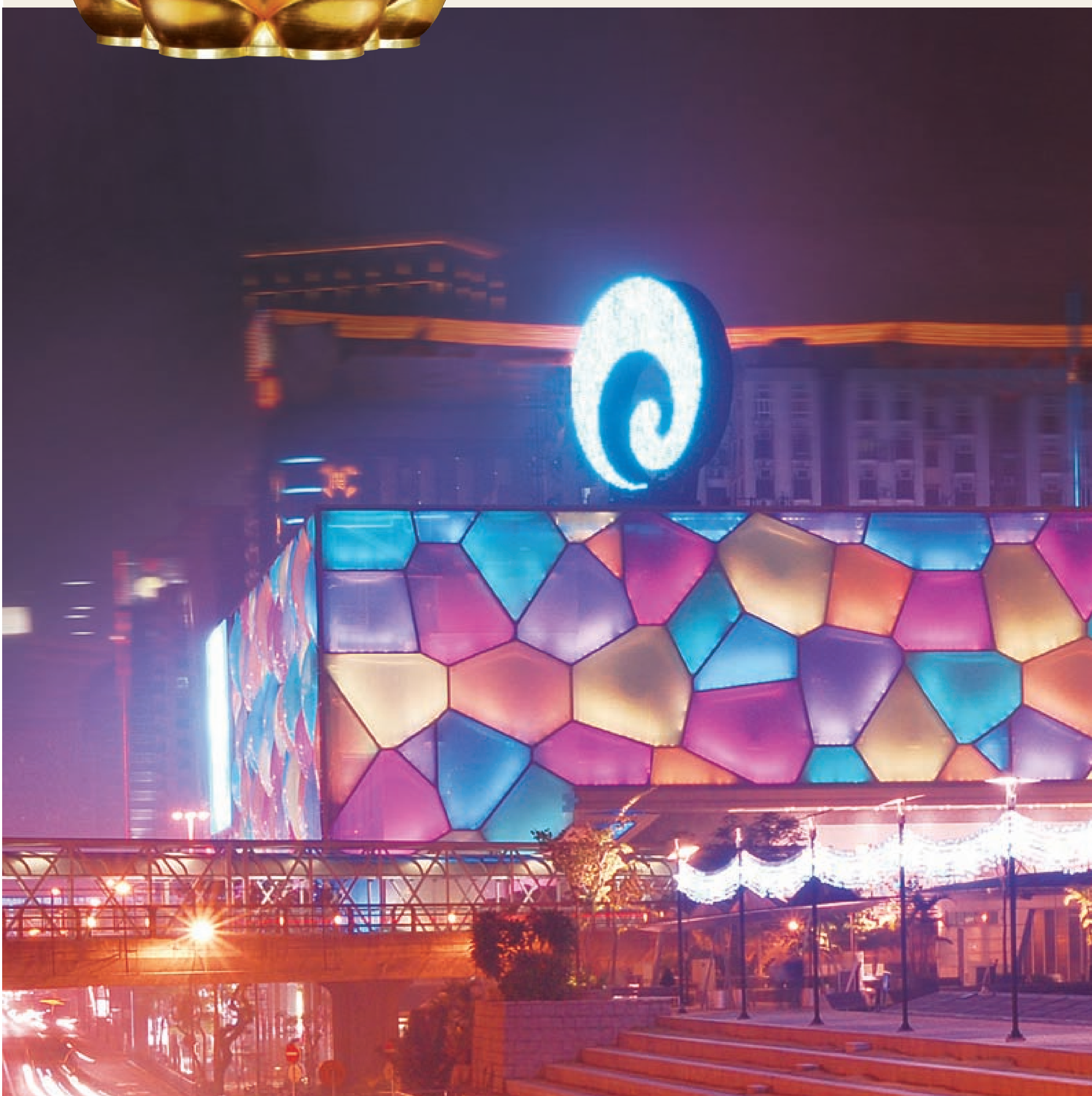

MACAU 澳門
16.07.2010
澳門 MACAU
Come Home
with us to
Macau!

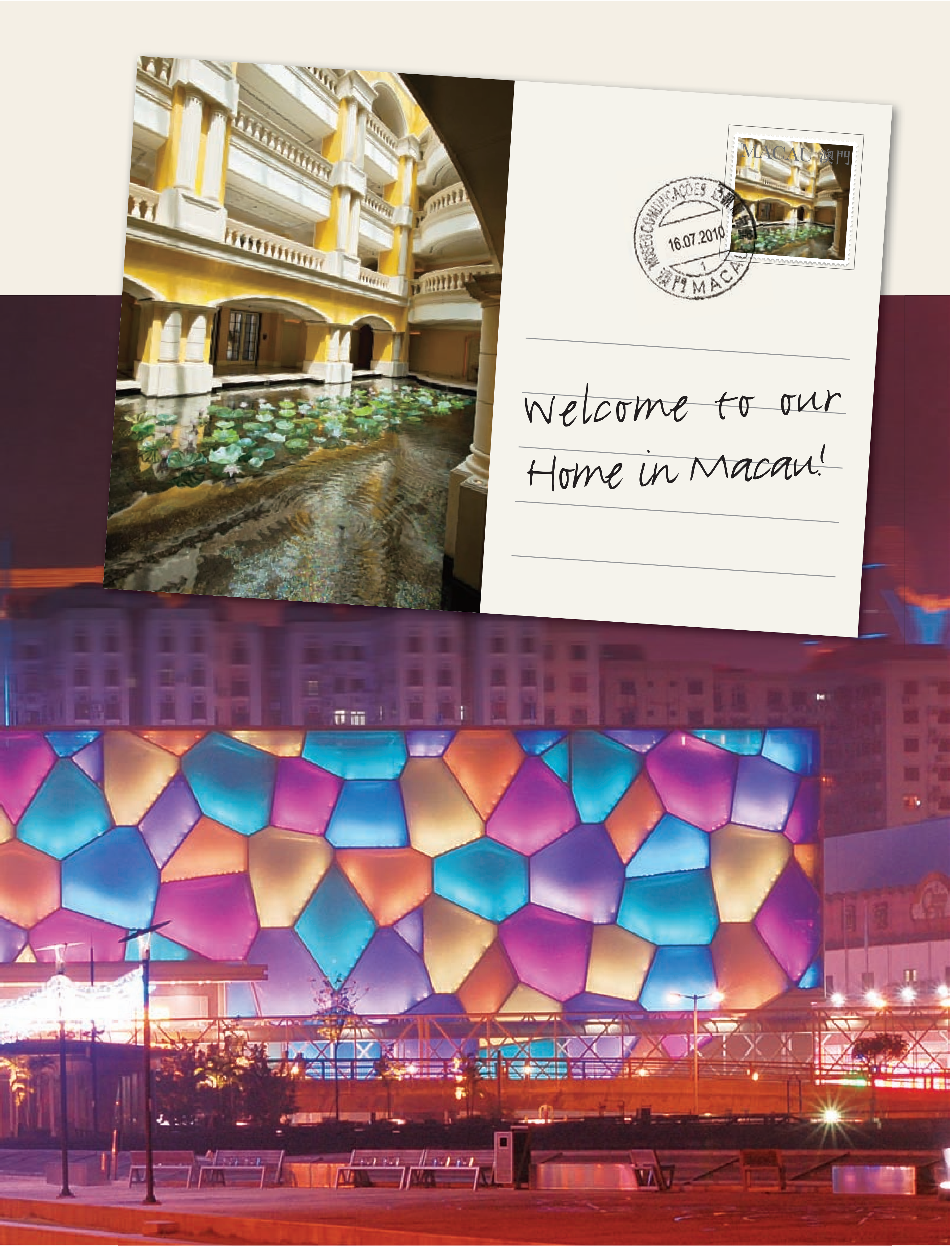
Dominating the skyline, our flagship Casino and Hotel Grand Lisboa evokes the Golden Lotus – symbol of Macau – inviting visitors from around the world with a brand name that is synonymous with the real Macau.

The combination of elegance and comfort of our dining, lodging and entertainment facilities are enjoyed by over 10 million visitors each year.


MACAU 澳門
16.07.2010
Feel at Home
in Macau!

By day or by night SJM is ready to welcome you to experience the best of Macau – our home.




MACAU 澳門
16.07.2010
MACAU
Welcome to our
Home in Macau!

EVENT HIGHLIGHTS

JAN 2010

Dr. Ambrose So receives the Medal of Merit – Culture from the Macau SAR Government

Ms. Angela Leong receives the Medal of Merit – Industrial and Commercial from the Macau SAR Government

FEB 2010

MJ Gallery opened at Ponte 16

SJM hosts traditional gala dinner on Lunar New Year's Eve

MAY 2010

Dedication of new school in Sichuan donated by SJM and SJM staff members

SJM Holdings holds Annual General Meeting

AUG 2010

2010-2011 SJM Scholarships Award Ceremony

Smiling Ambassadors selected at Casino Oceanus

NOV 2010

Dr. Stanley Ho awarded the Grand Bauhinia Medal by the Hong Kong SAR Government

SJM – Title sponsor of the Macau Grand Prix – FIA WTCC – Guia Race for the 9th consecutive year

DEC 2010

SJM staff members participate in Macau's Walk for a Million 2010

New Year's Eve countdown at Grand Lisboa

FINANCIAL HIGHLIGHTS AND DIVIDEND SCHEDULE

FINANCIAL HIGHLIGHTS

	Year Ended 31 December 2010 (HK$ in million except per share amounts)	Year Ended 31 December 2009 (HK$ in million except per share amounts)
Gaming Revenue	**57,195**	34,066
Other Income	**606**	410
Adjusted EBITDA*	**4,838**	2,269
Profit attributable to owners of the Company	**3,559**	907
Earnings per share – basic	**HK69.2 cents**	HK18.1 cents
– diluted	**HK66.2 cents**	HK18.1 cents
Proposed final dividend per ordinary share	**HK30 cents**	HK9 cents

* Earnings after adjustment for non-controlling interests and before accountinig for interest income and expense, tax, depreciation and amortisation, and share-based payments

DIVIDEND SCHEDULE

Events	**Time / Date / Period**
Announcement of proposed final dividend	16 March 2011 (Wednesday)
Ex-dividend date	21 April 2011 (Thursday)
Deadline for lodging of transfer documents with share registrar to qualify for the proposed final dividend	4:30 p.m. on 26 April 2011 (Tuesday)
Closure of register of members	27 April 2011 (Wednesday) to 29 April 2011 (Friday) (both days inclusive)
2011 Annual General Meeting	2:30 p.m. on 29 April 2011 (Friday)
Expected payment date of proposed final dividend (if approved at the 2011 Annual General Meeting)	18 May 2011 (Wednesday)

OVERVIEW

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

This past year was one of robust growth for SJM's gaming business, both in the VIP and mass market gaming sectors. Record numbers of visitors to Macau and increased spending per visitor propelled SJM's gaming revenue to a 67.9% increase for the year, while the Company's improving efficiency resulted in growth in Adjusted EBITDA (earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, and share-based payments) of 113.2% and growth in profit attributable to owners of 292.4%.

The growth rate of SJM's gaming revenue, which continued to account for over 99% of the total revenue of the Company and its subsidiaries (collectively, the "Group"), surpassed that of the Macau casino gaming market, even though Macau's casino industry earned record revenue of $183 billion, up 57.8% from the previous year. Thus SJM's market share of gaming in Macau increased to 31.3% from 29.4%, retaining the number one position among the six competitors in Macau.

SJM's momentum was sustained throughout the year, as the Group completed its eighth consecutive quarter of growth in gaming revenue and in Adjusted EBITDA. Unaudited results for the fourth quarter of 2010 show that SJM's gaming revenue surpassed the previous quarter by 19.3%, exceeding the 16.3% growth rate of the Macau market during the same period.

The Group also maintained its strong financial position, with cash, bank balances and pledged deposits increasing to $15.3 billion as at the end of the year.

Our flagship Casino Grand Lisboa continued to perform strongly in 2010, contributing Adjusted EBITDA of $2,557 million for the year. Casino Grand Lisboa's daily net-win per mass market gaming table increased by 23.5%, net-win per VIP gaming table increased by 7.8% and net-win per slot machine increased by 12.2%. New VIP gaming areas opened on the 38th and 39th floors of the Grand Lisboa in September 2010, and the new Grand Lotus gaming area for premium mass market customers opened in February 2011.

For future expansion the Company looks toward the Cotai area of Macau, where the Company has been in discussion with the Macau government regarding its application for a 73,856 sq. m. site adjacent to the Macau East Asian Games Dome.

The Group's strategy is to focus on the operation of casinos, to continue improving and enhancing the efficiency of existing properties in both the VIP and mass market segments of the gaming business, and to consider opportunities for future expansion, while maintaining a strong financial position.

Subject to approval by shareholders at the 2011 annual general meeting, the Board of Directors has recommended a final dividend of HK30 cents per ordinary share. In addition to the interim dividend of HK5 cents per ordinary share paid previously, total dividends for the year would amount to HK35 cents per ordinary share.

The Board of Directors would like to express its appreciation to all levels of staff for their contributions to the Company's success during the past year, and to our shareholders and business partners for their support.

For and on behalf of the Board of Directors
SJM Holdings Limited

So Shu Fai
Executive Director and Chief Executive Officer
Hong Kong, 16 March 2011

BUSINESS REVIEW

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

GROUP OPERATING RESULTS

	For the year ended 31 December		
	2010 HK$ million	2009 HK$ million	**Increase**
Total revenue	**57,653**	34,353	**67.8%**
Gaming revenue	**57,195**	34,066	**67.9%**
Profit attributable to owners of the Company	**3,559**	907	**292.4%**
Adjusted EBITDA[1]	**4,838**	2,269	**113.2%**
Adjusted EBITDA Margin	**8.5%**	6.7%	–

[1] Earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, and share-based payments

Growth in gaming revenue in 2010 comprised increases in VIP gaming revenue of 94.1%, mass market table gaming revenue of 31.6% and slot machine and other gaming revenue of 16.7%, which reflected the rebound in overall economic conditions in China and the Asian region particularly in the second half of 2010. During 2010, the Group accounted for 31.3% of Macau's record casino gaming revenue of $182,857 million, the largest market share among the six concessionaires and sub-concessionaires and an increase in market share from 29.4% for the full year 2009.

Besides growth of gaming revenue, other factors that contributed to higher Adjusted EBITDA in the year were improved operating results at Ponte 16 and Grand Lisboa Hotel. The Group's Adjusted EBITDA margin for the year was 8.5%, an increase from 6.7% in 2009. If calculated under United States generally accepted accounting principles ("US GAAP"), the Group's Adjusted EBITDA margin would be 14.8% for 2010, as compared with 10.8% in 2009 (See "Comparison with United States GAAP Accounting" below).

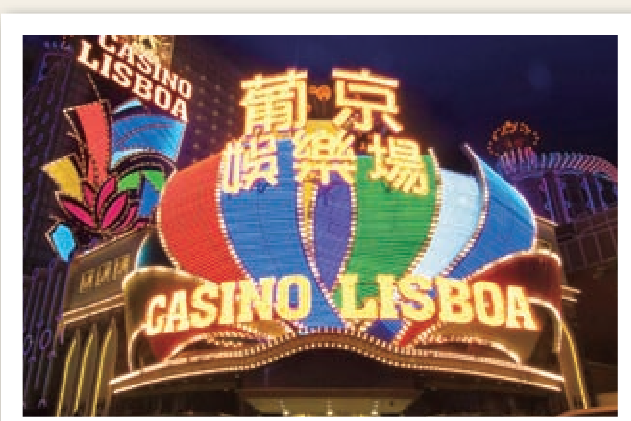
Net profit for the year 2010 was affected by depreciation charges of $1,170 million, which increased by $61 million from $1,109 million in the previous year due to depreciation charges on Casino Oceanus at Jai Alai which opened in December 2009, as well as deductions of share-based payments of $48 million, which decreased by $126 million from $174 million in the previous year. Interest expense in 2010 was $215 million, compared with $198 million in 2009.

	For the three months ended 31 December 2010 HK$ million *(unaudited)*	30 September 2010 HK$ million *(unaudited)*	Increase
Total revenue	**16,842**	14,095	**19.5%**
Gaming revenue	**16,689**	13,987	**19.3%**
Profit attributable to owners of the Company	**1,125**	867	**29.8%**
Adjusted EBITDA	**1,428**	1,178	**21.2%**
Adjusted EBITDA Margin	**8.5%**	8.4%	**–**

The 19.3% growth in SJM's gaming revenue during the fourth quarter of 2010 exceeds the 16.3% growth in total gaming revenue of Macau for the same period, as reported by the Macau Gaming Inspection and Coordination Bureau. Results for the three months ended 31 December 2010 represent the eighth consecutive quarter of growth for SJM in gaming revenue and Adjusted EBITDA.

OPERATING RESULTS – VIP GAMING

	For the year ended 31 December 2010	2009	Increase
Gaming revenue (HK$ million)	**38,862**	20,017	**94.1%**
Average daily net-win per VIP gaming table (HK$)	**229,958**	229,536	**0.2%**
VIP chips sales (HK$ million)	**1,334,035**	718,849	**85.6%**
Average number of VIP gaming tables (Average of month-end numbers)	**463**	239	**93.7%**



VIP gaming operations accounted for 67.9% of the Group's total gaming revenue in 2010, as compared to 58.8% for the previous year. As at 31 December 2010, SJM had 507 VIP gaming tables in operation with 33 VIP promoters, as compared with 320 VIP gaming tables and 30 VIP promoters as at 31 December 2009. As at 31 December 2010, SJM operated VIP gaming in 14 of its casinos.

Increased VIP gaming revenue of 94.1% resulted from increased chips purchases by junket operators which in turn reflected the buoyant economy in the Mainland and the Asian region as well as increased liquidity available to junket operators. The hold rate for SJM's VIP operations also increased in 2010 to 2.91% from 2.78% in 2009.

OPERATING RESULTS – MASS MARKET TABLE GAMING

	For the year ended 31 December		
	2010	2009	**Increase**
Gaming revenue (HK$ million)	**17,154**	13,039	**31.6%**
Average daily net-win per mass market gaming table (HK$)	**36,460**	29,978	**21.6%**
Average number of mass market gaming tables (Average of month-end numbers)	**1,289**	1,192	**8.1%**

Gaming revenue from mass market table gaming operations comprised 30.0% of the Group's total gaming revenue in 2010, as compared to 38.3% in 2009. SJM had 1,183 mass market tables in operation as at 31 December 2010, as compared with 1,404 mass market gaming tables as at 31 December 2009.

Increased mass market table gaming revenue of 31.6% resulted from increased visitation to Macau from the Mainland and the Asian region as well as increased spending per visitor.

OPERATING RESULTS – SLOT MACHINES AND OTHER GAMING OPERATIONS

	For the year ended 31 December		
	2010	2009	**Increase**
Gaming revenue (HK$ million)	**1,179**	1,010	**16.7%**
Average daily net-win per slot machine (HK$)	**732**	698	**4.9%**
Average number of slot machines (Average of month-end numbers)	**4,407**	3,955	**11.4%**

Gaming revenue from slot machine operations and other gaming operations (Tombola) comprised 2.1% of the Group's total gaming revenue in 2010, as compared to 3.0% in 2009. SJM had 4,147 slot machines in service as at 31 December 2010 as compared with 4,567 slot machines as at 31 December 2009.

As at 31 December 2010, SJM operated slot machines in 15 of its casinos and in four slot halls. In January 2011, SJM ceased operations at its one third party-promoted slot hall.

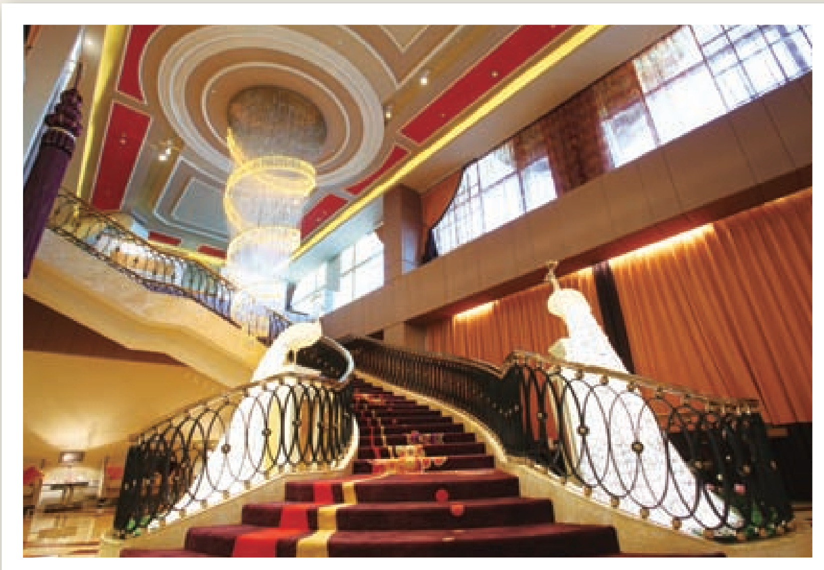
OPERATING RESULTS OF CASINO SEGMENTS – CASINO GRAND LISBOA

SJM's flagship Casino Grand Lisboa achieved substantial growth in revenue and profitability during 2010. The change in Adjusted EBITDA Margin reflects the larger proportion of VIP gaming conducted at Casino Grand Lisboa during the year.

	For the year ended 31 December		
	2010	2009	**Increase**
Revenue (HK$ million)	**15,579**	9,436	**65.1%**
Profit attributable to the Group (HK$ million)	**2,293**	1,352	**69.6%**
Adjusted EBITDA (HK$ million)	**2,557**	1,654	**54.6%**
Adjusted EBITDA Margin	**16.4%**	17.5%	**–**

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

	For the year ended 31 December		**Increase/**
	2010	2009	**(Decrease)**
VIP operations			
Gaming revenue (HK$ million)	**11,295**	5,900	**91.4%**
Average daily net-win per VIP gaming table (HK$)	**355,691**	329,905	**7.8%**
VIP chips sales (HK$ million)	**414,316**	190,167	**117.9%**
Average number of VIP gaming tables (Average of month-end numbers)	**87**	49	**77.6%**
Mass market operations			
Gaming revenue (HK$ million)	**3,917**	3,207	**22.1%**
Average daily net-win per mass market gaming table (HK$)	**44,348**	35,908	**23.5%**
Average number of mass market gaming tables (Average of month-end numbers)	**242**	245	**(1.2)%**
Slot machine operations			
Gaming revenue (HK$ million)	**367**	329	**11.6%**
Average daily net-win per slot machine (HK$)	**1,393**	1,241	**12.2%**
Average number of slot machines (Average of month-end numbers)	**721**	726	**(0.7)%**



If calculated under US GAAP, the Adjusted EBITDA margin of Casino Grand Lisboa would be approximately 26.4% for 2010, an increase from 25.8% in 2009 (See "Comparison with United States GAAP Accounting" below).

In September 2010 new VIP gaming rooms were opened on the 38th and 39th floors of the Grand Lisboa, with 29 VIP baccarat tables. In February 2011 the Grand Lisboa opened a new area on the mezzanine floor above the main gaming floor for premium-level mass market customers, initially with 17 gaming tables.

During 2010, Casino Grand Lisboa averaged 29,373 visitors per day, or over ten million during the year. To continue attracting gaming patrons, Casino Grand Lisboa frequently launches special promotions, such as "Spin2Win", "The Royal Trump", "Lucky Conquest" and "Daily Luck Stars". Jackpots are paid frequently, with the total exceeding $144 million for slot machines and over $76 million for table games (Caribbean Stud Poker) in 2010. During the year, the number of members of the Casino Grand Lisboa loyalty card programme increased by over 58,000 to 304,277.

OPERATING RESULTS OF CASINO SEGMENTS – OTHER SELF-PROMOTED CASINOS AND SLOT HALLS

Other self-promoted casinos and slot halls consists of Casino Lisboa, Casino Oceanus and Casino Jai Alai, plus three self-promoted slot halls.

	For the year ended 31 December		
	2010	2009*	**Increase**
Revenue (HK$ million)	**11,434**	10,101	**13.2%**
Profit attributable to the Group (HK$ million)	**643**	141	**356.0%**
Adjusted EBITDA (HK$ million)	**891**	261	**241.4%**
Adjusted EBITDA Margin	**7.8%**	2.6%	–

* 2009 figures do not include results of three self-promoted slot halls, accounting for revenue of HK$262 million in 2009, which were included previously among satellite casinos and slot halls.

Operating results of other self-promoted casinos and slot halls by operating segment are as follows:

	For the year ended 31 December 2010	2009	Increase/ (Decrease)
VIP operations			
Gaming revenue (HK$ million)	**7,660**	7,781	**(1.6)%**
Average daily net-win per VIP gaming table (HK$)	**355,686**	333,054	**6.8%**
VIP chips sales (HK$ million)	**265,039**	290,649	**(8.8)%**
Average number of VIP gaming tables (Average of month-end numbers)	**59**	64	**(7.8)%**
Mass market operations			
Gaming revenue (HK$ million)	**3,409**	2,257	**51.0%**
Average daily net-win per mass market gaming table (HK$)	**25,941**	26,204	**(1.0)%**
Average number of mass market gaming tables (Average of month-end numbers)	**360**	236	**52.5%**

As at 31 December 2010, Casino Lisboa operated a total of 54 VIP tables, 129 mass market gaming tables and 72 slot machines.

As at 31 December 2010, Casino Oceanus at Jai Alai and Casino Jai Alai operated a total of 198 mass market gaming tables, two VIP gaming tables and 653 slot machines, of which 173 tables and 569 slot machines were at the new Casino Oceanus at Jai Alai premises. In its first full year of operations, Casino Oceanus at Jai Alai recorded a total of over four million visitors, and as at 31 December 2010 has enrolled 80,027 members in the Oceanus Club loyalty card programme.

OPERATING RESULTS OF CASINO SEGMENTS – SATELLITE CASINOS AND SLOT HALLS

As at 31 December 2010, SJM operated 14 satellite (third party-promoted) casinos, of which 12 are located on the Macau Peninsula and two are located on the island of Taipa, comprising a total of 613 mass market gaming tables, 353 VIP gaming tables and 1,994 slot machines. One third party-promoted slot hall, the Tiger Slot Lounge located at Macau Tower, was operated by SJM in 2010 which accounted for an additional 151 slot machines. Subsequent to 31 December 2010, SJM ceased operation of the Tiger Slot Lounge.

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

	For the year ended 31 December		
	2010	2009#	**Increase**
Revenue (HK$ million)	**30,182**	14,529	**107.7%**
Profit attributable to the Group (HK$ million)	**1,087**	56	**1,841.1%**
Adjusted EBITDA (HK$ million)	**1,164**	246	**373.2%**
Adjusted EBITDA Margin	**3.9%**	1.7%	**–**

2009 figures include results of three self-promoted slot halls, accounting for revenue of $262 million in 2009, which are included among self-promoted casinos and slot halls in 2010.

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

	For the year ended 31 December		Increase/
	2010	2009	**(Decrease)**
VIP operations			
Gaming revenue (HK$ million)	**19,907**	6,336	**214.2%**
Average daily net-win per VIP gaming table (HK$)	**172,051**	137,590	**25.0%**
VIP chips sales (HK$ million)	**654,681**	238,032	**175.0%**
Average number of VIP gaming tables (Average of month-end numbers)	**317**	126	**151.6%**
Mass market operations			
Gaming revenue (HK$ million)	**9,828**	7,575	**29.7%**
Average daily net-win per mass market gaming table (HK$)	**39,194**	29,180	**34.3%**
Average number of mass market gaming tables (Average of month-end numbers)	**687**	711	**(3.4)%**

NON-GAMING OPERATIONS

Since its grand opening in December 2008, the Grand Lisboa Hotel has experienced steady growth in occupancy and revenue contribution, and is widely recognised as having the top quality restaurants in Macau and the most extensive wine list in the region. *Michelin Guide Hong Kong Macau 2010* awarded its coveted two-star rating to "The Eight" restaurant (upgraded from a one-star rating award in the previous year) and its Bib Gourmand award to the hotel's "Noodle & Congee Corner", and *Wine Spectator* selected the "Don Alfonso 1890" restaurant for its "Grand Award".

For the year ended 31 December 2010, the Grand Lisboa Hotel contributed $430 million in revenue and $131 million in Adjusted EBITDA to the Group as compared with $328 million in revenue and $71 million in Adjusted EBITDA for the previous year. The occupancy rate of the hotel, based on 409 average available rooms, averaged 77.9% for the full year 2010, as compared with 57.2% for the previous year, and increased to 94.2% for the month of December 2010. Average room rate for the full year 2010 was approximately $1,951 as compared with $1,990 in 2009.

Operating results for the Sofitel at Ponte 16, in which SJM's interest is 51%, improved during 2010 and contributed $136.3 million in revenue to the Group, compared with a contribution of $94.3 million in 2009. The occupancy rate of the 408-room hotel averaged 71.3% for the full year 2010 as compared with 47.5% in 2009, while increasing to 81.9% for the month of December 2010.

Income from all hotel, catering and related services, after inter-company elimination, totaled $458 million in 2010, an increase of 59.6% from $287 million in 2009, due primarily to increased hotel room occupancy. Other income, primarily interest earned on bank deposits, finance leases interest received and income from amortisation of financial guarantee obligations, increased to $148 million from $123 million during the year.

CORPORATE SOCIAL RESPONSIBILITY

"From society, to society" is a core value of the SJM Group. In 2010 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.

EDUCATION

The SJM Scholarship programme awards scholarships for ten students at University of Macau.

For children of staff, the SJM Scholarship programme awards ten scholarships each year, to students who are each awarded MOP20,000 per year until they finished their studies (up to five years). Since its establishment in 2005, the SJM Scholarship programme has awarded scholarships to 59 children of staff, of whom 17 have graduated.

SJM also sponsors the full school fees of staff that further their studies at Macau Millennium College, and supports the educational activities of Millennium Secondary School.

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 at the Kam Pek Community Centre in Macau's Inner Harbour neighbourhood.

In November 2010 SJM was a sponsor of the 10th Macau Food Festival.

SPORTS

In November SJM was the title sponsor, for the ninth consecutive year, of the Macau Grand Prix 2010: FIA World Touring Car Championship – Guia Race of Macau.

SJM also provides or subsidises Hong Kong/Macau ferry tickets for sports organisations such as the Swimming Association of Macao, China, Special Olympics Macau and Macau Dance Sport Federation, for exchanges in Hong Kong. SJM was also a sponsor of the Macau Jockey Club Charity Day in October 2010.

RESPONSIBLE GAMING

SJM participated in the Responsible Gambling Awareness Week 2010 organised by the University of Macau, the Gaming Inspection and Coordination Bureau, and the Social Welfare Bureau. SJM also sent 26 colleagues to attend the Train-the-Trainer Programme and ten colleagues to participate in the Responsible Gambling Ambassador program (both organised by the University of Macau), and distributes promotional cards and leaflets and displays related posters in our casinos. During the year SJM, in conjunction with Yat On Pathological Gambler's Counselling Centre, held briefings on Responsible Gambling for 325 colleagues.

OTHER ACTIVITIES IN 2010

A total amount of MOP2 million, comprising MOP1.8 million from SJM and MOP200,000 from a staff donation program initiated by the Staff Welfare Consultative Committee of SJM, was donated to aid the victims of mudslide at Zhouqu, Gansu, China. The donation ceremony was held at the Liaison Office of the Central People's Government in the Macau SAR on 13 September 2010.

SJM donated MOP1 million to the Encontro das Comunidades Macaenses "Macau 2010", gathering of Macanese communities from around the world held 27 November to 5 December 2010.

SJM donated MOP550,000 to the annual "Walk for a Million in Macau" charity event in December, and SJM staff and directors participated in the Walk.

In December 2010 SJM hosted the Italian White Truffle Dinner and International Auction which raised over HK$2.9 million for charities. SJM was the successful bidder of the largest lot of truffles in this event, and all money raised was donated to local charities including Caritas de Macau, Tung Sin Tong Charitable Society, Kiang Wu Hospital Charitable Association, Obra das Mães, Special Olympics Macau, Yat On Pathological Gambler's Counselling Centre, Macau Social Services Centre and the Dr. Stanley Ho Medical Development Foundation.

Other community service organisations and events that SJM supported during the past year include Diocese de Macau Paço Episcopal, Associação de Ópera Chinesa dos Moradores Marítimos e Terrestres da Barra de Macau, Kiang Wu Hospital Charitable Association, The Women's General Association of Macau, The Scout Association of Macau, União Geral das Associações dos Moradores de Macau, and Associação dos Aposentados, Reformados e Pensionistas de Macau.

In 2010 SJM staff members were frequent volunteers to help the needy in society, working with such organisations as the Macau Social Services Centre, Special Olympics Macau, ORBIS and the Youth Volunteer Association of Macau ("AJVM"). In December ten volunteers from SJM were selected as "Best Volunteer" by AJVM in recognition of their contributions to the community.

PROSPECTS AND RECENT DEVELOPMENTS

MARKET ENVIRONMENT

The strong growth of Macau's gaming industry in 2010 reflected the strength and financial liquidity of regional economies as well as Macau's growing appeal as a holiday destination particularly for visitors from the Mainland.

Visitation to Macau reversed the previous year's decline and established a new record of 24,965,411 visitors, as compared with 21,752,751 in 2009, an increase of 14.8%. Also according to the Macau Government Statistics and Census Service, visitors to Macau from Mainland China rose even more strongly by 20.4% to 13,229,058 in 2010 as compared with 10,989,533 in 2009.

In March 2010, the Macau government announced that the total number of gaming tables in Macau would be capped at 5,500 for the following three years. The Company does not expect this policy to have a significant impact on its gaming business during this period.

The Group expects that its future prospects are excellent, given continued robust growth of visitation and spending in Macau, the general prosperity of the Asian region, its strategically located network of casinos and its strong balance sheet. While some new capacity will be added to the supply of gaming facilities by competitors in Cotai in 2011 and 2012, this is not expected to have a significant effect on the Group's business which is largely concentrated on Macau Peninsula.

CURRENT AND RECENT INITIATIVES

In pursuit of the Group's strategy of growing its business through expansion of casino operations in Macau and improvement in the operating efficiency of existing casinos, the Group has been and is progressing on a number of initiatives in 2010 and 2011, which are described below.

• at Casino Grand Lisboa

In September 2010 the SJM opened two high-vista floors for VIP gaming at the Grand Lisboa, with an additional 30 VIP gaming tables.

In February 2011 the SJM opened a new area for premium mass market gaming on a mezzanine floor overlooking the main gaming floor of Grand Lisboa, with 17 high-limit gaming tables.

PROSPECTS AND RECENT DEVELOPMENTS

• at Casino Lisboa

During 2010 the SJM completed installation of new information technology and player-tracking systems into Casino Lisboa, enabling more efficient gaming table management and cultivation of customer loyalty through greater functionality of the Lisboa Card membership programme.

• at Casino Oceanus At Jai Alai

In August 2010 a new set of escalators was opened leading to the overhead walkway to Casino Oceanus at Jai Alai, facilitating movement of patrons who arrive via the Macau Maritime Terminal. The new walkway resulted in an immediate increase in the number of daily visitors to Oceanus. Subject to relevant approvals, SJM also plans to enclose and air condition the walkway leading to the casino from the Macau Maritime Terminal, and also to construct prominent new signage.

• at Satellite Casinos

In 2010, SJM realised positive effects of applying a new formula to service agreements for the satellite casinos. By mid-2010, all 14 of SJM's satellite casinos were operating under revenue sharing service agreements under which SJM accounted for all the gaming revenue and paid a certain amount of commission which is net of all operating costs. The new service agreements replaced agreements under which SJM bore the casino operating expenses.

• at Ponte 16 Resort

Adjusted EBITDA contribution of the resort increased from HK$68.5 million in 2009 to HK$207 million in 2010, with gaming promotion income growth of Casino Ponte 16 and increased occupancy at the Sofitel at Ponte 16. In February 2010, the MJ Gallery opened and a successful auction of memorabilia from Michael Jackson and other celebrities was held in October 2010.

In early 2011, Ponte 16 – Property Development Limited, SJM's 51% indirectly owned subsidiary, entered into a settlement agreement with the remaining occupant of the construction site of the Ponte 16 development project in order to terminate the legal proceedings it had initiated in 2005 and has recovered possession of the whole construction site. It intends to develop this part of the construction site which is expected to enhance Ponte 16's EBITDA contribution in future.

• at Grand Lisboa Hotel

Grand Lisboa Hotel also increased its Adjusted EBITDA contribution, and its hotel rooms approached full occupancy towards the end of 2010. Later in 2011, the Company expects that the award-winning Robuchon a Galera Restaurant will relocate from Hotel Lisboa to the top floor of the Grand Lisboa Hotel.

FUTURE CASINO PROJECTS

SJM is awaiting the results of its application to the Macau government for a development site on Cotai of approximately 73,856 square metres adjacent to the Macau East Asian Games Dome.

(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 $15,175 million (not including $172 million pledged bank deposits) as at 31 December 2010. This represented an increase of 62.5% as compared with the position as at 31 December 2009 of $9,337 million. The increase was mainly attributable to the increase in EBITDA and working capital throughout the year.

Convertible bonds in the original principal amount of $2,000 million which had been issued by a wholly-owned subsidiary of the Company in October 2009, were substantially converted into shares of the Company during 2010. As at 31 December 2010, a principal amount of $259.4 million of convertible bonds were still outstanding, convertible into shares of the Company at a conversion price of $5.24.

Total outstanding balance of bank loans drawn by the Group as at 31 December 2010, excluding the convertible bond issue, amounted to $4,112 million. The maturity profile of the Group's borrowings as at 31 December 2010 is set out below:

Maturity Profile				
Within 1 year	**1–2 years**	**2–5 years**	**Over 5 years**	**Total**
25.3%	74.7%	0.0%	0.0%	100.0%

GEARING RATIO

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less bank balances and cash to total assets (excluding bank balances and cash)) was nil at the end of 2010 (as at 31 December 2009: nil).

CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments by the Group amounted to $289 million as at 31 December 2010 (as at 31 December 2009: $663 million), which were primarily for furnishings and fittings at Grand Lisboa and Oceanus, and slot machine purchases. Other projects in the future will be funded by a combination of internal resources and external financing. The exact investment plans for the Group's projects are subject to change based upon execution of the business plans, progress of the projects, market conditions and management's view of future business conditions.

PLEDGE OF ASSETS

As at 31 December 2010, certain of the Group's property and equipment and land use rights with carrying values of $5,832 million and $758 million, respectively (as at 31 December 2009: $6,127 million and $797 million, respectively), were pledged with banks for loan facilities. In addition, the Group had pledged bank deposits of $172 million as at 31 December 2010, as compared with $411 million as at 31 December 2009.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2010, the Group had total guarantees given to banks of $93 million (as at 31 December 2009: $244 million), which were guarantees in respect of credit facilities granted to an associate and investee companies. The Company has also agreed to guarantee payment of all sums payable in relation to the issue of convertible bonds by a wholly-owned subsidiary made in October 2009. As at 31 December 2010, the principal amount of convertible bonds outstanding was $259.4 million. The Group had no significant contingent liabilities as at 31 December 2010.

FINANCIAL RISK

The Group follows a conservative policy in financial management with minimal exposure to currency and interest rate risks. Funds borrowed by the Group are on a floating rate basis. The Group does not currently hedge its interest rate exposure, although it may consider doing so in the future. None of the Group's outstanding borrowings was denominated in a foreign currency as at 31 December 2010. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations. All of the Group's bank deposits are denominated in Hong Kong dollars, United States dollars or Macau patacas. It is the Group's policy not to engage in speculative trading activity.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions or material disposals of subsidiaries and associated companies during the year ended 31 December 2010.

HUMAN RESOURCES

As at 31 December 2010, the Group had 19,585 full-time employees, which represented a decrease of 351 employees from 19,936 full-time employees as at 31 December 2009. The Group's employee turnover rate was minimal in 2010.

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

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

COMPARISON WITH UNITED STATES GAAP ACCOUNTING

The Group's results are prepared in compliance with Hong Kong generally accepted accounting principles ("HK GAAP"). In comparing the Group's results to those of companies whose results are prepared under US GAAP, it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An Adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher Adjusted EBITDA margin than that calculated under HK GAAP. If calculated under US GAAP, the Group's Adjusted EBITDA margin would be approximately 14.8% for the reporting period, as compared to HK GAAP which gives an Adjusted EBITDA margin of 8.5% for the period.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Ho Hung Sun, Stanley, aged 89, was appointed a director of the Company in 2006 and is currently the Chairman and an Executive Director of the Company. Dr. Ho has been a member of the Executive Committee of the board of directors of the Company (the "Board") since 2009. He is a director of Sociedade de Jogos de Macau, S.A. ("SJM") and was the Managing Director of SJM from 2001 to 2010. Dr. Ho is also a director of a number of principal subsidiaries of the Company.

Dr. Ho is the founder of and has been the Managing Director of Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") since 1962. He is also the co-chairman of the Advisory Committee of Industrial and Commercial Bank of China (Macau) Limited and the chairman of the board of directors of the Macau Horse Racing Company, Limited. Dr. Ho is the group executive chairman of Shun Tak Holdings Limited, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE Main Board"), and the chairman of the board of directors of the Euronext Lisbon listed Estoril Sol, SGPS, S.A. In the past three years, Dr. Ho was the chairman of Value Convergence Holdings Limited (listed on the HKSE Main Board) up to 29 April 2008.

Dr. Ho is a Standing Committee member of the 11th National Committee of the Chinese People's Political Consultative Conference.

Dr. Ho has been the president of The Real Estate Developers Association of Hong Kong since 1984. He is a member of the Court of The Hong Kong Polytechnic University, the honorary lifetime chairman of The University of Hong Kong Foundation for Educational Development and Research, as well as a vice-patron of The Community Chest of Hong Kong. In Macau, Dr. Ho is a member of the Economic Development Council of the Macau Special Administrative Region ("Macau SAR") Government, a member of the University Assembly of the University of Macau, a founding member and the chair of the Trustees Committee of the University of Macau Development Foundation, and the president of the Chamber of Macau Casino Gaming Concessionaires and Sub-concessionaires. Dr. Ho was a vice-president of both the Preparatory Committee and the Basic Law Drafting Committee for the Macau SAR, as well as a member of the Consultative Committee for the Basic Law of the Hong Kong Special Administrative Region ("Hong Kong SAR").

Dr. Ho was awarded the Grand Bauhinia Medal and the Gold Bauhinia Star by the Hong Kong SAR Government in 2010 and 2003 respectively, and the Grand Lotus Medal of Honour and the Golden Lotus Medal of Honour by the Macau SAR Government in 2007 and 2001 respectively. Internationally, Dr. Ho received decorations from various governments in the world including the *Grã-Cruz da Ordem do Infante Dom Henrique* from Portugal, the Officer of the Order of the British Empire (O.B.E.) from the United Kingdom, the *Commandeur de la Légion d'Honneur* from France, the *Cruz de Plata de la Orden Civil de la Solidaridad Social* from Spain, the Insignia of the Order of the Sacred Treasure from Japan, the *Commandeur de l'Ordre de la Couronne* from Belgium and others.

Dr. Ho received honorary doctoral degrees from the University of Macau, The University of Hong Kong, The Hong Kong Polytechnic University, The Open University of Hong Kong and The Hong Kong Academy for Performing Arts.

Dr. Ho is also an Honorary Fellow of The Hong Kong Academy for Performing Arts, an Honorary Fellow of the School of Accountancy of the Central University in China, and a Fellow of The Royal Academy of Dance in the United Kingdom.

Dr. So Shu Fai, aged 59, was appointed a director of the Company in 2006 and is currently the Chief Executive Officer and an Executive Director of the Company. He is responsible for execution of the Company's strategy and the overall management of the Company's business. Dr. So has been the First Chairman of the Executive Committee of the Board since 2009 and the Chairman of each of the Remuneration Committee and the Nomination Committee of the Board since 2008. He has been a director of SJM and a member of the senior management of SJM since 2002. He is a director of a number of principal subsidiaries of the Company. He is also a director of Zhen Hwa Harbour Construction Company Limited, an associate of the Company, and a director of Chong Fung Real Estate Investment Limited, a jointly controlled entity of the Company. Dr. So joined STDM in 1976 and has over 30 years of experience in the casino business. He is the chairman and executive director of Tonic Industries Holdings Limited and an independent non-executive director of SHK Hong Kong Industries Limited (formerly known as "Yu Ming Investments Limited"), both companies are listed on the HKSE Main Board. He 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 was an executive director of Shun Tak Holdings Limited (listed on the HKSE Main Board) from 1991 to 2009.

Dr. So is a member of the 11th National Committee of the Chinese People's Political Consultative Conference ("CPPCC"), a member of the Committee of Foreign Affairs of the National Committee of CPPCC, a consultant to the Committee for Liaison with Hong Kong, Macau, Taiwan and Overseas Chinese of the Beijing Municipal Committee of CPPCC, the honorary consul of the Republic of Portugal in Hong Kong SAR, as well as a member of the Economic Development Council and of the Cultural Consultative Council of the Macau SAR Government. Dr. So 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 8th China Federation of Literary and Art Circles. He 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 in 2001.

Dr. So was awarded the Medal of Merit – Culture by the Macau SAR Government in 2009, and an Honorary University Fellowship by The University of Hong Kong in 2005.

Mr. Ng Chi Sing, aged 59, was appointed a director of the Company in 2006 and is currently the Chief Operating Officer and an Executive Director of the Company. Mr. Ng has been a member of the Executive Committee of the Board since 2009. He 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 Chong Fung Real Estate Investment Limited, a jointly controlled entity of the Company.

Mr. Ng joined STDM in 1978 and has more than 30 years of experience in the casino business. Mr. Ng served as the deputy general manager for Casino Administration and Operations of STDM from 1999 to 2002. Mr. Ng is a member of Shanghai Municipal Committee of CPPCC and a member of the Council of the Macau University of Science and Technology. 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).

Mr. Rui José da Cunha, aged 69, was appointed a director of the Company in 2006 and is currently an Executive Director of the Company. Mr. Cunha has been a director of SJM since 2001. He is also a director of a number of principal subsidiaries of the Company. Mr. Cunha is the company secretary and president of the general meeting of certain of principal subsidiaries of the Company. As the Company Secretary of SJM since 2003, he is responsible for overseeing the company secretarial and legal affairs of SJM.

Mr. Cunha has been an attorney-at-law in Macau since 1981, and a founding member of the Macau Bar Association. Mr. Cunha is the founder and senior partner of C&C Advogados, a law office with headquarters in Macau and an overseas office in Lisbon, Portugal. From 1965 until 1981, Mr. Cunha served as Public Prosecutor, Attorney General and Judge of High Court in Portugal and various ex-Portuguese colonies. Mr. Cunha graduated in 1964 from the University of Lisbon, Portugal.

Ms. Leong On Kei, Angela, aged 49, has been an Executive Director of the Company since 2007. Ms. Leong has been a member of the Executive Committee of the Board since 2009, and a member of each of the Remuneration Committee and the Nomination Committee of the Board since 2008. She has been a director of SJM since 2007 and became Managing Director of SJM in December 2010. Ms. Leong is also the Chairman of the Staff Welfare Consultative Committee of SJM. She has been a director of STDM since 2005.

Ms. Leong has been actively involved in public and community services in China, Hong Kong and Macau. She is a member of Jiangxi Provincial Committee of CPPCC, and a Standing Committee member of Zhuhai Municipal Committee of CPPCC. In 2005 and 2009, she was respectively elected a member of the 3rd and 4th Legislative Assembly of the Macau SAR. Ms. Leong is the president of the General Association of Administrators and Promoters for Macau Gaming Industry, and has been a director of Po Leung Kuk since 2005. She was awarded the Medal of Merit – Industry and Commerce by the Macau SAR Government in 2009.

Mr. Shum Hong Kuen, David, aged 56, has been an Executive Director of the Company since 2007. He has been a member of each of the Executive Committee and the Nomination Committee of the Board since 2009 and 2008 respectively. Mr. Shum is also a director of a number of principal subsidiaries of the Company. He has been a director of SJM since 2007 and of Sociedade de Turismo e Desenvolvimento Insular S.A.R.L. since 1998. Mr. Shum is an executive director and a member of the executive committee of the board of directors of Shun Tak Holdings Limited (listed on the 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, and a Master's degree in Business Administration from the University of California, Berkeley, U.S.A.

Mr. Fok Tsun Ting, Timothy, aged 65, was appointed an Executive Director of the Company in August 2010. He is a member of the Legislative Council of Hong Kong, representing the Sports, Performing Arts, Culture and Publication functional constituency, a member of the CPPCC, a member of the International Olympic Committee, the president of the Sports Federation and Olympic Committee of Hong Kong, China, a vice-president of the Olympic Council of Asia and the president of the Hong Kong Football Association. Mr. Fok is currently a Justice of the Peace. He was educated at the University of Southern California, U.S.A.

Mr. Fok was awarded the Gold Bauhinia Star Medal and the Silver Bauhinia Star Medal by the Hong Kong SAR Government in 2004 and 1999 respectively.

NON-EXECUTIVE DIRECTOR

Dato' Dr. Cheng Yu Tung, aged 85, was appointed a director of the Company in 2006 and is currently a Non-executive Director of the Company. He has been a director and the President of the board of directors of SJM since 2001. Dato' Dr. Cheng's business activities are extensive and varied, ranging from jewellery, real estate, infrastructure and hotels to logistics. Dato' Dr. Cheng is the chairman of New World Development Company Limited and of Melbourne Enterprises Limited, the non-executive chairman of Lifestyle International Holdings Limited, a non-executive director of Shun Tak Holdings Limited (all these companies are listed on the HKSE Main Board), and the chairman of Chow Tai Fook Enterprises Limited.

Dato' Dr. Cheng was awarded the *Commandeur de L'ordre des Arts et des Lettres* and the *Chevalier de la Legion d'Honneur* by the French Government. He was awarded the Grand Bauhinia Medal by the Hong Kong SAR Government in 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Tak Hay, aged 68, has been an Independent Non-executive Director of the Company and a member of each of the Audit Committee and the Nomination Committee of the Board since 2008 and a member of the Remuneration Committee of the Board since November 2010. He has been, since September 2009, an independent non-executive director of Tradelink Electronic Commerce Limited (listed on the HKSE Main Board). Mr. Chau was an independent non-executive director of China Life Insurance Company Limited (listed on the HKSE Main Board) from 2003 to 2009.

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. Mr. Chau graduated from The University of Hong Kong in 1967. Mr. Chau was awarded the Gold Bauhinia Star by the Hong Kong SAR Government in 2002.

Mr. Lan Hong Tsung, David, aged 70, has been an Independent Non-executive Director of the Company and a member of each of the Remuneration Committee and the Nomination Committee of the Board since 2008, and a member of the Audit Committee of the Board since November 2010. He is the Chairman of David H T Lan Consultants Ltd., the Senior Advisor of Mitsui & Co (HK) Ltd. and an independent non-executive director of Nanyang Commercial Bank, Ltd.. Mr. Lan is also an independent non-executive director of Cheung Kong Infrastructure Holdings Limited, Hutchison Harbour Ring Limited and Hutchison Telecommunications Hong Kong Limited, each of which is listed on the HKSE Main Board, as well as ARA Asset Management (Prosperity) Limited, the manager of HKSE Main Board listed Prosperity Real Estate Investment Trust. He is 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 Fortune Real Estate Investment Trust.

In 2000, Mr. 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. Since 2003, Mr. Lan has been appointed as National Committee Member of the Chinese People's Political Consultative Conference. He is also a Chartered Secretary and a Fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. 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).

Mr. Shek Lai Him, Abraham, aged 65, has been an Independent Non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board since 2008. 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 China Investments Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, Hop Hing Group Holdings Limited, Hsin Chong Construction Group Ltd., ITC Corporation Limited, ITC Properties Group Limited, Kosmopolito Hotels International Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, MTR Corporation Limited, NWS Holdings Limited, Paliburg Holdings Limited and Titan Petrochemicals Group Limited. Mr. 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.

Mr. Shek graduated from the University of Sydney with a Bachelor of Arts degree and a Diploma in Education. Mr. Shek was an independent non-executive director of Hop Hing Holdings Limited from 2007 to 2008, and See Corporation Limited from 2005 to 2008, both of which are listed on the HKSE Main Board. He is a member of the Legislative Council for the Hong Kong SAR representing the real estate and construction functional constituency since 2000. Mr. Shek was appointed as a Justice of the Peace in 1995 and awarded the Silver Bauhinia Star in 2007. He is also a committee member of the 5th Shenzhen Municipal Committee of CPPCC, a director of the Hong Kong Mortgage Corporation Limited, the vice-chairman of the Independent Police Complaints Council in Hong Kong, and a court member of the Hong Kong University of Science and Technology and The University of Hong Kong.

Mr. Tse Hau Yin, aged 63, has been an Independent Non-executive Director of the Company, the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Board since 2008. Mr. Tse is a member of the Supervisory Committee of SJM and a number of its subsidiary companies. He is also an independent non-executive director of China Telecom Corporation Limited, CNOOC Limited, Sinofert Holdings Limited, Wing Hang Bank Limited and Linmark Group Limited, all of which are listed on the HKSE Main Board. He was an independent non-executive director of China Construction Bank Corporation, which is listed on the HKSE Main Board, until 2010.

Mr. Tse is a fellow of the Institute of Chartered Accountants in England and Wales, and a fellow member, past president and the current Chairman of the Audit Committee of the Hong Kong Institute of Certified Public Accountants. He is also a registered auditor in Macau. He joined KPMG in 1976, became a partner in 1984 and retired in 2003. Between 1997 and 2000, Mr. Tse served as the non-executive chairman of KPMG's operations in China and was a member of the KPMG China Advisory Board. He 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.

REPORT OF THE DIRECTORS

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

The directors (the "Directors") of SJM Holdings Limited (the "Company") have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2010 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst its operating subsidiary, Sociedade de Jogos de Macau, S.A. ("SJM"), conducts casino gaming operations and gaming-related activities in Macau.

An analysis of the revenues and the results of the Company and its subsidiaries (collectively the "Group") by business segments during the financial year is set out in note 7 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 52 to the Financial Statements.

FINANCIAL RESULTS

The profit of the Group for the year ended 31 December 2010, 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 66 to 130.

DIVIDENDS

An interim dividend of HK5 cents per ordinary share of the Company (the "Share") for the six months ended 30 June 2010 was paid on 13 October 2010 (six months ended 30 June 2009: Nil).

The board of Directors (the "Board") recommends a final dividend of HK30 cents per Share in respect of the year ended 31 December 2010 (2009: HK9 cents per Share).

The proposed final dividend, if approved by the shareholders of the Company (the "Shareholders") at the annual general meeting of the Company scheduled to be held on Friday, 29 April 2011 (the "2011 AGM"), will be paid on 18 May 2011 to Shareholders whose names appear on the register of members of the Company on 29 April 2011.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlements of the Shareholders to the proposed final dividend and the rights to attend and vote at the 2011 AGM, the register of members of the Company will be closed from Wednesday, 27 April 2011 to Friday, 29 April 2011, both days inclusive, during which period no transfer of Shares will be registered. All transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 April 2011.

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 2010 is set out on page 131.

MAJOR SUPPLIERS AND CUSTOMERS

I. Suppliers

Under SJM's business arrangements with gaming promoters, SJM regularly provides allowances for transportation, hotel accommodation and food and beverage for their customers. Accordingly, some of the major suppliers of the Group provide SJM with products and services such as hotel rooms and catering services as well as construction, repair and maintenance.

During the year, 34.1% of the Group's purchases was attributable to the Group's five largest suppliers combined as below:

(i) Companhia de Electricidade de Macau – CEM, S.A., which provides SJM with electricity, accounted for 7.7% of the Group's total purchases;

(ii) Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), which shares certain administrative costs with SJM and provides SJM with dredging and repair and maintenance services, accounted for 7.6% of the Group's total purchases;

(iii) STDM through Hotel Lisboa Macau and Hotel Sintra, which provides SJM with casino and office leasing, hotel rooms and entertainment services, accounted for 6.8% of the Group's total purchases;

(iv) Angel Playing Cards Co., Ltd., which supplies SJM with playing cards, accounted for 6.3% of the Group's total purchases; and

(v) Zhen Hwa Harbour Construction Co. Ltd. (an associate of the Company that is 49% owned by SJM), which provides SJM with construction services, accounted for 5.7% of the Group's total purchases.

Hotel Lisboa Macau and Hotel Sintra are owned by STDM. Dr. Ho Hung Sun, Stanley ("Dr. Ho"), Dato' Dr. Cheng Yu Tung, Ms. Leong On Kei, Angela and Mr. Shum Hong Kuen, David have beneficial interests in STDM and Dr. Ho and Ms. Leong On Kei, Angela are directors of STDM. STDM is a controlling Shareholder and therefore a connected person of the Company as defined under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The purchases from Hotel Lisboa Macau and Hotel Sintra are undertaken pursuant to the Products and Services Master Agreement and the Premises Leasing Master Agreement, further details of which are included in the section headed "Directors' Interests in Contracts and Connected Transactions".

Save as disclosed, no other Director, their associates or Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested at any time during the year, in the Group's five largest suppliers.

II. Customers

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

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 43 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 2010 amounted to approximately $2,366.2 million (2009: $504.2 million).

DONATIONS

Donations made by the Group during the year amounted to $20.5 million.

MAJOR GROUP PROPERTIES

Details of major properties of the Group as at 31 December 2010 are as follows:

Property	Location	Use	Site area (sq. m.)	Gross floor area/ saleable area (sq. m.)	Group interest
Grand Lisboa Hotel and Casino Complex	Avenida Doutor Oliveira Salazar No. S/N, Avenida Do Infante D. Henrique No. S/N, Macau	Gaming operation, hotel operation and commercial use	11,626	135,442	100%
Ponte 16	Em Macau, Rua Das Lorchas, Rua Visconde Paco de Arcos, Macau	Gaming operation, hotel operation and commercial use	23,066	126,500	51%
Centro International de Macau	Em Macau, Rua Do Terminal Maritimo, No. 93-103, Edificio I Bloco V	Staff quarters	—	5,582.72	100%
Portion of Casino Lisboa	Basement, G/F, 1/F, 2/F, 3/F of Hotel Lisboa, Praca Ferreira Do Amaral Nos 1-5, Macau	Gaming operation	—	7,585.72	100%

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2010 are set out in note 38 to the Financial Statements.

BORROWING COSTS CAPITALISATION

Borrowing costs capitalised by the Group during the year amounted to $1.0 million.

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 15 and 17, respectively, to the Financial Statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 41 to the Financial Statements.

CONVERTIBLE BONDS ISSUED BY A SUBSIDIARY

On 28 October 2009, Champion Path Holdings Limited ("Champion Path"), a wholly-owned subsidiary of the Company, issued an aggregate principal amount of $2,000,000,000 in Hong Kong dollar denominated zero coupon guaranteed convertible bonds due 2015 convertible into Shares (the "Bonds"). The Company has agreed to guarantee payment of all sums payable in relation to such Bonds. The Bonds are listed on the Singapore Exchange Securities Trading Limited.

The Bonds are convertible into 381,679,389 Shares at the adjusted conversion price of $5.24 per Share assuming full conversion. Up to 31 December 2010, valid conversion notices were accepted in respect of $1,740,600,000 principal amount of the Bonds, and the holders thereof were allotted, credited as fully paid, 332,175,488 Shares at the conversion price of $5.24 per Share. There remained outstanding $259,400,000 principal amount of the Bonds as at 31 December 2010 and $144,500,000 principal amount of the Bonds as at 16 March 2011.

According to the conditions of the Bonds, the Bonds can be redeemed by Champion Path if at least 90% in principal amount of the Bonds has been converted, redeemed or purchased and cancelled. Since over 90% of the Bonds have already been converted, Champion Path has given notice to holders of the Bonds, Deutsche Bank AG, Hong Kong Branch as Principal Paying, Exchange and Transfer Agent, and DB Trustees (Hong Kong) Limited as Trustee of the Bonds that the Bonds will be redeemed on 28 April 2011 and an announcement to this effect was made by Champion Path on 14 March 2011.

Further details of the Bonds are set out in note 40 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 a share option scheme (the "Scheme") under which the Directors may grant to any participants of the Scheme share options ("Options") to subscribe for Shares, subject to the terms and conditions as stipulated therein.

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 325,100,000 Shares, representing approximately 5.9% of the total number of Shares in issue.
Maximum entitlement of each participant	In any 12-month period (including the proposed grant date): (a) For participants excluding substantial Shareholders, Independent Non-executive Directors or their respective associates: 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) (b) For substantial Shareholders, Independent Non-executive Directors or their respective associates: (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 (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

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	$1.00
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 highest of: (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; (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; and (c) if applicable, the nominal value of the Shares.
Remaining life of the Scheme	The Scheme will remain in force for a period of 10 years commencing on the adoption date.

Details of the movement in Options granted under the Scheme during the year ended 31 December 2010 were as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per Share	Number of Options: Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2010
Directors of the Company:									
Ho Hung Sun, Stanley	13 July 2009	13 January 2010 to 12 January 2019	$2.82	5,000,000	—	—	—	—	5,000,000
So Shu Fai	13 July 2009	13 January 2010 to 12 January 2019	$2.82	35,000,000	—	(35,000,000)	—	—	—
Ng Chi Sing	13 July 2009	13 January 2010 to 12 January 2019	$2.82	32,000,000	—	(32,000,000)	—	—	—
Rui José da Cunha	13 July 2009	13 January 2010 to 12 January 2019	$2.82	3,000,000	—	—	—	—	3,000,000
Leong On Kei, Angela	13 July 2009	13 January 2010 to 12 January 2019	$2.82	20,000,000	—	(20,000,000)	—	—	—
Shum Hong Kuen, David	13 July 2009	13 January 2010 to 12 January 2019	$2.82	3,000,000	—	—	—	—	3,000,000
Fok Tsun Ting, Timothy	31 August 2010	28 February 2011 to 27 February 2020	$7.48	N/A	3,000,000	—	—	—	3,000,000
Cheng Yu Tung	13 July 2009	13 January 2010 to 12 January 2019	$2.82	1,000,000	—	—	—	—	1,000,000
	31 August 2010	28 February 2011 to 27 February 2020	$7.48	N/A	2,000,000	—	—	—	2,000,000
Chau Tak Hay	13 July 2009	13 January 2010 to 12 January 2019	$2.82	500,000	—	(500,000)	—	—	—
Lan Hong Tsung, David	13 July 2009	13 January 2010 to 12 January 2019	$2.82	500,000	—	—	—	—	500,000
Shek Lai Him, Abraham	13 July 2009	13 January 2010 to 12 January 2019	$2.82	500,000	—	—	—	—	500,000
Tse Hau Yin	13 July 2009	13 January 2010 to 12 January 2019	$2.82	500,000	—	—	—	—	500,000
Sub-total:				101,000,000	5,000,000	(87,500,000)	—	—	18,500,000
Employees	13 July 2009	13 January 2010 to 12 January 2019	$2.82	39,800,000	—	(30,540,000)	—	—	9,260,000
Employee	13 July 2009	13 January 2011 to 12 January 2019	$2.82	10,000,000	—	—	—	—	10,000,000
Employee	13 July 2009	13 January 2012 to 12 January 2019	$2.82	10,000,000	—	—	—	—	10,000,000
Employee	19 May 2010	19 November 2010 to 18 November 2019	$5.11	N/A	1,500,000	—	—	—	1,500,000
Employees	26 May 2010	26 November 2010 to 25 November 2019	$5.03	N/A	500,000	—	—	—	500,000
Sub-total:				59,800,000	2,000,000	(30,540,000)	—	—	31,260,000
Other participants	13 July 2009	13 January 2010 to 12 January 2019	$2.82	5,900,000	—	(3,100,000)	—	—	2,800,000
Other participant	7 October 2009	7 April 2010 to 6 April 2019	$4.48	1,200,000	—	(1,200,000)	—	—	—
Sub-total:				7,100,000	—	(4,300,000)	—	—	2,800,000
Total:				167,900,000	7,000,000	(122,340,000)	—	—	52,560,000

N/A: not applicable

Notes:

a. *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 1/3 vesting on 13 January 2010, then 1/3 vesting on each of the first and second anniversaries of such 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	*Exercisable periods*	*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*

b. *The vesting period for all of the Options granted on 7 October 2009 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was $4.53. The estimated fair value of each Option granted on that date based on an independent valuation is $2.28692.*

c. *The vesting period for all of the Options granted on 19 May 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was $4.81. The estimated fair value of each Option granted on that date based on an independent valuation is $2.0728.*

d. *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.*

e. *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.*

f. *The weighted average closing price of the Shares immediately before the dates on which the Options were exercised is $9.14.*

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
Dr. So Shu Fai
Mr. Ng Chi Sing
Mr. Rui José da Cunha
Ms. Leong On Kei, Angela
Mr. Shum Hong Kuen, David
Mr. Fok Tsun Ting, Timothy *(appointed on 30 August 2010)*

Non-executive Director:
Dato' Dr. Cheng Yu Tung

Independent Non-executive Directors:
Mr. Chau Tak Hay
Mr. Lan Hong Tsung, David
Mr. Shek Lai Him, Abraham
Mr. Tse Hau Yin

Brief biographical details of Directors are set out on pages 26 to 30 of this annual report. Details of their remuneration are set out in note 11 to the Financial Statements.

In accordance with Article 97 of the Company's articles of association, Dr. So Shu Fai, Mr. Rui José da Cunha, Ms. Leong On Kei, Angela, each an Executive Director and Dato' Dr. Cheng Yu Tung, a Non-executive Director, will retire from the Board by rotation at the 2011 AGM and, being eligible, offer themselves for re-election.

In accordance with Article 83(B) of the Company's articles of association, Mr. Fok Tsun Ting, Timothy, being a newly appointed Director, will retire from the Board at the 2011 AGM and, be eligible, offer himself for re-election.

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.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election as to the 2011 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.

I. Contracts with STDM

STDM is a controlling Shareholder and therefore a connected person of the Company as defined under the Listing Rules. Both Dr. Ho and Ms. Leong On Kei, Angela are directors of STDM and have beneficial interests in STDM. Dato' Dr. Cheng Yu Tung and Mr. Shum Hong Kuen, David also have beneficial interests in STDM. Many Town Company Limited is a corporate director of STDM and is owned as to 93.3% by United Worldwide Investment S.A. which is owned as to 50% by Dato' Dr. Cheng Yu Tung.

During the year, the Group had the following transactions with STDM and its associates (excluding the Group) ("STDM Group"):

(i) Premises Leasing Master Agreement

On 18 June 2008, the Company entered into a premises leasing master agreement with STDM which contains the terms and conditions for the leasing of premises by the STDM Group to the Group for use as casinos, offices, or for other business purposes (the "Premises Leasing Master Agreement"). Payments for the premises under the agreement are comprised of 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. This agreement is for a term commencing on 18 June 2008 and ending on 31 March 2020 and the Company may terminate at any time during the term of the agreement by giving at least three months' prior written notice.

During 2009, the Company revised the annual cap for this category of continuing connected transactions for the year ended 31 December 2010 from $206 million to $266 million, having taking into account the rental payable for the Casino Jimei premises under the lease agreements between STDM–Investimentos Hoteleiros, Limitada ("STDM–IL"), a wholly-owned subsidiary of STDM, and SJM dated 31 October 2007, 23 June 2008 and 11 September 2009. According to the said lease agreements, the monthly rental of the Casino Jimei premises was reduced from $7.29 million to $5 million with effect from 1 August 2009 until expiry of the leases.

Approximately $184.2 million was paid under the Premises Leasing Master Agreement during the year.

In December 2010, the Board approved new annual caps for this category of continuing connected transactions for three years ending 31 December 2011, 2012 and 2013 at $300 million, $315 million and $331 million respectively. These annual caps have been determined by reference to (i) the existing leases between the Group and the STDM Group, (ii) the rentals which will be paid from 1 January 2011 on certain additional leased premises which the Group has already been using, and (iii) the estimated demand of the Group for the premises owned by the STDM Group for its business operations up to 31 December 2013 after taking into consideration the market condition and the anticipated market trend of rental.

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 and 30 December 2010.

(ii) Products and Services Master Agreement

On 18 June 2008, the Company entered into an agreement with STDM which contains the principles, guidelines, terms and conditions for the provision of products and services by the STDM Group to the Group (the "Products and Services Master Agreement"). The products and services can be categorised as (i) hotel accommodation, (ii) hotel management and operation, (iii) entertainment and staff messing, (iv) dredging services, (v) transportation (including jetfoil tickets supplied by Far East Hydrofoil Co. Ltd. through STDM), (vi) promotional and advertising services, (vii) travel agency services and (viii) maintenance services. The price for such products and services to be provided must be fair and reasonable and must be made in accordance with and not exceeding the relevant market price for such products and services, or where there is no relevant market price, then according to and not exceeding the contractual price. The terms and conditions on which such products and services are to be provided should be no less favourable to the Company than those offered to independent third parties. This agreement has a term of three years renewable by mutual agreement of the parties and the Company may terminate by giving at least three months' prior written notice.

During 2009, the Company revised the annual caps for each of the two years ended 31 December 2009 and 2010 for the categories of hotel accommodation, and entertainment and staff messing under the existing Products and Services Master Agreement, having taken into account the amounts of the provision of (i) accommodation services to the Group's gaming patrons and (ii) entertainment services to the Group's staff by STDM–IL through its ownership of Grand Lapa Hotel starting from June 2009. The annual cap for the category of hotel management and operation under the existing Products and Services Master Agreement was revised for 2010 but left unchanged for 2009.

The aggregate amount of transactions under this agreement for the year ended 31 December 2010 is shown on page 43 of this report.

As (i) the Products and Services Master Agreement is due to expire on 17 June 2011, and (ii) the annual caps obtained for transactions under the Products and Services Master Agreement will end on 31 December 2010, in December 2010, the Board approved new annual caps for this category of continuing connected transactions for the period from 1 January 2011 to 17 June 2011 as set out in page 43 so as to ensure the continuation of transactions under that agreement whilst at the same time allowing the Company to negotiate the renewal of that agreement with STDM. In determining the caps, the Board has considered relevant factors such as business plans of the Group and (where applicable) market prices of such products and services in 2011.

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 25 March 2009, 16 June 2009 and 30 December 2010.

(iii) *Administrative Cost Sharing Agreement*

On 18 June 2008, the Company entered into an agreement with STDM (the "Administrative Cost Sharing Agreement") whereby STDM has agreed to continue to share the administrative services including, among others, general public relations work, promotional functions, arranging ticketing and hotel accommodations, transportation and the provision of storage services with the Group and the Group has agreed to pay for the shared services on a cost basis. This agreement is for a term of three years commencing on 18 June 2008. The amount of administrative costs shared between the Group and the STDM Group is calculated based on an estimate of (i) the actual time spent by each department for providing services to the Group and the STDM Group respectively, recorded on time sheets during a trial period of three months and (ii) the floor area occupied, respectively, by the Group and the STDM Group for storage services. Further details of the said transaction were set out in the section "Connected Transactions" in the Prospectus of the Company dated 26 June 2008. The amount of transactions during the year was approximately $40.7 million.

(iv) *Chips Agreement*

On 18 June 2008, SJM entered into an agreement with STDM to regulate the honouring, borrowing and use of the casino chips of STDM for the purposes of its gaming operations (the "Chips Agreement"). 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 Chips Agreement has no fixed term but may be terminated by mutual agreement or upon termination of SJM's Concession Contract, whichever is earlier.

During the year ended 31 December 2010, the net amount received and receivable on reimbursement of STDM chips in circulation amounted to $430.3 million.

Since (i) the overall value of STDM chips to be redeemed in 2011 and the following two years is expected to decline substantially from the historical levels seen in earlier years, and (ii) as SJM has secured its own supply of chips, the STDM chips to be redeemed by SJM will refer to only those STDM chips already in circulation. As such, in December 2010, the Board set new annual caps for this category of continuing connected transactions for the three years ending 31 December 2011, 2012 and 2013 at $400 million, $200 million and $100 million respectively.

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 announcement of the Company dated 30 December 2010.

(v) *Aircraft Sublease Agreements*

Sky Reach Investments Limited ("Sky Reach"), a wholly-owned subsidiary of the Company has entered into six aircraft sublease agreements on various dates in 2007 and 2008 with Companhia de Aviação Jet Asia Limitada ("Jet Asia"), a wholly-owned subsidiary of STDM pursuant to which Sky Reach agreed to sublease six aircraft to Jet Asia (the "Aircraft Sublease Agreements"). Each of the Aircraft Sublease Agreements has an initial term of 10 years and may be extended by mutual consent of Sky Reach and Jet Asia on such terms as may be agreed between them. The terms of the Aircraft Sublease Agreements are in accordance with normal business practice.

During 2009, Credit Suisse, the financier to Sky Reach, had invoked a clause in the first five aircraft lease agreements ("Aircraft Lease Agreements") requiring Sky Reach to make accelerated lease payments. Jet Asia has agreed to reimburse Sky Reach for such increased rental payments under the Aircraft Lease Agreements. In view of these accelerated lease payments, the Company increased the annual caps for this category of the continuing connected transactions in each of the years 2009 and 2010 to $150 million in each year.

Pursuant to the Aircraft Sublease Agreements, the aggregate amount paid by Jet Asia for the leasing of the aircraft for the year ended 31 December 2010 was approximately $51.7 million.

In December 2010, the Board approved new annual caps for this category of continuing connected transactions for the three years ending 31 December 2011, 2012 and 2013 to be maintained at $150 million for each year. These annual caps have been determined by reference to the contractual terms of the underlying agreements and reflect the aggregate rental payable for the private jets, an allowance for an increase in prevailing interest rates and the possibility of accelerated lease payments if conditions in the corporate jet market deteriorate substantially.

Further details of the said 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 20 January 2009, 30 July 2009 and 30 December 2010.

The aggregate amount paid by the Group during the year, annual caps for the financial year ended 31 December 2010, the new caps for transactions under the Products and Services Master Agreement for the period from 1 January 2011 to 17 June 2011 and the new annual caps for transactions under the Premises Leasing Master Agreement, the Chips Agreement and the Aircraft Sublease Agreements for the three years ending 31 December 2011, 2012 and 2013 are as follows:

Continuing connected transactions	Aggregate amount for the year ended 31 December 2010 $ million	Annual Cap for the year ended 31 December 2010 $ million	Cap for the period from 1 January 2011 to 17 June 2011 $ million	Annual Cap for the year ending 31 December 2011 $ million	Annual Cap for the year ending 31 December 2012 $ million	Annual Cap for the year ending 31 December 2013 $ million
			(Note e)	*(Note e)*	*(Note e)*	*(Note e)*
Products and Services Master Agreement						
— *Hotel accommodation (Note a)*	77.9	187	86.1	—	—	—
— *Hotel management and operation (Note a)*	6.1	42	19.3	—	—	—
— *Entertainment and staff messing (Note a)*	59.8	115	52.9	—	—	—
— *Dredging services*	107.5	134	61.7	—	—	—
— *Transportation*	184.8	758	348.9	—	—	—
— *Promotional and advertising services*	16.8	35	16.1	—	—	—
— *Maintenance services*	58.5	98	45.1	—	—	—
Premises Leasing Master Agreement *(Note b)*	184.2	266	—	300	315	331
Chips Agreement *(Note c)*	430.3	917	—	400	200	100
Aircraft Sublease Agreements *(Note d)*	51.7	150	—	150	150	150

Notes:

a. *The annual caps for 2009 and 2010 for the categories "Hotel accommodation" and "Entertainment and staff messing" and the annual cap for 2010 for the category "Hotel management and operation" were revised and details were included in the Company's announcement dated 25 March 2009.*

b. *On 11 September 2009, the Company revised the annual cap for 2010 for the Premises Leasing Master Agreement from $206 million to $266 million.*

c. *The net amount of STDM chips redeemed from patrons during the period from 1 January 2010 to 31 December 2010 was $430.3 million.*

d. *According to an announcement dated 20 January 2009, the Company had announced the annual caps for 2009 and 2010 for the Aircraft Sublease Agreements to be $55 million in each year. On 30 July 2009, the Company announced the increase in the annual caps for 2009 and 2010 for the Aircraft Sublease Agreements from $55 million to $150 million in each year.*

e. *The Company announced the new caps for transactions under the Products and Services Master Agreement for the period from 1 January 2011 to 17 June 2011 and the new annual caps for transactions under the Premises Leasing Master Agreement, the Chips Agreement and the Aircraft Sublease Agreements for the three years ending 31 December 2011, 2012 and 2013 and details were included in the Company's announcement dated 30 December 2010.*

II. Transactions with Tin Hou Limited

Pursuant to an ongoing review of continuing connected transactions of the Group in 2010, the Company announced on 13 December 2010 details of the agreement between Tin Hou Limited ("Tin Hou") and SJM dated 19 February 2010 (the "Agreement"), which formalised business arrangements between Tin Hou and SJM 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. Tin Hou is a company indirectly controlled over 50% by a half-brother of a director of certain subsidiaries of the Company pursuant to Rule 14A.11(4)(b)(ii) of the Listing Rules which became effective on 3 June 2010.

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 respects of the monthly operating performance of the Gaming Area. The consideration for the provision of such services was determined after arm's length negotiation.

Pursuant to the Agreement, the aggregate amount paid by SJM to Tin Hou for the provision of certain services for the period from 3 June 2010 to 31 December 2010 was approximately $575.2 million.

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

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

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged Deloitte Touche Tohmatsu and H.C. Watt & Company Limited (the "Joint Auditors"), the joint auditors of the Company, to review the Group's continuing connected transactions in accordance with Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" which is issued by Hong Kong Institute of Certified Public Accountants in June 2010 and is effective for reporting on continuing connected transactions disclosed in annual reports for periods ending on or after 31 December 2010.

The Joint Auditors have issued a review report to the Board and confirmed that for the year 2010:

(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 in page 43, 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 prospectus of the Company dated 26 June 2008 and previous announcements dated 25 March 2009, 30 July 2009 and 11 September 2009 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 Joint Auditors 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 16 March 2011, all four of 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 2010, the net amount received and receivable on reimbursement of STDM chips in circulation amounted to $430.3 million.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Dr. Ho has beneficial interests in Melco International Development Limited ("Melco") which, through its interest in Melco Crown Entertainment Limited, is also engaged in the casino gaming business in Macau. As at 31 December 2010, Dr. Ho held 18,587,789 shares in the capital of Melco ("Melco shares") (approximately 1.51% of its issued share capital) in person. In addition, as at 31 December 2010, he was one of the beneficiaries of a discretionary trust which controls Great Respect Limited which company has the right to convert convertible loan notes issued by Melco into 298,982,188 Melco shares, representing approximately 19.55% of the enlarged issued capital of Melco assuming full conversion. In addition, as at 31 December 2010, Lanceford Company Limited ("Lanceford"), a company in which Dr. Ho is a director and shareholder, held 3,127,107 Melco shares (approximately 0.25% of its issued share capital). Dr. Ho 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 Crown Gaming (Macau) Limited. STDM has an insignificant shareholding in Melco.

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 EXECUTIVE OFFICER'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, interests and short positions of each Director and the Chief Executive Officer in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, are as follows:

I. 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 share capital
					(Note c)
Ho Hung Sun, Stanley	Beneficial owner	Long position	—	5,000,000 *(Note b)*	0.09%
	Interest of controlled corporation(s)		*(Note a)*		
So Shu Fai	Beneficial owner	Long position	128,327,922	—	2.35%
Ng Chi Sing	Beneficial owner	Long position	96,452,922	—	1.77%
Rui José da Cunha	Beneficial owner	Long position	19,000,500	—	0.35%
	Beneficial owner	Long position	—	3,000,000 *(Note b)*	0.06%
			19,000,500	3,000,000	0.41%
Leong On Kei, Angela	Beneficial owner	Long position	417,200,000	—	7.65%
Shum Hong Kuen, David	Beneficial owner	Long position	—	3,000,000 *(Note b)*	0.06%
Fok Tsun Ting, Timothy	Beneficial owner	Long position	—	3,000,000 *(Note b)*	0.06%
Cheng Yu Tung	Beneficial owner	Long position	—	3,000,000 *(Note b)*	0.06%
Lan Hong Tsung, David	Beneficial owner	Long position	—	500,000 *(Note b)*	0.01%
Shek Lai Him, Abraham	Beneficial owner	Long position	—	500,000 *(Note b)*	0.01%
Tse Hau Yin	Beneficial owner	Long position	—	500,000 *(Note b)*	0.01%

II. 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	
Ho Hung Sun, Stanley	Beneficial owner	Long position	100	—	100	0.36% *(Note a)*
	Interest of controlled corporation(s)					*(Note a)*
Leong On Kei, Angela	Beneficial owner	Long position	637	100	737	0.86%
Shum Hong Kuen, David	Beneficial owner	Long position	1,004	—	1,004	1.18%

STDM – Investments Limited

Name of director	Capacity	Long/short position	No. of shares held (Registered capital (MOP))	Approximate percentage of issued share capital
Ho Hung Sun, Stanley	Beneficial owner	Long position	1,000	0.01%
	Interest of controlled corporation(s)			*(Note a)*

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
Leong On Kei, Angela	Beneficial owner	Long position	300,000	10.00%

Notes:

a. *It should be noted that, for the period from 1 January 2010 to 26 December 2010, Dr. Ho was taken to be interested in the 3,049,987,500 Shares (representing approximately 55.92% of the Company's issued share capital on 26 December 2010) held by STDM – Investments Limited which is owned as to 99.99% by STDM, with the remaining 0.01% interest held by Dr. Ho. During that period, approximately 31.66% of the equity share capital of STDM was owned by Dr. Ho directly (4.84%) and indirectly (26.82% through Lanceford, a company originally wholly-owned by Dr. Ho).*

As announced by the Company in January and February 2011, the Company had been notified that Lanceford owns approximately 31.66% of the equity share capital of STDM. The allotment of 9,998 shares in Lanceford, representing 99.98% of its total issued share capital, on 27 December 2010 and the transfer of 4.84% of shares in STDM by Dr. Ho to Lanceford was disputed by Dr. Ho. As announced by the Company in March 2011, the Company noted that the said dispute has been resolved among Dr. Ho and his family members by entering into a deed of settlement.

b. *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.*

c. *The percentage has been calculated based on 5,454,515,488 Shares in issue as at 31 December 2010.*

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, so far as was known to any Director, as of 31 December 2010, none of the Directors or the Chief Executive Officer 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.

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

As at 31 December 2010, 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 of the Company 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 share capital
					(Note b)
Ho Hung Sun, Stanley	Beneficial owner Interest of controlled corporation(s)	Long position	— *(Note a)*	5,000,000	0.09%
Leong On Kei, Angela	Beneficial owner	Long position	417,200,000	—	7.65%
Sociedade de Turismo e Diversões de Macau, S.A.	Interest of controlled corporation(s)	Long position	3,049,987,500	—	55.92%
STDM – Investments Limited	Beneficial owner	Long position	3,049,987,500	—	55.92%

Notes:

a. *See note a under the above section headed "Directors' and Chief Executive Officer's Interests and Short Positions in Shares, Underlying Shares and Debentures".*

b. *The percentage has been calculated based on 5,454,515,488 Shares in issue as at 31 December 2010.*

Save as disclosed above, as at 31 December 2010, the Company had not been notified by any persons (other than a Director or the Chief Executive Officer or their respective associate(s)) of any interest or short position in Shares and underlying Shares of the Company which were required to be recorded in the register kept under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the usual course of business are set out in note 51 to the Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards. The related party transactions referred in note 51(b) to 51(h) constitute continuing connected transactions, as defined under the Listing Rules.

NON-COMPETITION UNDERTAKINGS BY STDM AND DR. HO

Pursuant to deeds of non-competition undertakings (the "Non-Competition Undertakings") dated 18 June 2008, STDM and Dr. Ho have respectively undertaken with the Company that for the period in which the Shares are listed on the Stock Exchange and, variously, STDM remains the controlling Shareholder and Dr. Ho remains as a Director, that neither STDM nor Dr. Ho will compete with the operation of casino gaming businesses of SJM in Macau (apart from maintaining their interests in Melco) and, furthermore, they will not increase their respective interests in Melco. 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 and Dr. Ho 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 Dr Ho's Non-Competition Undertaking that if there is any disagreement between Dr. Ho and the Company as to whether any activity or business or proposed activity or business of Dr. Ho 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.

At a meeting of the Audit Committee held on 16 March 2011, all four of the Independent Non-executive Directors reviewed the confirmations from Dr. Ho and STDM dated 13 March 2011 and 28 February 2011 respectively in respect of the Non-Competition Undertakings.

Based on the confirmations from Dr. Ho and STDM and after review, the Independent Non-executive Directors confirmed compliance with the Non-Competition Undertakings provided by Dr. Ho and STDM.

The Independent Non-executive Directors also reviewed the position regarding the indemnity provided by STDM – Investments Limited in respect of certain litigation ongoing at the time of the Company's global offering of Shares.

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

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 2010.

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.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 52 to 64 of this annual report.

DIRECTORS' BIOGRAPHICAL DETAILS UPDATE

Directors' biographical details update since the date of the 2010 Interim Report of the Company and up to 31 December 2010, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Biographical details update since 2010 Interim Report and up to 31 December 2010
Ho Hung Sun, Stanley	Ceased to act as Managing Director of Sociedade de Jogos de Macau, S.A. on 30 December 2010
So Shu Fai	Appointed as executive director and Chairman of the board of Tonic Industries Holdings Limited (Stock code: 978) on 11 December 2010 and 31 December 2010 respectively Emolument for 2010 was increased by $4.9 million to $9.2 million (including discretionary bonus) (2009: $4.3 million).
Ng Chi Sing	Emolument for 2010 was increased by $3.4 million to $8.1 million (including discretionary bonus) (2009: $4.7 million).
Rui José da Cunha	Emolument for 2010 was increased by $0.4 million to $1.8 million (including discretionary bonus) (2009: $1.4 million).
Leong On Kei, Angela	Appointed as Managing Director of Sociedade de Jogos de Macau, S.A. on 30 December 2010 Emolument for 2010 was increased by $1.8 million to $4.1 million (including discretionary bonus) (2009: $2.3 million).
Shum Hong Kuen, David	Emolument for 2010 was increased by $456,000 to $860,000 (2009: $404,000).
Chau Tak Hay	Appointed as a member of the Remuneration Committee of the Company on 9 November 2010 Emolument for 2010 was increased by $83,000 to $303,000 (2009: $220,000). Such amount included a pro-rata fee of approximately $3,000 for acting as a member of the Remuneration Committee for the period from 9 November 2010 to 31 December 2010 (annual fee: $20,000).

Name of Director	Biographical details update since 2010 Interim Report and up to 31 December 2010
Lan Hong Tsung, David	Appointed as a member of the Audit Committee of the Company on 9 November 2010 Emolument for 2010 was increased by $66,000 to $286,000 (2009: $220,000). Such amount included a pro-rata fee of approximately $6,000 for acting as a member of the Audit Committee for the period from 9 November 2010 to 31 December 2010 (annual fee: $40,000).
Shek Lai Him, Abraham	Appointed as independent non-executive director of Kosmopolito Hotels International Limited (Stock code: 2266) on 10 September 2010 Appointed as independent non-executive director of ITC Properties Group Limited (Stock code: 199) on 30 September 2010 Appointed as independent non-executive director of China Resources Cement Holdings Limited (Stock code: 1313) on 1 January 2011 Emolument for 2010 was increased by $90,000 to $320,000 (2009: $230,000).
Tse Hau Yin	Emolument for 2010 was increased by $100,000 to $840,000 (2009: $740,000).

AUDITORS

A resolution for the re-appointment of Deloitte Touche Tohmatsu and H.C. Watt & Company Limited as joint auditors of the Company until the conclusion of the next annual general meeting is to be proposed at the 2011 AGM.

REVIEW BY AUDIT COMMITTEE

The audited financial statements have been reviewed by the Audit Committee of the Company, which comprises four Independent Non-executive Directors, Mr. Tse Hau Yin, Mr. Chau Tak Hay, Mr. Shek Lai Him, Abraham and Mr. Lan Hong Tsung, David. Mr. Tse is the Chairman of the Audit Committee.

By order of the Board of Directors
SJM Holdings Limited

So Shu Fai
Executive Director and Chief Executive Officer

Hong Kong, 16 March 2011

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

SJM Holdings Limited (the "Company") is committed to the establishment of good corporate governance practices and procedures. The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year 2010, the Company has complied with the code provisions set out in Appendix 14 of the Listing Rules, except for the deviation from Code Provision E.1.2 that due to health reason, Dr. Ho Hung Sun, Stanley was absent from the annual general meeting of the Company held on 31 May 2010.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by directors of the Company (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 2010. The board of Directors (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 includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price-sensitive information in relation to the Company or its securities.

BOARD COMPOSITION

The Company is governed by the Board which is responsible for directing and supervising its affairs and overseeing the businesses, strategic decision and performance of the Company and its subsidiaries (collectively 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 Board comprises seven Executive Directors, one Non-executive Director and four Independent Non-executive Directors, they are:

Executive Directors:
Dr. Ho Hung Sun, Stanley (Chairman)
Dr. So Shu Fai (Chief Executive Officer)
Mr. Ng Chi Sing (Chief Operating Officer)
Mr. Rui José da Cunha
Ms. Leong On Kei, Angela
Mr. Shum Hong Kuen, David
Mr. Fok Tsun Ting, Timothy *(appointed on 30 August 2010)*

Non-executive Director:
Dato' Dr. Cheng Yu Tung

Independent Non-executive Directors:
Mr. Chau Tak Hay
Mr. Lan Hong Tsung, David
Mr. Shek Lai Him, Abraham
Mr. Tse Hau Yin

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) and not less than 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 judgment.

The Directors and their brief biographical details are set out on pages 26 to 30 of this annual 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 have been clearly established and set out in writing.

BUSINESS RELATIONSHIP BETWEEN DIRECTORS

Mr. Rui José da Cunha is the founder and senior partner in the Macau law firm, C&C Advogados, which provides legal services to Dr. Ho Hung Sun, Stanley and Sociedade de Turismo e Diversões de Macau, S.A. on normal commercial terms.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the Company's articles of association, 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 dispatch 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 percent. of the entire issued share capital 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 Company's articles of association 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 Friday, 29 April 2011 (the "2011 AGM"), Dr. So Shu Fai, Mr. Rui José da Cunha and Ms. Leong On Kei, Angela, all Executive Directors, and Dato' Dr. Cheng Yu Tung, the Non-executive Director, will retire and have offered themselves for re-election pursuant to Article 97 of the Company's articles of association. In addition, Mr. Fok Tsun Ting, Timothy, an Executive Director, will retire and has offered himself for re-election pursuant to Article 83(B) of the Company's articles of association. Particulars of the said retiring Directors and the recommendation of the Board for their re-election are set out in a circular to be dated 25 March 2011 for despatch to shareholders of the Company.

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 Company's articles of association 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.

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 of the Company 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 not less than 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.

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 such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval. It also supplies additional information than is volunteered by it upon any request 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, Group 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 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 arranged Directors' and Officers' liability insurance in respect of any legal action against Directors.

TRAINING FOR DIRECTORS

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as 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. The latest version of "A Guide on Directors' Duties" published by the Hong Kong Companies Registry in July 2009 and a handbook containing duties of Directors have been sent to all Directors for their information. Furthermore, all Directors are reminded of their disclosure obligations in respect of any change of their personal details as required under Rule 13.51B of the Listing Rules.

There are also arrangements in place for providing continuing briefing and professional development training to Directors whenever necessary.

During the year, the Company held a two-day induction program in Macau to introduce and update the Directors on the legal and regulatory requirements applicable to the Company and the business operations of the Group.

PRACTICES AND CONDUCT OF MEETINGS

Notices of Board meetings are usually served to all Directors before the meeting in accordance with the Company's articles of association. 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 period as agreed 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 as will enable the Board to make an informed decision on matters placed before it. Queries raised by the Directors will be responded as promptly and fully as 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 by the Board and the Board Committees 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 sent to them for records and/or is open for Directors' inspection.

According to current Board practice, any material transaction that involves a conflict of interests for a substantial shareholder or a Director will not be dealt with by way of circulation or by a committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but will be considered and dealt with by the Board at a duly convened Board meeting at which the Independent Non-executive Directors who, and whose associates, have no material interest in the transaction should be present. The interested Director is required to abstain from voting and will not be counted in the quorum, except as permitted under the Company's articles of association. 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.

BOARD AND BOARD COMMITTEE MEETINGS

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. Directors are consulted for including 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. All Directors are properly briefed on issues arising at Board meetings. Together with the Audit Committee, Nomination 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. Minutes of Board and Board Committee meetings are kept by the Company Secretary and are made available to all Directors.

During the year ended 31 December 2010, six Board meetings were held. Details of individual Directors' attendance at the Board meetings and the Board Committee meetings held in the year are set out in the following table:

Name of Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Executive Directors:				
Ho Hung Sun, Stanley	1/6 [Note 1]	N/A	N/A	N/A
So Shu Fai	6/6	N/A	2/2	2/2
Ng Chi Sing	6/6	N/A	N/A	N/A
Rui José da Cunha	6/6	N/A	N/A	N/A
Leong On Kei, Angela	4/6 [Note 1]	N/A	2/2	2/2
Shum Hong Kuen, David	5/6 [Note 1]	N/A	N/A	2/2
Fok Tsun Ting, Timothy *(appointed on 30 August 2010)*	3/6 [Note 2]	N/A	N/A	N/A
Non-executive Director:				
Cheng Yu Tung	3/6 [Note 1]	N/A	N/A	N/A
Independent Non-executive Directors:				
Chau Tak Hay *(appointed as a Remuneration Committee member on 9 November 2010)*	6/6	5/5	0/2 [Note 4]	2/2
Lan Hong Tsung, David *(appointed as an Audit Committee member on 9 November 2010)*	6/6	1/5 [Note 3]	2/2	2/2
Shek Lai Him, Abraham	6/6	5/5	2/2	2/2
Tse Hau Yin	6/6	5/5	2/2	2/2

N/A: not applicable

Notes:

1 *According to Article 96(K) of the Company's articles of association, 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. Leong On Kei, Angela, Mr. Shum Hong Kuen, David and Dato' Dr. Cheng Yu Tung were interested in certain continuing connected transactions and had to physically absent themselves from voting on the related Board resolutions at one of the Board meetings held during the year. Dr. Ho Hung Sun, Stanley was unable to attend most meetings during the period of his hospitalisation and recovery.*

2 *Three Board meetings were held after his appointment as an Executive Director on 30 August 2010 and up to 31 December 2010.*

3 *One Audit Committee meeting was held after his appointment as an Audit Committee member on 9 November 2010 and up to 31 December 2010.*

4 *No Remuneration Committee meeting was held after his appointment as a Remuneration Committee member on 9 November 2010 and up to 31 December 2010.*

DELEGATION BY THE BOARD — BOARD COMMITTEES

The Board has proper delegation of its powers and has established three Board Committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, in accordance with the requirements under Appendix 14 of 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 Company's articles of association. As at the date of this report, the Board has established an additional Board Committee, namely the Executive Committee. The primary purpose of the Executive Committee is to oversee the implementation of the Company's strategic objectives and the business operations of the Group.

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. The terms of reference of Board Committees require such committees to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

AUDIT COMMITTEE

The Audit Committee of the Company was established in June 2008. During the year and up to the date of this report, it comprises four Independent Non-executive Directors, Mr. Tse Hau Yin as the Chairman and Mr. Chau Tak Hay, Mr. Shek Lai Him, Abraham, and Mr. Lan Hong Tsung, David as members. Mr. Lan Hong Tsung, David was appointed as a member on 9 November 2010.

The Audit Committee is accountable to the Board and its primary role is to assist the Board to monitor the Company's financial reporting process, 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 auditors and the management, including the Group's internal audit department, to ensure effective information exchange on all relevant financial and accounting matters. The Company Secretary shall be the secretary of the Audit Committee. Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee are sent to all members of the committee for their comments and records, within a reasonable time after the meeting.

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 one year commencing on the date of his ceasing:

(i) to be a partner of the firm; or

(ii) to have any financial interest in the firm,

whichever is the later.

The Audit Committee meets at least twice a year and will report to the Board the major items covered by the committee at each meeting, draw the Board's attention to important issues that the Board should be aware of, identify any matters in respect of which it considers that action or improvement is needed and make appropriate recommendations.

The Audit Committee held five meetings in 2010. It has reviewed the accounting principles and practices adopted by the Company and discussed auditing, 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 56.

In discharging its duties, the principal work performed by the Audit Committee during the year included the following:

(i) Review of annual financial statements of the Group for the year ended 31 December 2009, interim financial statements of the Group for the six months ended 30 June 2010, and quarterly unaudited key performance indicators of the Group for the three months ended 31 March 2010 and 30 September 2010 respectively, with recommendations to the Board for approval;

(ii) Review and approval of the engagement letters of Deloitte Touche Tohmatsu and H.C. Watt & Company Limited (collectively the "Joint Auditors"), the joint auditors of the Company, the nature and scope of the audit, their reporting obligations and their work plan;

(iii) Review of internal controls and risk management systems of the Group and assessment of their effectiveness;

(iv) Review of internal audit reports, the major findings and recommendations from internal audit;

(v) Review and approval of internal audit work plan for 2011;

(vi) Report on connected transactions (including continuing connected transactions) carried out during the year;

(vii) Review of Joint Auditors' performance and recommendation to the Board for re-appointment of Joint Auditors; and

(viii) Appointment of an independent audit firm to perform a physical count of chips and review the relevant report.

The terms of reference of the Audit Committee, which conform to the code provision requirements of the Corporate Governance Code, are available from the Company Secretary upon request from any shareholder of the Company and are posted on the Company's website.

The Audit Committee has been provided with sufficient resources to discharge its duties.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established in June 2008 with majority of its members are Independent Non-executive Directors. During the year and up to the date of this report, it comprises six members, Dr. So Shu Fai as the Chairman, one Executive Director, Ms. Leong On Kei, Angela, and four Independent Non-executive Directors, Mr. Lan Hong Tsung, David, Mr. Shek Lai Him, Abraham, Mr. Tse Hau Yin, and Mr. Chau Tak Hay. Mr. Chau Tak Hay was appointed as a member on 9 November 2010.

The principal 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, and to review and approve performance-based remuneration, and assess the performance of the Executive Directors. The Company Secretary shall be secretary of the Remuneration Committee. Full minutes of the Remuneration Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Remuneration Committee are sent to all members of the committee for their comments and records, within a reasonable time after the meeting.

The Remuneration Committee meets at least once a year, with the attendance of, representative from senior management, Group Legal Counsel and/or the Company Secretary. The Remuneration Committee reports to the Board the major items covered by the committee at each meeting, and makes recommendations on Director's fees (including Audit Committee, Nomination Committee and Remuneration Committee members' fees) and other remuneration related matters. The written terms of reference of the Remuneration Committee, explaining its role and authority delegated to it by the Board, conform to the code provision requirements of the Corporate Governance Code and are available from the Company Secretary upon request from any shareholder of the Company and are posted on the Company's website.

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.

During the year ended 31 December 2010, the Remuneration Committee held two meetings at which the following major issues were reviewed:

(i) the grant of share options to participants under the share option scheme of the Company adopted on 13 May 2009 (the "Share Option Scheme"), with recommendations to the Board for approval;

(ii) the remuneration of Executive Directors (including that of Mr. Fok Tsun Ting, Timothy who was appointed as an Executive Director during the year) and senior management and approval of the same; and

(iii) the remuneration of Non-executive Directors including Independent Non-executive Directors, with recommendations 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 each Remuneration Committee meeting held during the year are set out in the table on page 56.

The Remuneration Committee consults the Chairman and/or Chief Executive Officer about proposals relating to remuneration of other Executive Directors and has access to professional advice if considered necessary.

The emoluments of Directors, including basic salary and performance bonus, 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 31 May 2010, a resolution was passed to authorise the Board to fix the Directors' remuneration. A resolution will be proposed at the 2011 AGM to obtain shareholders' authorisation to the Board to fix Directors' remuneration.

Retirement benefits schemes of the Group are set out in note 50 to the Financial Statements.

The Remuneration Committee has been provided with sufficient resources to discharge its duties.

NOMINATION COMMITTEE

The Nomination Committee of the Company was established in June 2008 with the majority of its members being Independent Non-executive Directors. During the year and up to the date of this report, it comprises seven members, Dr. So Shu Fai as the Chairman, two Executive Directors, Ms. Leong On Kei, Angela and Mr. Shum Hong Kuen, David, and four Independent Non-executive Directors, Mr. Chau Tak Hay, Mr. Lan Hong Tsung, David, Mr. Shek Lai Him, Abraham and Mr. Tse Hau Yin.

The Nomination Committee is accountable to the Board and its primary functions are 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 mandated to nominate candidates to fill casual vacancies of the Board. In its nomination procedures, the Nomination Committee makes reference to criteria including reputation of candidates for integrity, accomplishment and experience, professional and educational background and commitment in respect of available time. The Company Secretary shall be the secretary of the Nomination Committee. Full minutes of the Nomination Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Nomination Committee are sent to all members of the committee for their comments and records, within a reasonable time after the meeting.

The Nomination Committee meets at least once a year, with the attendance of representatives from senior management, Group Legal Counsel and/or the Company Secretary. The written terms of reference of the Nomination Committee, explaining its role and authority delegated to it by the Board, conform to the code provision requirements of the Corporate Governance Code and are available from the Company Secretary upon request from any shareholder of the Company.

During the year ended 31 December 2010, the Nomination Committee held two meetings at which the following took place:

(i) considered and recommended to the Board that (a) Mr. Fok Tsun Ting, Timothy be appointed as an Executive Director of the Company; (b) Mr. Lan Hong Tsung, David be appointed as an Audit Committee member of the Company; and (c) Mr. Chau Tak Hay be appointed as a Remuneration Committee member of the Company;

(ii) considered and recommended to the Board that Dr. So Shu Fai, Mr. Rui José da Cunha and Ms. Leong On Kei, Angela, all Executive Directors, and Dato' Dr. Cheng Yu Tung, the Non-executive Director, shall retire and offer themselves for re-election at the 2011 AGM pursuant to Article 97 of the Company's articles of association;

(iii) considered and recommended to the Board that Mr. Fok Tsun Ting, Timothy, an Executive Director, shall retire and offer himself for re-election at the 2011 AGM pursuant to Article 83(B) of the Company's articles of association;

(iv) reviewed the structure, size and composition of the Board and the Board Committees; and

(v) assessed the independence of the Independent Non-executive Directors according to the criteria set out in Rule 3.13 of the Listing Rules.

The reasons why the Board believes the retiring Directors should be re-elected are set out in the circular to shareholders accompanying the notice of the 2011 AGM.

Details of attendance of each Nomination Committee member, on a named basis, at Nomination Committee meetings held during the year are set out in the table on page 56.

The Nomination Committee has been provided with sufficient resources to discharge its duties.

FINANCIAL REPORTING

The Board is accountable to the shareholders and is committed to presenting comprehensive and timely information to the shareholders on assessment of the Company's performance, financial position and prospects.

Starting from the year 2010, the Company announced 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 was prepared using the accounting policies applied to the Company's interim and annual financial statements.

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, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

JOINT AUDITORS' RESPONSIBILITY

The external Joint Auditors of the Company are Deloitte Touche Tohmatsu and H.C. Watt & Company Limited, Certified Public Accountants. A statement by the Joint Auditors about their reporting responsibilities is included in the Independent Joint Auditors' Report on the Company's Financial Statements on pages 65.

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

The Joint Auditors are available at the annual general meeting of the Company to answer questions which shareholders may have.

JOINT AUDITORS' REMUNERATION

The remunerations paid and payable to the Joint Auditors and its 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 2010 are set out below:

Nature of services	2010 HK$ million
2010 Annual audit	7.8
2010 Interim review	3.7
2010 Quarterly results review	0.7
Test counts of chips	0.1
Tax consultancy	0.4
Total:	12.7

INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective system of internal controls and for reviewing its effectiveness. The Board at least annually conducts a review of the effectiveness of internal controls. The system is designed to (i) safeguard the interests of shareholders of the Company; (ii) safeguard assets of the Company and its subsidiaries against misappropriation; (iii) ensure proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensure compliance with relevant legislation and regulations. Such system of internal controls is aimed at limiting the risks of the Company to an acceptable level but cannot, of itself, eliminate all risks.

The key procedures established by the Board to provide effective internal controls include (i) a defined management structure with clear lines of responsibility and limits of authority; (ii) an appropriate organisational structure which adequately provides the necessary information flow for management decisions; (iii) 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; (iv) effective financial reporting control to ensure the recording of complete, accurate and timely accounting and management information; and (v) review work conducted by the Audit Committee.

The Board continues to review, through the Audit Committee, the effectiveness of the system of internal controls that includes financial, operational, compliance and risk management controls. The review process consists of (i) assessment of internal controls by internal audit department; (ii) compliance review of gaming regulations by compliance department; (iii) operational management's assurance of the maintenance of controls; (iv) control issues identified by external auditors during statutory audit; and (v) external consultant's reviews, conducted on a periodic basis, 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 these reviews were reported to the Audit Committee.

The Internal Audit Department ("Internal Audit") of Sociedade de Jogos de Macau, S.A. ("SJM"), a subsidiary of the Company, performs operational and financial audits on a regular basis. The Gaming Inspection and Coordination Bureau in Macau also conducts Anti-money Laundering ("AML") and compliance audits on SJM on an annual basis.

The department head has many years of working experience in audit and financial management and is assisted by 15 internal auditors, who are university graduates with accounting degrees and on average have relevant internal audit experience of five years or more. The internal audit function provides independent assurance to the Board and executive management as to the adequacy and effectiveness of internal controls for the Group on an on-going basis. Internal Audit 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 2010, Internal Audit performed a review 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 and compliance controls and risk management functions. Internal Audit was not aware of any significant defect or weakness on the internal control system that would have an adverse impact on the financial position or operations of the Group. Internal Audit conducts internal control and AML reviews and submits its report to the Audit Committee quarterly with findings and recommendations on improvements. The Audit Committee is satisfied with the internal audit works performed and with the adequacy of resources and qualifications of staff within Internal Audit.

Looking forward, the Group aims to ensure that the profile of risk management controls is raised through an enhanced management reporting system and through increased training and guidance being provided to operational management on assessing risk and taking timely and appropriate measures to mitigate it.

SHAREHOLDERS RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meeting are contained in the Company's articles of association. The Listing Rules require that voting is by way of poll at all general meetings of the Company. 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 Hong Kong Exchanges and Clearing Limited.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Except that due to health reason, Dr. Ho Hung Sun, Stanley was absent from the annual general meeting of the Company held on 31 May 2010, 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 are available to answer questions at the annual general meeting of the Company. At shareholders' meeting separate resolutions are proposed on each substantially separate issue, including the election of individual Directors.

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 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 3201-3205, 32nd 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.

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.

There was no change in the Company's articles of association during the year. The last shareholders' 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 Monday, 31 May 2010 at 3:00 p.m. at which resolutions were duly passed in respect of major items such as the adoption of the audited financial statements and the reports of the Directors and the Joint Auditors of the Company for the year ended 31 December 2009, declaration of a final dividend, re-election of Directors and authorisation of the Board to fix the Directors' remuneration, re-appointment of Joint Auditors and authorisation of the Board to fix their remuneration and approval of the repurchase mandate for shares of the Company.

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.

For and on behalf of the Board of Directors
SJM Holdings Limited

So Shu Fai
Executive Director and Chief Executive Officer

Hong Kong, 16 March 2011

INDEPENDENT JOINT AUDITORS' REPORT

Deloitte.
德勤

H. C. Watt & Co. Ltd.
Certified Public Accountants
Chartered Secretaries

TO THE SHAREHOLDERS OF SJM HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

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 66 to 130, which comprise the consolidated and the Company's statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 March 2011

H.C. Watt & Company Limited
Certified Public Accountants
Hong Kong
Watt Hung Chow
Practising Certificate No. P181

16 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010 HK$ million**	2009 HK$ million
Gaming, hotel, catering and related services revenues		**57,653.3**	34,352.8
Gaming revenue	8	**57,195.0**	34,065.8
Special gaming tax, special levy and gaming premium		**(22,089.9)**	(13,219.5)
		35,105.1	20,846.3
Hotel, catering and related services income		**458.3**	287.0
Cost of sales and services on hotel, catering and related services		**(216.4)**	(164.8)
Other income		**147.9**	123.3
Marketing and promotional expenses		**(25,130.4)**	(13,318.1)
Operating and administrative expenses		**(6,627.1)**	(6,755.6)
Finance costs	9	**(215.4)**	(197.7)
Share of profits (losses) of an associate		**4.9**	(13.5)
Share of profits of a jointly controlled entity		**5.5**	5.4
Profit before taxation	10	**3,532.4**	812.3
Taxation	12	**(17.6)**	(17.5)
Profit for the year and total comprehensive income for the year		**3,514.8**	794.8
Profit for the year and total comprehensive income attributable to			
— owners of the Company		**3,559.4**	906.7
— non-controlling interests		**(44.6)**	(111.9)
		3,514.8	794.8
Earnings per share			
— Basic	14	**HK69.2 cents**	HK18.1 cents
— Diluted	14	**HK66.2 cents**	HK18.1 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	**2010 HK$ million**	2009 HK$ million
Non-current assets			
Property and equipment	15	**9,486.0**	10,139.6
Land use rights	17	**804.9**	845.8
Intangible asset	18	**39.5**	45.8
Art works and diamonds	19	**290.4**	289.2
Interest in an associate	20	**74.0**	67.4
Interest in a jointly controlled entity	21	**73.2**	67.7
Available-for-sale investments in equity securities	22	**5.5**	5.5
Deposits made on acquisitions	23	**122.6**	168.1
Amount due from a fellow subsidiary	24	**304.5**	329.2
Amounts due from investee companies	25	**144.2**	—
Pledged bank deposits	26	**145.6**	145.6
Bank deposits	27	**—**	1,000.0
		11,490.4	13,103.9
Current assets			
Inventories		**55.9**	52.1
Trade and other receivables	28	**1,258.2**	1,233.3
Loan receivables	29	**246.0**	132.0
Amount due from ultimate holding company	30	**546.7**	23.3
Amount due from an associate	31	**20.0**	20.0
Amount due from a jointly controlled entity	32	**14.3**	14.3
Amounts due from investee companies	25	**—**	156.7
Financial assets at fair value through profit or loss	33	**56.2**	28.4
Pledged bank deposits	26	**26.4**	265.4
Short-term bank deposits	27	**5,036.7**	400.0
Bank balances and cash		**10,138.6**	7,937.1
		17,399.0	10,262.6
Current liabilities			
Trade and other payables	34	**10,020.8**	6,895.0
Amount due to a director	35	**29.1**	—
Financial guarantee obligations	36	**—**	13.3
Obligations under finance leases	37	**23.5**	33.3
Taxation		**38.8**	38.8
Current portion of long-term bank loans	38	**1,040.0**	1,040.0
Convertible bonds	40	**218.7**	—
		11,370.9	8,020.4
Net current assets		**6,028.1**	2,242.2
Total assets less current liabilities		**17,518.5**	15,346.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	**2010 HK$ million**	2009 HK$ million
Non-current liabilities			
Obligations under finance leases	37	**304.5**	329.2
Long-term bank loans	38	**3,072.0**	4,102.0
Amount due to non-controlling interests of a subsidiary	39	**966.6**	807.3
Convertible bonds	40	**—**	1,588.2
		4,343.1	6,826.7
Net assets		**13,175.4**	8,519.4
Capital and reserves			
Share capital	41	**5,454.5**	5,000.0
Reserves		**7,683.2**	3,454.7
Equity attributable to owners of the Company		**13,137.7**	8,454.7
Non-controlling interests		**37.7**	64.7
Total equity		**13,175.4**	8,519.4

The consolidated financial statements on pages 66 to 130 were approved and authorised for issue by the Board of Directors on 16 March 2011 and are signed on its behalf by:

So Shu Fai
DIRECTOR

Ng Chi Sing
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	**2010 HK$ million**	2009 HK$ million
Non-current assets			
Property and equipment	15	**3.2**	4.2
Investments in subsidiaries	16	**4,359.3**	4,367.5
Bank deposits	27	**—**	1,000.0
		4,362.5	5,371.7
Current assets			
Other receivables, deposits and prepayments		**15.0**	5.8
Amounts due from subsidiaries	35	**1,093.2**	2,980.3
Dividends receivable		**1,747.6**	—
Short-term bank deposits	27	**4,063.3**	400.0
Bank balances and cash		**526.2**	902.2
		7,445.3	4,288.3
Current liabilities			
Other payables and accruals		**0.5**	0.8
Amount due to a subsidiary	35	**413.2**	1,958.5
		413.7	1,959.3
Net current assets		**7,031.6**	2,329.0
Net assets		**11,394.1**	7,700.7
Capital and reserves			
Share capital	41	**5,454.5**	5,000.0
Reserves	43	**5,939.6**	2,700.7
Total equity		**11,394.1**	7,700.7

So Shu Fai
DIRECTOR

Ng Chi Sing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital HK$ million	Share premium HK$ million	Share options reserve HK$ million	Convertible bonds equity 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 2009	5,000.0	1,627.4	—	—	659.7	7,287.1	149.2	7,436.3
Total comprehensive income for the year	—	—	—	—	906.7	906.7	(111.9)	794.8
Recognition of equity settled share-based payments	—	—	173.9	—	—	173.9	—	173.9
Recognition of equity component of convertible bonds	—	—	—	395.2	—	395.2	—	395.2
Transaction costs attributable to the issue of convertible bonds	—	—	—	(8.2)	—	(8.2)	—	(8.2)
Capital contribution arising from fair value adjustment on amount due to non-controlling interests of a subsidiary	—	—	—	—	—	—	27.4	27.4
Dividends paid (note 13)	—	—	—	—	(300.0)	(300.0)	—	(300.0)
	—	—	173.9	387.0	(300.0)	260.9	27.4	288.3
At 31 December 2009	**5,000.0**	**1,627.4**	**173.9**	**387.0**	**1,266.4**	**8,454.7**	**64.7**	**8,519.4**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**3,559.4**	**3,559.4**	**(44.6)**	**3,514.8**
Exercise of share options	**122.3**	**379.8**	**(155.2)**	**—**	**—**	**346.9**	**—**	**346.9**
Conversion of convertible bonds	**332.2**	**1,449.9**	**—**	**(336.8)**	**—**	**1,445.3**	**—**	**1,445.3**
Expenses incurred in connection with the issue of shares	**—**	**(0.3)**	**—**	**—**	**—**	**(0.3)**	**—**	**(0.3)**
Recognition of equity settled share-based payments	**—**	**—**	**47.7**	**—**	**—**	**47.7**	**—**	**47.7**
Capital contribution arising from fair value adjustment on amount due to non-controlling interests of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**17.6**	**17.6**
Dividends paid (note 13)	**—**	**—**	**—**	**—**	**(716.0)**	**(716.0)**	**—**	**(716.0)**
	454.5	**1,829.4**	**(107.5)**	**(336.8)**	**(716.0)**	**1,123.6**	**17.6**	**1,141.2**
At 31 December 2010	**5,454.5**	**3,456.8**	**66.4**	**50.2**	**4,109.8**	**13,137.7**	**37.7**	**13,175.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$ million	2009 HK$ million
Operating activities		
Profit before taxation	**3,532.4**	812.3
Adjustments for:		
Interest income	**(73.5)**	(36.0)
Interest expenses	**97.6**	145.0
Imputed interest on amount due to non-controlling interests of a subsidiary	**42.0**	36.0
Imputed interest on convertible bonds	**75.8**	16.7
Dividend income	**(1.5)**	(1.4)
Income from amortisation of financial guarantee obligations	**(13.3)**	(14.5)
Share of (profits) losses of an associate	**(4.9)**	13.5
Share of profits of a jointly controlled entity	**(5.5)**	(5.4)
Amortisation of intangible asset	**6.3**	6.3
Depreciation of property and equipment	**1,170.4**	1,109.0
Loss on disposal of property and equipment	**14.5**	6.1
Operating lease rentals in respect of land use rights	**40.2**	39.9
Allowance for doubtful debts	**53.6**	—
Gain on fair value changes on financial assets at fair value through profit or loss	**(27.8)**	(15.3)
Share-based payments	**47.7**	173.9
Operating cash flows before movements in working capital	**4,954.0**	2,286.1
Increase in inventories	**(3.8)**	(8.7)
Increase in trade and other receivables	**(143.5)**	(272.7)
Increase in trade and other payables	**3,477.1**	2,074.8
Cash from operations	**8,283.8**	4,079.5
Taxation paid	**(17.6)**	(16.8)
Net cash from operating activities	**8,266.2**	4,062.7
Investing activities		
Interest received	**57.2**	36.4
Dividends received from financial assets at fair value through profit or loss	**1.5**	1.4
Purchase of property and equipment	**(811.6)**	(1,344.0)
Proceeds from disposal of property and equipment	**3.2**	0.3
Deposits paid for acquisition of property and equipment	**(34.6)**	(26.8)
Purchase of art works and diamonds	**(1.2)**	(7.5)
Loan receivables advanced	**(114.0)**	(132.0)
Net advances made to ultimate holding company	**(523.4)**	(18.7)
Repayment from fellow subsidiaries	**106.0**	21.5
Repayment from investee companies	**12.5**	4.0
Decrease in pledged bank deposits	**239.0**	3.4
Increase in bank deposits	**(3,636.7)**	(1,400.0)
Net cash used in investing activities	**(4,702.1)**	(2,862.0)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$ million	2009 HK$ million
Financing activities		
Interest paid	(92.7)	(162.7)
Dividends paid	(716.0)	(300.0)
Proceeds from issue of shares	346.9	—
Transaction costs incurred in connection with the issue of shares	(0.3)	—
Proceeds from issue of convertible bonds	—	2,000.0
Transaction costs incurred in connection with the issue of convertible bonds	—	(41.5)
Borrowings from a director	29.1	—
Repayment of obligations under finance leases	(34.5)	(93.0)
Bank loans raised	10.0	318.0
Repayment of bank loans	(1,040.0)	(1,020.0)
Borrowings from non-controlling interests of a subsidiary	134.9	188.5
Net cash (used in) from financing activities	(1,362.6)	889.3
Net increase in cash and cash equivalents	2,201.5	2,090.0
Cash and cash equivalents at 1 January	7,937.1	5,847.1
Cash and cash equivalents at 31 December	10,138.6	7,937.1
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	10,138.6	7,937.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 ("MSAR"). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), a company established in MSAR. The address of registered office and principal place of business of the Company is Suites 3201–3205, 32nd Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") have applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendment to HKAS 1, which has been early adopted in the last financial year
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRS 2 (Amendments)	Group cash-settled share based payments transactions
HKFRS 3 (as revised in 2008)	Business combinations
HK(IFRIC*) – INT 17	Distributions of non-cash assets to owners
HK - INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

* IFRIC represents the International Financial Reporting Interpretations Committee.

The Group applies HKFRS 3 (as revised in 2008) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (as revised in 2008) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) are applicable, the application of HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to the other HKFRSs are applicable.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendment to HKAS 17 "Leases"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as land use rights in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases, the application of the amendment HKAS 17 has had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HK – INT 5 "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause"

HK – INT 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The application of HK – INT 5 has had no effect on the consolidated financial statements of the Group for the current or prior accounting period.

The application of the other new and revised HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs issued but not effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets[6]
HKAS 24 (as revised in 2009)	Related party disclosures[4]
HKAS 32 (Amendments)	Classification of rights issues[1]
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets[5]
HKFRS 9	Financial instruments[7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[4] Effective for annual periods beginning on or after 1 January 2011
[5] Effective for annual periods beginning on or after 1 July 2011
[6] Effective for annual periods beginning on or after 1 January 2012
[7] Effective for annual periods beginning on or after 1 January 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not effective (Continued)

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets and liabilities.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except that certain financial instruments are measured at fair values. The consolidated financial statements have also been prepared in accordance with HKFRSs. 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 (the "Stock Exchange") (the "Listing Rules") and the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein. From 1 January 2010 onwards, total comprehensive income and expense of a subsidiary 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.

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 Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3.4 Interests in joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Interests in joint ventures (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the joint venture. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

3.5 Revenue recognition

Gaming revenue represents the aggregate of gaming wins and losses and is recognised in the profit or loss when the stakes are received by the Group and the amounts are paid out to gaming patrons.

Revenue from hotel operations and related services are recognised when the services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognised when the Group's right to receive payment has been established.

3.6 Property and equipment

Property and equipment, including land and buildings held for use in the supply of goods or services, or for administrative purposes (other than construction in progress), are stated at cost less accumulated depreciation and any accumulated impairment loss at the end of the reporting period.

When the buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as land use right 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 available for 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).

When a lease includes both 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. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property and equipment (Continued)

For the land and buildings in MSAR, where the cost of land use right 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 MSAR 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 or 3 years, whichever is shorter or the remaining terms of the gaming concession or 10 years, whichever is applicable.

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

Chips	25%
Furniture, fixtures and equipment	7.6% to 50%
Gaming equipment	25%
Motor vehicles	20%
Vessel	10%

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 the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

3.7 Land use rights

Land use rights represent prepaid lease rentals 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 and for those which are directly attributable to construction in progress, they are capitalised to the cost of such projects, until such time as the construction works are completed and ready for intended use.

3.8 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.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3.10 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.

3.11 Inventories

Inventories, which represent food and beverage held for sale, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3.12 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Loans and receivables

Loans and receivables (including bank deposits and balances, trade and other receivables, loan receivables, amounts due from subsidiaries/ultimate holding company/an associate/a jointly controlled entity/investee companies) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each of the reporting period subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any identified impairment losses.

(iii) Financial assets at fair value through profit or loss

A financial asset acquired principally for the purpose of selling in the near future is classified as held for trading. At the end of each of the reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale 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 the reporting period.

(v) Impairment of financial assets

Financial assets, other than financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are 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 impacted.

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

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial instruments (Continued)

(a) Financial assets (Continued)

(v) Impairment of financial assets (Continued)

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, 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 are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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.

(b) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

(ii) Financial liabilities

Financial liabilities including trade and other payables, amounts due to a subsidiary/non-controlling interests of a subsidiary/a director, bank loans and liability component of convertible bonds are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial instruments (Continued)

(b) Financial liabilities and equity (Continued)

(iii) Equity instruments

Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

(c) Convertible bonds

Convertible bonds issued by the Group that contain liability, conversion option and early redemption options are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. The values of embedded early redemption options which are considered as closely related to the host contract are included in the liability component. On initial recognition, the liability component is measured at fair value. The difference between the gross proceeds of the issue of the convertible bonds and the fair values assigned to the liability component, representing the conversion option for the holder to convert the liability into ordinary shares of the Company, is included in convertible bonds equity reserve.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component will remain in convertible bonds equity reserve until the embedded conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

(d) Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial instruments (Continued)

(e) 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 original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

(f) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivables and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.13 Impairment loss on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 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 as reported in the profit or loss 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 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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 is 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 deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3.15 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 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.

(a) The Group as lessor

Amount due from a fellow subsidiary under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(b) The Group as lessee

Assets held under finance leases are initially 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 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.17 Share-based payment transactions – Equity-settled share-based payment transactions

(a) Share options granted to directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, 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 options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Share-based payment transactions – Equity-settled share-based payment transactions (Continued)

(b) Share options granted to other participants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3.18 Retirement benefits costs

Payments to defined contribution retirement benefits plans are charged as an expense when employees have rendered service entitling them to the contributions.

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 within the next financial year, are discussed below.

Estimated impairment of interest in a jointly controlled entity

In determining whether there is an impairment loss, the Group takes into consideration the estimation of future cash flows to be generated by the jointly controlled entity. The amount of the impairment loss is measured as the difference between the carrying amount of the interest in jointly controlled entity and the share of the present value of estimated future cash flows expected to be generated by the jointly controlled entity. As at 31 December 2010, the interest in a jointly controlled entity is HK$73.2 million (2009: HK$67.7 million), which included goodwill of HK$34.3 million at 31 December 2010 (2009: HK$34.3 million). Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. 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 stakeholders 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 bank loans, liability component of convertible bonds, 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.

6. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The Group

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.

(b) Categories of financial instruments

	The Group		The Company	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
Financial assets				
Loans and receivables (including cash and cash equivalents)	**17,778.5**	11,570.6	**7,443.9**	5,285.3
Financial assets at fair value through profit or loss	**56.2**	28.4	**—**	—
Available-for-sale financial assets	**5.5**	5.5	**—**	—
	17,840.2	11,604.5	**7,443.9**	5,285.3
Financial liabilities				
Amortised cost	**12,884.5**	12,852.2	**413.7**	1,959.3
Obligations under finance leases	**328.0**	362.5	**—**	—
Financial guarantee obligations	**—**	13.3	**—**	—
	13,212.5	13,228.0	**413.7**	1,959.3

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

As at the end of the reporting period, the Group's and the Company's maximum exposure to credit risk which cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the Group's and Company's statements of financial position; and
- the amount of financial guarantee obligations and contingent liabilities disclosed in notes 36 and 49 respectively.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk management (Continued)

The Group

The Group has concentration of credit risk of 84% (2009: 88%) on the advances and receivables from the Group's five largest gaming promoters. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual advances and receivables from gaming promoters at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group also considers the relevant commissions accrued at the end of each of the reporting period to the relevant gaming promoters, the continuous profitable business relationship with and the potential commissions payable to the relevant gaming promoters subsequent to the end of the reporting period and the financial background of the relevant gaming promoters to ascertain the recoverability of the advances to and receivables from gaming promoters. As a result, the directors of the Company consider that the Group's exposure to credit risk on these advances and receivables is significantly reduced.

In addition, the management considers that there is no significant credit risk on the receivables from the fellow subsidiary, ultimate holding company, an associate, a jointly controlled entity, investee companies as well as those arising from financial guarantees given to banks in respect of credit facilities granted to the investee companies and an associate (note 49) given their strong financial background and good creditability.

The credit risk on receivable from the Finance Company (as defined in note 29) is not significant given its strong financial background.

The credit risk for bank deposits and bank balances exposure is considered minimal as such amounts are placed in banks in MSAR and Hong Kong having good reputation.

Other than concentration of credit risk on loan receivables, amounts due from ultimate holding company/a fellow subsidiary/an associate/a jointly controlled entity/investee companies 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.

The Company

The management considers that there is no significant credit risk on receivables from subsidiaries given their strong financial background and good creditability. The Company has concentration of credit risk as 73% (2009: 67%) on the amounts due from subsidiaries is due from one subsidiary.

Also, the management considers that the credit risk arising from financial guarantees given to bondholders (note 40) is insignificant as the default risk is low.

The credit risk for bank deposits and bank balances exposure is considered minimal as such amounts are placed in banks in Hong Kong and MSAR with good reputation.

6. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk management

The Group

The Group is exposed to cash flow interest rate risk in relation to its bank balances, bank loans, amount due from a fellow subsidiary, obligations under finance leases and loan receivables with variable-rate. 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 liability component of convertible bonds. 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 Hong Kong Interbank Offered Rate ("HIBOR") arising from bank loans.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank loans, bank balances, amount due from a fellow subsidiary, obligations under finance leases and loan receivables. The analyses were prepared assuming these balances outstanding at the end of the reporting period were outstanding for the whole year. 100 basis points (2009: 100 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 in the next financial year having regard to the trends in HIBOR and global economic environment. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

If interest rates on bank loans, bank balances, amount due from a fellow subsidiary, obligations under finance leases and loan receivables had been 100 basis points (2009: 100 basis points) higher and all other variables were held constant, the potential effect on profit for the year (net of interest expenses capitalised in construction in progress) is as follows:

	2010 HK\$ million	2009 HK\$ million
Increase in profit for the year	**45.7**	14.4

The Company

The Company is exposed to cash flow interest rate risk in relation to bank balances and exposed to fair value interest rate risk in relation to bank deposits.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank balances. The analyses were prepared assuming the bank balances outstanding at the end of the reporting period were outstanding for the whole year. 100 basis points (2009: 100 basis points) increase represents management's assessment of the reasonably possible change in interest rates. Due to low prevailing interest rate in bank balances, the management does not anticipate a further decline in bank interest rate and therefore, sensitivity analysis on a decrease in interest rates is not presented.

6. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk management (Continued)

If interest rates on bank balances had been 100 basis points (2009: 100 basis points) higher and all other variables were held constant, the potential effect on the Company's profit for the year is as follows:

	2010 HK$ million	2009 HK$ million
Increase in profit for the year	**5.2**	9.0

(e) Price risk management

The Group

The Group is exposed to equity price risk on the investment in listed equity securities operating in the entertainment and hotel industry sector and quoted on the Stock Exchange. The Group currently does not have a policy to hedge such risk. However, the management monitors market price exposure and will consider hedging significant market price exposure should the need arise. The directors of the Company consider that the Group's price risk on available-for-sale investments in equity securities is not significant as the carrying amount of these investments is not material.

The sensitivity analyses below have been determined based on the exposure to equity price risk on the listed equity securities at the end of the reporting period. If the market bid price on the listed equity securities had been 10% (2009: 10%) higher, the potential effect on profit for the year is as follows. An opposite impact of the same magnitude would have resulted if it had been 10% (2009: 10%) lower:

	2010 HK$ million	2009 HK$ million
Increase in profit for the year	**5.6**	2.8

In 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 Group and The Company

The directors of the Company consider 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 for the foreseeable future and manage its liquidity position. In addition, the management of the Group expects to fund the remaining estimated construction costs of its development projects in MSAR through a proper balance between internal generated funds and credit facilities secured by the projects' assets.

6. FINANCIAL INSTRUMENTS (Continued)

(f) Liquidity risk management (Continued)

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.

	Weighted average effective interest rate	On demand HK$ million	Not more than 3 months HK$ million	Over 3 months but not more than 6 months HK$ million	Over 6 months but not more than 1 year HK$ million	Over 1 year HK$ million	Total undiscounted cash flow HK$ million	Carrying amount HK$ million
The Group								
At 31 December 2010								
Trade payables	**—**	**—**	**1,890.7**	**41.9**	**19.2**	**—**	**1,951.8**	**1,951.8**
Chips liabilities	**—**	**4,325.1**	**—**	**—**	**—**	**—**	**4,325.1**	**4,325.1**
Other payables	**—**	**—**	**830.4**	**357.9**	**92.9**	**—**	**1,281.2**	**1,281.2**
Amount due to a director	**—**	**29.1**	**—**	**—**	**—**	**—**	**29.1**	**29.1**
Amount due to non-controlling interests of a subsidiary	**4.8%**	**—**	**—**	**—**	**—**	**1,223.9**	**1,223.9**	**966.6**
Obligations under finance leases	**3.78%**	**—**	**7.1**	**9.2**	**18.3**	**355.0**	**389.6**	**328.0**
Bank loans (note 6(f)(i))	**2.04%**	**—**	**269.8**	**279.4**	**555.3**	**3,121.0**	**4,225.5**	**4,112.0**
Convertible bonds (note 6(f)(ii))	**5.82%**	**—**	**—**	**—**	**—**	**292.3**	**292.3**	**218.7**
Financial guarantee obligations (notes 6 (f)(iii) and 49)	**—**	**92.6**	**—**	**—**	**—**	**—**	**92.6**	**—**
Undrawn revolving loan facility (note 29)	**—**	**4.0**	**—**	**—**	**—**	**—**	**4.0**	**—**
		4,450.8	**2,998.0**	**688.4**	**685.7**	**4,992.2**	**13,815.1**	**13,212.5**
At 31 December 2009								
Trade payables	—	—	1,206.8	20.9	11.9	—	1,239.6	1,239.6
Chips liabilities	—	2,725.9	—	—	—	—	2,725.9	2,725.9
Other payables	—	—	972.1	306.3	70.8	—	1,349.2	1,349.2
Amount due to non-controlling interests of a subsidiary	5.08%	—	—	—	—	1,089.0	1,089.0	807.3
Obligations under finance leases	5.73%	—	19.4	10.0	20.2	417.4	467.0	362.5
Bank loans (note 6(f)(i))	1.68%	—	270.4	280.3	557.8	4,204.0	5,312.5	5,142.0
Convertible bonds (note 6(f)(ii))	5.82%	—	—	—	—	2,253.6	2,253.6	1,588.2
Financial guarantee obligations (notes 6(f)(iii) and 49)	—	243.7	—	—	—	—	243.7	13.3
Undrawn revolving loan facility (note 29)	—	118.0	—	—	—	—	118.0	—
		3,087.6	2,468.7	617.5	660.7	7,964.0	14,798.5	13,228.0

6. 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 3 months but not more than 6 months HK$ million	Over 6 months but not more than 1 year HK$ million	Over 1 year HK$ million	Total undiscounted cash flow HK$ million	Carrying amount HK$ million
The Company								
At 31 December 2010								
Trade and other payables	**—**	**—**	**0.5**	**—**	**—**	**—**	**0.5**	**0.5**
Amount due to a subsidiary	**—**	**413.2**	**—**	**—**	**—**	**—**	**413.2**	**413.2**
Financial guarantee obligation (notes 6(f)(iii) and 49)	**—**	**259.4**	**—**	**—**	**—**	**—**	**259.4**	**—**
		672.6	**0.5**	**—**	**—**	**—**	**673.1**	**413.7**
At 31 December 2009								
Trade and other payables	—	—	0.7	0.1	—	—	0.8	0.8
Amount due to a subsidiary	—	1,958.5	—	—	—	—	1,958.5	1,958.5
Financial guarantee obligation (notes 6(f)(iii) and 49)	—	2,000.0	—	—	—	—	2,000.0	—
		3,958.5	0.7	0.1	—	—	3,959.3	1,959.3

Notes:

(i) The amounts included above for variable rate bank loans are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

(ii) The amount of undiscounted cash flow represents the redemption amount of the convertible bonds assuming that no early redemption has taken place before its maturity (details are set out in note 40).

(iii) At the end of the current and prior reporting period, it was not probable that the counterparty to the financial guarantee contracts will claim under the contract. Consequently, the carrying amount of financial guarantee contracts has not been presented above. Following the amendments to HKFRS 7 effective from 1 January 2009, the amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company 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 and the Company consider that it is more likely than not 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.

6. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value of financial instruments

The Group and The Company

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of financial guarantee contracts is determined using models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Except for the convertible bonds as disclosed in note 40, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(h) Fair value measurements recognised in the statement of financial position

The Group

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
At 31 December 2010				
Financial assets at fair value through profit or loss	**56.2**	**—**	**—**	**56.2**
At 31 December 2009				
Financial assets at fair value through profit or loss	28.4	—	—	28.4

6. FINANCIAL INSTRUMENTS (Continued)

(h) Fair value measurements recognised in the statement of financial position (Continued)

Notes:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

(ii) 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).

(iii) 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).

7. OPERATING SEGMENTS

The Group is currently organised into two segments — gaming operations, and hotel and catering operations. Principal activities of the 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 operations and others. The CODM reviews the revenues and operating results of gaming operations as a whole. For hotel and catering operations, the CODM regularly reviews the performance on the basis of individual hotel. For segment reporting under HKFRS 8, financial information of the Group's hotels has been aggregated into a single operating segment named "hotel and catering operations".

7. 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	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
Gaming operations	**57,195.0**	34,065.8	**4,088.0**	1,509.2
Hotel and catering operations				
— external sales	**458.3**	287.0		
— inter-segment sales	**149.0**	125.6		
	607.3	412.6	**(446.3)**	(532.1)
Eliminations	**(149.0)**	(125.6)		
	458.3	287.0		
	57,653.3	34,352.8		
Reconciliation from segment results to profit before taxation			**3,641.7**	977.1
Unallocated corporate expenses			**(147.5)**	(172.0)
Change in fair value of financial assets at fair value through profit or loss			**27.8**	15.3
Share of profits (losses) of an associate			**4.9**	(13.5)
Share of profits of a jointly controlled entity			**5.5**	5.4
Profit before taxation			**3,532.4**	812.3

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of corporate expenses, change in fair value of financial assets at fair value through profit or loss, share of results of associate/jointly controlled entity and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rate.

7. OPERATING SEGMENTS (Continued)

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

	2010 HK$ million	2009 HK$ million
Assets		
Segment assets		
— gaming operations	**15,658.5**	12,102.7
— hotel and catering operations	**7,239.3**	7,669.3
	22,897.8	19,772.0
Interest in an associate	**74.0**	67.4
Interest in a jointly controlled entity	**73.2**	67.7
Unallocated bank deposits, bank balances and cash	**4,719.3**	2,359.8
Unallocated assets	**1,125.1**	1,099.6
Group's total	**28,889.4**	23,366.5
Liabilities		
Bank loans		
— gaming operations	**1,800.0**	2,225.0
— hotel and catering operations	**2,312.0**	2,917.0
	4,112.0	5,142.0
Other segment liabilities		
— gaming operations	**9,821.6**	6,427.7
— hotel and catering operations	**238.5**	479.0
	10,060.1	6,906.7
Total segment liabilities	**14,172.1**	12,048.7
Convertible bonds	**218.7**	1,588.2
Unallocated liabilities	**1,323.2**	1,210.2
Group's total	**15,714.0**	14,847.1

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

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

(ii) unallocated liabilities include mainly amount due to non-controlling interests of a subsidiary and obligations under finance leases.

(iii) all assets are allocated to operating segments, other than interest in an associate/a jointly controlled entity, unallocated bank deposits, bank balances and cash and assets not attributable to respective segments.

(iv) all liabilities are allocated to operating segments, other than convertible bonds and liabilities not attributable to respective segments.

7. OPERATING SEGMENTS (Continued)

(c) Other segment information of the Group

	2010 HK$ million	2009 HK$ million
Additions to non-current assets (other than financial instruments)		
— gaming operations	**338.1**	1,068.4
— hotel and catering operations	**195.6**	653.6
— corporate level	**2.0**	4.9
	535.7	1,726.9
Depreciation and amortisation		
— gaming operations	**667.3**	627.2
— hotel and catering operations	**506.9**	486.4
— corporate level	**2.5**	1.7
	1,176.7	1,115.3
Loss on disposal of property and equipment		
— gaming operations	**2.2**	6.0
— hotel and catering operations	**12.3**	0.1
	14.5	6.1
Share-based payments		
— gaming operations	**37.8**	55.1
— corporate level	**9.9**	118.8
	47.7	173.9
Finance costs		
— gaming operations	**36.2**	56.2
— hotel and catering operations	**44.2**	65.5
— corporate level	**135.0**	76.0
	215.4	197.7
Interest income		
— gaming operations	**25.7**	5.9
— hotel and catering operations	**0.3**	1.5
— corporate level	**47.5**	28.6
	73.5	36.0

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

8. GAMING REVENUE

	2010 HK$ million	2009 HK$ million
Gaming revenue from		
— VIP gaming operations	**38,861.8**	20,016.7
— mass market table gaming operations	**17,153.9**	13,039.1
— slot machine operations	**1,177.6**	1,008.3
— others	**1.7**	1.7
	57,195.0	34,065.8

9. FINANCE COSTS

	2010 HK$ million	2009 HK$ million
Interest on		
— bank borrowings wholly repayable within five years	**(81.4)**	(123.7)
— finance leases	**(17.2)**	(23.3)
Imputed interest on amount due to non-controlling interests of a subsidiary	**(42.0)**	(36.0)
Imputed interest on convertible bonds	**(75.8)**	(16.7)
	(216.4)	(199.7)
Less: Amount capitalised in construction in progress	**1.0**	2.0
	(215.4)	(197.7)

10. PROFIT BEFORE TAXATION

	2010 HK$ million	2009 HK$ million
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 11)	**74.3**	163.6
Retirement benefits scheme contributions to other staff	**73.4**	63.5
Less: Forfeited contributions	**(19.8)**	(14.4)
	53.6	49.1
Share-based payments to other staff	**27.7**	46.8
Other staff costs	**3,471.1**	3,174.5
	3,498.8	3,221.3
	3,626.7	3,434.0
Auditors' remuneration		
— audit services	**7.8**	8.6
— non-audit services	**4.9**	6.0
	12.7	14.6
Allowance for doubtful debts	**53.6**	—
Amortisation of intangible asset (included in operating and administrative expenses)	**6.3**	6.3
Depreciation of property and equipment	**1,170.4**	1,109.0
Loss on disposal of property and equipment	**14.5**	6.1
Operating lease rentals in respect of		
— land use rights	**40.2**	39.9
— rented premises	**298.9**	323.0
— slot machines under		
— contingent rentals	**—**	1.1
— fixed rentals	**—**	0.1
	339.1	364.1
Share-based payments to other participants (included in operating and administrative expenses)	**1.9**	8.3
and after crediting:		
Dividend income from financial assets at fair value through profit or loss	**1.5**	1.4
Gain on fair value changes on financial assets at fair value through profit or loss	**27.8**	15.3
Income from amortisation of financial guarantee obligations	**13.3**	14.5
Interest income from		
— a fellow subsidiary	**17.2**	23.3
— bank deposits	**51.3**	12.1
— loan receivables	**5.0**	0.6
	73.5	36.0

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of directors during the year are analysed as follows:

	2010				2009			
	Fees HK$ million	**Salaries and other benefits HK$ million**	**Share-based payments HK$ million**	**Total HK$ million**	Fees HK$ million	Salaries and other benefits HK$ million	Share-based payments HK$ million	Total HK$ million
Executive directors								
Dr. Ho Hung Sun, Stanley ("Dr. Ho")	**24.3**	**—**	**0.4**	**24.7**	24.3	—	5.9	30.2
Dr. So Shu Fai	**9.2**	**—**	**2.8**	**12.0**	4.3	—	41.2	45.5
Mr. Ng Chi Sing	**8.1**	**—**	**2.7**	**10.8**	3.8	0.9	37.6	42.3
Mr. Rui José da Cunha	**1.8**	**—**	**0.3**	**2.1**	1.4	—	3.5	4.9
Ms. Leong On Kei, Angela	**3.3**	**0.8**	**1.7**	**5.8**	1.7	0.6	23.5	25.8
Mr. Shum Hong Kuen, David	**0.9**	**—**	**0.3**	**1.2**	0.4	—	3.5	3.9
Mr. Fok Tsun Ting, Timothy	**0.1**	**—**	**5.9**	**6.0**	—	—	—	—
Non-executive director								
Dato' Dr. Cheng Yu Tung	**6.0**	**—**	**4.0**	**10.0**	6.0	—	1.2	7.2
Independent non-executive directors								
Mr. Tse Hau Yin	**0.3**	**0.5**	**—**	**0.8**	0.3	0.5	0.6	1.4
Mr. Shek Lai Him, Abraham	**0.3**	**—**	**—**	**0.3**	0.2	—	0.6	0.8
Mr. Chau Tak Hay	**0.3**	**—**	**—**	**0.3**	0.2	—	0.6	0.8
Mr. Lan Hong Tsung, David	**0.3**	**—**	**—**	**0.3**	0.2	—	0.6	0.8
	54.9	**1.3**	**18.1**	**74.3**	42.8	2.0	118.8	163.6

The five highest paid individuals included four (2009: four) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining highest paid individual are as follows:

	2010 HK$ million	2009 HK$ million
Employee		
— salaries and allowances	**10.5**	10.6
— share-based payments	**21.2**	11.8
	31.7	22.4

No emoluments were paid by the Group to 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 has waived any emoluments in both years.

12. TAXATION

	2010 HK$ million	2009 HK$ million
Current year taxation	**(17.5)**	(17.5)
Underprovision in prior year	**(0.1)**	—
	(17.6)	(17.5)

No provision for MSAR Complementary Tax ("CT") on gaming related income is made for a subsidiary of the Company, Sociedade de Jogos de Macau, S.A. ("SJM"). Pursuant to the approval notice issued by MSAR government dated 8 December 2007, SJM has been exempted from CT for income generated from gaming operations for the years from 2007 to 2011. The management of SJM is planning to apply for extension of this tax exemption in 2011.

In addition, pursuant to the approval letter dated 2 December 2008 issued by the Finance Services Bureau of the MSAR government, SJM's shareholders were obligated to pay a tax of MOP18.0 million (equivalent to HK$17.5 million) (the "Special Tax") for each of the years 2007 to 2011. During the year, the Company, as a shareholder of SJM, was obligated to pay HK$17.5 million (2009: HK$17.5 million).

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

No provision for Hong Kong Profits Tax has been made as the Group's profit neither arises in nor is derived from Hong Kong.

The charge for the year is reconciled to profit before taxation as follows:

	2010		2009	
	HK$ million	**%**	HK$ million	%
Profit before taxation	**3,532.4**		812.3	
Tax at the applicable income tax rate	**(423.9)**	**(12.0)**	(97.5)	(12.0)
Effect of tax exemption granted to SJM	**482.5**	**13.7**	200.3	24.7
Effect of share of results of an associate and a jointly controlled entity	**1.2**	**—**	(1.0)	(0.1)
Effect of income that is not taxable in determining taxable profits	**5.1**	**0.1**	3.8	0.5
Effect of expenses that are not deductible in determining taxable profits	**(18.1)**	**(0.5)**	(33.7)	(4.2)
Effect of tax loss not recognised	**(55.3)**	**(1.5)**	(72.2)	(8.9)
Utilisation of tax losses previously not recognised	**8.5**	**0.2**	0.4	—
Special Tax	**(17.5)**	**(0.5)**	(17.5)	(2.2)
Underprovision in prior year	**(0.1)**	**—**	—	—
Others	**—**	**—**	(0.1)	—
Tax charge and effective tax rate for the year	**(17.6)**	**(0.5)**	(17.5)	(2.2)

13. DIVIDENDS

	2010 HK$ million	2009 HK$ million
2008 final dividend of HK6 cents per ordinary share paid	**—**	300.0
2009 final dividend of HK9 cents per ordinary share paid	**453.8**	—
2010 interim dividend of HK5 cents per ordinary share paid	**262.2**	—
	716.0	300.0

The final dividend of HK30 cents per ordinary share, totalling HK$1,643.3 million, is proposed by the Directors at a board meeting held on 16 March 2011, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,477,572,965 ordinary shares in issue at the date of this report.

14. 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

	2010 HK$ million	2009 HK$ million
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**3,559.4**	906.7
Effect of dilutive potential ordinary shares — imputed interest on convertible bonds	**75.8**	—
Earnings for the purpose of diluted earnings per share	**3,635.2**	906.7

Number of shares

	2010	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,145,389,186**	5,000,000,000
Effect of dilutive potential ordinary shares on		
— share options	**68,643,549**	16,461,819
— conversion of convertible bonds	**277,503,528**	—
	346,147,077	16,461,819
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,491,536,263**	5,016,461,819

For the year ended 31 December 2009, the computation of diluted earnings per share does not assume the conversion of the Company's convertible bonds as the conversion would result in an increase in earnings per share.

15. PROPERTY AND EQUIPMENT

	Land and buildings HK$ million	Chips HK$ million	Furniture, fixtures and equipment HK$ million	Gaming equipment HK$ million	Leasehold improvements HK$ million	Motor vehicles HK$ million	Vessel HK$ million	Construction in progress HK$ million	Total HK$ million
The Group									
Cost									
At 1 January 2009	4,055.3	326.2	3,642.5	531.0	2,371.9	9.1	13.7	507.2	11,456.9
Additions	—	34.6	915.5	94.3	86.0	2.6	—	586.1	1,719.1
Disposals	—	—	(9.3)	—	(34.4)	(0.1)	—	—	(43.8)
Transfers	225.7	—	180.2	—	223.0	—	—	(628.9)	—
At 31 December 2009	**4,281.0**	**360.8**	**4,728.9**	**625.3**	**2,646.5**	**11.6**	**13.7**	**464.4**	**13,132.2**
Additions	**42.8**	**26.9**	**271.6**	**30.4**	**20.4**	**6.6**	**—**	**135.8**	**534.5**
Disposals	**—**	**—**	**(11.6)**	**(17.3)**	**(19.3)**	**(2.7)**	**—**	**—**	**(50.9)**
Transfers	**542.9**	**—**	**57.3**	**—**	**—**	**—**	**—**	**(600.2)**	**—**
At 31 December 2010	**4,866.7**	**387.7**	**5,046.2**	**638.4**	**2,647.6**	**15.5**	**13.7**	**—**	**13,615.8**
Depreciation									
At 1 January 2009	154.9	280.4	695.1	285.4	493.0	3.9	8.3	—	1,921.0
Provided for the year	193.5	43.2	452.7	115.4	300.9	1.9	1.4	—	1,109.0
Eliminated on disposals	—	—	(5.2)	—	(32.2)	—	—	—	(37.4)
At 31 December 2009	**348.4**	**323.6**	**1,142.6**	**400.8**	**761.7**	**5.8**	**9.7**	**—**	**2,992.6**
Provided for the year	**213.3**	**21.1**	**548.5**	**111.9**	**271.8**	**2.5**	**1.3**	**—**	**1,170.4**
Eliminated on disposals	**—**	**—**	**(8.4)**	**(17.3)**	**(7.5)**	**—**	**—**	**—**	**(33.2)**
At 31 December 2010	**561.7**	**344.7**	**1,682.7**	**495.4**	**1,026.0**	**8.3**	**11.0**	**—**	**4,129.8**
Carrying values									
At 31 December 2010	**4,305.0**	**43.0**	**3,363.5**	**143.0**	**1,621.6**	**7.2**	**2.7**	**—**	**9,486.0**
At 31 December 2009	3,932.6	37.2	3,586.3	224.5	1,884.8	5.8	4.0	464.4	10,139.6

At the end of the reporting period, the Group's buildings in MSAR were erected on land which is held under medium-term land use right.

Also, at 31 December 2010, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate carrying value of HK$3,192.6 million (2009: HK$3,363.3 million) in respect of the Group's gaming business have to be returned to the MSAR government upon completion of the term of the concession in 2020.

15. PROPERTY AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment HK$ million	Leasehold improvements HK$ million	Total HK$ million
The Company			
Cost			
At 1 January 2009	0.3	0.2	0.5
Additions	0.8	3.4	4.2
At 31 December 2009	**1.1**	**3.6**	**4.7**
Additions	**0.4**	**—**	**0.4**
Write-off	**—**	**(0.1)**	**(0.1)**
At 31 December 2010	**1.5**	**3.5**	**5.0**
Depreciation			
At 1 January 2009	0.1	—	0.1
Provided for the year	0.2	0.2	0.4
At 31 December 2009	**0.3**	**0.2**	**0.5**
Provided for the year	**0.2**	**1.2**	**1.4**
Eliminated on write-off	**—**	**(0.1)**	**(0.1)**
At 31 December 2010	**0.5**	**1.3**	**1.8**
Carrying values			
At 31 December 2010	**1.0**	**2.2**	**3.2**
At 31 December 2009	0.8	3.4	4.2

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010 HK$ million	2009 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**	395.2
	4,359.3	4,367.5

Details of the Company's principal subsidiaries at the end of the reporting period are set out in note 52.

17. LAND USE RIGHTS

	2010 **HK$ million**	2009 HK$ million
The Group		
Carrying value		
At 1 January	**845.8**	886.5
Additions	**—**	0.3
Released and capitalised to construction in progress	**(0.7)**	(1.1)
Released to profit or loss	**(40.2)**	(39.9)
At 31 December	**804.9**	845.8

The amount represents prepayment of rentals for medium-term land use rights situated in MSAR.

18. INTANGIBLE ASSET

	HK$ million
The Group	
Cost	
At 1 January 2009, 31 December 2009 and 31 December 2010	**63.2**
Amortisation	
At 1 January 2009	11.1
Amortised for the year	6.3
At 31 December 2009	**17.4**
Amortised for the year	**6.3**
At 31 December 2010	**23.7**
Carrying value	
At 31 December 2010	**39.5**
At 31 December 2009	45.8

The cost of a license for operating a casino game is amortised on a straight line basis over the term of the license representing its useful life of 10 years.

19. ART WORKS AND DIAMONDS

	HK$ million
The Group	
Cost and carrying value	
At 1 January 2009	281.7
Additions	7.5
At 31 December 2009	**289.2**
Additions	**1.2**
At 31 December 2010	**290.4**

The amount represents the aggregate cost of art works and diamonds held by the Group. In the opinion of the directors, after referencing to professional valuation reports, the residual value of the art works and diamonds worth at least its carrying amount at the end of both reporting periods. Therefore, no depreciation nor impairment is provided for both years.

20. INTEREST IN AN ASSOCIATE

	The Group	
	2010 **HK$ million**	2009 HK$ million
Cost of investment	**25.0**	25.0
Discount on acquisition	**6.8**	6.8
Share of post-acquisition profits	**42.2**	35.6
	74.0	67.4

The cost of investment in an associate represents the Group's 49% equity interest in Zhen Hwa Harbour Construction Company Limited ("Zhen Hwa") which is established in MSAR and engaged in the provision of construction services and investment holding.

20. INTEREST IN AN ASSOCIATE (Continued)

The summarised financial information in respect of the Group's associate is set out below:

	2010 HK$ million	2009 HK$ million
Total assets	**431.3**	766.1
Total liabilities	**(280.2)**	(628.5)
Net assets	**151.1**	137.6
Group's share of associate's net assets	**74.0**	67.4
Revenue	**348.6**	982.6
Profit for the year	**13.5**	5.7
Group's share of profits (losses) of an associate for the year*	**4.9**	(13.5)

* The amounts have been adjusted for the unrealised profits of HK$1.7 million for the year ended 31 December 2010 (2009: HK$16.3 million).

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2010 HK$ million	2009 HK$ million
Cost of investment	**39.7**	39.7
Share of post-acquisition profits	**33.5**	28.0
	73.2	67.7

The cost of investment in jointly controlled entity represents the Group's 49% equity interest in Chong Fung Real Estate Investment Limited ("Chong Fung") which is established in MSAR and engaged in property investment.

Chong Fung is regarded as a jointly controlled entity as each of the two joint venturers possesses 50% of the voting power of the entity, and the financial and operating policies of the jointly controlled entity require unanimous consent of the joint venturers.

At the end of the reporting period, included in the cost of investment is goodwill of HK$34.3 million (2009: HK$34.3 million) arising on acquisition of the jointly controlled entity.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

The summarised financial information in respect of the Group's interest in a jointly controlled entity which is accounted for using equity method is set out below:

	2010 HK$ million	2009 HK$ million
Total assets	**60.2**	54.3
Total liabilities	**(21.3)**	(20.9)
Net assets	**38.9**	33.4
Revenue	**7.1**	7.5
Profit for the year	**5.5**	5.4

22. AVAILABLE-FOR-SALE INVESTMENTS IN EQUITY SECURITIES

The Group

The balance represents investments in unlisted overseas equity securities. It is not practicable to estimate the fair values of these investments as there is no reliable fair value measurement. Hence, the carrying amounts are stated at cost less any identified impairment losses at the end of both reporting periods.

23. DEPOSITS MADE ON ACQUISITIONS

	The Group	
	2010 HK$ million	2009 HK$ million
Deposits made on acquisitions of		
— land use rights (note 48)	**65.5**	65.5
— property and equipment	**57.1**	102.6
	122.6	168.1

24. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The Group

The balance represents the non-current portion of lease receivables from Companhia de Aviacao Jet Asia Limitada ("Jet Asia"), a subsidiary of STDM, under a back-to-back arrangement set out in note 37. The receivables carry variable rate with effective interest ranging from 2.29% to 6.10% (2009: 2.28% to 6.68%) per annum.

25. AMOUNTS DUE FROM INVESTEE COMPANIES

The Group

The amounts represent loans to the investees which are unsecured, interest-free and have no fixed repayment terms. At 31 December 2010, the management of the Group does not expect that the amounts will be realised within 12 months from the end of the reporting period, hence the amounts were reclassified to non-current assets.

26. PLEDGED BANK DEPOSITS

The Group

At 31 December 2010, deposits amounting to HK$145.6 million (2009: HK$145.6 million) have been 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 MSAR government against the legal and contractual financial obligations of SJM under the gaming concession contract. Given the nature of the facility, the pledged bank deposits are classified as non-current assets.

At 31 December 2010, deposit amounting to HK$1.0 million (2009: Nil) under current assets has been pledged in favour of the MSAR court against any future legal proceedings of labour disputes.

In addition, at 31 December 2010, deposits amounting to HK$0.3 million (2009: HK$0.3 million), has been pledged to a bank for provision of guarantee in favour of the MSAR government to demonstrate the financial ability of a wholly-owned subsidiary of the Company to send back their imported labour to their respective home countries.

As at 31 December 2010, the remaining deposits under current assets amounting to HK$25.1 million (2009: HK$265.1 million) have been pledged in favour of the MSAR government for the payment of land premium of a subsidiary which is expected to be realised within 12 months from the end of the reporting period.

At 31 December 2010, the pledged bank deposits carried fixed interest rates ranging from 0.08% to 1.11% (2009: 0.05% to 0.52%) per annum.

27. BANK DEPOSITS/SHORT-TERM BANK DEPOSITS

The Group

At 31 December 2010, the short-term bank deposits carried fixed interest rates ranging from 0.44% to 1.47% (2009: 0.2% to 0.63%) per annum with original maturity of ranging from 4 months to 18 months (2009: 6 months), and are classified as current assets since their remaining maturity is within 12 months from the end of the reporting period.

In 2009, the bank deposits carried fixed interest rate at 1.25% per annum with original maturity of 18 months.

The Company

At 31 December 2009, the bank deposits carried fixed interest rate at 1.25% per annum with original maturity of 18 months. At 31 December 2010, the short-term bank deposits carried fixed interest rates ranging from 0.45% to 1.47% (2009: 0.2% to 0.63%) per annum with original maturity of ranging from 4 months to 18 months (2009: 6 months), and are classified as current assets since their remaining maturity is within 12 months from the end of the reporting period.

28. TRADE AND OTHER RECEIVABLES

	The Group	
	2010	2009
	HK$ million	HK$ million
Advances to gaming promoters	**744.9**	733.8
Other receivables from gaming promoters	**189.0**	113.9
Prepayments	**102.7**	86.3
Others	**221.6**	299.3
	1,258.2	1,233.3

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:

	The Group	
	2010	2009
	HK$ million	HK$ million
Age		
0 to 30 days	**670.9**	617.1
31 to 60 days	**—**	0.4
61 to 90 days	**0.3**	9.1
Over 90 days	**73.7**	107.2
	744.9	733.8

In general, SJM provides temporary interest-free credit to gaming promoters which is repayable on demand in the month following the month in which the credit is granted. The relevant temporary credit is generally limited to the commissions accrued/payable to gaming promoters. SJM may also grant credit to gaming promoters that is repayable through instalments and revolving credit facilities with pre-approved credit lines, in which cheques or other forms of securities are provided by gaming promoters to SJM.

The directors of the Company generally consider that such credit is temporary credit provided against unpaid commissions to gaming promoters and is granted based on the performance and financial background of the relevant gaming promoters. In some cases, unsecured credit of not more than the equivalent of two to three months' commissions accrued/payable to the relevant gaming promoters may be granted to those gaming promoters with good credit histories and track records of large business volumes. In the event that a gaming promoter fails to repay credit granted by SJM, SJM has the right, pursuant to the relevant gaming promoter agreement, to withhold commissions payable to the gaming promoter to satisfy the credit granted until full repayment is made.

The advances to gaming promoters and other receivables from gaming promoters are interest-free, unsecured and repayable on demand.

28. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts

	The Group	
	2010 **HK$ million**	2009 HK$ million
At 1 January	**24.5**	24.5
Allowance for doubtful debts	**53.6**	—
At 31 December	**78.1**	24.5

Included in the allowance for doubtful debts are individually impaired receivables from gaming promoters with an aggregate balance of HK$78.1 million (2009: HK$24.5 million) since the management considered the prolonged outstanding balances from these gaming promoters were uncollectible.

Prepayments and other receivables of the Group which included certain trade balances between the Group and related companies are detailed as follows:

	The Group	
	2010 **HK$ million**	2009 HK$ million
STDM and its associates	**56.4**	126.7
An associate	**4.4**	9.5
Entities in which certain directors of the Group and/or their close family members have control/significant influence	**68.0**	42.0
	128.8	178.2

29. LOAN RECEIVABLES

The Group

On 22 October 2009, SJM–Investment Limited ("SJM–I"), a subsidiary of the Company entered into a funded participation agreement with an independent finance company (the "Finance Company"), pursuant to which SJM–I agreed to a 100% sub-participation in the revolving loan facility (the "Revolving Loan Facility") equivalent to HK$250 million.

A facility agreement was entered into on the same date by the Finance Company as lender; the ultimate holding company of the non-controlling interests of a subsidiary of the Group, Pier 16 – Property Development Limited ("Pier 16 – Property"), as a borrower (the "Borrower"); and an intermediate holding company of the non-controlling interests of Pier 16 – Property as security provider (the "Chargor"), pursuant to which the Finance Company will provide the Borrower with the Revolving Loan Facility. If the Borrower fails to repay, the Finance Company can take those steps set out in the Revolving Loan Facility and the Chargor shall sell and transfer the relevant charged shares, being 51% equity interests in an intermediate holding company of the non-controlling interest of Pier 16 – Property, to SJM–I together with all rights, benefits, title and interests.

29. LOAN RECEIVABLES (Continued)

The Revolving Loan Facility is available for a term of 3 years commencing from the date of the above facility agreement and is for an aggregate principal amount of HK$250 million. The Revolving Loan Facility carries an interest rate at 2.6% over HIBOR with effective interest rate from 2.8% to 2.9% (2009: 2.8%) per annum. The Finance Company would charge SJM–I a fee calculated at the rate of 0.1% per annum of the principal borrowed. The proceeds of the Revolving Loan Facility were applied by the Borrower in connection with the cashflow requirements of Pier 16 – Property and its subsidiaries, being the obligations to provide shareholders' loans to Pier 16 Property in respective ownership proportions.

As at 31 December 2010, HK$246 million (2009: HK$132 million) was utilised and revolving for a term of 3 months.

30. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The Group

The amount due from ultimate holding company arising from the Chips Agreement as defined in note 51(b) is unsecured, interest-free and is expected to realise within 12 months from the end of the reporting period.

31. AMOUNT DUE FROM AN ASSOCIATE

The Group

The amount is unsecured, interest-free and is expected to realise within 12 months from the end of the reporting period.

32. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The Group

The amount is unsecured, interest-free and is expected to realise within 12 months from the end of the reporting period.

33. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

The amount comprised equity shares listed in Hong Kong and were carried at market bid price at the end of the reporting period.

34. TRADE AND OTHER PAYABLES

	The Group	
	2010 HK$ million	2009 HK$ million
Trade payables	**1,951.8**	1,239.6
Special gaming tax payable	**2,117.9**	1,325.2
Chips liabilities	**4,325.1**	2,725.9
Payables for acquisition of property and equipment	**61.4**	78.3
Construction payables	**222.0**	562.3
Deposits received from gaming patrons and gaming promoters	**292.5**	237.5
Accrued staff costs	**484.5**	194.1
Rentals payables	**104.0**	106.7
Withholding tax payables	**52.3**	17.6
Other payables	**409.3**	407.8
	10,020.8	6,895.0

34. 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:

	The Group	
	2010 **HK$ million**	2009 HK$ million
Age		
0 to 30 days	**1,925.2**	1,176.5
31 to 60 days	**5.0**	26.7
61 to 90 days	**1.0**	6.4
Over 90 days	**20.6**	30.0
	1,951.8	1,239.6

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

Trade and other payables of the Group which included certain trade balances between the Group and related companies are detailed as follows:

	The Group	
	2010 **HK$ million**	2009 HK$ million
STDM and its associates	**161.0**	95.1
An associate	**55.5**	341.1
Entities in which certain directors of the Group and/or their close family members have control/significant influence	**317.7**	265.7
	534.2	701.9

35. AMOUNTS DUE FROM SUBSIDIARIES/AMOUNT DUE TO A SUBSIDIARY/AMOUNT DUE TO A DIRECTOR

The Group

The amount due to a director is unsecured, interest-free and is repayable on demand.

The Company

The amounts due from subsidiaries are unsecured, interest-free and are expected to realise within 12 months from the end of the reporting period. The amount due to a subsidiary is unsecured, interest-free and is repayable on demand.

36. FINANCIAL GUARANTEE OBLIGATIONS

The Group

The financial guarantee obligations as at 31 December 2009 represented financial guarantee contract issued by the Group, which was expired in the year 2010, to a related company in which Dr. Ho has beneficial interests. In addition, the fair value of financial guarantee obligations in respect of the investee companies and an associate (note 49) at initial recognition is insignificant. No provision for financial guarantee contracts have been made at 31 December 2010 and 2009 as the default risk is low.

The Company

At 31 December 2010 and 31 December 2009, the Company guarantees payments of all sums payable in relation to the convertible bonds issued by a subsidiary (note 40). The directors of the Company consider the fair value of such financial guarantee is not significant taking into account, among others, the fact that all the proceeds arising from the convertible bonds have been lent to the Company and recognised in the amount due to a subsidiary under current liabilities in the Company's statement of financial position.

37. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
Amounts payable under finance leases				
— within one year	**34.6**	49.6	**23.5**	33.3
— between one to two years	**36.6**	40.3	**25.7**	23.6
— between two to five years	**109.9**	121.0	**83.8**	79.2
— after five years	**208.5**	256.1	**195.0**	226.4
	389.6	467.0	**328.0**	362.5
Less: Future finance charges	**(61.6)**	(104.5)		
Present value of lease obligations	**328.0**	362.5		
Less: Amounts due within one year shown under current liabilities			**(23.5)**	(33.3)
Amounts due after one year			**304.5**	329.2

As at 31 December 2010, Sky Reach Investments Limited ("Sky Reach"), a wholly-owned subsidiary of the Company, had entered into certain lease agreements each for a term of 10 years (the "Aircraft Agreements") with a finance company and Jet Asia, to lease certain aircraft in MSAR in which the aircraft were then immediately sub-leased to Jet Asia. The Aircraft Agreements have terms of renewal and purchase option clauses. Pursuant to the Aircraft Agreements, the Group is entitled to recover any amounts and charges payable to the finance company under the Aircraft Agreements from Jet Asia. The amounts are denominated in United States dollars and carried variable interest rates with effective interest rate ranging from 2.29% to 6.10% per annum at 31 December 2010 (2009: 2.28% to 6.68% per annum). The Group's obligations under finance leases are secured by the leased aircraft held by Jet Asia and the 100% shareholding of Sky Reach held by the Group.

37. OBLIGATIONS UNDER FINANCE LEASES (Continued)

In view of a decline in resale value of certain aircraft in 2009, the finance company invoked a clause in the Aircraft Agreement requiring the Group to make accelerated lease payments in an aggregate amount of HK$84.5 million, of which HK$71.5 million was settled by the Group in 2009 but not yet received from Jet Asia as at 31 December 2009. Such amount was included in trade and other receivables in the current assets and was subsequently settled by Jet Asia in 2010.

At 31 December 2010, the relevant lease receivables from Jet Asia for the Aircraft Agreements, which have equivalent repayment terms as the obligations under finance leases, amounted to HK$328.0 million (2009: HK$362.5 million), out of which HK$304.5 million (2009: HK$329.2 million) is recorded as amount due from a fellow subsidiary in the non-current assets as shown in note 24. The remaining amount of HK$23.5 million (2009: HK$33.3 million) is included in trade and other receivables in current assets.

38. BANK LOANS

	The Group	
	2010 HK$ million	2009 HK$ million
The syndicated secured bank loans are repayable		
— within one year	**1,040.0**	1,040.0
— between one to two years	**3,072.0**	1,040.0
— between two to five years	**—**	3,062.0
	4,112.0	5,142.0
Less: Amount due within one year shown under current liabilities	**(1,040.0)**	(1,040.0)
Amount due after one year	**3,072.0**	4,102.0

At 31 December 2010, the Group's syndicated secured bank loans carried interest ranging from 1.4% to 2.1% over 3-month HIBOR per annum with effective interest rates ranging from 1.7% to 2.4% (2009: 1.5% to 5.9%) per annum and are all denominated in Hong Kong dollars. The purpose of the loans is to finance certain construction projects in MSAR. At 31 December 2010, the loans were secured by certain of the Group's property and equipment, and land use rights with carrying values of HK$5,832.3 million (2009: HK$6,127.4 million) and HK$757.6 million (2009: HK$797.3 million) respectively. In addition, the bank loans were secured by the following:

(i) an assignment of all receivables and income from hotel operation in Ponte 16;

(ii) an assignment of all receivables of Grand Lisboa – Property Investment Company Limited and SJM (limited to the income after taxes, levies, commission and allowance to junkets derived from the Grand Lisboa casino);

(iii) floating charges over all assets (except immovable property) and legal charges over certain bank accounts of certain subsidiaries with an aggregate carrying value of HK$3,845.9 million (2009: HK$5,411.1 million); and

(iv) share pledges over the shares of certain subsidiaries.

39. AMOUNT DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The Group

Pursuant to the relevant agreement entered into between the Group and the non-controlling interests of a subsidiary, the non-controlling interests of the subsidiary agreed to subordinate the amount due from the subsidiary to the bank to secure the subsidiary's long-term bank loans and therefore is classified as a non-current liability.

At 31 December 2010, interest on the amount due to non-controlling interests of the subsidiary of HK$966.6 million (2009: HK$807.3 million) has been computed based on the principal amount of HK$1,223.9 million (2009: HK$1,089.0 million) at a weighted original effective interest rate of approximately 4.8% (2009: 5.08%) per annum, taking into account a projection on the timing of realisation of surplus funds representing 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.

40. CONVERTIBLE BONDS

The Group

On 28 October 2009, Champion Path Holdings Limited ("Champion Path"), a wholly-owned subsidiary of the Company, issued zero coupon convertible bonds, which are listed in Singapore Exchange Securities Trading Limited, at a principal amount of HK$2,000 million (the "Bonds") maturing on 28 October 2015 (the "Maturity Date"). The Bonds are denominated in Hong Kong dollars and the Company agrees to guarantee payment of all sums payable in relation to such Bonds.

The principal terms of the Bonds are as follows:

(a) The Bonds are convertible, at the option of the bondholders, into ordinary shares of HK$1 each, by issuing new shares, of the Company at a conversion price of HK$5.35 per share, subject to anti-dilutive adjustments, at any time on or after 8 December 2009 up to the close of business on the 7th day prior to the Maturity Date. Unless previously redeemed, converted or purchased and cancelled, the outstanding Bonds will be redeemed by Champion Path at 112.68% of its principal amount on the Maturity Date.

(b) On or at any time after 28 April 2011 and prior to the Maturity Date, Champion Path may redeem all, but not some only, of the Bonds at a redemption price equal to the applicable early redemption amount predetermined in the convertible bonds agreements, which is an amount calculated with reference to the principal amount of the Bonds generally representing for the bondholders a gross yield of 2% per annum (calculated on a semi-annual basis).

(c) Champion Path will, at the option of the bondholders, redeem all, or some only, of the Bonds on 28 April 2011 at the applicable early redemption amount predetermined in the convertible bonds agreements.

At initial recognition, the Bonds are spilt into an equity component of HK$395.2 million and a liability component of HK$1,604.8 million. The liability component is determined based on the present value of the estimated future cash flows discounted at an effective interest rate of 5.82% per annum, being the average yield of similar financial instruments with similar credit rating and structure which incorporated appropriate adjustments to reflect possible impact of country factors, firm specific risk and liquidity risk.

40. CONVERTIBLE BONDS (Continued)

As the Company's and bondholders' early redemption options are considered as closely related to the host contracts, the fair values of these options, which are determined using Binomial Option Pricing Model at initial recognition, have not been separated from the host contracts, but included in the carrying amount of the liability component. The equity component is presented as convertible bonds equity reserve in equity, whereas the liability component is classified under non-current liability at 31 December 2009, and is reclassified from non-current liability to current liability in the current year since the Group is required to redeem all, or some only, of the convertible bonds on 28 April 2011 at the option of the bondholders, at the applicable early redemption amount set out in the trust deed.

The movement of the liability component of the Bonds for the year is as follows:

	HK$ million
Liability component at date of issue on 28 October 2009	1,604.8
Transaction cost attributable to the liability component of the Bonds	(33.3)
	1,571.5
Imputed interest expense for the year	16.7
At 31 December 2009	**1,588.2**
Imputed interest expense for the year	**75.8**
Conversion during the year	**(1,445.3)**
At 31 December 2010	**218.7**

With effect from 1 June 2010, the conversion price was adjusted to HK$5.24 per share after accounting for the 2009 final dividend, which was approved by shareholders at the annual general meeting of the Company held on 31 May 2010, in accordance with the terms and conditions set out in the trust deed relating to the convertible bonds issued on 28 October 2009. No adjustment to the conversion price is required after 2010 interim dividend since the adjustment is less than 1% in accordance with the terms and conditions set out in the trust deed.

Fair value of the outstanding Bonds as at 31 December 2010 is HK$597.9 million (2009: HK$2,161.1 million) based on the market bid price.

41. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount HK$ million	Number of shares	Amount HK$ million
Ordinary shares of HK$1 each				
At 1 January 2009 and 31 December 2009	**15,000,000,000**	**15,000.0**	**5,000,000,000**	**5,000.0**
Exercise of share options	**—**	**—**	**122,340,000**	**122.3**
Conversion of convertible bonds	**—**	**—**	**332,175,488**	**332.2**
At 31 December 2010	**15,000,000,000**	**15,000.0**	**5,454,515,488**	**5,454.5**

During the year, 122,340,000 share options were exercised, resulting in the issue of 121,140,000 and 1,200,000 ordinary shares of HK$1 each in the Company at a price of HK$2.82 and HK$4.48 per share respectively.

Also, during the year, convertible bonds with principal amount of HK$1,740.6 million were converted to 332,175,488 ordinary shares of the Company at a conversion price of HK$5.24 per share.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

42. 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 "Option 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 Option 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 its absolute discretion, are regarded as valuable human resources of the Group.

Options granted are exercisable for a period of 9 years commencing on the date falling 6 months after the date of grant and expiring on the last day of the said 9 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 prices 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 Option Scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company at the date of adoption of the Option 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.

42. SHARE OPTION SCHEME (Continued)

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 proposed 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 19 May 2010, 26 May 2010 and 31 August 2010, the Company granted 1,500,000 share options, 500,000 share options and 5,000,000 share options respectively to 5 Participants, including two directors of the Company, at exercise price per share of HK$5.11, HK$5.03 and HK$7.48 respectively under the terms of the Option Scheme. Total consideration received from the Participants for taking up the options granted amounted to HK$5.

A summary of the movements of the outstanding options during the year ended 31 December 2010 under the Option Scheme is as follows:

					Number of share options					
Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Outstanding at 1.1.2009	Granted in 2009	Outstanding at 31.12.2009	Granted in 2010	Exercised in 2010	Outstanding at 31.12.2010
Directors	13.7.2009	13.7.2009 – 12.1.2010	13.1.2010 – 12.1.2019	2.82	—	101,000,000	**101,000,000**	**—**	**(87,500,000)**	**13,500,000**
	31.8.2010	31.8.2010 – 27.2.2011	28.2.2011 – 27.2.2020	7.48	—	—	**—**	**5,000,000**	**—**	**5,000,000**
Employees	13.7.2009	13.7. 2009 – 12.1.2010	13.1.2010 – 12.1.2019	2.82	—	39,800,000	**39,800,000**	**—**	**(30,540,000)**	**9,260,000**
	13.7.2009	13.7. 2009 – 12.1.2011	13.1.2011 – 12.1.2019	2.82	—	10,000,000	**10,000,000**	**—**	**—**	**10,000,000**
	13.7.2009	13.7. 2009 – 12.1.2012	13.1.2012 – 12.1.2019	2.82	—	10,000,000	**10,000,000**	**—**	**—**	**10,000,000**
	19.5.2010	19.5.2010 – 18.11.2010	19.11.2010 – 18.11.2019	5.11	—	—	**—**	**1,500,000**	**—**	**1,500,000**
	26.5.2010	26.5.2010 – 25.11.2010	26.11.2010 – 25.11.2019	5.03	—	—	**—**	**500,000**	**—**	**500,000**
Others (note)	13.7.2009	13.7. 2009 – 12.1.2010	13.1.2010 – 12.1.2019	2.82	—	5,900,000	**5,900,000**	**—**	**(3,100,000)**	**2,800,000**
	7.10.2009	7.10. 2009 – 6.4.2010	7.4.2010 – 6.4.2019	4.48	—	1,200,000	**1,200,000**	**—**	**(1,200,000)**	**—**
					—	167,900,000	**167,900,000**	**7,000,000**	**(122,340,000)**	**52,560,000**
Weighted average exercise price per share					—	HK$2.83	**HK$2.83**	**HK$6.80**	**HK$2.84**	**HK$3.35**

42. SHARE OPTION SCHEME (Continued)

Note: The Company's share options granted to other participants are measured by reference to the fair value of options granted to directors/employees of the Group since the fair value of the services provided by such other participants to the Group cannot be estimated reliably.

In respect of the above options exercised during the year, the weighted average closing price per share at the dates of exercise was HK$9.1. At the end of the reporting period, 27,560,000 share options are exercisable (2009: Nil).

The estimated fair values of share options granted on 19 May 2010, 26 May 2010 and 31 August 2010 were HK$3.1 million, HK$1.0 million and HK$14.5 million respectively. The estimated fair values of share options granted on 13 July 2009 and 7 October 2009 were HK$210.6 million and HK$2.7 million respectively.

These fair values were calculated using either the Black-Scholes Options Pricing Model ("Black-Scholes") or the Binomial Options Pricing Model ("Binomial"). The inputs into the models were as follows:

Date of grant	13 July 2009	7 October 2009	19 May 2010	26 May 2010	31 August 2010
Model	Black-Scholes	Black-Scholes	Binomial	Binomial	Binomial
Number of share options	166,700,000	1,200,000	1,500,000	500,000	5,000,000
Vesting period	6 to 30 months from the date of grant	6 months from the date of grant	6 months from the date of grant	6 months from the date of grant	6 months from the date of grant
Closing share price at date of grant	HK$2.82	HK$4.32	HK$5.11	HK$5.03	HK$7.48
Contractual life	5-6 years	5 years	9.5 years	9.5 years	9.5 years
Exercise price per share	HK$2.82	HK$4.48	HK$5.11	HK$5.03	HK$7.48
Exercise multiple	N/A	N/A	1.79 times	1.79 times	1.81 times
Expected volatility	66.46%	65.07%	56.77%	56.16%	49.56%
Risk-free interest rate	1.74%-1.94%	1.695%	2.47%	2.35%	1.89%
Expected dividend yield	3.26%	1.12%	1.76%	1.79%	1.87%

Because the Black-Scholes and Binomial requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

As the Company's ordinary shares were newly listed on the Stock Exchange in July 2008, expected volatility was determined by using the historical volatility of comparable companies with a similar business nature.

The contractual life used in the models 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 employees and directors, the management assumed an exercise multiple of 1.79 and 1.81 times for options granted in 2010 based on the historical exercise behaviour of the Company's employees and directors respectively.

In 2010, the Group and the Company recognised total expenses of HK$47.7 million and HK$9.6 million respectively during the year (2009: HK$173.9 million and HK$118.8 million respectively) in relation to share options granted by the Company. The Company levied an inter-company charge of HK$38.1 million (2009: HK$55.1 million) on the subsidiaries in respect of share options granted to the staff providing services to these subsidiaries.

43. RESERVES

	Share premium HK$ million	Share options reserve HK$ million	Convertible bonds equity reserve HK$ million	Retained profits HK$ million	Total HK$ million
The Company					
At 1 January 2009	1,627.4	—	—	332.0	1,959.4
Recognition of equity settled share-based payments	—	173.9	—	—	173.9
Recognition of equity component of convertible bonds issued by a subsidiary	—	—	395.2	—	395.2
Dividends paid (note 13)	—	—	—	(300.0)	(300.0)
Total comprehensive income for the year	—	—	—	472.2	472.2
At 31 December 2009	**1,627.4**	**173.9**	**395.2**	**504.2**	**2,700.7**
Transaction costs attributable to the issue of convertible bonds in 2009 charged by a subsidiary	**—**	**—**	**(8.2)**	**—**	**(8.2)**
Exercise of share options	**379.8**	**(155.2)**	**—**	**—**	**224.6**
Conversion of convertible bonds	**1,449.9**	**—**	**(336.8)**	**—**	**1,113.1**
Expenses incurred in connection with the issue of shares	**(0.3)**	**—**	**—**	**—**	**(0.3)**
Recognition of equity settled share-based payments	**—**	**47.7**	**—**	**—**	**47.7**
Dividends paid (note 13)	**—**	**—**	**—**	**(716.0)**	**(716.0)**
Total comprehensive income for the year	**—**	**—**	**—**	**2,578.0**	**2,578.0**
At 31 December 2010	**3,456.8**	**66.4**	**50.2**	**2,366.2**	**5,939.6**

On 15 March 2011, a subsidiary of the Company, SJM, proposed a final dividend of HK$970.9 million subject to the approval by its shareholders in the forthcoming annual general meeting to be held on 31 March 2011.

44. UNRECOGNISED DEFERRED TAXATION

At 31 December 2010, the Group has unutilised tax losses of HK$1,478.7 million (2009: HK$1,222.7 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. These unrecognised tax losses will expire as follows:

	The Group	
	2010 **HK$ million**	2009 HK$ million
Tax losses expire in		
— 2010	**—**	142.1
— 2011	**416.2**	479.3
— 2012	**601.3**	601.3
— 2013	**461.2**	—
	1,478.7	1,222.7

The Company has no significant unprovided deferred taxation for the year or at the end of the reporting period.

45. MAJOR NON-CASH TRANSACTIONS

In 2010, property and equipment totalling HK$80.1 million (2009: HK$77.4 million) were settled by utilising deposits made on acquisitions. In 2009, property and equipment totalling HK$57.8 million was settled by utilising prepayments included in trade and other receivables.

In 2009, the Group entered into an additional Aircraft Agreement with present value of minimum lease payments of HK$74.1 million.

46. OPERATING LEASE COMMITMENTS

The Group

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	
	2010 **HK$ million**	2009 HK$ million	**2010** **HK$ million**	2009 HK$ million
Within one year	**2.5**	2.5	**204.0**	219.4
In the second to fifth year inclusive	**10.0**	10.0	**595.4**	647.4
After five years	**44.1**	46.7	**261.7**	469.7
	56.6	59.2	**1,061.1**	1,336.5

Leases of rented premises are negotiated for terms ranging from 1 to 13 years.

46. OPERATING LEASE COMMITMENTS (Continued)

Lease payments of land use rights in MSAR are negotiated for a term of 25 years at a fixed rental, and are subject to revision every 5 years.

In November 2004, SJM issued a legally binding confirmation letter to a company in which a director of the Company has indirect beneficial interests (the "Lessor") pursuant to which SJM conditionally agreed to lease from the Lessor certain premises in MSAR for the operation of a casino. According to the confirmation letter, the term of the lease will be for a period from the commencement of business at the premises to the expiry of the gaming concession contract on 31 March 2020, subject to the terms of the proposed lease agreement. The monthly operating lease rentals of the premises are in an aggregate amount equivalent to (i) 40% of the gross monthly revenue of the casino in respect of the first 60 gaming tables and (ii) certain percentage, being not less than 30%, to be further agreed between SJM and the Lessor, of the gross monthly revenue in respect of the remaining gaming tables at the casino. Lease of premises for operation of this casino as mentioned has not yet commenced as at the end of the reporting period.

At 31 December 2010, operating lease rentals committed to STDM and its associates and companies in which certain directors of the Group have control/significant influence amounted to HK$868.3 million (2009: HK$1,143.6 million).

The Company

At the end of the reporting period, the Company was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2010 HK$ million	2009 HK$ million
Within one year	**4.7**	4.7
In the second to fifth year inclusive	**1.9**	6.6
	6.6	11.3

47. CAPITAL COMMITMENTS

	The Group	
	2010 HK$ million	2009 HK$ million
Capital expenditure in respect of property and equipment — authorised but not contracted for	**118.7**	252.9
— contracted for but not provided in the financial statements	**170.0**	410.3

At 31 December 2010, capital expenditure in respect of property and equipment committed to entities in which certain directors of the Group have control was HK$22.2 million (31 December 2009: HK$585.7 million).

48. OTHER COMMITMENTS

The Group

In 2004, SJM entered into an agreement with a Portuguese school in MSAR for the use of a piece of land currently occupied by the school. As formulated under such agreement, the consideration comprises the construction of a new school in Taipa in MSAR for an amount not exceeding HK$97.1 million and a donation of HK$184.5 million. At 31 December 2010, a deposit of HK$65.5 million (2009: HK$65.5 million) which was included in deposits made on acquisitions, was paid of which HK$46.1 million (2009: HK$46.1 million) is refundable if the agreement is void pursuant to its terms.

49. CONTINGENT LIABILITIES AND GUARANTEES

	The Group			
	2010		2009	
	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**	**60.7**	67.3	0.9
— investee companies	**25.3**	**500.0**	86.5	335.0
— a related company in which a director of the Company has beneficial interests	**—**	**—**	89.9	89.9
	92.6	**560.7**	243.7	425.8

At the end of the reporting period, the Group was a guarantor in respect of a deed entered into between a shareholder of Zhen Hwa and an independent third party for a construction project in MSAR. Pursuant to the deed, the Group has guaranteed the performance of Zhen Hwa under the deed and agreed to indemnify the third party, against all liabilities, losses, damages, costs and expenses suffered or incurred by the third party by reason of any act, failure, default or omission on the part of Zhen Hwa in performing and observing its obligations under and in connection with the warranty. There is no claims from third party in both years.

Also, at the end of the reporting period, certain subsidiaries are parties to various legal claims in its ordinary course of business. In the opinion of the directors of the Company, ultimate resolution of these claims would not have a significant impact on the Group’s results and financial position.

The Company

On 28 October 2009, a wholly-owned subsidiary of the Company issued zero coupon convertible bonds at a principal amount of HK$2,000 million maturing on 28 October 2015. The Company agrees to guarantee payment of all sums payable in relation to such bonds. As at 31 December 2010, the outstanding principal amount of the convertible bonds was HK$259.4 million (2009: HK$2,000 million).

50. RETIREMENT BENEFITS SCHEMES

The Group

Employees employed by the Group's operations in MSAR are members of government-managed retirement benefits schemes operated by the MSAR government. The MSAR operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the MSAR government is to make the required contributions under the schemes.

The Group and the Company operate a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group and the Company in funds under the control of a trustee. The Group and the Company contribute 5% of the relevant payroll costs to the Scheme, which is matched with both voluntary and mandatory contribution of each employee.

SJM 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 represents contributions payable to the funds by SJM at rates specified in the rules of the scheme.

Where there are employees of the Group who leave the Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

51. RELATED PARTY TRANSACTIONS

The Group

Other than the transactions and balances with related parties disclosed in respective notes in these consolidated financial statements, during the year, the Group had the following significant transactions with related parties:

(a) During the year, the Group had the following significant transactions with its related companies:

Relationship of related companies	Nature of transactions	2010 HK$ million	2009 HK$ million
STDM and its associates, excluding the Group (as defined under Chapter 14A of the Listing Rules)	**Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules**		
	Hotel accommodation (note 51(c))	**77.9**	76.9
	Hotel management and operation (note 51(c))	**6.1**	6.4
	Entertainment and staff messing (note 51(c))	**59.8**	76.0
	Dredging services (note 51(c))	**107.5**	82.7
	Transportation (note 51(c))	**184.8**	239.7
	Promotional and advertising services (note 51(c))	**16.8**	23.3
	Maintenance services (note 51(c))	**58.5**	67.5
	Property rentals (note 51(d))	**184.2**	111.1
	Aircraft sublease rental receipts (note 51(e))	**51.7**	115.9
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules		
	Share of administrative expenses (note 51(f))	**40.7**	42.7
	Cleaning services (note 51 (g))	**17.8**	11.2
	Others (note 51 (g))	**21.1**	21.3
Certain directors of the Group 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 51(h))	**575.2**	—
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules		
	Entertainment and staff messing (note 51(g))	**33.9**	—
	Transportation (note 51(g))	**19.8**	—
	Others (note 51(g))	**32.1**	13.5
Entities other than above in which STDM, certain directors of the Group and/or their close family members have control/significant influence	Service fees in relation to the promotion of a casino	**993.3**	118.3
	Construction costs paid	**119.6**	312.4
	Insurance expenses	**42.2**	43.8
	Promotion and advertising expenses	**38.7**	48.4
	Property rentals	**11.7**	49.2
	Purchase of property and equipment	**10.5**	52.6
	Hotel accommodation	**1.5**	24.7
	Others	**37.2**	51.4
An associate	Construction costs paid	**150.9**	724.6
	Others	**2.7**	19.8
A jointly controlled entity	Property rentals	**14.4**	15.3

51. RELATED PARTY TRANSACTIONS (Continued)

(b) In 2002, SJM was granted a concession to operate casinos in MSAR. 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, does 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 a chips 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 the aggregate face value of chips so presented in cheque within the same quarter when such presentation takes place. During the year ended 31 December 2010, the net amount received and receivable on reimbursement of STDM chips in circulation amounted to HK$430.3 million (2009: HK$24.3 million).

(c) The Group entered into a products and services master agreement dated 18 June 2008 with STDM (the "Products and Services Master Agreement") for the provision of products and services by STDM and its associates. The types of products and services includes hotel accommodation, hotel management and operation, entertainment and staff messing, dredging services, transportation, promotional and advertising services, travel agency services and maintenance services. The Products and Services Master Agreement is for a term of three years, provided that the Group may at any time, by giving at least three months' prior written notice of termination to STDM, terminate the agreement earlier. The amounts of transactions during the year were disclosed in note 51(a) above.

(d) The Group entered into a premises leasing master agreement dated 18 June 2008 with STDM (the "Premises Leasing Master Agreement") 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 51(a) above.

(e) Regarding the aircraft lease arrangement disclosed in note 37, the Group charged minimum lease payments of HK$51.7 million (2009: HK$115.9 million) to the fellow subsidiary, and repaid the same amount of minimum lease payments to the finance company during the year ended 31 December 2010.

(f) The Group 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 including, among others, general public relations work, promotional functions, arranging ticketing and hotel accommodations, transportation and the provision of storage services with the Group and the Group has agreed to pay for the shared services on a cost basis. The amount of administrative costs shared between the Group and the STDM group is calculated based on an estimate of (i) the actual time spent by each department for providing services to the Group and the STDM group respectively recorded on time sheets and (ii) the floor area occupied, respectively, by the Group and the STDM group for storage services. The amounts of transactions during the year was disclosed in note 51(a) above.

51. RELATED PARTY TRANSACTIONS (Continued)

(g) These are de minimis transactions as defined under Rule 14A.31 (2) 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.33 (3) of the Listing Rules.

(h) 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 MSAR 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 other party. Tin Hou is a company controlled over 50% by a half-brother of a director of subsidiaries of the Company pursuant to Rule 14A.11(4)(b)(ii) of the Listing Rules which became effective on 3 June 2010.

(i) Save as disclosed in note 38, in addition to the securities provided by the Group to the relevant bank, the syndicated secured bank loans are also secured by non-controlling interests of a subsidiary of the Group. At the end of each reporting period, the details of the securities are set out as follows:

    (i) a corporate guarantee up to a maximum amount of HK$860 million;

    (ii) an unconditional and irrevocable funding undertaking for the purpose of satisfying the construction costs of certain properties in Ponte 16 which include (i) the land premium and all other premiums and sums of money payable to the Governmental Agency of MSAR in respect of properties in Ponte 16; (ii) all construction costs and all operating costs to be incurred; and (iii) all financial costs and expenses, including interest payable in respect of the syndicated secured bank loans facility;

    (iii) an unconditional and irrevocable undertaking for the purpose of ensuring the completion of the construction of properties in Ponte 16; and

    (iv) a share pledge over all shares in Pier 16 – Property.

The Company
In November 2007, an immediate holding company, STDM – Investments Limited, has provided a surety in favour of the Company for the due and punctual payment of obligations the Company may incur in relation to:

(a) penalties incurred by SJM 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

(b) losses or contingency provisions incurred by SJM 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 SJM is a party and which is pending at the time of listing of the ordinary shares of the Company on the Stock Exchange.

52. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of respective reporting periods are as follows:

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 the Group 2010	2009	Principal activity
Brilliant Sky Investments Limited	British Virgin Islands/MSAR	Share – US$1	**100%**	100%	Investment holding
Champion Path Holdings Limited ("Champion Path")	British Virgin Islands/ Hong Kong	Share – US$1	**100%**	100%	Debt securities holding
Grand Lisboa – Hotel Administration Company Limited	MSAR	Ordinary shares – MOP1,000,000	**100%**	100%	Hotel operations
Grand Lisboa – Property Investment Company Limited	MSAR	Ordinary shares – MOP1,000,000	**100%**	100%	Property holding
Honour State International Limited	British Virgin Islands/MSAR	Share – US$1	**100%**	100%	Securities holding
Nam Van Lake View Investment Limited	MSAR	Quota capital – MOP1,000,000	**100%**	100%	Property holding
Pier 16 – Entertainment Group Corporation Limited	MSAR	Quota capital – MOP25,000	**51%**	51%	Provision of management services for casino operations
Pier 16 – Gaming Promotion, Limited	MSAR	Quota capital – MOP50,000	**51%**	N/A	Provision of gaming promotion services
Pier 16 – Management Limited	MSAR	Quota capital – MOP25,000	**51%**	51%	Hotel operations
Pier 16 – Property Development Limited	MSAR	Ordinary shares – MOP10,000,000	**51%**	51%	Property holding
Sky Reach Investments Limited	British Virgin Islands/MSAR	Share – US$1	**100%**	100%	Provision of aircraft leasing services
Sociedade de Jogos de Macau, S.A. ("SJM")	MSAR	Ordinary shares – Type A shares MOP270,000,000 – Type B shares MOP30,000,000	**100% (note 52(a))**	100% (note 52(a))	Casino operations and investment holding
SJM – F&B Services Limited	MSAR	Quota capital – MOP25,000	**100%**	100%	Provision of food and beverage services
SJM Holdings Management Services Limited (formerly known as Time Frontier Limited)	Hong Kong	Ordinary shares – HK$2	**100%**	100%	Provision of management services
SJM – Investment Limited	MSAR	Quota capital – MOP1,000,000	**100%**	100%	Investment holding

52. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) Pursuant to the relevant requirements under MSAR 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 MSAR 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 Champion Path, 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) Except for Champion Path, which has issued HK$2,000 million of convertible bonds in 2009 and has outstanding principal of HK$259.4 million as at 31 December 2010 (2009: HK$2,000 million), none of the subsidiaries had any debt securities outstanding at the end of both reporting periods.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2006 HK$ million	2007 HK$ million	2008 HK$ million	2009 HK$ million	**2010** **HK$ million**
Results					
Gaming, hotel, catering and related services revenues	34,196.3	32,227.1	28,165.0	34,352.8	**57,653.3**
Gaming revenue	34,196.3	32,146.6	27,992.4	34,065.8	**57,195.0**
Profit before taxation	2,644.0	1,493.4	672.2	812.3	**3,532.4**
Taxation	(220.1)	(0.2)	(16.7)	(17.5)	**(17.6)**
Profit for the year and total comprehensive income for the year	2,423.9	1,493.2	655.5	794.8	**3,514.8**
Profit attributable to					
— owners of the Company	2,423.9	1,533.5	796.1	906.7	**3,559.4**
— non-controlling interests	—	(40.3)	(140.6)	(111.9)	**(44.6)**
	2,423.9	1,493.2	655.5	794.8	**3,514.8**

	As at 31 December				
	2006 HK$ million	2007 HK$ million	2008 HK$ million	2009 HK$ million	**2010** **HK$ million**
Assets and liabilities					
Total assets	11,708.9	18,039.4	18,920.6	23,366.5	**28,889.4**
Total liabilities	(6,872.7)	(11,479.3)	(11,484.3)	(14,847.1)	**(15,714.0)**
Net assets	4,836.2	6,560.1	7,436.3	8,519.4	**13,175.4**

The results and summary of assets and liabilities for each of the two years ended 31 December 2007 which were extracted from the Company's prospectus dated 26 June 2008 have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's ordinary shares were listed on The Stock Exchange of Hong Kong Limited, had been in existence throughout those years.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Executive Director
Dr. Ho Hung Sun, Stanley

Non-executive Director
Dato' Dr. Cheng Yu Tung

Independent Non-executive Directors
Mr. Chau Tak Hay
Mr. Lan Hong Tsung, David
Mr. Shek Lai Him, Abraham
Mr. Tse Hau Yin

Executive Director and Chief Executive Officer
Dr. So Shu Fai

Executive Director and Chief Operating Officer
Mr. Ng Chi Sing

Executive Directors
Mr. Rui José da Cunha
Ms. Leong On Kei, Angela
Mr. Shum Hong Kuen, David
Mr. Fok Tsun Ting, Timothy *(appointed on 30 August 2010)*

AUDIT COMMITTEE

Mr. Tse Hau Yin *(Committee Chairman)*
Mr. Chau Tak Hay
Mr. Shek Lai Him, Abraham
Mr. Lan Hong Tsung, David *(appointed on 9 November 2010)*

NOMINATION COMMITTEE

Dr. So Shu Fai *(Committee Chairman)*
Mr. Chau Tak Hay
Mr. Lan Hong Tsung, David
Ms. Leong On Kei, Angela
Mr. Shek Lai Him, Abraham
Mr. Shum Hong Kuen, David
Mr. Tse Hau Yin

REMUNERATION COMMITTEE

Dr. So Shu Fai *(Committee Chairman)*
Mr. Lan Hong Tsung, David
Ms. Leong On Kei, Angela
Mr. Shek Lai Him, Abraham
Mr. Tse Hau Yin
Mr. Chau Tak Hay *(appointed on 9 November 2010)*

CHIEF FINANCIAL OFFICER

Mr. Robert McBain

GROUP LEGAL COUNSEL

Mr. Jonathan Pyne

COMPANY SECRETARY

Ms. Kwok Shuk Chong

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LISTING INFORMATION

Share listing: Hong Kong Stock Exchange (Main Board)
Listing date: 16 July 2008
Stock short name: SJM Holdings
Stock code: 880
Board lot: 1,000 shares

LEGAL ADVISORS

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Baker & McKenzie
Herbert Smith
Linklaters
On Macau Law:
C&C Advogados
João Nuno Riquito & Associados Advogados

JOINT AUDITORS

Deloitte Touche Tohmatsu
H.C. Watt & Company Limited

PRINCIPAL BANKERS

Banco Weng Hang, S.A.
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The Bank of East Asia, Limited
BNP Paribas
Crédit Agricole Corporate and Investment Bank
Credit Suisse
Deutsche Bank AG
Industrial and Commercial Bank of China Limited
UBS AG

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