



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 2014





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 in 2014.

On 13 February 2014, construction commenced on the Lisboa Palace, SJM’s integrated resort on Cotai scheduled for opening in 2017. The Lisboa Palace will feature three five-star hotels with a total of approximately 2,000 hotel rooms, facilities for shopping, dining and entertainment, and a casino.

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 2014, SJM operated 18 casinos, comprising more than 1,780 gaming tables and over 2,850 slot machines.



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食

Dining

住 *Lodging*







新葡京
GRAND LISBOA

龍騰福滿天
羊威耀盛世



樂

Entertainment

Event Highlights

2014



JANUARY

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

FEBRUARY

- SJM participates in the Chinese New Year float parade organized by the Macau Government Tourist Office
- Groundbreaking of Lisboa Palace

MARCH

- Signing of MOU with Karl Lagerfeld for SJM's Cotai development



JUNE

- SJM Holdings Annual General Meeting
- SJM participates in Macau dragon boat races
- Aid to Sichuan with love



MAY

- SJM is the title sponsor of the SJM Macau Derby 2014

AUGUST

- 10th Annual SJM Scholarship Awards

OCTOBER

- SJM celebrates China's National Day with staff

NOVEMBER



- SJM is the title sponsor of the Formula 3 racing team, SJM Theodore Racing, at the 61st Macau Grand Prix

DECEMBER

- SJM hosts the "Chinoiserie Night" Charity Auction and Dinner
- SJM directors and staff members participate in Macau's Walk for a Million 2014
- New Year's Eve countdown at Grand Lisboa



Event Highlights

Lisboa Palace Groundbreaking Ceremony

13 February 2014



Exhibition on the Design Concept of Lisboa Palace: Fantasy World of Sino-Western Cultural Interchange

12 – 14 February 2014



Awards

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The Group and its directors received numerous awards in 2014, listed as below:

- 1 Dr. Stanley Ho and Mr. Timothy Fok presented with "Special Honour Awards" at Beijing's first Jinghua Awards Ceremony
- 2 Inauguration of Dr. Stanley Ho Auditorium at the Consulate General of Portugal in Macau
- 3 The University of Hong Kong unveiled sculpture in recognition of Dr. Stanley Ho's support
- 4 Dr. Ambrose So and Dr. Rui Cunha conferred as Comendador da Ordem do Mérito by the Portuguese government
- 5 Dr. Ambrose So presented with "Outstanding Entrepreneurship Award" in Asia Pacific Entrepreneurship Awards 2014
- 6 Ms. Angela Leong named Honorary Citizen of Jinggangshan City and Honorary Principal of Jinggangshan Primary School
- 7 "Lisboa" Brand by SJM awarded the "Most Valuable Brand" in the 2014 Business Awards of Macau
- 8 SJM Holdings received "Outstanding Performance Award (Hong Kong)" in *Yazhou Zhoukan's* Global Chinese Business 1000 Awards
- 9 SJM Holdings received "Top 100 – Comprehensive Strength Award" in the Top 100 Hong Kong Listed Companies Selection 2014 organized by Finet Group and Tencent QQ.com

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10 SJM Holdings awarded one of the Most Honoured Companies and Second Place - Best Investor Relations in *Institutional Investor's* 2014 All-Asia Executive Team Selection (Gaming & Lodging sector)

11 SJM Holdings 2013 Annual Report received Silver Award – Cover Photo / Design (Gaming: Casinos & Hotels sector) in the International Annual Report Competition

12 Michelin Guide 2015

- Robuchon au Dôme – 3 Michelin stars
- The Eight – 3 Michelin stars
- The Kitchen – 1 Michelin star
- Noodle & Congee Corner – Michelin Bib Gourmand Award

Wine Spectator 2014

- Robuchon au Dôme – Grand Award
- Don Alfonso 1890 – Grand Award
- The Kitchen – Best of Award of Excellence

13 Sofitel Macau at Ponte 16

- 2014 World Luxury City Hotel Awards
- Certificate of Excellence 2014 awarded by Trip Advisor
- Winner of China's Top 100 Hotels awarded by *Travel & Leisure*

14 SJM received "Social Charity 2014 Award" presented by Associação de Jovens Empresários Chineses de Macau and the Youth Committee of the Macao Chamber of Commerce

15 SJM received "Excellence – Corporate Social Responsibility Award" in 2014 Business Awards of Macau

16 Ten SJM volunteers awarded at the 6th Volunteer Recognition Ceremony organized by the Youth Volunteer Association of Macau, and three of them were on the list of Top 10 Volunteers

Financial Highlights and Dividend Schedule

FINANCIAL HIGHLIGHTS

	Year Ended 31 December 2014 (HK\$ million)	Year Ended 31 December 2013 (HK\$ million)
Gaming Revenue	79,269	86,956
Hotel, Catering and Other Income	971	1,251
Adjusted EBITDA*	7,763	8,676
Profit attributable to owners of the Company	6,731	7,706
Earnings per share		
— basic	HK120.0 cents	HK138.8 cents
— diluted	HK119.3 cents	HK137.5 cents
Dividend per ordinary share		
— proposed final dividend	HK62 cents	HK50 cents
— proposed special dividend	—	HK30 cents
— interim dividend paid	HK22 cents	HK20 cents

* Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, premium on acquisition written off, loss on disposal/write-off of property and equipment and share-based payments.

DIVIDEND SCHEDULE

Events	Date and Time
Announcement of proposed final dividend	25 February 2015
2015 Annual General Meeting (to approve the proposed final dividend)	2:30 p.m. on Thursday, 18 June 2015
Ex-dividend date	22 June 2015
Record date for proposed final dividend	23 June 2015
Latest time to lodge transfer documents with the Company's share registrar to qualify for proposed final dividend	4:30 p.m. on Tuesday, 23 June 2015
Expected payment date of proposed final dividend (if approved at the 2015 Annual General Meeting)	3 July 2015

Chief Executive Officer's Statement

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

SJM's gaming revenue declined in 2014, as did Macau's total gaming revenue, as many high-rollers either stayed away or reduced their gaming budgets, reflecting government policy changes and economic conditions particularly in the second half of the year. The challenging environment principally affected SJM's VIP segment, which showed revenue decline of 17.3% for the year, although SJM's mass market table gaming revenue increased during the year by 8.9%, whilst slot machine revenue declined by 4.0%. As a result, the Group's Adjusted EBITDA (earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, premium on acquisition written off, loss on disposal/write-off of property and equipment and share-based payments) fell by 10.5% and profit attributable to owners declined by 12.7%.

SJM continued to hold the leading position among the six casino operators in Macau, with a market share of 23.2%.

The Group's flagship Casino Grand Lisboa showed a decline in Adjusted Property EBITDA by 8.2% for the year. Casino Grand Lisboa's VIP gaming revenue decreased by 14.2%, whilst mass market table games revenue and slot machine revenue increased by 16.0% and 7.5%, respectively. Occupancy at the Grand Lisboa Hotel was 93.2% for the full year, at an average room rate of \$2,325.

During 2014, the Group maintained its financial strength, with total cash and bank balances standing at \$24.4 billion at the end of the year. Debt outstanding of the Group was \$1.0 billion as at 31 December 2014.

During the year, the Group made significant progress on development of the Lisboa Palace, our future integrated resort on Cotai. Groundbreaking was held on 13 February 2014 and by the end of the year the piling work on the foundation was substantially completed. The project continues on target for completion in 2017, to contain approximately 2,000 hotel rooms, facilities for shopping, dining and entertainment, and a casino.

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

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

The Board of Directors would like to express its appreciation to all levels of staff for their diligent work during the past year, and to our shareholders and business partners for their support.

So Shu Fai

Chief Executive Officer

Hong Kong, 25 February 2015

Business Review

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



GROUP OPERATING RESULTS

The Group's total revenue, gaming revenue, profit attributable to owners of the Company, Adjusted EBITDA and Adjusted EBITDA Margin for the year ended 31 December 2014 each declined from last year:

Group operating results	For the year ended 31 December		(Decrease)
	2014 HK\$ million	2013 HK\$ million	
Total revenue	79,934	87,651	(8.8%)
Gaming revenue	79,269	86,956	(8.8%)
Profit attributable to owners of the Company	6,731	7,706	(12.7%)
Adjusted EBITDA ¹	7,763	8,676	(10.5%)
Adjusted EBITDA Margin ²	9.7%	9.9%	(0.2%)

¹ Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, premium on acquisition written off, loss on disposal/write-off of property and equipment and share-based payments.

² Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of total revenue.

VIP gaming revenue of the Group declined by 17.3% in 2014 and mass market table gaming revenue increased by 8.9%, reflecting the overall downturn in Macau gaming revenue. According to statistics from the MSAR government, gaming revenue of Macau declined by 2.6% in 2014, comprising a 10.9% decline in VIP gaming revenue, a 15.5% increase in mass market table gaming revenue and a 0.4% increase in slot machine gaming revenue. The downturn in VIP gaming revenue, which manifested itself mainly in the second half of the year, was brought about primarily by changes in administrative policies of Mainland China. These changes, combined with weakness in some sectors of the China economy, affected upper-end play in each of the Group's gaming segments: VIP, mass market and slot machines.

Business Review

During 2014, the Group accounted for 23.2% of Macau's casino gaming revenue of \$341,282 million, the largest market share among the six concessionaires and subconcessionaires. The Group's overall market share declined from 24.8% for the full year 2013.

The Group's Adjusted EBITDA Margin for the year was 9.7%, a decrease from 9.9% in 2013. If calculated under United States generally accepted accounting principles ("US GAAP"), the Group's Adjusted EBITDA Margin would be 16.7% for 2014, as compared with 17.5% in 2013 (See "Comparison with United States GAAP Accounting" below).

Net profit for the year 2014 was affected by deductions of share-based payments of \$227 million, as compared with \$100 million in the previous year. Depreciation in 2014 was \$1,094 million compared with \$1,137 million in 2013, and interest expense was \$73 million, compared with \$90 million.

OPERATING RESULTS — VIP GAMING

VIP operations	For the year ended 31 December		
	2014	2013	(Decrease)
Gaming revenue (HK\$ million)	48,245	58,306	(17.3%)
Average daily net-win per VIP gaming table (HK\$)	231,485	257,651	(10.2%)
VIP chips sales (HK\$ million)	1,719,555	1,963,352	(12.4%)
Average number of VIP gaming tables (Average of month-end numbers)	571	620	(7.9%)

VIP gaming operations accounted for 60.9% of the Group's total gaming revenue in 2014, as compared with 67.1% for the previous year. As at 31 December 2014, SJM had 567 VIP gaming tables in operation with 35 VIP promoters, as compared with 574 VIP gaming tables and 38 VIP promoters as at 31 December 2013. As at 31 December 2014, SJM operated VIP gaming in 14 of its casinos.

The Group's gaming revenue from VIP gaming operations amounted to approximately 23.4% of total VIP gaming revenue in Macau, compared to 25.2% in the corresponding period last year, according to figures from DICJ. The hold rate for SJM's VIP operations decreased in 2014 to 2.80% from 2.85% in 2013.



Business Review

OPERATING RESULTS — MASS MARKET TABLE GAMING

Mass market operations	For the year ended 31 December		Increase
	2014	2013	
Gaming revenue (HK\$ million)	29,686	27,256	8.9%
Average daily net-win per mass market gaming table (HK\$)	68,116	64,653	5.4%
Average number of mass market gaming tables (Average of month-end numbers)	1,194	1,155	3.4%

Gaming revenue from mass market table gaming operations comprised 37.4% of the Group's total gaming revenue in 2014, as compared with 31.3% in 2013. SJM had 1,214 mass market gaming tables in operation as at 31 December 2014, as compared with 1,210 mass market gaming tables as at 31 December 2013.

OPERATING RESULTS — SLOT MACHINES AND OTHER GAMING OPERATIONS

Slot machine operations	For the year ended 31 December		Increase/ (Decrease)
	2014	2013	
Gaming revenue (HK\$ million)	1,338	1,394	(4.0%)
Average daily net-win per slot machine (HK\$)	1,282	1,153	11.2%
Average number of slot machines (Average of month-end numbers)	2,856	3,308	(13.7%)

Gaming revenue from slot machine operations, which include other electronic gaming machines and the game of Tombola, comprised 1.7% of the Group's total gaming revenue in 2014, compared with 1.6% in 2013. SJM had 2,865 slot machines in service as at 31 December 2014 as compared with 2,880 slot machines as at 31 December 2013.

As at 31 December 2014, SJM operated slot machines in 11 of its casinos.



Business Review

OPERATING RESULTS OF CASINO SEGMENTS — CASINO GRAND LISBOA

SJM's flagship Casino Grand Lisboa also showed a decline in revenue and profitability during the year. Visitation to Grand Lisboa decreased from an average of 40,104 visitors per day in the first quarter, to an average of 36,849 visitors per day in the fourth quarter.

Casino Grand Lisboa	For the year ended 31 December		Increase/ (Decrease)
	2014	2013	
Revenue (HK\$ million)	29,587	32,248	(8.3%)
Profit attributable to the Group (HK\$ million)	3,857	4,322	(10.7%)
Adjusted Property EBITDA ³ (HK\$ million)	4,273	4,654	(8.2%)
Adjusted Property EBITDA Margin ⁴	14.4%	14.4%	0.0%

³ Adjusted Property EBITDA is earnings after adjustment for non-controlling interest and before accounting for interest income and expense, tax, depreciation and amortisation, donations, premium on acquisition written off, loss on disposal/write-off of property and equipment and share-based payments, and before elimination of inter-company consumption.

⁴ Adjusted Property EBITDA Margin is Adjusted Property EBITDA as a percentage of revenue.

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

Casino Grand Lisboa	For the year ended 31 December		Increase/ (Decrease)
	2014	2013	
VIP operations			
Gaming revenue (HK\$ million)	22,138	25,795	(14.2%)
Average daily net-win per VIP gaming table (HK\$)	338,844	360,563	(6.0%)
VIP chips sales (HK\$ million)	821,925	871,904	(5.7%)
Average number of VIP gaming tables (Average of month-end numbers)	179	196	(8.7%)
Mass market operations			
Gaming revenue (HK\$ million)	6,957	5,996	16.0%
Average daily net-win per mass market gaming table (HK\$)	72,748	70,502	3.2%
Average number of mass market gaming tables (Average of month-end numbers)	262	233	12.4%
Slot machine operations			
Gaming revenue (HK\$ million)	491	457	7.5%
Average daily net-win per slot machine (HK\$)	1,797	1,764	1.9%
Average number of slot machines (Average of month-end numbers)	749	710	5.5%

Business Review



During 2014 Casino Grand Lisboa expanded its mass market table gaming operations from 250 tables as at 1 January 2014 to 274 tables as at 31 December 2014, whilst VIP tables were reduced from 181 to 177 during the same period.

If calculated under US GAAP, the Adjusted Property EBITDA Margin of Casino Grand Lisboa would be approximately 24.1% for 2014, as compared with 24.5% in 2013 (See “Comparison with United States GAAP Accounting” below).

During 2014, Casino Grand Lisboa attracted a total of over 13.6 million visitors, an average of 37,461 visitors per day, a decrease of 6.1% over the previous year. Jackpots are paid frequently, with the total exceeding \$177 million for slot machines and over \$43 million for table games (Caribbean Stud Poker) in 2014. During the year, the number of active members of the Casino Grand Lisboa loyalty card programme increased by over 84,597 to 910,372.

As at 31 December 2014, Casino Grand Lisboa operated a total of 762 slot machines.

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

Other self-promoted casinos are Casino Lisboa, Casino Oceanus at Jai Alai and, until 28 February 2013, Casino Jai Alai. The latter two casinos operate under the same license. During 2013 the Group also operated two self-promoted slot halls: Yat Yuen Canidrome Slot Lounge (suspended on 25 November 2013) and Treasure Hunt Slot Lounge (suspended on 24 May 2013) (collectively, “Other Self-promoted Casinos and Slot Halls”).

Other self-promoted casinos and slot halls	For the year ended 31 December		Increase/ (Decrease)
	2014	2013	
Revenue (HK\$ million)	9,933	12,450	(20.2%)
Profit attributable to the Group (HK\$ million)	1,258	1,386	(9.2%)
Adjusted EBITDA (HK\$ million)	1,461	1,598	(8.6%)
Adjusted EBITDA Margin	14.7%	12.8%	1.9%

Business Review

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

Other self-promoted casinos and slot halls	For the year ended 31 December		Increase/ (Decrease)
	2014	2013	
VIP operations			
Gaming revenue (HK\$ million)	4,560	7,191	(36.6%)
Average daily net-win per VIP gaming table (HK\$)	277,648	364,817	(23.9%)
VIP chips sales (HK\$ million)	149,590	248,153	(39.7%)
Average number of VIP gaming tables (Average of month-end numbers)	45	54	(16.7%)
Mass market operations			
Gaming revenue (HK\$ million)	5,129	4,830	6.2%
Average daily net-win per mass market gaming table (HK\$)	46,376	43,671	6.2%
Average number of mass market gaming tables (Average of month-end numbers)	303	303	—
Slot machine operations			
Gaming revenue (HK\$ million)	244	429	(43.1%)
Average daily net-win per slot machine (HK\$)	932	1,257	(25.9%)
Average number of slot machines (Average of month-end numbers)	713	932	(23.5%)

As at 31 December 2014, Casino Lisboa operated a total of 58 VIP gaming tables, 114 mass market gaming tables and 182 slot machines.

As at 31 December 2014, Casino Oceanus at Jai Alai operated a total of 175 mass market gaming tables and 548 slot machines.

OPERATING RESULTS OF CASINO SEGMENTS — SATELLITE CASINOS AND SLOT HALL

As at 31 December 2014, SJM operated 15 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Greek Mythology, Casino Jimei, Casino Kam Pek Paradise, Casino Lan Kwai Fong, Casino L'Arc Macau, Casino Macau Jockey Club, Casino Ponte 16 and Casino Club VIP Legend.

Twelve of SJM's satellite casinos are located on the Macau Peninsula whilst three satellite casinos are located on the island of Taipa, comprising a total of 332 VIP gaming tables, 651 mass market gaming tables and 1,373 slot machines, as at 31 December 2014.

Business Review

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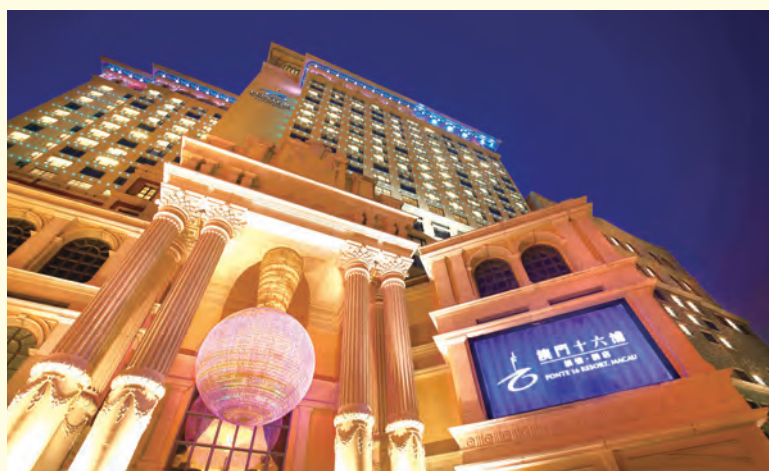
SJM Holdings Limited Annual Report 2014

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

Satellite casinos and slot hall	For the year ended 31 December		(Decrease)
	2014	2013	
Revenue (HK\$ million)	39,749	42,259	(5.9%)
Profit attributable to the Group (HK\$ million)	1,653	1,800	(8.2%)
Adjusted EBITDA (HK\$ million)	1,683	1,803	(6.6%)
Adjusted EBITDA Margin	4.2%	4.3%	(0.1%)

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

Satellite casinos and slot hall	For the year ended 31 December		Increase/ (Decrease)
	2014	2013	
VIP operations			
Gaming revenue (HK\$ million)	21,546	25,321	(14.9%)
Average daily net-win per VIP gaming table (HK\$)	169,628	187,495	(9.5%)
VIP chips sales (HK\$ million)	748,040	843,294	(11.3%)
Average number of VIP gaming tables (Average of month-end numbers)	348	370	(5.9%)
Mass market operations			
Gaming revenue (HK\$ million)	17,600	16,430	7.1%
Average daily net-win per mass market gaming table (HK\$)	76,659	72,721	5.4%
Average number of mass market gaming tables (Average of month-end numbers)	629	619	1.6%
Slot machine operations			
Gaming revenue (HK\$ million)	603	508	18.7%
Average daily net-win per slot machine (HK\$)	1,185	835	41.9%
Average number of slot machines (Average of month-end numbers)	1,394	1,666	(16.3%)



NON-GAMING OPERATIONS

For the year ended 31 December 2014, the Grand Lisboa Hotel contributed \$656 million in revenue and \$210 million in Adjusted Property EBITDA to the Group as compared with \$710 million in revenue and \$244 million in Adjusted Property EBITDA for the previous year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 93.2% for the full year, as compared with 96.4% for the previous year, and the average room rate for the full year 2014 was approximately \$2,325 as compared with \$2,235 in 2013.

Food and beverage units at the Grand Lisboa Hotel continued to earn international recognition. Amongst numerous awards, French restaurant “Robuchon au Dôme” and Cantonese restaurant “The Eight” were the only restaurants in Macau to receive three stars in the 2015 Michelin Guide. Modern steakhouse “The Kitchen” was also awarded one star, while the “Noodle and Congee Corner” was awarded a “Bib Gourmand” by Michelin for good value in top quality cuisine. The wine cellars of “Robuchon au Dôme” and “Don Alfonso 1890” received the Grand Award and “The Kitchen” received the Best of Award of Excellence from *Wine Spectator*. “The Eight” and “Robuchon au Dôme” were also among the Top 20 Restaurants of 2015 selected by *Hong Kong Tatler*.



Operating results for the Sofitel at Ponte 16, in which SJM’s interest is 51%, improved during 2014 and contributed \$242 million in revenue to the Group, compared with a contribution of \$204 million in 2013. The occupancy rate of the 408-room hotel averaged 90.3% for the full year 2014 as compared with 90.7% in 2013, whilst average room rate increased by 14.1% to \$1,373. The Sofitel at Ponte 16 received numerous travel industry awards in 2014, in both business and luxury categories.

Income from all hotel, catering and related services, after inter-company elimination, totaled \$665 million in 2014, a decrease of 4.2% from \$695 million in 2013, due primarily to slightly lower hotel room occupancy. Other income, primarily interest earned on bank deposits, finance leases interest received and dividend income from investment in listed shares, decreased to \$306 million from \$556 million during the year, due primarily to decline in market value of investment in listed shares.

Corporate Social Responsibility

“From society, to society” is a core value of the SJM Group. In 2014 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 annually at University of Macau for 10 outstanding students selected by the faculties. SJM also provides four scholarships totaling MOP400,000 for two-year study at University of Macau by postgraduate students from the Mainland.

For children of staff, the SJM Scholarship Programme awards 10 scholarships annually to students, who are each awarded MOP20,000 per year until they finish their studies (up to five years). Ten outstanding students were selected for Year 2014 by the SJM Scholarship Selection Committee. In addition, two applicants who were not on this awardees list were each awarded MOP10,000 as a token of encouragement for their good performance. Since its establishment in 2005, the SJM Scholarship Programme has awarded scholarships to over 100 children of staff, of whom 60 have graduated. SJM also sponsors the full school fees of staff to further their studies at Macau Millennium College, and supports the educational activities of Millennium Secondary School.



In Jiangxi Province, China, SJM set up the “SJM Jinggangshan Patriotic Education Training Base” in November 2014.

ARTS AND CULTURE

SJM regularly sponsors cultural events in Macau such as art exhibitions, and provides or subsidises Hong Kong/Macau ferry tickets for arts and culture groups. SJM also supports cultural activities such as Chinese Opera at the Kam Pek Community Centre in Macau’s Inner Harbour neighbourhood and music performances at the Clube Militar de Macau. In November 2014 SJM was also a sponsor of the 14th Macau Food Festival.

Sponsorship support was also provided by SJM in 2014 to the International Seminar on Overseas Chinese in Latin America, organised at University of Macau, the Third Macau Literary Festival, the Third National Exhibition of Minority Fine Arts in Beijing and the Hong Kong Philharmonic Orchestra 40th Anniversary Performance and Gala Dinner.

SPORTS

In November 2014 SJM was the title sponsor of the Formula 3 racing team, Theodore Racing, at the 61st Macau Grand Prix, for the second consecutive year. SJM Grand Lisboa was the sponsor of the Macau Golf & Country Club 2014 Club Championship for the eighth consecutive year.

SJM also provides or subsidises Hong Kong/Macau ferry tickets for sports organisations such as Macau Special Olympics, Associação de Taekwondo de Macau and Macau Dance Sport Federation for exchanges in Hong Kong. SJM was also a sponsor of the 19th annual Macau Jockey Club Charity Day, held in March 2014.

In June 2014 SJM sponsored three teams composed of employees to compete in Macau’s annual Dragon Boat races.

RESPONSIBLE GAMING

SJM launched a series of Responsible Gaming (“RG”) promotions in 2014, including RG promotion booth, lucky draw, slogan competition, and RG Question Competition and Award Night. These activities aim to enhance staff members’ awareness on problem gambling.

In conjunction with Yat On Responsible Gambling Counseling Centre, SJM provided RG training for 116 RG Team Members and over 14,000 frontline Operations, Marketing and Security Department personnel in 2014. In addition, all new frontline hires receive RG training as part of their orientation. Also in 2014, nine RG Team Members completed and received their certificates for the Macau Responsible Gambling Advisor course held by DICJ, Social Welfare Bureau, University of Macau and Macao Polytechnic Institute. The RG Kiosk in Casino Lisboa has been upgraded with a 24-hour helpline and an ID reader to allow users to apply for instant self-exclusion.

OTHER COMMUNITY ACTIVITIES IN 2014



SJM donated to the annual “Walk for a Million in Macau” charity event in December 2014, and approximately 3,000 SJM staff and directors participated in the Walk.

Also in December 2014 SJM hosted “Chinoiserie Night” Charity Auction and Dinner at Grand Lisboa, which raised funds for local charities. SJM was the successful bidder for the featured item of the auction, an antique watercolour of Macau’s Inner Harbour, with all money raised donated to local charities including Tung Sin Tong Charitable Society, Kiang Wu Hospital Charitable Association, Obra das Mães, Macau Special Olympics, Macau Holy House of Mercy, Charity Fund From The Readers of Macao Daily News (2014 Walk for a Million in Macau), Caritas de Macau (2015 Caritas Macau Charity Bazaar), Yat On Responsible Gambling Counselling Centre, Macau Social Services Centre and Macau Association of the Hearing Impaired.

Other community service organisations 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, União Geral das Associações dos Moradores de Macau, and Oxfam Macau.

In 2014 SJM staff members were frequent volunteers to help the needy in society, working with such organisations as the Macau Social Services Centre, Macau Special Olympics, ORBIS and the Youth Volunteer Association of Macau, (“AJVM”). In December 2014, ten volunteers from SJM received recognition for their contributions to the community at the 6th Volunteer Recognition Ceremony organised by AJVM and three were chosen as Best Volunteers.



In October 2014, SJM contributed as a major sponsor of the Global Tourism Economy Forum • Macau 2014, hosted by the Secretariat for Social Affairs and Culture of the Macau SAR Government.

In August 2014, SJM donated to help earthquake victims in Yunnan.

Prospects and Recent Developments

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



BUSINESS MODEL AND KEY STRATEGIES

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

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

MARKET ENVIRONMENT

The decline of Macau's total gaming revenue by 2.6% in 2014 represented the first annual decrease since the liberalization of Macau gaming market in 2002. Multiple factors, including government policies and economic conditions, contributed to the revenue decrease, which followed an extended period of rapid growth.

Visitation to Macau increased by 7.5% to 31.5 million in 2014, according to the Macau Government Statistics and Census Service. Visitors from the Mainland increased by 14.1% to 21.3 million, and visitors from the Mainland traveling under the Individual Visa Scheme increased by 18.7% to 9.6 million.

Whilst it is not clear how long the conditions which inhibited gaming revenue growth in 2014 will continue, the Group remains optimistic about its future prospects, given the potential for growth of visitation and spending in Macau, infrastructure developments that improve access to Macau, the general prosperity of the Asian region, the Group's strategically located network of casinos and its strong balance sheet.

CURRENT AND RECENT INITIATIVES

In pursuit of the Group's strategy of growing its business through expansion of casino and casino-related operations in Macau and improvement in the operating efficiency of existing business units, the Group has been and is progressing on a number of initiatives in 2014 and 2015, which are described below.

Lisboa Palace

The Group began construction on the Lisboa Palace, SJM's future integrated resort on Cotai, on 13 February 2014. During the year substantial foundation work was completed, and the Group expects the project to be completed in 2017. The Lisboa Palace will comprise total gross floor area of 521,435 square metres plus 77,158 square metres parking area, with three five-star hotels totaling approximately 2,000 rooms, plus facilities for shopping, dining and entertainment, and a casino, at an estimated construction cost of approximately \$30 billion.

On 18 July 2014, agreements were signed for the concept design and licence rights for the Karl Lagerfeld Hotel at Lisboa Palace between SJM, K.L. S.A.M. and Karl Lagerfeld Greater China Holdings Limited. As the first hotel in the world fully designed by Karl Lagerfeld, it will comprise up to 270 guestrooms and suites in a 20-storey exclusive tower.

Thus, the Lisboa Palace Development will comprise three luxury hotels, Lisboa Palace in the middle tower and two distinctive hotels in the East and West towers, bearing the insignia "Karl Lagerfeld" and "Palazzo Versace" respectively.



Lisboa Palace Hotel

Prospects and Recent Developments

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SJM Holdings Limited Annual Report 2014

Casino Grand Lisboa

During 2014 Casino Grand Lisboa expanded its mass market table gaming operations from 250 tables as at 1 January 2014 to 274 tables as at 31 December 2014, whilst VIP tables were reduced from 181 to 177 during the same period.

In the first quarter of 2014, the Tycoon Club, a new premium mass market gaming area, opened at Grand Lisboa with 12 high-limit baccarat tables and 38 high-limit slot machines.



During the first quarter of 2015, 78 live multi-game terminals were installed on the upper mass market gaming floor of Grand Lisboa, and current plans are to install 42 more terminals in the second half of 2015.

Later in 2015, Grand Lisboa plans to relocate the Noodle & Congee Corner Restaurant, which currently occupies part of a mezzanine floor, to a higher level whilst converting current space for additional premium mass market gaming tables.

Hotel Grand Lisboa

In July 2014, Hotel Grand Lisboa commenced its room renovation programme, the first major overhaul and updating of accommodations since the hotel opened in 2009. The programme will require approximately three years for completion, during which time approximately 5% of rooms will be unavailable at each point in time.



Prospects and Recent Developments

Jai Alai Renovation

Renovation work was halted on the former Casino Jai Alai premises in February 2014 pending receipt of government approvals. Subject to obtaining these approvals, SJM expects to reopen the building in late 2015, with new facilities including a hotel with approximately 130 rooms, restaurants and retail shops (to be operated by other service providers) that will enhance the business of the reopened Casino Jai Alai as well as Casino Oceanus at Jai Alai.

As at 31 December 2014, SJM had entered into capital commitments in connection with the Jai Alai Palace renovation project with a total value of approximately \$657 million.

Investment in Macau Legend Development Limited

Macau Legend Development Limited (“MLD”), of which the Group purchased 4% of the total share capital in August 2012 for \$480 million, was listed on the Stock Exchange of Hong Kong on 5 July 2013. As at 31 December 2014, the Group owned 209,068,781 shares of the company, representing approximately 3.24% of its issued share capital.

Joint Venture with eGame Group

As announced by the Group on 6 February 2014, Elite Most Limited (“EML”), a direct subsidiary of the Company, entered into a Joint Venture Agreement with eGame Solutions Operation Limited (“ESO”) and formed a joint venture company, Elite eGame International Holdings Limited (“EEIHL”). ESO is an international provider of integrated technology and management services for national lotteries. EEIHL was established to act as a holding company for a number of country-specific operating companies engaging in lottery operations.

The first country chosen was Cambodia and Cambodian Mark 6 Co., Ltd. (“CM6”), a subsidiary of EEIHL, was granted a lottery license by the Government of Cambodia in October 2014. CM6 is now gearing up for a launch of the national lottery later in 2015. The funding, which will be provided by EML, is expected to be in the region of approximately US\$10 million.

Ponte 16 Resort

As announced in February 2015 and co-organized by Ponte 16 Resort and Hong Kong 3D Museum, the first large-scale 3D museum in Macau will open at Ponte 16 Resort in mid 2015. A branch of Hong Kong 3D Museum, Ponte 16 Macau 3D Museum will have approximately 18,000 square feet of space in six theme zones, offering visitors a chance to interact with various exhibits and 3D paintings.



Ponte 16 Macau 3D Museum

Financial Review

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

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SJM Holdings Limited Annual Report 2014

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong financial position, with bank balances and cash amounting to \$23,806 million (not including \$612 million pledged bank deposits) as at 31 December 2014. This represented a decrease of 8.6% as compared with the position as at 31 December 2013 of \$26,056 million. The decrease was mainly attributable to cash outflows for dividends and capital expenditure during the year.

Total outstanding balances of bank loans drawn by the Group as at 31 December 2014 amounted to \$991 million (as at 31 December 2013: \$1,510 million). The maturity of the Group's borrowings as at 31 December 2014 is as follows:

Within 1 year	Maturity Profile		Total
	1-2 years	2-5 years	
26%	16%	58%	100%

GEARING RATIO

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less bank balances and cash to total assets (excluding bank balances and cash)) was zero at the end of 2014 (as at 31 December 2013: zero).

CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments by the Group amounted to \$26.2 billion as at 31 December 2014 (as at 31 December 2013: \$29.1 billion), of which \$25.1 billion were for the Lisboa Palace project. As at 31 December 2014, the Group was developing the construction plan for the Lisboa Palace, with an estimated construction cost of approximately \$30 billion, including capital expenditure commitments to date.

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

PLEDGE OF ASSETS

As at 31 December 2014, certain of the Group's property and equipment and land use rights with carrying values of \$1,016 million and \$72 million, respectively (as at 31 December 2013: \$1,160 million and \$77 million, respectively), were pledged with banks for loan facilities. In addition, the Group had pledged bank deposits of \$612 million as at 31 December 2014, as compared with \$677 million as at 31 December 2013.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2014, the Group had total guarantees given to banks of \$87 million (as at 31 December 2013: \$87 million), which were guarantees in respect of credit facilities granted to an associate and an investee company. The Group had no significant contingent liabilities as at 31 December 2014.

FINANCIAL RISK

The Group follows a conservative policy in financial management with minimal exposure to currency and interest rate risks. The Group does not currently hedge its interest rate exposure, although it may consider doing so in the future. As at 31 December 2014, the equivalent of approximately \$458 million of the Group's outstanding borrowings were denominated in Chinese Yuan, of which the foreign exchange risk has been fully set off with a matching amount of deposits. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations. Over 98% of the Group's bank deposits are denominated in Hong Kong dollars, United States dollars or Macau patacas. It is the Group's policy to avoid speculative trading activity.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions or material disposals of subsidiaries and associated companies during the year ended 31 December 2014.

HUMAN RESOURCES

As at 31 December 2014, the Group had approximately 22,000 full-time employees. The Group's employee turnover rate was minimal in 2014.

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

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

COMPARISON WITH UNITED STATES GAAP ACCOUNTING

The Group's results are prepared in compliance with Hong Kong generally accepted accounting principles ("HK GAAP"). In comparing the Group's results to those of companies whose results are prepared under US GAAP, it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher Adjusted EBITDA Margin than that calculated under HK GAAP. If calculated under US GAAP, the Group's Adjusted EBITDA Margin would be approximately 16.7% for the year ended 31 December 2014, as compared with HK GAAP which gives an Adjusted EBITDA Margin of 9.7% for the same period.

Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Ho Hung Sun, Stanley, aged 93, 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 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.

Dr. Ho was a Standing Committee member of the 9th, 10th and 11th National Committee of the Chinese People's Political Consultative Conference.

Dr. Ho is the honorary life president of The Real Estate Developers Association of Hong Kong, an honorary member of The Hong Kong Polytechnic University Court, 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, and an honourable patron of the University of Macau Development Foundation. 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. 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 of Finance and Economics in China, and a Fellow of The Royal Academy of Dance in the United Kingdom.

Directors and Senior Management

Dr. So Shu Fai, aged 63, 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 Chairman of the Executive Committee of the Board since 2009. He was the Chairman of each of the Remuneration Committee and the Nomination Committee of the Board from 2008 to March 2012 and thereafter changed to act as a member of the said committees. He has been a director of SJM and a member of the senior management of SJM since 2002, and was elected as the chairman of the board of directors of SJM in March 2013. Dr. So is a director of a number of principal subsidiaries, an associate and a joint venture of the Company. He joined STDM in 1976 and has over 35 years of experience in the casino business.

Dr. So is an executive director of China Merchants Land Limited and an independent non-executive director of SHK Hong Kong Industries 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 is a member of the 12th 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, 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. He is the president of Clube Militar de Macau, a member of the board of directors of The University of Hong Kong Foundation for Educational Development and Research, as well as a committee member of the 9th National Committee of the China Federation of Literary and Art Circles.

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

Dr. So is a Chartered Secretary and a Fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. 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.

Mr. Ng Chi Sing, aged 63, was appointed a director of the Company in 2006 and is currently the Chief Operating Officer and an Executive Director of the Company. He has been a member of the Executive Committee of the Board since 2009. Mr. Ng has been a director and the Chief Operating Officer of SJM since 2002. He is responsible for overseeing SJM's operations. Mr. Ng is also a director of a number of principal subsidiaries of the Company and a director of a joint venture of the Company.

Mr. Ng joined STDM in 1978 and has more than 35 years of experience in the casino business. He served as the deputy general manager for Casino Administration and Operations of STDM from 1999 to 2002. Mr. Ng is a Standing Committee member of the 12th 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).

Directors and Senior Management

Dr. Rui José da Cunha, aged 73, was appointed a director of the Company in 2006 and is currently an Executive Director of the Company. He has been a director of SJM since 2001. Dr. Cunha is also a director of a number of principal subsidiaries of the Company. He 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, Dr. Cunha is responsible for overseeing the company secretarial and legal affairs of SJM.

Dr. Cunha has been an attorney-at-law in Macau since 1981, and a founding member of the Macau Bar Association. He 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, Dr. Cunha served as Public Prosecutor, Attorney General and Judge of High Court in Portugal and various ex-Portuguese colonies. He is the founder and chairman of Rui Cunha Foundation which was founded in Macau in 2012. Dr. Cunha graduated in 1964 from the University of Lisbon, Portugal. He was conferred as Comendador da Ordem do Mérito by the Portuguese government in May 2014.

Mr. Fok Tsun Ting, Timothy, aged 69, was appointed an Executive Director of the Company in August 2010. He has been a director of SJM since March 2014.

Mr. Fok is the chairman of Fok Ying Tung Group and the chairman of Fok Ying Tung Foundation. He is a member of the National Committee of 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.

Deputada Leong On Kei, Angela, aged 53, has been an Executive Director of the Company since 2007. She 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. Deputada Leong has been a director of SJM since 2007 and became Managing Director of SJM in December 2010, and is also the Chairman of the Staff Welfare Consultative Committee of SJM. She has been a director of STDM since 2005.

Deputada Leong is actively involved in public and community services in China, Hong Kong and Macau. She is a Standing Committee member of the Jiangxi Provincial Committee of CPPCC, and a Standing Committee member of Zhuhai Municipal Committee of CPPCC. In 2005, 2009 and 2013, respectively, Deputada Leong was elected a member of the 3rd, 4th and 5th Legislative Assemblies of the Macau SAR. She is currently the president of the General Association of Administrators and Promoters for Macau Gaming Industry. Deputada Leong has been a director of Po Leung Kuk since 2005, a vice-chairman of Po Leung Kuk from March 2011 to March 2014, and became chairman of Po Leung Kuk in April 2014. She was awarded the Medal of Merit – Industry and Commerce by the Macau SAR Government in 2009.

Directors and Senior Management

Mr. Shum Hong Kuen, David, aged 60, 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. He is a fellow member of the Hong Kong Institute of Directors.

NON-EXECUTIVE DIRECTOR

Dr. Cheng Kar Shun, aged 68, has been a Non-executive Director of the Company since May 2013. He has been a director of SJM since March 2013.

Dr. Cheng is the chairman and executive director of New World Development Company Limited, the chairman and executive director of Chow Tai Fook Jewellery Group Limited, the chairman and managing director of New World China Land Limited, the chairman and executive director of NWS Holdings Limited, the chairman and non-executive director of New World Department Store China Limited and Newton Resources Ltd, the chairman and executive director of International Entertainment Corporation, an independent non-executive director of Hang Seng Bank Limited and HKR International Limited, and a non-executive director of Lifestyle International Holdings Limited, all of them are companies listed on the HKSE Main Board.

Dr. Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation and a standing committee member of the 12th National Committee of CPPCC. In 2001, he was awarded the Gold Bauhinia Star by the Hong Kong SAR Government.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Tak Hay, aged 72, has been an Independent Non-executive Director of the Company since 2007 and a member of the Audit Committee of the Board since 2008, a member of the Remuneration Committee of the Board since November 2010, and a member of the Nomination Committee of the Board from 2008 to March 2012 and thereafter appointed as the Chairman of the said committee.

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

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

Directors and Senior Management

Dr. Lan Hong Tsung, David, aged 74, has been an Independent Non-executive Director of the Company since 2007, and a member of the Nomination Committee of the Board since 2008, a member of the Audit Committee of the Board since November 2010, and a member of the Remuneration Committee of the Board from 2008 to March 2012 and thereafter appointed as the Chairman of the said committee.

Dr. Lan is the Chairman of David H T Lan Consultants Ltd., the Senior Advisor of Mitsui & Co (HK) Ltd., an independent non-executive director of Nanyang Commercial Bank, Ltd., a supervisor of Nanyang Commercial Bank (China), Limited and the President of The International Institute of Management. He is also an independent non-executive director of Cheung Kong Infrastructure Holdings Limited and Hutchison Telecommunications Hong Kong Holdings Limited, each of which is listed on the HKSE Main Board, as well as Chairman of Audit Committee of ARA Asset Management (Prosperity) Limited, the manager of HKSE Main Board listed Prosperity Real Estate Investment Trust. Dr. Lan 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. He was an independent non-executive director of Hutchison Harbour Ring Limited, which is listed on the HKSE Main Board, until December 2014.

In 2000, Dr. Lan was awarded the Gold Bauhinia Star by the Hong Kong SAR Government for his 39 year-long civil service when he retired as the Secretary for Home Affairs. He was appointed to the 10th and 11th sessions of the National Committee Member of the Chinese People's Political Consultative Conference. Dr. Lan 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. He graduated from the University of London with a Bachelor of Arts degree and obtained Advanced Management Program (AMP) qualification from the Harvard Business School. Dr. Lan was also a Visiting Fellow of Queen Elizabeth House (Oxford). He was conferred with Doctoral of Humanities (Honoris Causa) by Don Honorio Ventura Technological State University and Visiting Professorship awarded by Bulacan State University and Tarlac State University.

Hon. Shek Lai Him, Abraham, aged 69, has been an Independent Non-executive Director of the Company since 2007, and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board since 2008.

Hon. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited and the vice-chairman and an independent non-executive director of ITC Properties Group Limited, both companies are listed on the HKSE Main Board. He is also an independent non-executive director of a number of companies listed on the HKSE Main Board, namely, China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Cosmopolitan International Holdings Limited, Country Garden Holdings Company Limited, Dorsett Hospitality International Limited, Hop Hing Group Holdings Limited, ITC Corporation Limited, Lai Fung Holdings Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, MTR Corporation Limited, NWS Holdings Limited and Paliburg Holdings Limited. Hon. Shek is an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust, and Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust, both of the Trusts are listed on the HKSE Main Board. He was an independent non-executive director of Hsin Chong Construction Group Ltd. and Titan Petrochemicals Group Limited (provisional liquidators appointed), both of which are listed on the HKSE Main Board, until May 2014 and February 2014 respectively.

Directors and Senior Management

Hon. Shek graduated from the University of Sydney with a Bachelor of Arts degree and a Diploma in Education. He is a member of the Legislative Council for the Hong Kong SAR representing the real estate and construction functional constituency since 2000. Hon. Shek was appointed a Justice of the Peace in 1995 and awarded Silver Bauhinia Star and Gold Bauhinia Star in 2007 and 2013 respectively. He is also a committee member of the 5th Shenzhen Municipal Committee of CPPCC, a director of the Hong Kong Mortgage Corporation Limited, a court member of the Hong Kong University of Science and Technology, and a court and council member of The University of Hong Kong. Hon. Shek was the vice-chairman of the Independent Police Complaints Council in Hong Kong SAR until December 2014.

Mr. Tse Hau Yin, aged 67, has been an Independent Non-executive Director of the Company since 2007, the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Board since 2008. He is a member of the Supervisory Committee of SJM and a number of its subsidiary companies.

Mr. Tse is also an independent non-executive director of China Telecom Corporation Limited, CNOOC Limited, Sinofer Holdings Limited and Linmark Group Limited, all of which are listed on the HKSE Main Board. He is also an independent non-executive director of OCBC Wing Hang Bank Limited (formerly known as “Wing Hang Bank Limited”), which was listed on the HKSE Main Board until October 2014.

Mr. Tse is a fellow of the Institute of Chartered Accountants in England and Wales, and a fellow member, past president and a former member of the Audit Committee of the Hong Kong Institute of Certified Public Accountants. He is also a registered auditor in Macau. Mr. Tse joined KPMG in 1976, became a partner in 1984 and retired in 2003. Between 1997 and 2000, he served as the non-executive chairman of KPMG’s operations in China and was a member of the KPMG China Advisory Board. Mr. Tse is currently a member of the International Advisory Council of The People’s Municipal Government of Wuhan. He holds a Bachelor of Social Sciences degree from The University of Hong Kong.

DIRECTORS’ BIOGRAPHICAL DETAILS UPDATE

The Directors’ biographical details update, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since 1 July 2014 and up to 31 December 2014 has been reflected in the above section.

SENIOR MANAGEMENT

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

Report of the Directors

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

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SJM Holdings Limited
Annual Report 2014

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 2014 (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 operating segment 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 50 to the Financial Statements.

FINANCIAL RESULTS

The profit of the Group for the year ended 31 December 2014, 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 87 to 162.

DIVIDENDS

An interim dividend of HK22 cents per ordinary share of the Company (the “Share”) for the six months ended 30 June 2014 (six months ended 30 June 2013: HK20 cents per Share) was paid on 17 September 2014.

The board of Directors of the Company (the “Board”) recommends a final dividend of HK62 cents per Share (2013: final dividend of HK50 cents per Share and special dividend of HK30 cents per Share) in respect of the year ended 31 December 2014, which is subject to approval at the forthcoming annual general meeting of the Company to be held on 18 June 2015 (the “2015 AGM”).

RECORD DATE FOR PROPOSED FINAL DIVIDEND

Record date for proposed final dividend	23 June 2015
Latest time to lodge transfer documents with the Company’s share registrar	4:30 p.m. on Tuesday, 23 June 2015
Name and address of the Company’s share registrar	Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
Expected Payment date	3 July 2015 (if approved at the 2015 AGM)

CLOSURE OF REGISTER OF MEMBERS FOR 2015 AGM

Book close dates for 2015 AGM	16 June 2015 to 18 June 2015 (both days inclusive)
Latest time to lodge transfer documents with the Company's share registrar	4:30 p.m. on Monday, 15 June 2015
Name and address of the Company's share registrar	Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Date and time of 2015 AGM	2:30 p.m. on Thursday, 18 June 2015

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2014 is set out on page 163.

NEW ARTICLES OF ASSOCIATION

At the annual general meeting of the Company held on 5 June 2014, a special resolution was passed to adopt a new articles of association of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

Major 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, 49.26% of the Group's purchases was attributable to the Group's five largest suppliers combined as below:

- (i) lao Lek Engineering Company Limited which provides SJM with construction services, accounted for 19.45% of the Group's total purchases;
- (ii) Shing Lung Construction & Engineering Company Limited which provides SJM with construction services, accounted for 10.60% of the Group's total purchases;
- (iii) China Harbour Engineering Company Limited which provides SJM with construction services, accounted for 8.57% of the Group's total purchases;
- (iv) 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 5.68% of the Group's total purchases; and
- (v) STDM, through Hotel Lisboa Macau and Hotel Sintra, which provides SJM with casino and office leasing, hotel rooms and entertainment services, accounted for 4.96% of the Group's total purchases.

Report of the Directors

Hotel Lisboa Macau and Hotel Sintra are owned by STDM. Dr. Ho Hung Sun, Stanley, Dr. Cheng Kar Shun, Deputada Leong On Kei, Angela and Mr. Shum Hong Kuen, David have beneficial interests in STDM and Dr. Ho Hung Sun, Stanley and Deputada Leong On Kei, Angela and Mr. Shum Hong Kuen, David representing Interdragon Limited are directors of STDM. STDM is a controlling shareholder of the Company 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 of the Company (“Shareholders”) (which to the knowledge of the Directors own more than 5% of the Company’s issued shares) were interested at any time during the year, in the Group’s five largest suppliers.

Major Customers

During the year, 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 2014 amounted to \$5,503.7 million (31 December 2013: \$5,830.9 million).

DONATIONS

Donations made by the Group during the year amounted to \$1.2 million (31 December 2013: \$3.9 million).

Report of the Directors

MAJOR PROPERTIES

Details of major properties of the Group as at 31 December 2014 are as follows:

Property	Location	Use	Site area (sq.m.)	Gross floor area/ saleable area (sq.m.)	Group interest
Lisboa Palace (under development with expected completion in 2017)	A plot of land located in the Cotai area of Macau, adjacent to Avenida do Aeroporto and Rua de Ténis	A complex containing hotel and with gaming area	70,468	521,435	100%
Grand Lisboa Hotel and Casino Complex	Avenida do Infante D. Henrique, N° S/N, Macau	Gaming operation, hotel operation and commercial use	11,626	135,442	100%
Ponte 16	Rua das Lorchas, N° S/N; Rua do Visconde Paço de Arcos, N° S/N, Macau	Gaming operation, hotel operation and commercial use	23,066	126,500	51%
Centro Internacional de Macau	Rua do Terminal Marítimo, N°s 93–103, Edifício I – Bloco V, Macau	Staff quarters	—	5,582.72	100%
Portion of Casino Lisboa	Basement, G/F, 1/F, 2/F, 3/F of Hotel Lisboa, Praça Ferreira do Amaral, N°s 1–5, Macau	Gaming operation	—	7,585.72	100%

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2014 are set out in note 38 to the Financial Statements.

CAPITALISATION OF BORROWING COSTS

Borrowing costs capitalised by the Group during the year amounted to \$52.3 million (2013: \$40.0 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.

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.

Principal terms of the Scheme

The principal terms of the Scheme are summarised below:

Purpose	To provide incentives to participants to contribute to the Group and/or to enable the Group to retain and recruit high-calibre employees and/or attract human resources that are valuable to the Group
Participants	Any employee, officer, agent, consultant or representative of the Company or any subsidiary, including any executive or non-executive director of the Company or any subsidiary, who is regarded as a valuable human resources of the Group based on his work experience, knowledge of the industry and other relevant factors
Total number of Shares available for issue	The total number of Shares which may be issued upon exercise of all Options must not in aggregate exceed 10% of the nominal amount of the issued share capital of the Company as at 13 May 2009 (that is, 500,000,000 Shares). As at the date of this annual report, the total number of Shares available for issue under the Scheme is 159,154,000 Shares, representing approximately 2.8% of the total number of Shares in issue.
Maximum entitlement of each participant	<p>In any 12-month period (including the proposed grant date):</p> <p>(a) For participants excluding substantial Shareholders, Independent Non-executive Directors or their respective associates:</p> <p>1% of the number of Shares in issue as at the proposed grant date (including the total number of Shares already issued and those which may fall to be issued upon exercise of Options granted and to be granted to him under the Scheme and any other share option scheme(s) of the Company and/or any subsidiary)</p> <p>(b) For substantial Shareholders, Independent Non-executive Directors or their respective associates:</p> <p>(i) 0.1% of the number of Shares in issue as at the proposed grant date (including the total number of Shares already issued and those which may fall to be issued upon exercise of Options granted and to be granted to him under the Scheme and any other share option scheme(s) of the Company and/or any subsidiary); or</p> <p>(ii) not exceeding \$5 million in aggregate value based on the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on each relevant date on which the grant of Options is made.</p>

Report of the Directors

Principal terms of the Scheme (Continued)

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
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	<p>The exercise price shall be determined by the Board at the time the grant of the Options is made and shall not be less than the higher of:</p> <ul style="list-style-type: none"> (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the grant date, which must be a business day; and (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date.
Remaining life of the Scheme	The Scheme will remain in force for a period of 10 years commencing on the adoption date.

Report of the Directors

Movement of Options granted

Details of the movement in Options granted under the Scheme during the year ended 31 December 2014 were as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per Share	Number of Options					Balance as at 31 December 2014
				Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Directors:									
Cheng Kar Shun	8 October 2013 (Note 6)	8 April 2014 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
	8 October 2013 (Note 6)	8 April 2015 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
	8 October 2013 (Note 6)	8 April 2016 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
Chau Tak Hay	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	(500,000)	—	—	—
Lan Hong Tsung, David	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
Shek Lai Him, Abraham	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	(500,000)	—	—	—
Tse Hau Yin	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
So Shu Fai	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	35,000,000	—	(35,000,000)	—	—	—
Ng Chi Sing	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	32,000,000	—	(32,000,000)	—	—	—
Rui José da Cunha	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
Fok Tsun Ting, Timothy	31 August 2010 (Note 4)	28 February 2011 to 27 February 2020	\$7.48	3,000,000	—	—	—	—	3,000,000
	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
Leong On Kei, Angela	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	30,000,000	—	(30,000,000)	—	—	—
Shum Hong Kuen, David	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	3,000,000	—	—	—	—	3,000,000
	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	(3,000,000)	—	—	—
Sub-total (Directors):				117,000,000	—	(101,000,000)	—	—	16,000,000

Report of the Directors

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share	Number of Options					Balance as at 31 December 2014
				Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Employees	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	3,260,000	—	(370,000)	—	—	2,890,000
Employee	19 May 2010 (Note 2)	19 November 2010 to 18 November 2019	\$5.11	600,000	—	(400,000)	—	—	200,000
Employees	26 May 2010 (Note 3)	26 November 2010 to 25 November 2019	\$5.03	260,000	—	—	—	—	260,000
Employees	8 October 2013 (Note 6)	8 April 2014 to 7 April 2023	\$22	14,125,000	—	—	—	(80,000)	14,045,000
Employee	8 October 2013 (Note 6)	8 October 2014 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
Employees	8 October 2013 (Note 6)	8 April 2015 to 7 April 2023	\$22	14,070,000	—	—	—	(128,000)	13,942,000
Employee	8 October 2013 (Note 6)	8 October 2015 to 7 April 2023	\$22	500,000	—	—	—	—	500,000
Employees	8 October 2013 (Note 6)	8 April 2016 to 7 April 2023	\$22	14,053,000	—	—	—	(128,000)	13,925,000
Employee	8 October 2013 (Note 6)	8 October 2016 to 7 April 2023	\$22	500,000	—	—	—	—	500,000
Employee	8 October 2013 (Note 6)	8 October 2017 to 7 April 2023	\$22	500,000	—	—	—	—	500,000
Employee	8 October 2013 (Note 6)	8 October 2018 to 7 April 2023	\$22	500,000	—	—	—	—	500,000
Sub-total (Employees):				49,368,000	—	(770,000)	—	(336,000)	48,262,000
Other participants	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	950,000	—	(650,000)	—	—	300,000
Other participants	8 October 2013 (Note 6)	8 April 2014 to 7 April 2023	\$22	734,000	—	—	—	—	734,000
Other participants	8 October 2013 (Note 6)	8 April 2015 to 7 April 2023	\$22	734,000	—	—	—	—	734,000
Other participants	8 October 2013 (Note 6)	8 April 2016 to 7 April 2023	\$22	732,000	—	—	—	(166,000)	566,000
Sub-total (Other participants):				3,150,000	—	(650,000)	—	(166,000)	2,334,000
Total:				169,518,000	—	(102,420,000)	—	(502,000)	66,596,000

Report of the Directors

Movement of Options granted (Continued)

Notes:

- 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

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

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

- The weighted average closing price of the Shares immediately before the dates on which the Options were exercised is \$20.25.

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
Dr. Rui José da Cunha
Mr. Fok Tsun Ting, Timothy
Deputada Leong On Kei, Angela
Mr. Shum Hong Kuen, David

Non-executive Director:

Dr. Cheng Kar Shun

Independent Non-executive Directors:

Mr. Chau Tak Hay
Dr. Lan Hong Tsung, David
Hon. Shek Lai Him, Abraham
Mr. Tse Hau Yin

Biographical details of Directors are set out on pages 30 to 35 of this annual report. Details of their remuneration are set out in note 11 to the Financial Statements.

In accordance with Article 95 of the Company's articles of association, Dr. Ho Hung Sun, Stanley and Mr. Shum Hong Kuen, David, each an Executive Director, and Hon. Shek Lai Him, Abraham and Mr. Tse Hau Yin, each an Independent Non-executive Director will retire from the Board by rotation at the 2015 AGM and, being eligible, offer themselves 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 at the 2015 AGM has a service contract with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

Report of the Directors

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DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

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

Agreements with STDM or its subsidiaries

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

Both Dr. Ho Hung Sun, Stanley and Deputada Leong On Kei, Angela are directors of STDM and have beneficial interests in STDM. Dr. Cheng Kar Shun has beneficial interest in STDM via Many Town Company Limited, a corporate director of STDM. Dr. Cheng Kar Shun is the representative of Many Town Company Limited to act as a director of STDM. Mr. Shum Hong Kuen, David (who also represents Interdragon Limited, a corporate director of STDM) also has beneficial interest in STDM.

Connected relationship:

STDM is the controlling Shareholder and therefore STDM and/or its subsidiaries are connected persons of the Company under the Listing Rules.

Premises Leasing Master Agreement

Parties to the agreement:

STDM and the Company

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2014
18 June 2008	18 June 2008 to 31 March 2020 (the Company may terminate the agreement by giving at least three months' prior written notice)	<ul style="list-style-type: none">For the leasing of premises by STDM and its associates (excluding the Group) (the "STDM Group") to the Group for use as casinos, offices, or for other business purposesPayments for the premises comprised rental, utility charges, air conditioning service charges and building management fees where the relevant rental must be fair and reasonable, and may not be higher than the rental for the same or comparable type of premises provided by independent third parties in the ordinary course of business; the utility charges payable are based on actual utility consumption; and the air conditioning expenses and building management fees are determined in accordance with and not exceeding the relevant market prices.The terms and conditions on which such premises are to be provided should be no less favourable to the Company than those offered by independent third parties.	See "Annual Caps and Aggregate Amount Table" on page 49 of this report

Report of the Directors

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

Products and Services Master Agreement

Parties to the agreement:

STDM and the Company

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2014
6 January 2014	1 January 2014 to 31 December 2016	<ul style="list-style-type: none">For the provision of the following categories of products and services by the STDM Group to the Group:<ul style="list-style-type: none">(i) hotel accommodation(ii) entertainment and staff messing(iii) transportation (including jetfoil tickets supplied by Far East Hydrofoil Company, Limited through STDM)(iv) hotel management and operation(v) maintenance servicesThe provision of each relevant product or service by the STDM Group shall be on normal commercial terms and made with reference to the prevailing market price after arm’s length negotiation between the relevant parties or, where there is no relevant market price, on terms negotiated between the relevant parties at arm’s length.The price of the products and services to be provided by the STDM Group including the basis of the calculation of the payments to be made shall be set out in the relevant implementation agreements and must be fair and reasonable.	See “Annual Caps and Aggregate Amount Table” on page 49 of this report

Further details of the above transactions were set out in the announcement of the Company dated 6 January 2014.

Report of the Directors

Chips Agreement

Parties to the agreement:

STDM and SJM

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2014
18 June 2008	No fixed term (may be terminated by mutual agreement or upon termination of SJM's gaming concession contract, whichever is earlier)	<ul style="list-style-type: none">For regulating the honouring, borrowing and use of the casino chips of STDM for the purposes of its gaming operations.Since 1 April 2002, SJM had been borrowing casino chips from STDM for the purpose of its business operation. STDM agreed to reimburse SJM for the aggregate face value of the chips honoured by SJM which were not sold by SJM. The arrangements are now being phased out as explained below.	See "Annual Caps and Aggregate Amount Table" on page 49 of this report

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

Since SJM has secured its own supply of chips and is no longer borrowing any STDM chips since 2011, the overall value of STDM chips redeemed in 2014 has declined substantially from the historical levels seen in earlier years. Furthermore, all casino chips of STDM have been withdrawn from circulation and procedures were put in place for those holding such chips to redeem them for cash or for casino chips of SJM.

Transfer Agreement for Dredging Department from STDM to Macau Dredging Services Limited

Parties to the agreement:

STDM and Macau Dredging Services Limited ("MD"), a subsidiary of the Company

Date of agreement	Description of the transaction and its purpose
22 November 2013	<ul style="list-style-type: none">For the transfer of Dredging Department from STDM to MDMD took over the operation of the Dredging Department on 1 January 2014. The takeover involved, among other things:<ul style="list-style-type: none">(i) assignment or transfer (where applicable) of existing employment contracts of the employees(ii) transfer of the assets(iii) assignment of certain business contracts(iv) entering into lease agreements

Report of the Directors

The assets of the Dredging Department were transferred from STDM to MD for an aggregate consideration of approximately \$287.5 million, which was determined by agreement between STDM and MD based on (a) the valuation of certain assets, comprising mainly vessels, pier facilities and vehicles, as at 24 September 2013 of \$287,374,000 as appeared in the valuation reports of an independent valuer; and (b) unaudited estimated net book value of the remaining assets, including mainly office equipment, as at 31 December 2013 of approximately MOP167,000 (equivalent to approximately \$162,000).

Further details of the said transactions were set out in the announcement of the Company dated 22 November 2013.

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2014 \$ million (audited)	Annual cap for the year ended 31 December 2014 \$ million	Annual cap for the year ending 31 December 2015 \$ million	Annual cap for the year ending 31 December 2016 \$ million
• Premises Leasing Master Agreement (Note 1)	261.2	307	327	327
• Products and Services Master Agreement (Note 2)				
(i) Hotel accommodation	118.0	141	169	203
(ii) Entertainment and staff messing	54.2	84	101	121
(iii) Transportation	163.5	194	223	257
(iv) Maintenance services	N/A	N/A	N/A	N/A
(v) Hotel management and operation	N/A	N/A	N/A	N/A
• Chips Agreement (Note 3)	0.4	85	85	85

Notes:

- In November 2013, the Board approved new annual caps for this category of continuing connected transactions for the three financial years of 31 December 2014, 2015 and 2016 at \$307 million, \$327 million and \$327 million respectively. These annual caps have been determined by reference to (i) the existing leases between the Group and the STDM Group; (ii) the expected renewal of certain existing leases during the three years ending 31 December 2016; (iii) the estimated rental adjustments to be made to the renewed leases; and (iv) a buffer for additional and unexpected demand of the Group for the premises owned by the STDM Group for its business operations up to 31 December 2016.

2. In January 2014, STDM and the Company renewed the Products and Services Master Agreement and approved new annual caps for the three categories of continuing connected transactions (i.e., hotel accommodation, entertainment and staff messing, and transportation) for the three financial years of 31 December 2014, 2015 and 2016. Those annual caps are determined by reference to a number of factors including (i) the historical consumption of the products and services by the Group; (ii) the business, marketing and promotion plans of the Group; (iii) the inflation rate in Macau; and (iv) the expected transaction volume and market prices of the products and services. The other two categories of continuing connected transactions (i.e., maintenance services, and hotel management and operation) under the Products and Services Master Agreement are de minimis transactions under the Listing Rules and no annual cap has been set.
3. In November 2013, the Board set new annual caps for this category of continuing connected transactions for the three financial years of 31 December 2014, 2015 and 2016 at \$85 million each year. These annual caps for the STDM chips to be redeemed have been determined by reference to the outstanding amount of STDM chips in circulation.

Master Service Agreement with Shun Tak & CITS Coach (Macao) Limited

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

An aggregate of 51% of Shun Tak & CITS Coach (Macao) Limited ("ST-CITS") is owned by associates of Dr. Ho Hung Sun, Stanley as defined under the Listing Rules.

Connected relationship:

Family interests of Dr. Ho Hung Sun, Stanley have control of more than 50% in the voting power of ST-CITS and therefore ST-CITS is a connected person of the Company under the Listing Rules.

Parties to the agreement:

ST-CITS and SJM

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2014
6 December 2013	1 January 2014 to 31 December 2016 (may be renewed, by mutual written agreement, for successive terms of three years)	<ul style="list-style-type: none"> • ST-CITS agreed to, on request and subject to availability of resources, provide and procure members of ST-CITS and its subsidiaries (the "ST-CITS Group") to provide coach, mini-bus and limousine services to the Group's gaming patrons, hotel guests and staff in Macau locally as well as operating cross-border routes to mainland cities of China and other services ancillary to or relating to the foregoing (the "Transportation Services"). • The consideration for the provision of the Transportation Services shall be on normal commercial terms and determined on an arm's length basis between the relevant member of both the Group and the ST-CITS Group having regard to the quantity, specifications and/or other conditions of the Transportation Services to be provided and the prevailing price charged by independent third parties for the provision of the same or comparable type of the Transportation Services in the ordinary course of business. 	See "Annual Caps and Aggregate Amount Table" on page 51 of this report

Further details of the said transaction were set out in the announcement of the Company dated 6 December 2013.

Report of the Directors

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2014 \$ million (audited)	Annual Cap for the year ended 31 December 2014 \$ million	Annual Cap for the year ending 31 December 2015 \$ million	Annual Cap for the year ending 31 December 2016 \$ million
Transportation Services (Note)	51.5	63.0	67.0	70.0

Note:

The annual caps are determined by reference to a number of factors including (i) the historical consumption of the Transportation Services by the Group; (ii) the projected increase in volume of the Transportation Services; (iii) the increasing costs of the provision of the Transportation Services including labour, fuel and other overhead expenses; and (iv) buffers to accommodate possible additional demand for the Transportation Services required by the Group.

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

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

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

Connected relationship:

Tin Hou is a connected person pursuant to Rule 14A.12(2)(b) of the Listing Rules.

Parties to the agreement:

Tin Hou and SJM

Date of agreement	Term	Description of the transaction and its purpose	Aggregate amount of transactions in 2014 \$ million (audited)
19 February 2010	1 October 2009 to 31 March 2020 (expiration date of SJM's gaming concession contract) or earlier termination (including winding up or cessation of business of either party)	<ul style="list-style-type: none"> Tin Hou and SJM formalised their business arrangements in respect of the provision by Tin Hou to SJM of certain services in the gaming area located at the Grand Emperor Hotel in Macau (the "Gaming Area") which had commenced in October 2009. In consideration for the provision of related services to SJM, Tin Hou together with the nominated junket promoter, which is a fellow subsidiary of Tin Hou, is entitled to a share of the gross win and gross loss in respect of the monthly operating performance of the Gaming Area. The consideration for the provision of such services was determined after arm's length negotiation. 	1,692.6

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

Report of the Directors

Lease Agreement for Jai Alai Palace

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

Deputada Leong On Kei, Angela owned approximately 97.3% indirect interests in Netlink Capital Limited ("Netlink").

Connected relationship:

Netlink is wholly owned by Sociedade de Pelota Basca de Macau, S.A. which in turn is owned as to approximately 97.3% by Deputada Leong On Kei, Angela and therefore Netlink is a connected person of the Company under the Listing Rules.

Parties to the agreement:

Netlink and Efort Limited ("Efort"), an indirect subsidiary of the Company

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2014
18 November 2012	1 January 2014 to 31 December 2016 (may be renewed for further three years at the open market prices at the sole discretion of Efort)	<ul style="list-style-type: none">Netlink leased the Jai Alai Palace located in Macau to Efort for the operations of Casino Jai Alai and additional facilities by the Group.The monthly rental (including management fee) of the Jai Alai Palace is MOP10.3 million (equivalent to approximately \$10 million).Efort shall pay to Netlink a refundable sum of MOP82.4 million (equivalent to approximately \$80 million), being the aggregate of a deposit equivalent to two-month rental (including management fee) and a decoration deposit equivalent to six-month rental (including management fee).The monthly rental (including management fee) and payment terms of the lease agreement have been negotiated on an arm's length basis between the parties to the lease agreement with reference to prevailing market rents as appraised by an independent property valuer.Efort may sub-lease any space located in the Jai Alai Palace to third parties, with Netlink's prior written consent on the selected third party as the sub-lessee, which consent shall not be unreasonably withheld.	See "Annual Caps and Aggregate Amount Table" on page 53 of this report

Further details of the said transaction were set out in the announcement of the Company dated 18 November 2012.

Report of the Directors

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2014 \$ million (audited)	Annual cap for the year ended 31 December 2014 \$ million	Annual cap for the year ending 31 December 2015 \$ million	Annual cap for the year ending 31 December 2016 \$ million
Annual rental (including management fee) (Note)	See "Premises Leasing Master Agreement with a Director and/or her associates" on pages 53 and 54 of this report	126	126	126

Note:

The annual caps are determined by reference to (i) the agreed monthly rental (including management fee) of the Jai Alai Palace as set out in the lease agreement; and (ii) a buffer of 5% on the monthly rental (including management fee) for other unexpected charges incidental to the transactions contemplated under the lease agreement.

Premises Leasing Master Agreement with a Director and/or her associates

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

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

Connected relationship:

Deputada Leong On Kei, Angela and/or her associates are connected persons of the Company under the Listing Rules.

Parties to the agreement:

Deputada Leong On Kei, Angela and the Company

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transaction in 2014
22 November 2013	1 January 2014 to 31 December 2016 (the "Relevant Period") (the Company shall have the right in its sole discretion to renew the agreement for further three years)	<ul style="list-style-type: none"> Deputada Leong On Kei, Angela agrees to lease and procure her associates to lease certain premises to members of the Group subject to the terms and conditions of the Premises Leasing Master Agreement and the relevant lease implementation agreements. The relevant rental of each premises shall not be higher than the rental for the same or comparable type of premises provided by independent third parties in the ordinary course of business. The terms and conditions on which such premises are to be provided should be no less favourable to the Group than those offered by independent third parties. The costs of maintenance and repair of the premises shall be borne, as set out in the lease implementation agreements, by the relevant member of the Group as tenant/lessee in the case of regular maintenance and repair of usage deterioration and by Deputada Leong On Kei, Angela and/or her relevant associate as landlord/lessor in the case of structural repair required to maintain the integrity of the premises. 	See "Annual Caps and Aggregate Amount Table" on page 54 of this report

Report of the Directors

Further details of the said transaction were set out in the announcement of the Company dated 22 November 2013.

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2014 \$ million (audited)	Annual cap for the year ended 31 December 2014 \$ million	Annual cap for the year ending 31 December 2015 \$ million	Annual cap for the year ending 31 December 2016 \$ million
Annual rentals (Note)	158.6	180	180	180

Note:

The annual caps are determined by reference to (i) the existing leases (including the lease of the Jai Alai Palace) entered between the Group and Deputada Leong On Kei, Angela and/or her associates; (ii) the expected renewal of certain existing leases during the Relevant Period; (iii) the estimated rental adjustments to be made to the renewed leases; and (iv) a buffer of 10% for any unanticipated fluctuations of market rental (including property management fee, if applicable) and any unexpected charges incidental to the transactions contemplated under the Premises Leasing Master Agreement as well as additional leases to be entered in the Relevant Period.

Review by Auditors

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

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged Deloitte Touche Tohmatsu (the "Auditor"), the auditor 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" issued by Hong Kong Institute of Certified Public Accountants.

The Auditor has issued a review report to the Board and confirmed that for the year 2014:

- (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (ii) 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;
- (iii) 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
- (iv) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 22 November 2013, 6 December 2013 and 6 January 2014 made by the Company in respect of each of the disclosed continuing connected transactions.

Report of the Directors

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

- (1) in the ordinary and usual course of business of the Company;
- (2) 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
- (3) 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 25 February 2015, all the Independent Non-executive Directors reviewed and confirmed compliance with an agreement between SJM and STDM dated 18 June 2008 regarding the honouring and borrowing of STDM chips for the purpose of SJM's casino gaming operations. During the year ended 31 December 2014, the net amount received and receivable on reimbursement of STDM chips in circulation amounted to \$0.4 million.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Dr. Ho Hung Sun, Stanley 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 2014, he was one of the beneficiaries of a discretionary trust which, via a company controlled by it, interested in 298,982,187 shares of Melco, representing approximately 19.3% of the issued share capital of Melco. Dr. Ho Hung Sun, Stanley is also a beneficial owner of 342 shares of Melco.

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

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

Report of the Directors

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

As at 31 December 2014, 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:

Interests in Shares, underlying Shares and debentures of the Company

Name of director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued Shares
					(Note 2)
Cheng Kar Shun	Beneficial owner	Long position	—	3,000,000 (Note 1)	0.05%
Chau Tak Hay	Beneficial owner	Long position	500,000	—	0.01%
Lan Hong Tsung, David	Beneficial owner Beneficial owner	Long position Long position	100,000 —	— 500,000 (Note 1)	0.002% 0.01%
			100,000	500,000	0.012%
Shek Lai Him, Abraham	Beneficial owner	Long position	200,000	—	0.004%
Tse Hau Yin	Beneficial owner Beneficial owner	Long position Long position	500,000 —	— 500,000 (Note 1)	0.01% 0.01%
			500,000	500,000	0.02%
So Shu Fai	Beneficial owner	Long position	153,327,922	—	2.71%
Ng Chi Sing	Beneficial owner	Long position	118,452,922	—	2.09%
Rui José da Cunha	Beneficial owner Beneficial owner	Long position Long position	18,107,500 —	— 3,000,000 (Note 1)	0.32% 0.05%
			18,107,500	3,000,000	0.37%
Fok Tsun Ting, Timothy	Beneficial owner	Long position	—	6,000,000 (Note 1)	0.11%
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	—	8.10%
Shum Hong Kuen, David	Beneficial owner Beneficial owner	Long position Long position	3,000,000 —	— 3,000,000 (Note 1)	0.05% 0.05%
			3,000,000	3,000,000	0.10%

Report of the Directors

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	0.12%
Leong On Kei, Angela	Beneficial owner	Long position	637	5,215	5,852	6.86%
Shum Hong Kuen, David	Beneficial owner	Long position	1,004	—	1,004	1.18%

Sociedade de Jogos de Macau, S.A.

Name of director	Capacity	Long/short position	No. of shares held (Type B Shares)	Approximate percentage of issued share capital
Leong On Kei, Angela	Beneficial owner	Long position	300,000	10.00%

Notes:

1. 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.
2. The percentage has been calculated based on 5,655,929,293 Shares in issue as at 31 December 2014.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, so far as was known to any Director, as of 31 December 2014, 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 2014, 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	Approximate percentage of issued Shares
<i>(Note 2)</i>				
Sociedade de Turismo e Diversões de Macau, S.A.	Beneficial owner	Long position	3,049,987,500	53.93%
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	8.10%
The Capital Group Companies, Inc.	Interest of controlled corporations	Long position	399,208,000 <i>(Note 1)</i>	7.06%
Capital Research and Management Company	Investment manager	Long position	359,285,000 <i>(Note 1)</i>	6.35%

Notes:

- The Capital Group Companies, Inc. is the parent company of Capital Research and Management Company ("CRMC") and Capital Group International, Inc ("CGII"). CGII is the parent company of Capital Guardian Trust Company ("CGTC"), Capital International, Inc. ("CII"), Capital International Limited ("CIL") and Capital International Sàrl ("CIS"). CRMC, CGTC, CII, CIL and CIS altogether directly held 399,208,000 Shares in aggregate as recorded in the Company's register required to be kept under Section 336 of the SFO as at 31 December 2014.*
- The percentage has been calculated based on 5,655,929,293 Shares in issue as at 31 December 2014.*

Save as disclosed above, as at 31 December 2014, 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 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 48 to the Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards. The related party transactions referred in notes 48(b) to 48(j) constitute continuing connected transactions, and notes 48(m) and 48(o) constitute connected transactions as defined under Chapter 14A of the Listing Rules, and all such related party transactions comply with the requirements under Chapter 14A of the Listing Rules.

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

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

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

At a meeting of the Audit Committee held on 25 February 2015, all the Independent Non-executive Directors reviewed the confirmations from Dr. Ho Hung Sun, Stanley and STDM in respect of the Non-Competition Undertakings, and confirmed compliance with the Non-Competition Undertakings provided by Dr. Ho Hung Sun, Stanley and STDM.

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

At the meeting of the Audit Committee held on 25 February 2015, all the Independent Non-executive Directors reviewed the position regarding the indemnity provided by STDM-Investments Limited (“STDM-I”) (liquidated on 15 August 2011) dated 20 November 2007 in respect of certain litigation ongoing at the time of the Company’s global offering of Shares (the “STDM-I Surety”).

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

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

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.

Report of the Directors

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SJM Holdings Limited Annual Report 2014

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 2014.

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 61 to 81 of this annual report.

AUDITOR

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company until the conclusion of the next annual general meeting is to be proposed at the 2015 AGM.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee of the Company.

By order of the Board of Directors

SJM Holdings Limited

So Shu Fai

Executive Director and Chief Executive Officer

Hong Kong, 25 February 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

SJM Holdings Limited (the “Company”) is committed to the establishment of good corporate governance practices and procedures and its management team has strived to uphold the highest standards of corporate governance and transparency.

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

During the year ended 31 December 2014, the Company has complied with code provisions of the CG Code except for the deviation from the following code provisions:

- A.6.5: Dr. Ho Hung Sun, Stanley had not participated in continuous professional development provided by the Company due to his health reasons.
- E.1.2: Due to health reasons, Dr. Ho Hung Sun, Stanley was absent from the annual general meeting of the Company held on 5 June 2014 (the “2014 AGM”).

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

Directors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in 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 ended 31 December 2014.

Relevant employees of the Company

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 include 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, possesses inside 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 business, 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.

Corporate Governance Report

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 composition is as follows:

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

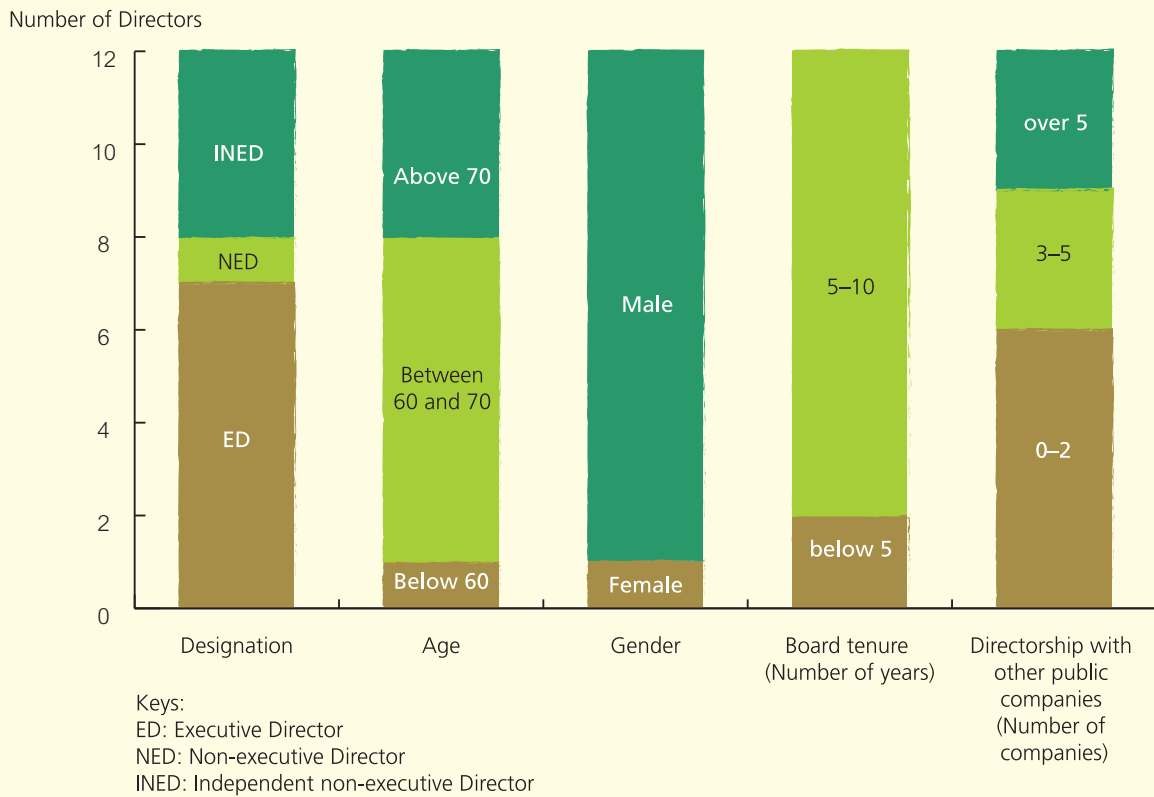
The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) and one third of the Directors are Independent Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent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

BOARD DIVERSITY

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

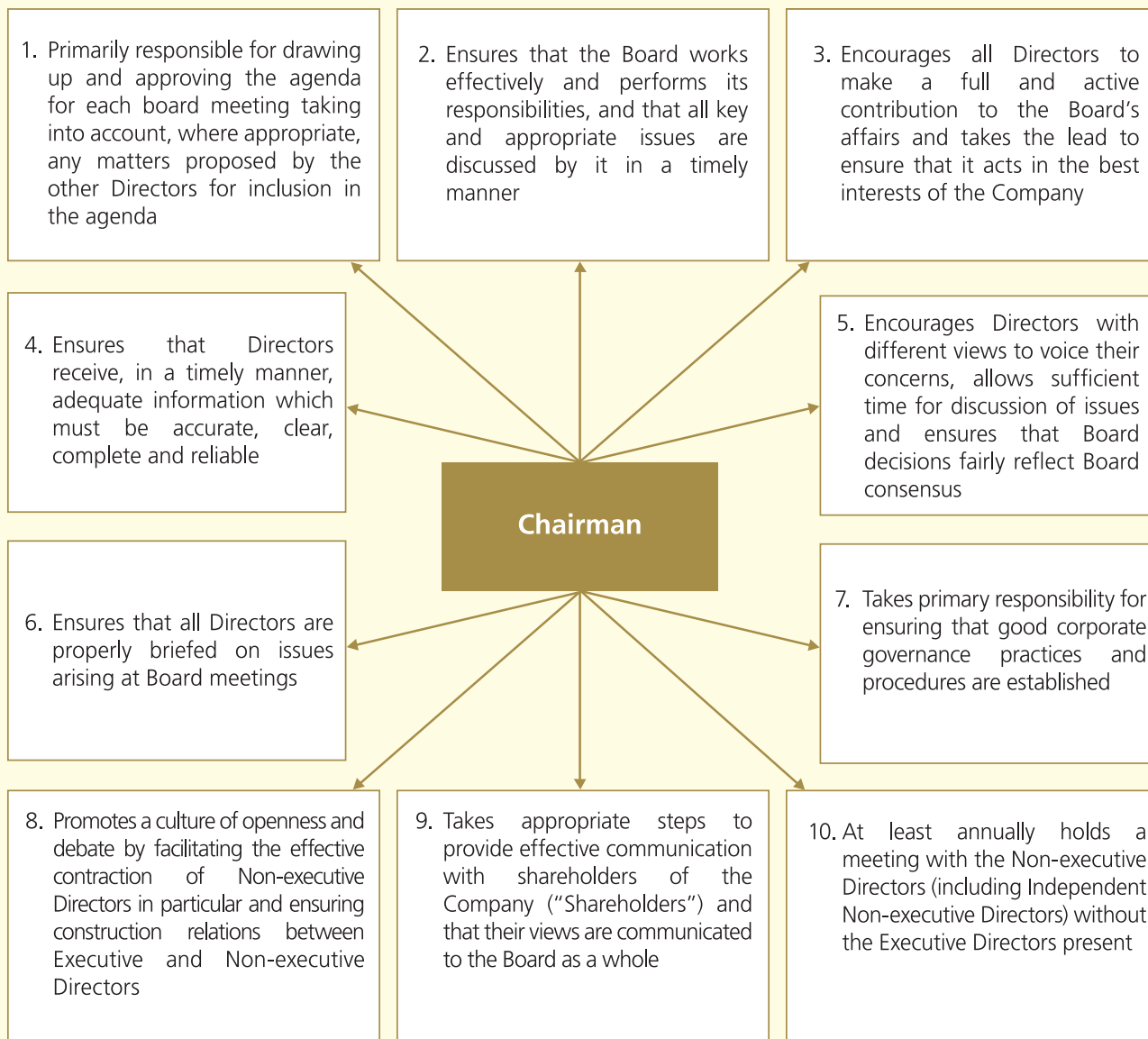
The Board diversity mix is shown below while their biographical details are set out on pages 30 to 35 of this annual report.

Board Diversity Mix



CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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



Dr. Ho Hung Sun, Stanley, the Chairman, has delegated his responsibility for items 1 to 9 above to Dr. So Shu Fai, Executive Director and Chief Executive Officer, and Dr. So Shu Fai is a principal contact person for the Company’s investor relations functions. For item 10, the Chairman held a meeting with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present during the year.

BUSINESS RELATIONSHIP BETWEEN DIRECTORS AND CONTROLLING SHAREHOLDER

Dr. 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, a Director, and Sociedade de Turismo e Diversões de Macau, S.A., the controlling Shareholder, on normal commercial terms.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

- (i) he is recommended by the Board; or
- (ii) not earlier than the day after the despatch of the notice of the general meeting and not later than seven days prior to the date appointed for the general meeting there has been left at the Company's registered office for the time being a letter, signed by at least two Shareholders (other than the person to be proposed) entitled to vote at the general meeting together holding not less than ten per cent. of the entire issued 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 Articles specify that at each annual general meeting of the Company one third of the Directors shall retire but shall be eligible for re-election. In determining which Directors shall retire, the Board will make sure that every Director, including those appointed for a specific term, should be subject to rotation at least once every three years. At the forthcoming annual general meeting of the Company to be held on Thursday, 18 June 2015 (the "2015 AGM"), the following Directors will retire from the Board by rotation pursuant to Article 95:

Executive Directors : Dr. Ho Hung Sun, Stanley
Mr. Shum Hong Kuen, David

Independent Non-executive Directors : Hon. Shek Lai Him, Abraham
Mr. Tse Hau Yin

Dr. Ho Hung Sun, Stanley, Mr. Shum Hong Kuen, David, Hon. Shek Lai Him, Abraham and Mr. Tse Hau Yin, all being eligible, offer themselves for re-election at the 2015 AGM.

The biographical details of the retiring Directors who offered themselves for re-election and the recommendation of the Board for their re-election are set out in a circular to be dated on or around 1 April 2015 for despatch to Shareholders.

NON-EXECUTIVE DIRECTORS

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

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

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

Independent Non-executive Directors and other Non-executive Directors have given a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They have given the Board and any Board committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. All Independent Non-executive Directors have attended the 2014 AGM.

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

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

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

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

RESPONSIBILITIES OF DIRECTORS

The management of the Company updates the Directors on their duties and responsibilities as well as the conduct, business activities and development of the Group. It supplies the Directors and Board committees with adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval. It also supplies additional information than is volunteered by it upon any request and enquiry by the Directors. Timely updates on changes in laws and compliance issues relevant to the Group and appropriate information on the Group's business and activities are provided to our Directors. The Board and each Director has separate and independent access to the senior management, 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 Directors have disclosed the identity of the public companies or organisations and an indication of the time involved to the Board and the Board has confirmed that the Directors have spent sufficient time performing their duties in the Company. The Board has established a written procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

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

PRACTICE AND CONDUCT OF MEETINGS

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

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

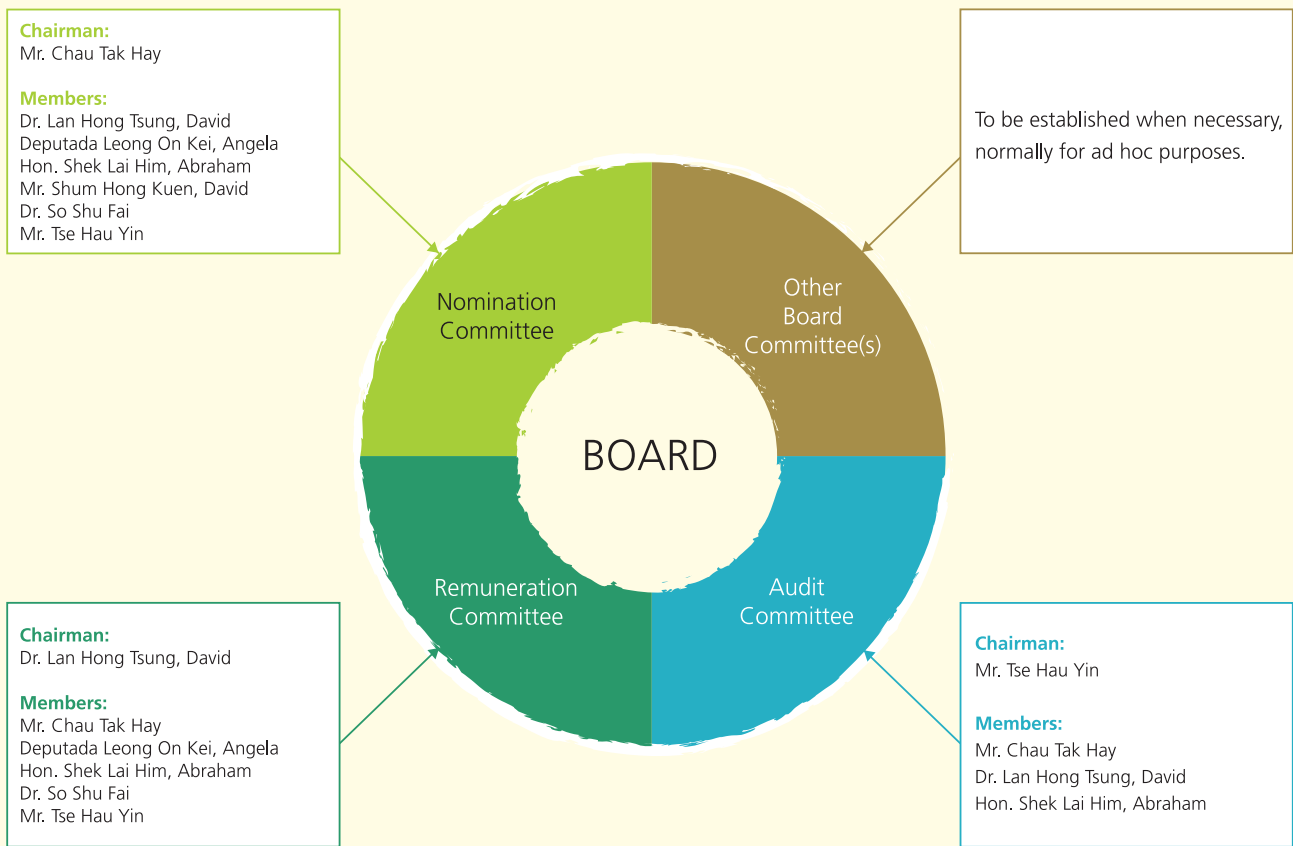
The Company Secretary is responsible for keeping minutes of all Board meetings and Board committee meetings which record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed, if any. Draft minutes are circulated to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

Corporate Governance Report

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

BOARD AND BOARD COMMITTEE MEETINGS

The following sections explain the responsibilities and the work that each Board committee undertook in 2014 up to the date of this Report. The terms of reference and membership of Audit Committee, Remuneration Committee and Nomination Committee are disclosed in full on the websites of the Company and the Stock Exchange.



The Board schedules regular Board meetings in advance, at least four times a year at approximately quarterly intervals, to give Directors the opportunity to participate actively, either in person or through electronic means of communication. Directors are consulted for their views regarding inclusion of specific matters in the agenda for regular Board meetings and the draft agenda is circulated to Directors for their comments. Special Board meetings are convened as and when needed. Together with the Audit Committee, Nomination Committee and Remuneration Committee meetings as aforesaid, there is an effective framework for the Board and Board committees to perform their work and discharge their duties.

Corporate Governance Report

During the year ended 31 December 2014, four 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 (including corporate governance functions)	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meeting	2014 AGM
<i>Executive Directors:</i>					
Dr. Ho Hung Sun, Stanley	2/4 ^(Note)	N/A	N/A	N/A	0/1
Dr. So Shu Fai	4/4	N/A	2/2	1/1	1/1
Mr. Ng Chi Sing	4/4	N/A	N/A	N/A	1/1
Dr. Rui José da Cunha	4/4	N/A	N/A	N/A	1/1
Mr. Fok Tsun Ting, Timothy	4/4	N/A	N/A	N/A	1/1
Deputada Leong On Kei, Angela	4/4 ^(Note)	N/A	2/2	1/1	1/1
Mr. Shum Hong Kuen, David	4/4 ^(Note)	N/A	N/A	1/1	1/1
<i>Non-executive Director:</i>					
Dr. Cheng Kar Shun	3/4 ^(Note)	N/A	N/A	N/A	0/1
<i>Independent Non-executive Directors:</i>					
Mr. Chau Tak Hay	4/4	4/4	2/2	1/1	1/1
Dr. Lan Hong Tsung, David	4/4	4/4	2/2	1/1	1/1
Hon. Shek Lai Him, Abraham	4/4	4/4	2/2	1/1	1/1
Mr. Tse Hau Yin	4/4	4/4	2/2	1/1	1/1

Note:

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

Dr. Ho Hung Sun, Stanley, Dr. Cheng Kar Shun, Deputada Leong On Kei, Angela and Mr. Shum Hong Kuen, David were interested in certain continuing connected transactions. All of them had to physically abstain 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.

DELEGATION BY THE BOARD — BOARD COMMITTEES

The Board has proper delegation of its powers and has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee in accordance with the requirements under the Listing Rules, with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Group's affairs. The Board may establish other Board committee(s) when necessary in accordance with the Articles. The Board has established an additional standing Board Committee, namely the Executive Committee. 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. In addition, the Board has established ad hoc Board committees with specific terms of reference during the year for the purpose of dealing with transactions of the Company.

Corporate Governance Report

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

AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

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

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

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.

Corporate Governance Report

The Audit Committee 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.

In 2014, the Audit Committee held four meetings and its principal work performed is set out in the table below. In general, it has reviewed the accounting principles and practices adopted by the Company and discussed auditing, 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 69.

Principal work performed by the Audit Committee during 2014

Review of annual financial statements of the Group for the year ended 31 December 2013, interim financial statements of the Group for the six months ended 30 June 2014, and quarterly unaudited key performance indicators of the Group for the three months ended 31 March 2014 and 30 September 2014 respectively, with recommendations to the Board for approval

Review and approval of the engagement letter of Deloitte Touche Tohmatsu (the "Auditor"), the nature and scope of the audit, their reporting obligations and their work plan

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

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

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

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

Review and approval of internal audit work plan for 2015

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

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

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

Review of the Terms of Reference of the Audit Committee and made proposed amendments to the Board

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

REMUNERATION COMMITTEE

The composition of the Remuneration Committee is as follows:

Remuneration Committee (established in June 2008)						
<table border="1"> <thead> <tr> <th style="text-align: left;">Committee members</th> </tr> </thead> <tbody> <tr> <td> <i>Independent Non-executive Directors:</i> Dr. Lan Hong Tsung, David (Committee Chairman) Mr. Chau Tak Hay Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin <i>Executive Directors:</i> Deputada Leong On Kei, Angela Dr. So Shu Fai </td> </tr> <tr> <td> Total number of members: 6 % of total Independent Non-executive Directors: 67% </td> </tr> </tbody> </table>	Committee members	<i>Independent Non-executive Directors:</i> Dr. Lan Hong Tsung, David (Committee Chairman) Mr. Chau Tak Hay Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin <i>Executive Directors:</i> Deputada Leong On Kei, Angela Dr. So Shu Fai	Total number of members: 6 % of total Independent Non-executive Directors: 67%	<table border="1"> <thead> <tr> <th style="text-align: left;">Committee secretary</th> </tr> </thead> <tbody> <tr> <td> Ms. Kwok Shuk Chong (She is the Company Secretary who is responsible for keeping the minutes of the Remuneration Committee.) </td> </tr> </tbody> </table>	Committee secretary	Ms. Kwok Shuk Chong (She is the Company Secretary who is responsible for keeping the minutes of the Remuneration Committee.)
Committee members						
<i>Independent Non-executive Directors:</i> Dr. Lan Hong Tsung, David (Committee Chairman) Mr. Chau Tak Hay Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin <i>Executive Directors:</i> Deputada Leong On Kei, Angela Dr. So Shu Fai						
Total number of members: 6 % of total Independent Non-executive Directors: 67%						
Committee secretary						
Ms. Kwok Shuk Chong (She is the Company Secretary who is responsible for keeping the minutes of the Remuneration Committee.)						
Minimum number of meetings per year: 1 In attendance: Group Legal Counsel and Company Secretary						

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

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

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

In 2014, the Remuneration Committee held two meetings and its principal work performed is set out in the table below:

Principal work performed by the Remuneration Committee during 2014

Review of the remuneration of Executive Directors and senior management for 2014 and the special fees for 2013 based on their performances and the Company's policy and approval in relation to the same
Review of the remuneration of Non-executive Directors including Independent Non-executive Directors for 2014 and the special fees for 2013, with recommendations to the Board for approval
Review of the proposed amendments to the share option scheme and the share option grant policy of the Company, with recommendations to the Board for approval
Review of the share option granted and exercise position, with recommendations to the Board for approval
Review of the proposed Continuous Professional Business Development Plan for the Directors, with recommendations to the Board for approval
Review of the Terms of Reference of the Remuneration Committee and made proposed amendments to the Board

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 69.

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 base fee and special fee, are based on each Director's individual skill, work performed and involvement in the Group's affairs, the Company's performance and profitability, remuneration benchmarking in the industry and prevailing market conditions. At the annual general meeting of the Company held on 5 June 2014, a resolution was passed to authorise the Board to fix the Directors' remuneration. A resolution will be proposed at the 2015 AGM to obtain Shareholders' authorisation for the Board to fix Directors' remuneration.

The Executive Directors are also the senior management of the Company and their remuneration is disclosed in note 11 to the Financial Statements. Retirement benefits schemes of the Group are set out in note 47 to the Financial Statements.

NOMINATION COMMITTEE

The composition of the Nomination Committee is as follows:

Nomination Committee (established in June 2008)						
<table border="1"> <thead> <tr> <th style="text-align: left;">Committee members</th> </tr> </thead> <tbody> <tr> <td> <i>Independent Non-executive Directors:</i> Mr. Chau Tak Hay (Committee Chairman) Dr. Lan Hong Tsung, David Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin <i>Executive Directors:</i> Deputada Leong On Kei, Angela Mr. Shum Hong Kuen, David Dr. So Shu Fai </td> </tr> <tr> <td> Total number of members: 7 % of total Independent Non-executive Directors: 57% </td> </tr> </tbody> </table>	Committee members	<i>Independent Non-executive Directors:</i> Mr. Chau Tak Hay (Committee Chairman) Dr. Lan Hong Tsung, David Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin <i>Executive Directors:</i> Deputada Leong On Kei, Angela Mr. Shum Hong Kuen, David Dr. So Shu Fai	Total number of members: 7 % of total Independent Non-executive Directors: 57%	<table border="1"> <thead> <tr> <th style="text-align: left;">Committee secretary</th> </tr> </thead> <tbody> <tr> <td> Ms. Kwok Shuk Chong (She is the Company Secretary who is responsible for keeping the minutes of the Nomination Committee.) </td> </tr> </tbody> </table>	Committee secretary	Ms. Kwok Shuk Chong (She is the Company Secretary who is responsible for keeping the minutes of the Nomination Committee.)
Committee members						
<i>Independent Non-executive Directors:</i> Mr. Chau Tak Hay (Committee Chairman) Dr. Lan Hong Tsung, David Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin <i>Executive Directors:</i> Deputada Leong On Kei, Angela Mr. Shum Hong Kuen, David Dr. So Shu Fai						
Total number of members: 7 % of total Independent Non-executive Directors: 57%						
Committee secretary						
Ms. Kwok Shuk Chong (She is the Company Secretary who is responsible for keeping the minutes of the Nomination Committee.)						
Minimum number of meetings per year: 1 In attendance: Group Legal Counsel and Company Secretary						

The Nomination Committee is accountable to the Board and its primary role and function is to review the structure, size and composition of the Board, to make recommendations to the Board on appointment or re-appointment of Directors and to assess the independence of Independent Non-executive Directors on an annual basis. It is 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 terms of reference of the Nomination Committee, which conform to the code provision requirements of the CG Code, are available on the Stock Exchange's website and the Company's website.

In 2014, the Nomination Committee held one meeting and its principal work performed is set out in the table below:

Principal work performed by the Nomination Committee during 2014

Review of the structure, size and composition of the Board and various Board committees, with recommendations to the Board regarding any proposed changes
Review of the policy concerning diversity of Board members of the Company, with recommendations to the Board
Review of the qualifications and suitability of retiring Directors who would offer themselves for re-election at the forthcoming annual general meeting, with recommendations to the Board
Review of the Terms of Reference of the Nomination Committee, and made proposed amendments to the Board

Corporate Governance Report

The reasons why the Board believes the retiring Directors should be re-elected are set out in the circular of the Company to be dated on or around 1 April 2015 accompanying the notice of the 2015 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 69.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in Code Provision D.3.1 of the CG Code. The principal role and function of the Board in relation to corporate governance is to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct applicable to employee and Directors, and to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

In 2012, the Board adopted a code of conduct applicable to Directors and employees of the Company. The said code of conduct covers the areas of, amongst other things, ethical commitment, prevention of bribery, offer and acceptance of advantage, entertainment, conflict of interest, relationship with Directors and employees, suppliers, contractors and customers, records, accounts and other documents.

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

In 2014, the principal work performed by the Board in relation to corporate governance functions is set out in the table below:

Principal work performed by the Board in relation to corporate governance functions during 2014

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

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

Review and approval of the amendments to terms of reference of Audit Committee, Remuneration Committee and Nomination Committee

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

Corporate Governance Report

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SJM Holdings Limited Annual Report 2014

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Receiving Director's Induction	Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment. The Director's induction to ensure that he/she has the appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant legal and other regulatory requirements and the business and governance policies of the Company.
Attending Briefing and Professional Development Training	Arrangements are in place for providing continuing briefing and professional development training to Directors whenever necessary. During the year, the Company has organised a seminar on (i) the New Companies Ordinance which came into effect on 3 March 2014; and (ii) changes to the Listing Rules in relation to connected transactions, which was presented by an external law firm to the Directors.
Continuous Professional/Business Development Plan for Directors	During the year, the Board has approved the proposal for Continuous Professional/Business Development Plan for Directors. The purpose of this plan is to provide flexibility for the Directors to choose training methods which are most suitable to them and to encourage the Directors to enhance their knowledge and skills by joining professional bodies and attending the courses/seminars/programs/functions offered by such bodies.

The Directors informed the Company that they had received the following training and continuous professional development courses during the year from 1 January 2014 to 31 December 2014:

Name of directors	Type of training	
	Reading regulatory updates	Attend seminars/briefings
<i>Executive Directors:</i>		
Dr. Ho Hung Sun, Stanley	—	—
Dr. So Shu Fai	✓	✓
Mr. Ng Chi Sing	✓	✓
Dr. Rui José da Cunha	✓	✓
Mr. Fok Tsun Ting, Timothy	✓	✓
Deputada Leong On Kei, Angela	✓	✓
Mr. Shum Hong Kuen, David	✓	✓
<i>Non-executive Directors:</i>		
Dr. Cheng Kar Shun	—	✓
<i>Independent Non-executive Directors:</i>		
Mr. Chau Tak Hay	✓	✓
Dr. Lan Hong Tsung, David	✓	✓
Hon. Shek Lai Him, Abraham	✓	✓
Mr. Tse Hau Yin	✓	✓

FINANCIAL REPORTING

The Board is accountable to the Shareholders and is committed to presenting comprehensive and timely information to the Shareholders on an assessment of the Company's performance, financial position and prospects. A separate statement containing a discussion and analysis of the Group's performance is included on pages 14 to 21 in this annual report.

Starting from 2010, the Company has been announcing quarterly unaudited key performance indicators of the Group for the three months ended 31 March and 30 September respectively to enable its Shareholders, investors and the public to better appraise the position and business performance of the Group. Such financial information 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 and other financial disclosures required under the Listing Rules, It should also do so for reports to regulators and information disclosed under statutory requirements.

AUDITORS' RESPONSIBILITY

The Auditor of the Company is Deloitte Touche Tohmatsu. A statement by the Auditor about its reporting responsibilities is included in the Independent Auditor's Report on the Company's Financial Statements on pages 85 and 86.

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

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

AUDITOR'S REMUNERATION

The remunerations paid and payable to Deloitte Touche Tohmatsu, the Auditor of the Company and their respective associates in respect of statutory audit and non-audit services (with each significant non-audit service assignment listed out separately) provided to the Group in 2014 and 2013 is set out below:

Audit and Non-audit Services	2014 HK\$ million	2013 HK\$ million
Annual audit	8.3	8.3
Interim review	3.2	3.2
Quarterly results review	0.6	0.6
Test counts of chips	0.1	0.1
Tax consultancy	1.0	0.5
Provision of training	—	0.1
Total:	13.2	12.8

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective system of risk management and internal controls and for evaluating their effectiveness. 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; (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 risk management and internal controls is aimed at managing and 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 risk management and internal controls include (i) a defined management structure with clear lines of responsibility and limits of authority; (ii) an appropriate organizational 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 on an on-going basis, through the Audit Committee, the effectiveness of the system of risk management that includes financial, operational, compliance and internal 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 review conducted on a periodic basis, or if required, of the effectiveness of the Group's system of internal controls in specific areas including compliance, procurement, information technology and anti-money laundering ("AML"). The findings of these reviews are reported to the Audit Committee.

Corporate Governance Report

The head of the Internal Audit of Sociedade de Jogos de Macau, S.A. (“SJM”), a subsidiary of the Company, performs operational and compliance audits on a regular basis. This department head has many years of working experience in audit and financial management, and is assisted by a team of internal auditors, who are either university graduates with accounting degrees or audit professionals and on average have relevant internal audit experience of five years or more. The internal audit function provides independent assurance to the Board and executive management as to the adequacy and effectiveness of risk management and 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 2014, 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 of 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 reports to the Audit Committee quarterly with findings and recommendations on improvements. The Audit Committee is satisfied with the internal audit work performed and with the adequacy of resources and qualifications of staff within Internal Audit.

The Gaming Inspection and Coordination Bureau in Macau (“DICJ”) also conducts compliance audits on AML and gaming related procedures on an annual basis whilst inspectors from the DICJ are involved in inspecting and monitoring key processes in the Group’s casinos on a daily basis.

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.

COMPANY SECRETARY

Ms. Kwok Shuk Chong is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of Company Secretary of the Company. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She has more than 20 years of experience in company secretarial practices in professional firms, private and listed groups of companies. Ms. Kwok has taken no less than 15 hours of relevant professional training in 2014.

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

SHAREHOLDERS' RIGHTS

Procedures for convening a general meeting

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

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

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

Procedures for putting forward proposals at an annual general meeting

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

Poll results will be posted on the websites of the Company and of Hong Kong Exchanges and Clearing Limited.

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

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

INVESTOR RELATIONS

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

A new set of Articles was adopted during the year. The last general meeting of the Company was an annual general meeting which was held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 5 June 2014 at 2:30 p.m. at which resolutions were duly passed in respect of major items such as (i) the adoption of the audited financial statements and the reports of the Directors and the Auditor for the year ended 31 December 2013, (ii) declaration of a final dividend and a special dividend, (iii) re-election of Directors and authorisation of the Board to fix the Directors' remuneration, (iv) re-appointment of the Auditor and authorisation of the Board to fix their remuneration, (v) approval of the repurchase mandate of the Company, (vi) approval of the grant of options under the share option scheme of the Company and issue and allotment of Shares arising from exercising the options, and (vii) the adoption of new Articles.

The important dates for the 2015 AGM and the proposed final dividend are set out in page 12 of this annual report.

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

LOOKING FORWARD

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

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

So Shu Fai
Executive Director and Chief Executive Officer

Hong Kong, 25 February 2015

Environmental, Social and Governance Report

The management of SJM Holdings Limited (the "Company") understands that not only the financial performance but also the policies and performance concerning contributions made on the environmental, social and governance ("ESG") issues by the Company and its subsidiaries (the "Group") are important to stakeholders.

The Company has established a working team to consider ESG issues and is undertaking a search for an experienced service provider to advise on reporting pursuant to the recommended practices set forth in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "ESG Guide").

Whilst the Company is still in the preparation stage for the formal reporting according to the recommended practices, below is a broad picture of compliance and activities in 2014 under the four subject areas of the ESG Guide for the Group's offices in Hong Kong and Sociedade de Jogos de Macau, S.A. ("SJM"), a subsidiary of the Company which is a casino gaming concessionaire in Macau.

WORKPLACE QUALITY

Working Conditions

The Group has adopted employee handbooks for employees in Hong Kong and Macau. A number of policies, rules and regulations for employees such as payroll, attendance, termination, transfer and promotion and rules of conduct have been adopted. The Group is in compliance with the rules and regulations for working conditions as required under the laws in Hong Kong and Macau.

Total workforce by employment type, age group and geographical region as at 31 December 2014 is set out below:

Age Group	Hong Kong		Macau				Grand Total
	Local Employee	Local Employee		Non-local Employee			
		Administrative	Operational	Administrative	Operational		
21-30	6	719	3,677	307	771	5,480	
31-40	12	498	4,546	234	515	5,805	
41-50	15	522	5,078	164	264	6,043	
51-60	20	780	3,450	71	27	4,348	
61 or above	7	161	166	24	0	358	
Grand Total	60	2,680	16,917	800	1,577	22,034	

Health and Safety

SJM is dedicated to maintaining a healthy and safe work environment. To achieve this, constant effort is made by management and employees to incorporate safe working habits in all daily work operations, and only 14,480 lost day due to work injury and no work-related fatalities were experienced in the workplace in 2014.

Environmental, Social and Governance Report

Development and Training

SJM is committed to the professional and personal development and growth of all employees and considers training and development a continual process. Many on- and off-the-job training courses and programs are provided to help employees develop and maintain consistency, proficiency and professionalism. Training sessions, either mandatory or optional, are frequently arranged. Employees are encouraged to take advantage of these programs in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group. A variety of in-house and external training activities are provided to employees of SJM, mainly as below:

In-house training:	Orientation (Mandatory), Customer Service (Mandatory), Standard Operating Procedures, Language (English and Mandarin), Supervisory Enhancement, Responsible Gambling and Departmental Trainers
External training:	Neuro-Linguistic Programming (NLP), Enneagram in Management, Leadership Management, Complaints and Disputes Management, Basic and Advanced Supervisory, Well-being and Stress Management, Time Management, EQ Management, Motivation and Coaching Skills and Internship Program

The percentage of SJM’s employees trained and average training hours completed per SJM’s employees by employee category is set out below:

Employee Category (SJM)	% of SJM’s employees trained	Averaging training hours completed per employee
Middle executives	17%	7 hours
Frontline staff	16%	25 hours

SJM provides internships for students in the third year of University of Macau’s program in Tourism and Gaming Management or related programs. In addition, SJM sponsors its employees to pursue their university education at Macau Millennium College.

SJM also works closely with the concerned governmental departments and NGOs to help promote the practice of responsible gaming in Macau and Hong Kong.

In terms of staff welfare, SJM has organised many sports and recreational activities for its employees through Staff Club and Staff Welfare Committee. The dialogues between the management and its employees were smooth, effective, and efficient through maintaining a harmonious relationship with the various staff representative associations. Any staff grievance was promptly and fairly dealt with by a representative Appeal Committee. Similarly an internal promotion scheme was in place to help ensure fair and open nominations for outstanding job performers.

Labour Standards

SJM is in compliance with labour standards as required under the laws in Hong Kong and Macau. It has complied with the Macau law in prohibiting people under 21 years of age from entering or working in casinos.

Environmental, Social and Governance Report

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SJM Holdings Limited
Annual Report 2014

ENVIRONMENTAL PROTECTION

Emissions

The Company joined the Carbon Footprint Repository for Hong Kong listed companies organized by the Environment Protection Department of the Hong Kong Government, and submitted a carbon emissions report for the Hong Kong head office for such purpose in 2014. The said report is uploaded to the related website of Environmental Protection Department (<http://www.carbon-footprint.hk>). An external service provider will be engaged to formally access the emissions by the Group in Hong Kong and Macau.

SJM participated in “Macau Energy Saving Week 2014”, including 1-hour lights off campaign and Dress Casual Summer Campaign. It has complied with the requirements of Macau’s anti-smoking regulations and implemented these regulations in our properties.

Use of Resources and the Environment

Most offices of the Group have introduced green practices, such as energy-saving lighting, escalator, switching off lights during lunch hours, conserving paper by double-sided printing, use of recycled paper, reusing envelopes and setting up recycle bins for waste separation.

OPERATING PRACTICES

Anti-corruption

The code of conduct adopted by the Group in Hong Kong sets out procedures for preventing corruption. SJM has set up a special team and established policies and procedures to deal with anti-money laundering in gaming operations, and has adopted a whistle-blowing system for reporting and management of concerns raised in connection with possible improprieties in financial reporting, internal control or other matters of the Group.

During 2014, no legal case regarding corrupt practices was brought against the Company or its employees. There has been no material non-compliance with the policies and standards on anti-money laundering, or the related requirements posed by the Macau authority. As well, no whistle-blowing concerning financial reporting improprieties and internal controls were reported.

COMMUNITY INVOLVEMENT

“From society, to society” is a core value of the Group, which has been supporting education, arts and culture, sports and other charitable activities for the benefit of the Macau community for many years. For further details, please refer to the “Corporate Social Responsibility” section from pages 22 to 23 of this Annual Report.

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

So Shu Fai

Executive Director and Chief Executive Officer

Hong Kong, 25 February 2015

Independent Auditor's Report



TO THE SHAREHOLDERS OF SJM HOLDINGS LIMITED

澳門博彩控股有限公司

(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 87 to 162, which comprise the consolidated and the Company's statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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 (Cap. 622) (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.

AUDITOR'S 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 80 of Schedule 11 to 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of the 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.

Independent Auditor's Report

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 2014 and of the Group's profit and cash flows 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

25 February 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK\$ million	2013 HK\$ million
Gaming, hotel, catering and related services revenues		79,933.9	87,650.9
Gaming revenue	8	79,268.5	86,956.3
Special gaming tax, special levy and gaming premium		(30,495.8)	(33,425.2)
Hotel, catering and related services income		48,772.7	53,531.1
Cost of sales and services on hotel, catering and related services		665.4	694.6
Other income, gains and losses		(266.3)	(292.5)
Marketing and promotional expenses		306.0	556.4
Operating and administrative expenses		(33,788.6)	(38,459.1)
Finance costs	9	(8,780.3)	(8,178.1)
Share of profits of an associate	20	(72.6)	(89.5)
Share of profits of a joint venture	21	26.0	6.2
		7.4	5.8
Profit before taxation	10	6,869.7	7,774.9
Taxation	12	(88.3)	(52.5)
Profit for the year		6,781.4	7,722.4
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		(1,095.5)	1,223.9
Total comprehensive income for the year		5,685.9	8,946.3
Profit for the year attributable to:			
owners of the Company		6,730.7	7,706.0
non-controlling interests		50.7	16.4
		6,781.4	7,722.4
Total comprehensive income for the year attributable to:			
owners of the Company		5,635.2	8,929.9
non-controlling interests		50.7	16.4
		5,685.9	8,946.3
Earnings per share:			
Basic	14	HK120.0 cents	HK138.8 cents
Diluted	14	HK119.3 cents	HK137.5 cents

Consolidated Statement of Financial Position

At 31 December 2014

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SJM Holdings Limited Annual Report 2014

	Notes	2014 HK\$ million	2013 HK\$ million
Non-current assets			
Property and equipment	15	11,431.4	8,325.3
Land use rights	17	2,728.9	2,771.0
Intangible asset	18	14.2	20.5
Art works and diamonds	19	281.3	289.2
Interest in an associate	20	45.1	19.1
Interest in a joint venture	21	101.2	93.8
Available-for-sale investments in equity securities	22	608.4	1,703.9
Deposits made on acquisitions	23	173.0	426.7
Amount due from a fellow subsidiary	24	—	63.7
Amount due from an associate	25	88.4	88.4
Amount due from a joint venture	26	14.3	14.3
Amount due from an investee company	27	75.0	93.0
Pledged bank deposits	28	525.9	633.7
		16,087.1	14,542.6
Current assets			
Inventories		63.0	62.4
Trade and other receivables	29	2,093.9	1,509.5
Amount due from ultimate holding company	30	0.1	3.4
Financial assets at fair value through profit or loss	31	78.6	151.3
Pledged bank deposits	28	85.8	43.7
Short-term bank deposits	32	14,259.8	14,910.2
Bank balances and cash	32	9,546.8	11,145.4
		26,128.0	27,825.9
Current liabilities			
Trade and other payables	33	14,383.4	15,318.9
Payable for acquisition of land use rights	36	327.3	311.5
Obligations under finance leases	37	—	9.3
Taxation payable		41.1	41.1
Long-term bank loans	38	257.9	318.3
Amount due to non-controlling interests of a subsidiary	39	22.9	22.9
		15,032.6	16,022.0
Net current assets		11,095.4	11,803.9
Total assets less current liabilities		27,182.5	26,346.5

Consolidated Statement of Financial Position

At 31 December 2014

	<i>Notes</i>	2014 HK\$ million	2013 HK\$ million
Non-current liabilities			
Other payables	33	281.5	—
Payable for acquisition of land use rights	36	522.3	849.6
Obligations under finance leases	37	—	63.7
Long-term bank loans	38	733.1	1,191.2
Amount due to non-controlling interests of a subsidiary	39	650.3	705.8
Deferred taxation	40	133.0	81.0
		2,320.2	2,891.3
Net assets			
		24,862.3	23,455.2
Capital and reserves			
Share capital	41	11,231.9	5,553.5
Reserves		13,532.1	17,849.6
Equity attributable to owners of the Company			
		24,764.0	23,403.1
Non-controlling interests		98.3	52.1
Total equity			
		24,862.3	23,455.2

The consolidated financial statements on pages 87 to 162 were approved and authorised for issue by the Board of Directors on 25 February 2015 and are signed on its behalf by:

So Shu Fai
Director

Ng Chi Sing
Director

Statement of Financial Position

At 31 December 2014

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	<i>Notes</i>	2014 HK\$ million	2013 HK\$ million
Non-current assets			
Property and equipment	15	1.3	2.9
Investments in subsidiaries	16	4,359.3	4,359.3
		4,360.6	4,362.2
Current assets			
Other receivables, deposits and prepayments		53.2	48.1
Amounts due from subsidiaries	34	811.9	772.7
Short-term bank deposits	32	11,726.4	10,826.5
Bank balances and cash	32	456.7	232.1
		13,048.2	11,879.4
Current liabilities			
Other payables and accruals		5.1	5.2
Amount due to a subsidiary	34	291.6	291.6
		296.7	296.8
Net current assets		12,751.5	11,582.6
Net assets		17,112.1	15,944.8
Capital and reserves			
Share capital	41	11,231.9	5,553.5
Reserves	43	5,880.2	10,391.3
Total equity		17,112.1	15,944.8

So Shu Fai
Director

Ng Chi Sing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital HK\$ million	Share premium HK\$ million	Share options reserve HK\$ million	Investment revaluation reserve HK\$ million	Retained profits HK\$ million	Attributable to owners of the Company HK\$ million	Non-controlling interests HK\$ million	Total HK\$ million
At 1 January 2013	5,547.8	3,894.0	526.3	—	9,910.1	19,878.2	35.8	19,914.0
Change in fair value of available-for-sale investments in equity securities	—	—	—	1,223.9	—	1,223.9	—	1,223.9
Profit for the year	—	—	—	—	7,706.0	7,706.0	16.4	7,722.4
Total comprehensive income for the year	—	—	—	1,223.9	7,706.0	8,929.9	16.4	8,946.3
Exercise of share options	5.7	57.5	(17.3)	—	—	45.9	—	45.9
Recognition of equity-settled share-based payments	—	—	99.9	—	—	99.9	—	99.9
Arising from changes in cash flow estimates on amount due to non-controlling interests of a subsidiary	—	—	—	—	—	—	(0.1)	(0.1)
Dividends paid (note 13)	—	—	—	—	(5,550.8)	(5,550.8)	—	(5,550.8)
	5.7	57.5	82.6	—	(5,550.8)	(5,405.0)	(0.1)	(5,405.1)
At 31 December 2013	5,553.5	3,951.5	608.9	1,223.9	12,065.3	23,403.1	52.1	23,455.2
Change in fair value of available-for-sale investments in equity securities	—	—	—	(1,095.5)	—	(1,095.5)	—	(1,095.5)
Profit for the year	—	—	—	—	6,730.7	6,730.7	50.7	6,781.4
Total comprehensive income for the year	—	—	—	(1,095.5)	6,730.7	5,635.2	50.7	5,685.9
Exercise of share options before the commencement date of the new Hong Kong Companies Ordinance	0.3	1.9	(0.6)	—	—	1.6	—	1.6
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	3,953.4	(3,953.4)	—	—	—	—	—	—
Recognition of equity-settled share-based payments	—	—	227.4	—	—	227.4	—	227.4
Exercise of share options after the commencement date of the new Hong Kong Companies Ordinance	1,724.7	—	(459.2)	—	—	1,265.5	—	1,265.5
Capital contribution by non-controlling interests of a subsidiary	—	—	—	—	—	—	7.8	7.8
Arising from changes in cash flow estimates on amount due to non-controlling interests of a subsidiary	—	—	—	—	—	—	(12.3)	(12.3)
Dividends paid (note 13)	—	—	—	—	(5,768.8)	(5,768.8)	—	(5,768.8)
	5,678.4	(3,951.5)	(232.4)	—	(5,768.8)	(4,274.3)	(4.5)	(4,278.8)
At 31 December 2014	11,231.9	—	376.5	128.4	13,027.2	24,764.0	98.3	24,862.3

Note: The new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "New CO") came into operation on 3 March 2014. It adopts the mandatory system of no-par and abolishes relevant concepts such as nominal value, share premium, and requirement for authorised capital. The New CO contains a legislative deeming provision for the amalgamation of a company's share capital amount with the amount of its share premium account immediately before the migration to no-par.

To reflect the changes in the New CO, the Company adopted new articles of association at its annual general meeting held on 5 June 2014. No authorised capital, par value and maximum number of shares that the Company may issue are stated in the said new articles.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

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SJM Holdings Limited Annual Report 2014

	2014 HK\$ million	2013 HK\$ million
Operating activities		
Profit before taxation	6,869.7	7,774.9
Adjustments for:		
Interest income	(372.0)	(304.8)
Interest expenses	42.4	57.6
Imputed interest on amount due to non-controlling interests of a subsidiary	30.2	31.9
Dividend income	(5.2)	(13.3)
Share of profits of an associate	(26.0)	(6.2)
Share of profits of a joint venture	(7.4)	(5.8)
Amortisation of intangible asset	6.3	6.4
Depreciation of property and equipment	1,093.5	1,137.1
Loss on disposal/write-off of property and equipment	13.2	16.0
Operating lease rentals in respect of land use rights	42.4	41.5
Recovery of allowance for doubtful debts	(3.2)	—
Change in fair value of financial assets at fair value through profit or loss	72.7	(67.0)
Share-based payments	227.4	99.8
Gain on derivatives arising from available-for-sale investments in equity securities	—	(148.7)
Operating cash flows before movements in working capital	7,984.0	8,619.4
(Increase) decrease in inventories	(0.6)	1.4
(Increase) decrease in trade and other receivables	(591.6)	180.9
(Decrease) increase in trade and other payables	(1,098.3)	800.0
Cash from operations	6,293.5	9,601.7
Taxation paid	(41.1)	(41.5)
Net cash from operating activities	6,252.4	9,560.2

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK\$ million	2013 HK\$ million
Investing activities		
Interest received	373.1	304.4
Dividends received	5.2	13.3
Purchase of property and equipment	(3,338.3)	(999.0)
Proceeds from disposal of property and equipment	13.2	3.2
Additions of land use rights	(311.5)	(151.3)
Deposits paid for acquisitions	(73.2)	(334.2)
Advance to ultimate holding company	(0.4)	(4.3)
Repayment from ultimate holding Company	3.7	1.7
Advances to an associate	—	(47.6)
Repayment from a fellow subsidiary	2.1	44.7
Repayment from an investee company	18.0	19.9
Withdrawal of short-term bank deposits	30,733.0	27,424.3
Placement of short-term bank deposits	(30,082.6)	(30,840.0)
Withdrawal of pledged bank deposits	78.2	—
Placement of pledged bank deposits	(14.3)	(14.9)
Acquisition of a subsidiary (note 48(o))	(26.8)	—
Proceeds from gain on derivatives arising from available-for-sale investments in equity securities	—	148.7
Net cash used in investing activities	(2,620.6)	(4,431.1)
Financing activities		
Interest paid	(119.7)	(106.9)
Dividends paid	(5,768.8)	(5,550.8)
Proceeds from issue of shares	1,267.1	45.9
Repayment of obligations under finance leases	(2.1)	(44.7)
Repayment of long-term bank loans	(516.7)	(234.5)
Capital contribution by non-controlling interests	7.8	—
Repayment to non-controlling interests of a subsidiary	(98.0)	(24.5)
Net cash used in financing activities	(5,230.4)	(5,915.5)
Net decrease in cash and cash equivalents	(1,598.6)	(786.4)
Cash and cash equivalents at 1 January	11,145.4	11,931.8
Cash and cash equivalents at 31 December	9,546.8	11,145.4
Analysis of the balances of cash and cash equivalents, representing bank balances and cash	9,546.8	11,145.4

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1. GENERAL

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

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

In the current year, the Company and its subsidiaries (collectively referred as the “Group”) have applied the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosure for non-financial assets
Amendments to HKAS 39	Novation of derivative and continuation of hedging accounting
HK(IFRIC*)-INT 21	Levies

* IFRIC represents the IFRS Interpretations Committee

The application of the above new or revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

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

HKFRS 9	Financial instruments ¹
HKFRS 14	Regulatory deferral accounts ²
HKFRS 15	Revenue from contracts with customers ³
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁵
Amendments to HKAS 1	Disclosure initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ⁵
Amendments to HKAS 19	Defined benefit plans: Employee contributions ⁴
Amendments to HKAS 27	Equity method in separate financial statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the Consolidation exception ⁵
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle ⁶
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle ⁵

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

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SJM Holdings Limited
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2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 9 Financial instruments (Continued)

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

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

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Amendments to HKAS 16 and HKAS 38 Clarification of acceptable methods of depreciation and amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) when the intangible assets is expressed as a measure of revenue; or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively. The management of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets.

Notes to the Consolidated Financial Statements

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

Amendments to HKAS 27 Equity method in separate financial statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost,
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First-time adoption of Hong Kong financial reporting standards.

Annual improvements to HKFRSs 2010–2012 cycle

The “Annual improvements to HKFRSs 2010–2012 cycle” include a number of amendments to various HKFRSs, which are summarised below:

The amendments to HKFRS 2 (i) change the definitions of “vesting condition” and “market condition”; and (ii) add definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Annual improvements to HKFRSs 2010–2012 cycle (Continued)

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The management of the Company is aware of the above new and revised HKFRSs and has considered the impact of the application. Except for the possibility that the application of HKFRS 9 and HKFRS 15 in the future may have a potential impact on the amounts reported and disclosures made in the financial information of the Group and the Company, the management of the Company anticipates that the application of the above standards and amendments will have no material impact on the financial results and financial position of the Group and the Company.

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 (the "Listing Rules") and by transitional and saving arrangements for Part 9, of the Hong Kong Companies Ordinance (Cap. 622).

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

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

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

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For the year ended 31 December 2014

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 when the Company:

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

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

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

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

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

3.2 Investments in subsidiaries

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

3.3 Interest in an associate

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

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments are made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Interest in an associate (Continued)

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

3.4 Interest in a joint venture

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

The results and assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the joint venture's accounting policies to those of the Group. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Interest in a joint venture (Continued)

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

3.5 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 is 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 income 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 leasehold land (classified as finance leases) and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

When the buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as land use 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 ready for their intended use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property and equipment (Continued)

For the leasehold land and buildings in Macau SAR, 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 Macau SAR is depreciated over 25 years or 40 years using the straight-line method, which represents the shorter of respective lease term or estimated useful life of buildings.

The cost of leasehold improvements is depreciated on a straight-line basis over the period of the respective tenancy leases 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%–50%
Gaming equipment	25%
Motor vehicles	20%
Vessels	3.3%–16.7%

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

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 Leasehold land and buildings

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leasehold land and buildings (Continued)

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

3.8 Land use rights

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

3.9 Borrowing costs

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

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

3.10 Intangible asset

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

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.

3.11 Art works and diamonds

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

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

3.12 Inventories

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

3.13 Financial instruments

Financial assets and financial liabilities are recognised in the Group’s and the Company’s statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. 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 or 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

(a) *Financial assets*

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

(ii) **Loans and receivables**

Loans and receivables (including bank deposits and balances, trade and other receivables, amounts due from subsidiaries/ultimate holding company/a fellow subsidiary/an associate/a joint venture/an investee company) 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 financial assets that are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale equity investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve. 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

(a) Financial assets (Continued)

(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 considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances to gaming promoters, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

(b) *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. 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, long-term bank loans and payable for acquisition of land use rights are subsequently measured at amortised cost using the effective interest method.

(iii) **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

(c) **Derecognition**

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

On derecognition of a financial asset, 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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(d) **Embedded derivatives**

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Impairment losses on investments in subsidiaries, tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its investments in subsidiaries, 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 any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or the cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3.15 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes profit or loss items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Taxation (Continued)

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. Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.16 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

3.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) *The Group as lessor*

Amount due from a fellow subsidiary under finance leases is recorded as receivable 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 consolidated statement of financial position as a finance lease obligation.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Leases (Continued)

(b) *The Group as lessee (Continued)*

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.

3.18 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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium (before 3 March 2014)/share capital (on or after 3 March 2014). 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.

(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.

3.19 Retirement benefits costs

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

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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.

Allowance for doubtful debts

The Group grants pre-approved revolving credit lines and short-term temporary advances to its gaming promoters and patrons with good credit histories and financial track records. For the outstanding balances from inactive gaming promoters and patrons, an estimated allowance for doubtful accounts is maintained to reduce the Group's receivables to their recoverable amounts. The allowances are estimated based on credit reviews of the outstanding balances from gaming promoters and patrons and an evaluation of the amounts expected to be recovered with reference to relevant commissions accrued to, and deposits received from, the relevant gaming promoters or patrons at the end of the reporting period, the continuous business relationship, the commissions payable to the relevant gaming promoters or patrons subsequent to the end of the reporting period, the cheques and guarantees obtained and the financial background of the relevant gaming promoters or patrons. When the actual future cash flows from the settlement of the outstanding balances from gaming promoters or patrons are less than expected, a material impairment loss may arise and affect profit or loss in the period of change. As at 31 December 2014, the carrying amount of advances to and other receivables from gaming promoters and patrons are HK\$1,175.0 million (2013: HK\$1,018.0 million), net of allowance for doubtful debts of HK\$82.8 million (2013: HK\$87.1 million).

Estimates of timing and amount of repayment of amount due to non-controlling interests of a subsidiary

The Group's carrying amount of the amount due to non-controlling interests of a subsidiary as at 31 December 2014 was HK\$673.2 million (2013: HK\$728.7 million).

The amount is repayable only when the relevant subsidiary has surplus funds which require significant estimates. Surplus fund represents cash available in the relevant subsidiary after estimated payments of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest. As such, the carrying amount of the amount due to non-controlling interests of a subsidiary and the deemed contribution by non-controlling interests may be adjusted to reflect the revised estimated cash flows when the Group revises its estimates of the surplus funds and consequently the timing and amount of repayment to the non-controlling interests, and may affect the amount of imputed interest to be recognised in profit or loss over the expected life of the amount due to non-controlling interests of a subsidiary.

Estimated impairment of interests in a joint venture and an associate

In determining whether there is an impairment loss, the Group takes into consideration the estimation of future cash flows to be generated by the joint venture and associate. The amount of the impairment loss is measured as the difference between the carrying amount of the interests in joint venture and associate and the share of the present value of estimated future cash flows expected to be generated by the joint venture and associate. As at 31 December 2014, the interest in a joint venture and interest in an associate is HK\$101.2 million (2013: HK\$93.8 million) and HK\$45.1 million (2013: HK\$19.1 million) respectively. Included in the cost of investment in a joint venture is goodwill of HK\$34.3 million (2013: HK\$34.3 million). Where the actual future cash flows are less than expected, a material impairment loss may arise.

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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, amount due to non-controlling interests of a subsidiary, and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in these consolidated financial statements.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, as well as raising bank borrowings and issuing new debt or the redeeming of existing debt.

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	
	2014	2013	2014	2013
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Financial assets				
Loans and receivables (including cash and cash equivalents)	26,529.8	28,377.4	13,045.9	11,878.0
Financial assets at fair value through profit or loss	78.6	151.3	—	—
Available-for-sale financial assets	608.4	1,703.9	—	—
	27,216.8	30,232.6	13,045.9	11,878.0
Financial liabilities				
Amortised cost	13,749.6	15,375.5	296.7	296.8

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.

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6. FINANCIAL INSTRUMENTS (Continued)

(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 35 and 49 respectively.

The Group

The Group has concentration of credit risk as 88% (2013: 77%) of the advances and receivables are due 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 advance and receivable from gaming promoters at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group also considers the relevant commissions accrued to, and deposits received from, the relevant gaming promoters at the end of each reporting period, the continuous business relationship, the commissions payable to the relevant gaming promoters subsequent to the end of the reporting period, the cheques and guarantees obtained 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 service providers of satellite casinos, ultimate holding company, an associate, a joint venture, an investee company as well as those arising from financial guarantees given to banks in respect of credit facilities granted to an investee company and an associate (note 49) after assessing their financial background and creditability.

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

Other than concentration of credit risk on advances to and receivables from gaming promoters, amounts due from ultimate holding company/an associate/a joint venture/an investee company and liquid funds which are deposited with several banks with high credit ratings (2013: advances to and receivables from gaming promoters, amounts due from ultimate holding company/a fellow subsidiary/an associate/a joint venture/an investee company and liquid funds), 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 93% (2013: 99%) of the amounts due from subsidiaries are due from two subsidiaries.

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

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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 and bank loans (2013: bank balances, bank loans, amount due from a fellow subsidiary and obligations under finance leases). 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 fixed-rate bank loans. The Group currently does not have a policy on hedging of interest rate risks. However, the management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of 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 balances and bank loans (2013: bank loans, bank balances, amount due from a fellow subsidiary and obligations under finance leases). The analyses were prepared assuming these balances outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points (2013: 50 basis points) increase represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate for bank loans and bank balances in the next financial year having regard to the trends in HIBOR and global economic environment. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

If interest rates on bank loans and bank balances (2013: bank loans, bank balances, amount due from a fellow subsidiary and obligations under finance leases) had been 50 basis points (2013: 50 basis points) higher and all other variables were held constant, the potential effect on profit for the year:

	2014 HK\$ million	2013 HK\$ million
Increase in profit for the year	32.7	41.8

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.

Having regard to the trends in HIBOR and global economic environment, the management does not anticipate any significant changes in profit for the year based on the exposure to interest rates for bank balances of the Company and therefore, sensitivity analysis on interest rates is not presented.

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6. FINANCIAL INSTRUMENTS (Continued)

(e) Price risk management

The Group

The Group is exposed to equity price risk on the investment in equity securities operating in gaming, entertainment and hotel industry sector and quoted on the Stock Exchange. The Group currently does not have a policy to hedge such risk. For financial assets at fair value through profit or loss and available-for-sale investments in equity securities, the management monitors market price exposure and will consider hedging significant market price exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risk on the listed equity securities in financial assets at fair value through profit or loss and available-for-sale investments in equity securities at the end of the reporting period. If the market bid price on the listed equity securities had been 10% (2013: 10%) higher/lower, the potential effect on profit for the year/investment revaluation reserve is as follows:

- the Group's profit for the year ended 31 December 2014 would increase/decrease by HK\$7.9 million (2013: increase/decrease by HK\$15.1 million) arising from the listed equity securities in financial assets at fair value through profit or loss; and
- the Group's investment revaluation reserve would increase/decrease by HK\$60.8 million (2013: increase/decrease by HK\$170.4 million) arising from the listed equity securities in available-for-sale investments in equity securities.

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk and price risk as the year end exposure does not reflect the exposure during the year.

(f) Liquidity risk management

The 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 and commitments of its development projects in Macau SAR through a proper balance between internal generated funds and credit facilities secured by the projects' assets.

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6. FINANCIAL INSTRUMENTS (Continued)

(f) Liquidity risk management (Continued)

The Group and The Company (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 2014								
Trade payables	—	—	2,241.8	4.4	16.9	—	2,263.1	2,263.1
Chips in circulation	—	6,732.4	—	—	—	—	6,732.4	6,732.4
Other payables	—	—	1,378.2	44.5	536.1	281.5	2,240.3	2,240.3
Amount due to non-controlling interests of a subsidiary	4.10%	—	—	—	24.5	733.9	758.4	673.2
Payable for acquisitions of land use rights	5.00%	—	—	182.9	182.9	548.6	914.4	849.6
Bank loans (Note (i))	3.09%	—	108.8	88.1	94.6	769.6	1,061.1	991.0
Financial guarantee obligations (Note (ii))	—	87.3	—	—	—	—	87.3	—
		6,819.7	3,728.8	319.9	855.0	2,333.6	14,057.0	13,749.6
At 31 December 2013								
Trade payables	—	—	2,730.9	112.0	12.2	—	2,855.1	2,855.1
Chips in circulation	—	7,551.8	—	—	—	—	7,551.8	7,551.8
Other payables	—	—	1,075.4	110.8	383.1	—	1,569.3	1,569.3
Amount due to non-controlling interests of a subsidiary	4.38%	—	—	—	24.5	831.9	856.4	728.7
Obligations under finance leases	2.37%	—	2.0	3.0	5.8	67.0	77.8	73.0
Payable for acquisitions of land use rights	5.00%	—	—	182.9	182.9	914.3	1,280.1	1,161.1
Bank loans (Note (i))	3.17%	—	72.0	71.6	224.0	1,269.0	1,636.6	1,509.5
Financial guarantee obligations (Note (ii))	—	87.3	—	—	—	—	87.3	—
		7,639.1	3,880.3	480.3	832.5	3,082.2	15,914.4	15,448.5

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6. FINANCIAL INSTRUMENTS (Continued)

(f) Liquidity risk management (Continued)

The Group and The Company (Continued)

	Weighted average effective interest rate	On demand HK\$ million	Not more than 3 months HK\$ million	Over	Over	Total undiscounted cash flow HK\$ million	Carrying amount HK\$ million
				3 months but not more than 6 months HK\$ million	6 months but not more than 1 year Over 1 year HK\$ million		
The Company							
At 31 December 2014							
Trade and other payables	—	—	4.4	0.7	—	5.1	5.1
Amount due to a subsidiary	—	291.6	—	—	—	291.6	291.6
		291.6	4.4	0.7	—	296.7	296.7
At 31 December 2013							
Trade and other payables	—	—	3.5	1.7	—	5.2	5.2
Amount due to a subsidiary	—	291.6	—	—	—	291.6	291.6
		291.6	3.5	1.7	—	296.8	296.8

Notes:

- (i) The amounts included above for variable rate bank loans are subject to change if variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.
- (ii) The amounts included in the undiscounted cash flow above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. However, based on expectations at the end of the reporting period, the Group and the Company consider that it is likely that no amount will be payable under the arrangement. This estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(g) Fair value measurement of financial instruments

The Group and The Company

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets is 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.

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6. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement of financial instruments (Continued)

The Group and The Company (Continued)

The Group's available-for-sale investments in equity securities and financial assets at fair value through profit or loss are measured subsequent to initial recognition at fair value, which are grouped into Level 1 based on the degree to which the fair value is observable.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements and the statement of financial position of the Company approximate their fair values.

(h) Financial assets and financial liabilities subject to offsetting and enforceable netting agreements

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable netting agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Please refer to note 29 for detail offsetting arrangement.

Financial assets subject to offsetting and enforceable netting agreements

	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$ million	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million	Related amounts not set off in the consolidated statement of financial position financial instruments HK\$ million	Net amount HK\$ million
Advance to gaming promoters				
— at 31 December 2014	1,158.7	(177.3)	981.4	(212.5)
— at 31 December 2013	1,377.0	(400.0)	977.0	(384.0)
				768.9
				593.0

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6. FINANCIAL INSTRUMENTS (Continued)

(h) Financial assets and financial liabilities subject to offsetting and enforceable netting agreements (Continued)

Financial liabilities subject to offsetting and enforceable netting agreements

	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$ million	Gross amounts of recognised financial liabilities position HK\$ million	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million	Related amounts not set off in the consolidated statement of financial position instruments HK\$ million	Net amount HK\$ million
Trade payables					
— at 31 December 2014	658.6	(177.3)	481.3	(212.5)	268.8
— at 31 December 2013	1,096.1	(400.0)	696.1	(384.0)	312.1

The Group currently has a legally enforceable right to set off the advances to gaming promoters and the trade payables to these counterparties that are due to be settled on the same date and the Group intends to settle these balances on a net basis. Details of the arrangements are set out in note 29.

The gross amounts of the recognised advances to gaming promoters and trade payables and their net amounts as presented in the Group's consolidated statement of financial position, both of which have been disclosed in the above tables, are measured at amortised cost.

The amounts which have been offset against the related recognised advances to gaming promoters and trade payables in the Group's consolidated statement of financial position are subject to enforceable netting arrangements are measured on the same basis as the recognised financial assets and financial liabilities.

7. OPERATING SEGMENTS

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

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

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

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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	
	2014 HK\$ million	2013 HK\$ million	2014 HK\$ million	2013 HK\$ million
Gaming operations	79,268.5	86,956.3	7,086.1	7,734.5
Hotel and catering operations:				
external sales	665.4	694.6		
inter-segment sales	321.4	300.9		
Eliminations	986.8 (321.4)	995.5 (300.9)	(257.0)	(273.9)
	665.4	694.6		
	79,933.9	87,650.9		
Reconciliation from segment results to profit before taxation:			6,829.1	7,460.6
Unallocated corporate income			232.4	192.4
Unallocated corporate expenses			(152.5)	(105.8)
Gain on derivatives arising from available-for-sale investments in equity securities			—	148.7
Change in fair value of financial assets at fair value through profit or loss			(72.7)	67.0
Share of profits of an associate			26.0	6.2
Share of profits of a joint venture			7.4	5.8
Profit before taxation			6,869.7	7,774.9

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 income and expenses, certain other income, gain on derivatives arising from available-for-sale investments in equity securities, change in fair value of financial assets at fair value through profit or loss, share of results of an associate/a joint venture 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 a price mutually agreed by both parties.

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7. OPERATING SEGMENTS (Continued)

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

	2014 HK\$ million	2013 HK\$ million
ASSETS		
Segment assets:		
gaming operations	16,948.4	19,404.3
hotel and catering operations	5,589.2	6,364.1
	22,537.6	25,768.4
Interest in an associate	45.1	19.1
Interest in a joint venture	101.2	93.8
Unallocated bank deposits, bank balances and cash	12,300.0	11,197.2
Other unallocated assets	7,231.2	5,290.0
Group's total	42,215.1	42,368.5
LIABILITIES		
Long term bank loans:		
gaming operations	438.8	668.4
hotel and catering operations	552.2	841.1
	991.0	1,509.5
Other segment liabilities:		
gaming operations	13,987.8	15,081.2
hotel and catering operations	336.9	304.9
	14,324.7	15,386.1
Total segment liabilities	15,315.7	16,895.6
Unallocated liabilities	2,037.1	2,017.7
Group's total	17,352.8	18,913.3

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

- (i) other unallocated assets include mainly certain land use rights, certain property and equipment, available-for-sale investments in equity securities, amounts due from an associate/a joint venture/ an investee company, art works and diamonds and financial assets at fair value through profit or loss.

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7. OPERATING SEGMENTS (Continued)

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

- (ii) unallocated liabilities include mainly amount due to non-controlling interests of a subsidiary and payable for acquisition of land use rights.
- (iii) all assets are allocated to operating segments, other than interests in an associate/a joint venture, unallocated bank deposits, bank balances and cash and those mentioned in (i).
- (iv) all liabilities are allocated to operating segments, other than liabilities not attributable to respective segments.

(c) Other segment information of the Group

	2014 HK\$ million	2013 HK\$ million
Additions to non-current assets (other than financial instruments):		
gaming operations	1,069.2	930.1
hotel and catering operations	58.9	17.8
corporate level*	3,257.7	2,866.2
	4,385.8	3,814.1
Depreciation and amortisation:		
gaming operations	647.4	654.1
hotel and catering operations	446.8	485.9
corporate level	5.6	3.5
	1,099.8	1,143.5
(Gains) losses on disposal/write-off of property and equipment:		
gaming operations	(2.2)	13.3
hotel and catering operations	14.8	2.7
corporate level	0.6	—
	13.2	16.0
Share-based payments:		
gaming operations	217.1	95.2
corporate level	10.3	4.6
	227.4	99.8

* Amount includes certain land use rights, and property and equipment where the directors of the Company consider it impracticable to divide into individual segments at this stage due to preliminary stage of the relevant project.

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7. OPERATING SEGMENTS (Continued)

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

	2014 HK\$ million	2013 HK\$ million
Finance costs:		
gaming operations	22.8	23.6
hotel and catering operations	19.3	29.8
corporate level	30.5	36.1
	72.6	89.5
Interest income:		
gaming operations	132.4	107.6
hotel and catering operations	20.2	19.5
corporate level	219.4	177.7
	372.0	304.8

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

8. GAMING REVENUE

	2014 HK\$ million	2013 HK\$ million
Gaming revenue from:		
VIP gaming operations	48,244.8	58,306.4
mass market table gaming operations	29,685.6	27,255.9
slot machine and other gaming operations	1,338.1	1,394.0
	79,268.5	86,956.3

9. FINANCE COSTS

	2014 HK\$ million	2013 HK\$ million
Interest on:		
bank borrowings wholly repayable within five years	42.1	53.4
finance leases repayable within five years	0.3	4.2
acquisition of land use rights	52.3	40.0
Imputed interest on amount due to non-controlling interests of a subsidiary	30.2	31.9
	124.9	129.5
Less: Amount capitalised	(52.3)	(40.0)
	72.6	89.5

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10. PROFIT BEFORE TAXATION

	2014 HK\$ million	2013 HK\$ million
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration (note 11)	102.8	86.0
Retirement benefits scheme contributions for other staff	99.4	92.4
Less: Forfeited contributions	(25.0)	(18.4)
	74.4	74.0
Share-based payments to other staff	204.2	89.2
Other staff costs	5,741.6	5,126.3
	5,945.8	5,215.5
Total employee benefit expenses	6,123.0	5,375.5
Auditor's remuneration:		
audit services	8.3	8.3
non-audit services	4.9	4.5
	13.2	12.8
Operating lease rentals in respect of:		
land use rights	44.9	44.0
rented premises	334.4	334.7
	379.3	378.7
Amortisation of intangible asset (included in operating and administrative expenses)	6.3	6.4
Change in fair value of financial assets at fair value through profit or loss	72.7	—
Depreciation of property and equipment	1,093.5	1,137.1
Loss on disposal/write-off of property and equipment	13.2	16.0
Share-based payments to other participants (included in operating and administrative expenses)	9.4	4.5
<i>and after crediting:</i>		
Interest income from:		
bank deposits	371.7	300.6
a fellow subsidiary	0.3	4.2
	372.0	304.8
Dividend income	5.2	13.3
Recovery of allowance for doubtful debts	3.2	—
Change in fair value of financial assets at fair value through profit or loss	—	67.0
Gain on derivatives arising from available-for-sale investments in equity securities (note 22)	—	148.7

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11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2014					2013				
	Base fees	Special fees	Other fees	Share-based payments	Total	Base fees	Special fees	Other fees	Share-based payments	Total
	HK\$ million (Note (1))	HK\$ million (Note (2))	HK\$ million (Note (3))	HK\$ million	HK\$ million	HK\$ million (Note (1))	HK\$ million (Note (2))	HK\$ million (Note (3))	HK\$ million	HK\$ million
Executive directors:										
Dr. Ho Hung Sun, Stanley	24.3	6.1	2.4	—	32.8	24.3	6.0	—	—	30.3
Dr. So Shu Fai (Chief Executive Officer)	11.9	3.0	1.2	—	16.1	11.4	2.8	—	—	14.2
Mr. Ng Chi Sing	10.4	2.6	1.2	—	14.2	10.0	2.4	—	—	12.4
Dr. Rui José da Cunha	2.9	0.7	0.4	—	4.0	2.8	0.7	—	—	3.5
Mr. Fok Tsun Ting, Timothy	0.8	0.2	0.4	—	1.4	0.4	0.1	—	—	0.5
Deputada Leong On Kei, Angela	8.8	2.2	2.3	—	13.3	8.4	2.1	1.1	—	11.6
Mr. Shum Hong Kuen, David	0.9	0.2	0.4	—	1.5	1.1	0.3	—	—	1.4
Non-executive directors:										
Dato' Dr. Cheng Yu Tung (retired in May 2013)	—	—	—	—	—	1.6	—	—	—	1.6
Dr. Cheng Kar Shun (elected in May 2013)	0.9	0.2	0.4	13.8	15.3	0.5	0.1	—	6.1	6.7
Independent non-executive directors:										
Mr. Chau Tak Hay	0.6	0.2	—	—	0.8	0.6	0.1	—	—	0.7
Dr. Lan Hong Tsung, David	0.6	0.2	—	—	0.8	0.6	0.1	—	—	0.7
Hon. Shek Lai Him, Abraham	0.6	0.2	—	—	0.8	0.6	0.1	—	—	0.7
Mr. Tse Hau Yin	0.6	0.2	1.0	—	1.8	0.6	0.1	1.0	—	1.7
	63.3	16.0	9.7	13.8	102.8	62.9	14.9	2.1	6.1	86.0

Notes:

- (1) Base fee represents a fixed fee paid for the holding of an office as a director and, where appropriate, a board committee member.
- (2) Special fee represents a performance-based discretionary payment.
- (3) Other fee paid to Deputada Leong On Kei, Angela represents the fee (including performance-based discretionary payment) acting as the chairman of the Staff Welfare Consultative Committee of Sociedade de Jogos de Macau, S.A. ("SJM"), a subsidiary of the Company and special allowance. Other fee paid to Mr. Tse Hau Yin represents the fee (including performance-based discretionary payment) acting as supervisory committee member of SJM. Other fee paid to other directors represent special allowance.

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11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Executive directors are also senior management of the Group.

The five highest paid individuals included four (2013: four) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining highest paid individual in 2014 were as follows:

	2014 HK\$ million	2013 HK\$ million
Employee:		
salaries and allowances	6.3	6.3
share-based payments	68.9	30.5
	75.2	36.8

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

	2014 HK\$ million	2013 HK\$ million
Current year taxation — Macau SAR Complementary Tax	41.1	41.1
Underprovision in prior years	—	0.4
	41.1	41.5
Reversal of tax provision made in prior years	—	(21.3)
	41.1	20.2
Deferred taxation	47.2	32.3
	88.3	52.5

No provision for Macau SAR Complementary Tax ("CT") on gaming related income is made for SJM. Pursuant to the approval notice issued by Macau SAR government dated 23 November 2011, SJM has been exempted from CT for income generated from gaming operations for the years from 2012 to 2016.

In addition, pursuant to the approval letters dated 10 August 2012 issued by the Finance Services Bureau of the Macau SAR government, SJM's shareholders were obligated to pay a dividend tax of MOP42.3 million (equivalent to HK\$41.1 million) for dividend distribution by SJM (the "Special Complementary Tax") for each of the years from 2012 to 2016. During the year, the Company, as a shareholder of SJM, was obligated to pay HK\$41.1 million (2013: HK\$41.1 million).

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12. TAXATION (Continued)

Pursuant to the CT law, the CT assessment on the estimated assessable profit in a year of assessment will lapse in five consecutive years after that year of assessment. At the end of the reporting period, the directors of the Company reassessed the adequacy of the CT provision and determined to reverse part of the Group's relevant CT provision of HK\$21.3 million for the 2006 year of assessment accordingly.

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

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

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

	2014		2013	
	HK\$ million	%	HK\$ million	%
Profit before taxation	6,869.7		7,774.9	
Tax at the applicable income tax rate	824.4	12.0	933.0	12.0
Effect of tax exemption granted to the Group	(835.8)	(12.2)	(909.1)	(11.7)
Effect of share of results of an associate and a joint venture	(4.0)	—	(1.4)	—
Effect of income that is not taxable in determining taxable profits	(17.9)	(0.2)	(41.0)	(0.5)
Effect of expenses that are not deductible in determining taxable profits	44.4	0.6	51.9	0.7
Effect of tax loss not recognised	37.5	0.5	43.1	0.6
Utilisation of tax losses previously not recognised	(1.4)	—	(44.2)	(0.6)
Special Complementary Tax	41.1	0.6	41.1	0.5
Reversal of tax provision in prior years	—	—	(21.3)	(0.3)
Underprovision in prior years	—	—	0.4	—
Tax charge and effective tax rate for the year	88.3	1.3	52.5	0.7

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13. DIVIDENDS

	2014 HK\$ million	2013 HK\$ million
Interim dividend per ordinary share paid		
— HK22 cents for 2014	1,244.3	—
— HK20 cents for 2013	—	1,110.6
Special dividend per ordinary share paid		
— HK30 cents for 2013	1,696.7	—
— HK30 cents for 2012	—	1,665.1
Final dividend per ordinary share paid		
— HK50 cents for 2013	2,827.8	—
— HK50 cents for 2012	—	2,775.1
	5,768.8	5,550.8

The final dividend of HK62 cents per ordinary share, totalling HK\$3,506.7 million, is proposed by the directors of the Company at a board meeting held on 25 February 2015, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,655,929,293 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

	2014 HK\$ million	2013 HK\$ million
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	6,730.7	7,706.0

Number of shares

	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,611,063,923	5,550,417,186
Effect of dilutive potential ordinary shares on share options	30,050,399	54,149,087
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,641,114,322	5,604,566,273

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15. PROPERTY AND EQUIPMENT

	Leasehold 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	Vessels HK\$ million	Construction In progress HK\$ million	Total HK\$ million
The Group									
COST									
At 1 January 2013	4,899.5	425.5	5,336.9	642.6	2,925.7	27.1	13.7	—	14,271.0
Additions	5.5	26.3	206.5	25.2	58.2	2.4	—	1,026.7	1,350.8
Disposals/write-off	(1.4)	—	(73.1)	(42.4)	(81.0)	—	—	—	(197.9)
At 31 December 2013	4,903.6	451.8	5,470.3	625.4	2,902.9	29.5	13.7	1,026.7	15,423.9
Additions	25.7	3.8	221.2	104.2	69.6	11.8	275.7	3,514.0	4,226.0
Disposals/write-off	—	—	(80.5)	(75.1)	(43.0)	(0.6)	—	—	(199.2)
At 31 December 2014	4,929.3	455.6	5,611.0	654.5	2,929.5	40.7	289.4	4,540.7	19,450.7
DEPRECIATION									
At 1 January 2013	1,030.9	395.0	2,643.0	554.1	1,488.6	14.9	13.7	—	6,140.2
Provided for the year	234.9	22.8	501.3	50.3	324.0	3.8	—	—	1,137.1
Eliminated on disposals/ write-off	(0.3)	—	(57.0)	(42.4)	(79.0)	—	—	—	(178.7)
At 31 December 2013	1,265.5	417.8	3,087.3	562.0	1,733.6	18.7	13.7	—	7,098.6
Provided for the year	236.8	17.2	457.1	38.1	325.6	5.2	13.5	—	1,093.5
Eliminated on disposals/ write-off	—	—	(58.0)	(74.9)	(39.3)	(0.6)	—	—	(172.8)
At 31 December 2014	1,502.3	435.0	3,486.4	525.2	2,019.9	23.3	27.2	—	8,019.3
CARRYING VALUES									
At 31 December 2014	3,427.0	20.6	2,124.6	129.3	909.6	17.4	262.2	4,540.7	11,431.4
At 31 December 2013	3,638.1	34.0	2,383.0	63.4	1,169.3	10.8	—	1,026.7	8,325.3

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

Also, at 31 December 2014, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate carrying value of HK\$2,171.4 million (2013: HK\$2,423.8 million) in respect of the Group's gaming business have to be returned to the Macau SAR government upon expiry of the term of the concession in 2020.

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15. PROPERTY AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment HK\$ million	Leasehold improvements HK\$ million	Total HK\$ million
The Company			
COST			
At 1 January 2013, 31 December 2013 and 31 December 2014	3.7	3.8	7.5
DEPRECIATION			
At 1 January 2013	1.4	1.2	2.6
Provided for the year	0.6	1.4	2.0
At 31 December 2013	2.0	2.6	4.6
Provided for the year	0.4	1.2	1.6
At 31 December 2014	2.4	3.8	6.2
CARRYING VALUES			
At 31 December 2014	1.3	—	1.3
At 31 December 2013	1.7	1.2	2.9

16. INVESTMENTS IN SUBSIDIARIES

	The Company 2014 HK\$ million	2013 HK\$ million
Unlisted shares, at cost	3,972.3	3,972.3
Deemed capital contribution in relation to issue of convertible bonds by a subsidiary	387.0	387.0
	4,359.3	4,359.3

Details of the Company's principal subsidiaries at the end of the reporting period are set out in note 50.

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17. LAND USE RIGHTS

	2014 HK\$ million	2013 HK\$ million
The Group		
CARRYING VALUE		
At 1 January	2,771.0	739.7
Additions	34.4	2,089.1
Interest capitalised (note 9)	52.3	40.0
Released to profit or loss during the year	(42.4)	(41.5)
Released and capitalised to construction in progress during the year	(86.4)	(56.3)
At 31 December	2,728.9	2,771.0

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

In 2012, the Group accepted a land concession contract with Macau SAR government in respect of the lease of a land in Macau SAR for the development and operation of a casino, hotels and entertainment complex for 25 years (the "Lisboa Palace Project"). Pursuant to the land concession contract, total land premium is HK\$2,087.9 million. The land concession contract was approved and grant of land use rights were finalised by Macau SAR government in 2013. The remaining land premium payable to Macau SAR government would be paid by 8 semiannual instalments together with a fixed interest of 5% per annum. Details are set out in the Company's announcements dated 19 October 2012 and 15 May 2013.

18. INTANGIBLE ASSET

The cost of a license for operation of a casino table game of HK\$63.2 million (2013: HK\$63.2 million) is amortised on a straight-line basis over the term of the license representing its useful life of 10 years to 2017.

19. ART WORKS AND DIAMONDS

The amount represents the aggregate cost of art works and diamonds held by the Group. In the opinion of the directors of the Company, after referencing to professional valuation reports, the recoverable amount of the art works and diamonds is at least their carrying amount at the end of both reporting periods.

20. INTEREST IN AN ASSOCIATE

	The Group 2014 HK\$ million	2013 HK\$ million
Cost of unlisted investment	25.0	25.0
Discount on acquisition	6.8	6.8
Share of post-acquisition profits (losses)	13.3	(12.7)
	45.1	19.1

The cost of investment in an associate represents the Group's 49% quota capital of an associate which is established in Macau SAR and engaged in the provision of construction services in Macau SAR and investment holding.

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20. INTEREST IN AN ASSOCIATE (Continued)

The associate is accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2014 HK\$ million	2013 HK\$ million
Current assets	1,186.5	1,315.4
Non-current assets	69.4	59.1
Current liabilities	(1,361.4)	(1,534.0)
Revenue	805.0	884.0
Profit for the year	53.3	12.6

The unrecognised share of loss of an associate*:

	2014 HK\$ million	2013 HK\$ million
At 1 January and at 31 December	185.8	185.8

* The Group's share of loss of a construction project is limited to a fixed amount as agreed with the holding company of the associate.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 HK\$ million	2013 HK\$ million
Net liabilities of associate	(105.5)	(159.5)
Unrecognised share of loss of associate	185.8	185.8
Adjusted net assets of associate	80.3	26.3
Proportion of the Group's ownership interest in associate	49%	49%
Effect of fair value adjustments at acquisition	5.8	6.2
Carrying amount of the Group's interest in associate	45.1	19.1

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21. INTEREST IN A JOINT VENTURE

	The Group	
	2014	2013
	HK\$ million	HK\$ million
Cost of unlisted investment	39.7	39.7
Share of post-acquisition profits	61.5	54.1
	101.2	93.8

The cost of investment in a joint venture represents the Group's 49% quota capital in an entity which is established in Macau SAR and engaged in property investment in Macau SAR.

According to the legal form and terms of the contractual arrangements, each of the two joint venturers that have joint control of the arrangement have rights to the net assets of the arrangement, hence it is regarded as a joint venture.

At the end of the reporting period, included in the cost of investment is goodwill of HK\$34.3 million (2013: HK\$34.3 million) arising on acquisition of the joint venture.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	2014	2013
	HK\$ million	HK\$ million
Current assets	143.4	128.4
Non-current assets	30.6	31.5
Current liabilities	(37.5)	(38.5)
Revenue	14.4	14.4
Profit for the year	15.1	11.8
The above profit for the year including the following:		
Depreciation	0.9	0.9
Interest income	1.9	1.5

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21. INTEREST IN A JOINT VENTURE (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	2014 HK\$ million	2013 HK\$ million
Net assets of a joint venture	136.5	121.4
Proportion of the Group's ownership interest in a joint venture	49%	49%
Goodwill	34.3	34.3
Carrying amount of the Group's interest in a joint venture	101.2	93.8

22. AVAILABLE-FOR-SALE INVESTMENTS IN EQUITY SECURITIES

The Group

The equity investment is stated at fair value which is the quoted bid price in an active market at the end of the reporting period.

The equity investment was listed on the Stock Exchange in July 2013 and the Group realised a fair value gain of HK\$148.7 million arising from derivatives of the investment and was included in other income, gains and losses for the year ended 31 December 2013.

23. DEPOSITS MADE ON ACQUISITIONS

	The Group 2014 HK\$ million	2013 HK\$ million
Deposits made on acquisitions of property and equipment	173.0	426.7

24. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The Group

The balance represents the non-current portion of lease receivables from Companhia de Aviação Jet Asia Limitada ("Jet Asia"), a subsidiary of STDM, under a back-to-back arrangement set out in note 37. The amount was fully settled in the year ended 31 December 2014.

25. AMOUNT DUE FROM AN ASSOCIATE

The Group

The amount is unsecured, interest-free and has no fixed repayment terms. At 31 December 2014, the management of the Group expects that the amount will not be realised within 12 months from the end of the reporting period, hence, the amount is classified as non-current assets.

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26. AMOUNT DUE FROM A JOINT VENTURE

The Group

The amount is unsecured, interest-free and has no fixed repayment terms. At 31 December 2014, the management of the Group expects that the amount will not be realised within 12 months from the end of the reporting period, hence, the amount is classified as non-current assets.

27. AMOUNT DUE FROM AN INVESTEE COMPANY

The Group

The amount represents loans to the investee which are unsecured, interest-free and have no fixed repayment terms. At 31 December 2014, the management of the Group expects that the amount will not be realised within 12 months from the end of the reporting period, hence, the amount is classified as non-current assets.

28. PLEDGED BANK DEPOSITS

	The Group 2014 HK\$ million	2013 HK\$ million
Bank deposits pledged to secure:		
Bank facilities (Note (a))	380.3	488.1
Bank facilities (Note (b))	145.6	145.6
Non-current portion	525.9	633.7
Bank deposits pledged:		
to secure bank facilities (Note (a))	84.5	42.4
in favour of the Macau SAR court against any future legal proceedings of labour disputes	1.0	1.0
Others	0.3	0.3
Current portion	85.8	43.7
	611.7	677.4

Notes:

- (a) Amount represents deposits pledged to secure the bank facilities granted to a subsidiary of the Company which included an amount of HK\$380.3 million (2013: HK\$488.1 million) would not be released within 12 months from the end of the reporting period until final settlement of respective bank loans. Such deposits are denominated in Renminbi.
- (b) Amount represents deposits pledged to secure the bank facilities granted to a subsidiary of the Company. The bank facilities represent a guarantee amounting to HK\$291.3 million from 1 April 2007 to the earlier of 180 days after the expiry of the gaming concession contract or 31 March 2020, which is in favour of the Macau SAR government against the legal and contractual financial obligations of SJM under the gaming concession contract.

At 31 December 2014, the pledged bank deposits carry fixed interest rates ranging from 1.30% to 2.75% (2013: 0.80% to 2.75%) per annum.

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29. TRADE AND OTHER RECEIVABLES

	The Group	
	2014	2013
	HK\$ million	HK\$ million
Advances to gaming promoters and patrons	981.4	977.0
Other receivables from gaming promoters and service providers	578.9	41.0
Prepayments	160.2	127.9
Other sundry receivables	373.4	363.6
	2,093.9	1,509.5

Other receivables from gaming promoters and service providers represent certain operating costs to be reimbursed from gaming promoters and service providers.

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

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

	The Group	
	2014	2013
	HK\$ million	HK\$ million
Age		
0 to 30 days	981.4	973.5
Over 90 days	—	3.5
	981.4	977.0

Advances to gaming promoters and patrons mainly include pre-approved interest-free revolving credit lines and short-term temporary interest-free advances. All advances to gaming promoters are unsecured, repayable on demand at discretion of the Group and generally require cheques and guarantees. For advances to gaming patrons, the credit period granted to pre-approved gaming patrons with good financial track records is generally 15 days. At 31 December 2014, all of the advances to gaming promoters and patrons (net of allowances) are neither past due nor impaired.

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

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29. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts

	The Group 2014 HK\$ million	2013 HK\$ million
At 1 January	87.1	87.1
Write-off	(1.1)	—
Amount recovered during the year	(3.2)	—
At 31 December	82.8	87.1

Allowance for doubtful debts with an aggregate balance of HK\$82.8 million (2013: HK\$87.1 million) mainly represent individually impaired receivables from gaming promoters as the management considered the outstanding balances from these gaming promoters were uncollectible.

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

	The Group 2014 HK\$ million	2013 HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group	25.5	39.4
An associate of the Group	1.3	1.2
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	225.8	174.6
	252.6	215.2

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 48(b) is unsecured, interest-free and is expected to realise within 12 months from the end of the reporting period.

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31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

The amount comprises equity shares listed in Hong Kong that are carried at fair value which is the quoted bid price in an active market at the end of the reporting period.

32. SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

The Group

At 31 December 2014, the short-term bank deposits carried fixed interest rates ranging from 0.86% to 2.75% (2013: 0.58% to 2.90%) per annum with original maturity ranging from 3 months to 6 months (2013: 3 months to 7 months) and are classified as current assets since their remaining maturity is within 12 months from the end of the reporting period.

At 31 December 2014, bank balances carried effective interest rates ranging from 0.01% to 1.95% (2013: 0.01% to 1.75%) per annum.

The Company

At 31 December 2014, the short-term bank deposits carried fixed interest rates ranging from 0.93% to 2% (2013: 0.58% to 1.80%) per annum with original maturity ranging from 3 months to 6 months (2013: 3 months to 6 months), and are classified as current assets since their remaining maturity is within 12 months from the end of the reporting period.

At 31 December 2014, bank balances carried effective interest rates ranging from 0.01% to 1.4% (2013: 0.01% to 1.75%) per annum.

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33. TRADE AND OTHER PAYABLES

	The Group	
	2014 HK\$ million	2013 HK\$ million
Trade payables	2,263.1	2,855.1
Special gaming tax payable	2,065.8	2,962.7
Chips in circulation	6,732.4	7,551.8
Chips in custody and deposits received from gaming patrons and gaming promoters	1,342.4	352.6
Payable for acquisition of property and equipment	60.9	63.8
Construction payables	677.9	216.3
Accrued staff costs	947.1	632.9
Rentals payables	152.1	222.4
Withholding tax payable for gaming promoters and employees	20.9	27.4
Other sundry payables and accruals	402.3	433.9
	14,664.9	15,318.9
Less: Non-current portion	(281.5)	—
	14,383.4	15,318.9

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

	The Group	
	2014 HK\$ million	2013 HK\$ million
Age		
0 to 30 days	2,216.4	2,816.1
31 to 60 days	32.2	25.1
61 to 90 days	2.0	0.9
Over 90 days	12.5	13.0
	2,263.1	2,855.1

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

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33. TRADE AND OTHER PAYABLES (Continued)

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

	The Group	
	2014	2013
	HK\$ million	HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group	121.1	265.7
An associate of the Group	64.5	24.3
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	280.5	400.6
	466.1	690.6

34. AMOUNTS DUE FROM SUBSIDIARIES/AMOUNT DUE TO A SUBSIDIARY

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.

35. FINANCIAL GUARANTEE OBLIGATIONS

The Group

The fair value of financial guarantee obligations set out in note 49 in respect of an investee company and an associate at initial recognition is insignificant. No provision for financial guarantee contracts has been made at 31 December 2014 and 31 December 2013 as the default risk is low.

36. PAYABLE FOR ACQUISITION OF LAND USE RIGHTS

The Group

As at 31 December 2014, total payable for acquisition of land use rights amounted to HK\$849.6 million (2013: HK\$1,161.1 million), of which HK\$327.3 million (2013: HK\$311.5 million) is included in current liabilities, and the remaining balance of HK\$522.3 million (2013: HK\$849.6 million) is included in non-current liabilities, which would be payable after 12 months from the end of the reporting period in according to the land concession contract for Lisboa Palace Project set out in note 17.

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37. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Amounts payable under finance leases:				
within one year	—	10.8	—	9.3
between one to two years	—	11.8	—	10.4
between two to five years	—	55.2	—	53.3
	—	77.8	—	73.0
Less: Future finance charges	—	(4.8)		
Present value of lease obligations	—	73.0		
			—	(9.3)
Less: Current portion				
			—	63.7

In 2007 and 2008, Sky Reach Investments Limited (“Sky Reach”), a wholly-owned subsidiary of the Company, had entered into certain lease agreements each for a term of ten years (the “Aircraft Agreements”) with a finance company and Jet Asia, to lease certain aircraft in Macau SAR 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 at 2.37% per annum at 31 December 2013. The Group’s obligations under finance leases are secured by (i) the leased aircraft held by Jet Asia and (ii) the 100% shareholding of Sky Reach held by the Group.

During the year ended 31 December 2014, Sky Reach and Jet Asia have entered into an agreement for the exercise of early buy options at an exercise price of HK\$72.0 million (2013: HK\$145.2 million) under Aircraft Agreements in respect of the remaining two (2013: four) aircraft. Upon exercise of the early buy options, obligations under finance leases amounting to HK\$72.0 million (2013: HK\$145.2 million) was settled by relevant lease receivables from Jet Asia.

The Group has no outstanding finance leases arrangement as at 31 December 2014.

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38. LONG-TERM BANK LOANS

	The Group	
	2014	2013
	HK\$ million	HK\$ million
The syndicated secured long-term bank loans are repayable:		
within one year	257.9	318.3
between one to two years	162.9	399.7
between two to five years	570.2	791.5
	991.0	1,509.5
Less: Current portion	(257.9)	(318.3)
	733.1	1,191.2

At 31 December 2014, the Group's syndicated secured bank loans carried interest at 2.75% to 3.0% over 3-month HIBOR (2013: 2.75% to 3.0% over 3-month HIBOR) per annum with effective interest rates ranging from 3.13% to 3.38% (2013: 3.13% to 3.38%) per annum and are all denominated in Hong Kong dollars, except for a loan amounting to HK\$457.8 million denominated in Renminbi (2013: HK\$499.0 million) which carried fixed interest rate of 3.0% per annum. The purpose of the loans is to finance the phase 3 development project in Ponte 16 and settle certain loans from non-controlling shareholders. At 31 December 2014, the loans were secured by certain of the Group's property and equipment and land use rights with carrying values of HK\$1,016.1 million (2013: HK\$1,159.5 million) and HK\$72.3 million (2013: HK\$77.1 million) respectively. In addition, the other key terms and securities for such bank loans are set out as follows:

- (i) a bank pledged deposit amounting to HK\$464.8 million (2013: HK\$530.5 million);
- (ii) financial guarantees with promissory notes given by certain subsidiaries and the non-controlling shareholders amounting to approximately HK\$2,400 million (2013: HK\$2,400 million) and HK\$1,176 million (2013: HK\$1,176 million) respectively;
- (iii) an assignment of all receivables and income from gaming and hotel operation of Pier 16 – Property Development Limited (“Pier 16 – Property”) and its subsidiaries if default;
- (iv) floating charges over all assets (except immovable property) and legal charges over certain bank accounts of certain subsidiaries;
- (v) an unconditional and irrevocable funding and completion undertaking for phase 3 development project in Ponte 16;
- (vi) assignments of all the rights and benefits of insurance policies and construction contracts relating to certain properties held by the Group if default; and
- (vii) share pledges over the shares of certain subsidiaries.

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

The Group

The amount is unsecured, interest-free and to be repaid from surplus funds, which represent the cash available in the relevant subsidiary of the Group after estimated payments of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayments together with the accrued interests.

The relevant bank facility allows the subsidiary to repay shareholders' loan, subject to certain terms and conditions, including certain leverage ratio requirements. On this basis, the Group agreed with the non-controlling shareholders of that subsidiary on the amounts and timing of the repayment of the amount due to them, taking into account the estimate of amounts and timing of repayment of bank loans pursuant to the new bank facility agreement. Accordingly, carrying amounts of HK\$22.9 million (2013: HK\$22.9 million) and HK\$650.3 million (2013: HK\$705.8 million) were classified as current and non-current liabilities respectively at 31 December 2014. During the year, these carrying amounts have been adjusted by HK\$12.3 million (2013: HK\$0.1 million) because of changes in cash flows estimates, computed based on the present value of future cash outflows discounted at the original effective interest rate.

During the year ended 31 December 2014, imputed interest of HK\$30.2 million (2013: HK\$31.9 million) on the carrying amount of the amount due to the non-controlling interests of the subsidiary of HK\$673.2 million (2013: HK\$728.7 million) has been recognised based on the principal amount of HK\$758.4 million (2013: HK\$856.4 million) at a weighted average original interest rate of approximately 4.1% (2013: 4.4%) per annum.

40. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities need to be offset for both years.

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the year:

	Accelerated tax depreciation HK\$ million	Tax losses HK\$ million	Total HK\$ million
At 1 January 2013	(121.3)	72.6	(48.7)
(Charged) credited to profit or loss	(38.2)	5.9	(32.3)
At 31 December 2013	(159.5)	78.5	(81.0)
Acquisition of subsidiary (note 48(o))	(4.8)	—	(4.8)
Credited (charged) to profit or loss	24.0	(71.2)	(47.2)
At 31 December 2014	(140.3)	7.3	(133.0)

Also, at 31 December 2014, the Group has unutilised tax losses of HK\$660.8 million (2013: HK\$564.1 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 in three years from the year of assessment.

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

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41. SHARE CAPITAL

	Authorised Number of shares	Amount HK\$ million
Ordinary shares of HK\$1 each		
At 1 January 2013 and 31 December 2013	15,000,000,000	15,000.0
Ordinary shares with no par value		
At 31 December 2014 (Note)	N/A	N/A
	Issued and fully paid Number of shares	Amount HK\$ million
Ordinary shares of HK\$1 each		
At 1 January 2013	5,547,844,293	5,547.8
Exercise of share options	5,665,000	5.7
At 31 December 2013	5,553,509,293	5,553.5
Exercise of share options	102,420,000	1,725.0
Transfer from share premium upon abolition of par value (Note)	—	3,953.4
Ordinary shares with no par value		
At 31 December 2014	5,655,929,293	11,231.9

Note: The new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "New CO") came into operation on 3 March 2014. It adopts the mandatory system of no-par and abolishes relevant concepts such as nominal value, share premium, and requirement for authorised capital. The New CO contains a legislative deeming provision for the amalgamation of a company's share capital amount with the amount of its share premium account immediately before the migration to no-par.

To reflect the changes in the New CO, the Company adopted new articles of association at its annual general meeting held on 5 June 2014. No authorised capital, par value and maximum number of shares that the Company may issue are stated in the said new articles.

During the year ended 31 December 2014, 102,420,000 (2013: 5,665,000) share options were exercised, resulting in the issue of 1,020,000, 400,000 and 101,000,000 (2013: 2,265,000, 400,000 and 3,000,000) ordinary shares in the Company at a price of HK\$2.82, HK\$5.11 and HK\$12.496 (2013: HK\$2.82, HK\$5.11 and HK\$12.496) per share, respectively.

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

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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 their absolute discretion, are regarded as valuable human resources of the Group.

Options granted are exercisable for a period of nine years commencing on the date falling six months after the date of grant and expiring on the last day of the said nine years period; where the acceptance date should not be later than 28 days after the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; and (ii) the average closing price of the shares on the five trading days immediately preceding the date of grant. The maximum number of shares in respect of which options may be granted under the Option Scheme may not exceed in nominal amount of 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.

The maximum entitlement of each Participant, excluding substantial shareholders and independent non-executive directors, in any 12-month period (including the date of grant) is 1% of the number of shares in issue as at the date of grant. No grant may be made to substantial shareholders and independent non-executive directors of the Company or their respective associates if such grant would result in the shares issued and falling to be issued upon the exercise of such options proposed to be granted and all other options already granted and to be granted (a) representing in aggregate over 0.1% of the number of shares then in issue; or (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 8 October 2013, a total of 50.5 million share options were granted to a director of the Company, employees and other participants, at exercise price of HK\$22 per share under the terms of the Option Scheme passed on 13 May 2009. Total consideration received from the Participants for taking up the options granted amounted to HK\$173.

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42. SHARE OPTION SCHEME (Continued)

A summary of the movements of the outstanding options during the year ended 31 December 2014 under the Option Scheme is as follows:

Type of participants	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options							
					Outstanding at 1.1.2013	Granted in 2013	Exercised in 2013	Lapsed in 2013	Outstanding at 31.12.2013	Exercised in 2014	Lapsed in 2014	Outstanding at 31.12.2014
Directors	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	4,500,000	—	(1,500,000)	—	3,000,000	—	—	3,000,000
	31.8.2010	31.8.2010 to 27.2.2011	28.2.2011 to 27.2.2020	7.48	3,000,000	—	—	—	3,000,000	—	—	3,000,000
	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	111,000,000	—	(3,000,000)	—	108,000,000	(101,000,000)	—	7,000,000
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	—	1,000,000	—	—	1,000,000	—	—	1,000,000
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	—	1,000,000	—	—	1,000,000	—	—	1,000,000
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	—	1,000,000	—	—	1,000,000	—	—	1,000,000
Employees	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	3,825,000	—	(565,000)	—	3,260,000	(370,000)	—	2,890,000
	19.5.2010	19.5.2010 to 18.11.2010	19.11.2010 to 18.11.2019	5.11	1,000,000	—	(400,000)	—	600,000	(400,000)	—	200,000
	26.5.2010	26.5.2010 to 25.11.2010	26.11.2010 to 25.11.2019	5.03	260,000	—	—	—	260,000	—	—	260,000
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	—	14,129,000	—	(4,000)	14,125,000	—	(80,000)	14,045,000
	8.10.2013	8.10.2013 to 7.10.2014	8.10.2014 to 7.4.2023	22	—	1,000,000	—	—	1,000,000	—	—	1,000,000
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	—	14,074,000	—	(4,000)	14,070,000	—	(128,000)	13,942,000
	8.10.2013	8.10.2013 to 7.10.2015	8.10.2015 to 7.4.2023	22	—	500,000	—	—	500,000	—	—	500,000
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	—	14,057,000	—	(4,000)	14,053,000	—	(128,000)	13,925,000
	8.10.2013	8.10.2013 to 7.10.2016	8.10.2016 to 7.4.2023	22	—	500,000	—	—	500,000	—	—	500,000
	8.10.2013	8.10.2013 to 7.10.2017	8.10.2017 to 7.4.2023	22	—	500,000	—	—	500,000	—	—	500,000
	8.10.2013	8.10.2013 to 7.10.2018	8.10.2018 to 7.4.2023	22	—	500,000	—	—	500,000	—	—	500,000
	Other participants	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	1,150,000	—	(200,000)	—	950,000	(650,000)	—
8.10.2013		8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	—	734,000	—	—	734,000	—	—	734,000
8.10.2013		8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	—	734,000	—	—	734,000	—	—	734,000
8.10.2013		8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	—	732,000	—	—	732,000	—	(166,000)	566,000
					124,735,000	50,460,000	(5,665,000)	(12,000)	169,518,000	(102,420,000)	(502,000)	66,596,000
Weighted average exercise price per share					HK\$11.57	HK\$22.00	HK\$8.11	HK\$22.00	HK\$14.79	HK\$12.37	HK\$22.00	HK\$18.45

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42. SHARE OPTION SCHEME (Continued)

In respect of the above options exercised during the year, the weighted average closing price per share at the dates of exercise was HK\$19.21. At the end of the reporting period, 33,429,000 share options are exercisable (2013: 119,070,000).

The estimated fair value of share options granted on 8 October 2013 was HK\$436.1 million.

These fair value of options at grant date were calculated using either the Black-Scholes pricing model ("Black-Scholes") or the Binomial option pricing model ("Binomial"). The inputs into the models were as follows:

Date of grant	13 July 2009	19 May 2010	26 May 2010	31 August 2010	17 March 2011	8 October 2013
Model	Black-Scholes	Binomial	Binomial	Binomial	Black-Scholes	Binomial
Number of share options	166,700,000	1,500,000	500,000	5,000,000	116,000,000	50,460,000
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	6 to 60 months from the date of grant
Closing share price at date of grant	HK\$2.82	HK\$5.11	HK\$5.03	HK\$7.48	HK\$12.14	HK\$22
Expected/contractual life	5–6 years	9.5 years	9.5 years	9.5 years	5 years	9.5 years
Exercise price per share	HK\$2.82	HK\$5.11	HK\$5.03	HK\$7.48	HK\$12.496	HK\$22
Exercise multiple	N/A	1.79 times	1.79 times	1.81 times	N/A	2 times
Expected volatility	66.46%	56.77%	56.16%	49.56%	54.83%	47.549%
Risk-free interest rate	1.74–1.94 %	2.47%	2.35%	1.89%	2.49%	2.034%
Expected dividend yield	3.26%	1.76%	1.79%	1.87%	3.33%	3.182%

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

Expected volatility used in the valuation of options was determined by using the historical volatility of the Company's share price since the Company's shares were listed on the Stock Exchange in July 2008. The expected life used in Black-Scholes has been estimated, based on the management's best estimates of the vesting period, exercise period and employee's behavioural considerations.

The contractual life used in the Binomial model is the full life of share options from date of grant to expiry date provided by the Company. For estimation of the early exercise behaviour of employees and directors, the management assumed an exercise multiple of 2 times for options granted in 2013 based on the historical exercise behaviour of the Company's employees and directors respectively.

During the year ended 31 December 2014, the Group and the Company recognised total expenses of HK\$227.4 million and HK\$10.3 million, respectively (2013: HK\$99.8 million and HK\$4.6 million, respectively), in relation to share options granted by the Company. The Company levied an inter-company charge of HK\$217.1 million (2013: HK\$95.2 million) on the subsidiaries in respect of share options granted to the participants providing services to these subsidiaries.

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43. RESERVES

	Share premium HK\$ million	Share options reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
The Company				
At 1 January 2013	3,894.0	526.3	7,817.1	12,237.4
Exercise of share options	57.5	(17.3)	—	40.2
Recognition of equity settled share-based payments	—	99.9	—	99.9
Dividends paid (note 13)	—	—	(5,550.8)	(5,550.8)
Profits and total comprehensive income for the year (Note)	—	—	3,564.6	3,564.6
At 31 December 2013	3,951.5	608.9	5,830.9	10,391.3
Exercise of share options	1.9	(459.8)	—	(457.9)
Recognition of equity settled share-based payments	—	227.4	—	227.4
Transfer from share premium upon abolition of par value	(3,953.4)	—	—	(3,953.4)
Dividends paid (note 13)	—	—	(5,768.8)	(5,768.8)
Profits and total comprehensive income for the year (Note)	—	—	5,441.6	5,441.6
At 31 December 2014	—	376.5	5,503.7	5,880.2

Note: Amount included dividend income from SJM of HK\$5,339.8 million (2013: HK\$3,495.1 million).

44. MAJOR NON-CASH TRANSACTIONS

Other than the transactions disclosed in respective notes to the consolidated financial statements, the Group had the following significant non-cash transactions:

- (a) Property and equipment totalling HK\$326.9 million (2013: HK\$325.9 million) were settled by utilising deposits made on acquisitions.
- (b) Upon exercise of early buy options by the fellow subsidiary during the year ended 31 December 2014 as mentioned in note 37, obligations under finance lease amounting to HK\$72.0 million (2013: HK\$145.2 million) was settled by the fellow subsidiary.
- (c) During the year ended 31 December 2013, land use rights totalling HK\$776.7 million was settled by utilising deposits made on acquisition.

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45. 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	
	2014 HK\$ million	2013 HK\$ million	2014 HK\$ million	2013 HK\$ million
Within one year	4.6	4.6	320.0	287.1
In the second to fifth year inclusive	29.1	22.4	387.7	529.6
After five years	193.5	204.7	14.6	72.8
	227.2	231.7	722.3	889.5

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

Lease term of land use rights in Macau SAR are negotiated for a term of 25 years at a fixed rental but which is subject to revision in the future.

At 31 December 2014, operating lease rentals committed to related parties amounted to HK\$618.9 million (2013: HK\$812.1 million), which fall due as follows:

	Rented premises	
	2014 HK\$ million	2013 HK\$ million
Within one year	269.7	241.9
In the second to fifth year inclusive	334.6	497.4
After five years	14.6	72.8
	618.9	812.1

The Company

As at 31 December 2014 and 31 December 2013, the Company has no operating lease commitment.

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46. CAPITAL COMMITMENTS

	The Group	
	2014	2013
	HK\$ million	HK\$ million
Capital expenditure in respect of property and equipment:		
authorised but not contracted for:		
Lisboa Palace Project	16,843.0	26,164.7
Others	196.8	620.9
	17,039.8	26,785.6
contracted for but not provided in the consolidated financial statements:		
Lisboa Palace Project	8,282.2	1,849.2
Others	918.6	490.8
	9,200.8	2,340.0

At 31 December 2014, capital expenditure in respect of property and equipment committed to related parties amounted to HK\$2,018.2 million (2013: HK\$885.7 million).

At 31 December 2014, the estimated total construction costs for Lisboa Palace Project by the Group's management is approximately HK\$30,000 million (2013: HK\$30,000 million).

The Company

As at 31 December 2014 and 31 December 2013, the Company has no capital commitment.

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47. RETIREMENT BENEFITS SCHEMES

The Group

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

The Group 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 all employees. For certain employees, the maximum monthly contributions was limited to HK\$1,250 per employee, and was revised to HK\$1,500 with effect from 1 June 2014.

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 recognised in profit or loss 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.

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48. RELATED PARTY TRANSACTIONS

The Group

- (a) 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 and/or connected parties (as defined under Chapter 14A of the Listing Rules):

Relationship	Nature of transactions	2014	2013
		HK\$ million	HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group ("STDM Group")	Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules		
	Property rentals (note 48(c))	261.2	247.9
	Transportation (note 48(d))	163.5	159.1
	Dredging services (note 48(d) and (n))	—	129.9
	Hotel accommodation (note 48(d))	118.0	113.7
	Entertainment and staff messing (note 48(d))	54.2	61.5
	Maintenance services (note 48(d))	—	14.8
	Aircraft sublease rental receipts (note 48(e))	—	49.0
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules		
	Share of administrative expenses (note 48(f) and (g))	3.5	1.5
	Cleaning services (note 48(g))	24.4	25.1
	Hotel management and operation (note 48(d) and (g))	28.7	29.5
	Promotional and advertising services (note 48(d) and (g))	17.9	17.3
	Dredging services (note 48(d) and (g))	23.7	—
	Maintenance services (note 48(d) and (g))	18.2	—
	Aircraft sublease rental receipts (note 48(e) and (g))	2.5	—
	Others (note 48(g))	19.6	16.1
	Non-exempt connected transactions under Chapter 14A of the Listing Rules		
	Transfer of dredging department (note 48(n))	290.8	—
	Exempt connected transaction		
	Purchase of assets (note 48 (g))	3.8	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

48. RELATED PARTY TRANSACTIONS (Continued)

The Group (Continued)

(a) (Continued)

Relationship	Nature of transactions	2014 HK\$ million	2013 HK\$ million	
Certain directors of the Company and of its subsidiaries and their associates (as defined under Chapter 14A of the Listing Rules)	Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules			
	Service fees in relation to the promotion of a casino (note 48(h))	1,692.6	1,942.7	
	Transportation (note 48(i))	51.5	44.5	
	Property rentals (note 48(j))	158.6	—	
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules			
	Entertainment and staff messing (note 48(g))	12.7	76.2	
	Others (note 48(g))	34.4	64.6	
	Exempt connected transactions under Chapter 14A of the Listing Rules			
	Gain on derivatives arising from available-for-sale investments in equity securities and others (note 48(m))	—	11.3	
	Acquisition of a subsidiary (note 48(o))	64.1	—	
	Entities other than above in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	Service fees in relation to the promotion of a casino (note 48(k))	1,454.6	1,718.3
		Insurance expenses	88.5	62.4
		Promotion and advertising expenses	1.2	0.3
Service fee in relation to foreign currencies exchange		20.7	20.5	
Property rentals		—	0.1	
Others		17.2	18.2	
An associate	Construction costs and management fee paid	258.5	84.5	
A joint venture	Property rentals	14.4	14.4	

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48. RELATED PARTY TRANSACTIONS (Continued)

The Group (Continued)

- (b) In 2002, SJM was granted a concession to operate casinos in Macau SAR. For this purpose, STDM transferred its Macau gaming assets to SJM. SJM has been borrowing casino chips from STDM for the purpose of its business operation since SJM, as a new concessionaire from 2002, did not have sufficient casino chips to meet its business needs. According to the gaming concession contract, SJM is permitted to use STDM's casino chips, both in treasury and those put in circulation by STDM prior to 1 April 2002 and should honour such casino chips. In order to regulate the borrowing and use of STDM chips, the Group entered into an agreement with STDM dated 18 June 2008 (the "Chips Agreement") regarding the honouring and borrowing of STDM chips. Under the Chips Agreement, the Group has agreed to honour the STDM chips in circulation upon their redemption by patrons or clients. In addition, STDM has agreed to reimburse the STDM chips presented by the Group to STDM, by paying to the Group in cheque the aggregate face value of chips so presented within the same quarter when such presentation takes place. During the year ended 31 December 2014, the net amount received and receivable on reimbursement of STDM chips in circulation amounted to HK\$0.4 million (2013: HK\$4.3 million).
- (c) The Group entered into an agreement dated 18 June 2008 with STDM for the leasing of properties by STDM or the members of the STDM group to the Group. The term of each implementing lease will be for a term commencing on a date specified in the relevant implementing lease and ending on a date not later than 31 March 2020. The amounts of transactions during the year were disclosed in note 48(a) above.
- (d) The Group entered into an agreement dated 18 June 2008 with STDM for the provision of products and services by STDM and its associates (the "Products and Services Master Agreement"). The types of products and services includes hotel accommodation, hotel management and operation, entertainment and staff messing, dredging services, transportation, promotional and advertising services, travel agency services and maintenance services. On 19 June 2011, the Company entered into a renewed products and services master agreement with STDM ("Renewed Master Agreement") for the provision of products and services as described in the Products and Services Master Agreement, except for hotel management and operation, promotional and advertising services, and travel agency services, which are regarded as de minimis transactions as described in note 48(g). The Renewed Master Agreement expired on 31 December 2013, and was renewed on 6 January 2014 for a term of three years from 1 January 2014 with similar terms for the provision of products and services for five categories: hotel accommodation, entertainment and staff messing, transportation, hotel management and operation, and maintenance services. The transaction amounts for the dredging services, hotel management and operations and maintenance services during the year were de minimis as described in note 48(g).

Notes to the Consolidated Financial Statements

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48. RELATED PARTY TRANSACTIONS (Continued)

The Group (Continued)

- (e) Regarding the aircraft lease arrangement disclosed in note 37, the Group charged minimum lease payments and related expenses of HK\$2.5 million (2013: HK\$49.0 million) to the fellow subsidiary, and repaid the same amount of minimum lease payments to the finance company during the year ended 31 December 2014. The transaction amount during the year was de minimis as described in note 48(g).

Upon exercise of early buy option by the fellow subsidiary during the year ended 31 December 2014, the obligations under finance lease amounting to HK\$72.0 million (2013: HK\$145.2 million) was settled by the fellow subsidiary.

- (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.

On 19 June 2011, the Company entered into an agreement with STDM to renew the Administrative Cost Sharing Agreement in sharing the cost of the above-mentioned administrative services. The renewed agreement expired on 31 December 2013 and exempted as continuing connected transactions under Rule 14A.33(2) (before 1 July 2014) and 14A.98 (on or after 1 July 2014). The amount of transactions during the year was disclosed in note 48(a) above.

- (g) These are de minimis transactions as defined under Chapter 14A 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) (before 1 July 2014) and 14A.76(1)(a) (on or after 1 July 2014) 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 Macau SAR for the period from 1 October 2009 to the expiry of SJM’s gaming license on 31 March 2020 or any earlier termination with 21 days notice to the other party who is in default of the agreement. Tin Hou is a company controlled over 50% by a half-brother of a director of subsidiaries of the Company pursuant to Rule 14A.11(4)(b)(ii) (before 1 July 2014) of the Listing Rules.

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48. RELATED PARTY TRANSACTIONS (Continued)

The Group (Continued)

- (i) On 24 June 2011, SJM, a subsidiary of the Company, and Shun Tak & CITS Coach (Macao) Limited (“ST-CITS”) entered into a master service agreement to formalise business arrangements between the Group and ST-CITS together with its subsidiaries in relation to the provision of transportation services within Macau locally as well as operating cross border routes to mainland cities of China.

This master service agreement is for a term of three years, provided that either party may terminate this agreement at any time by giving six months’ prior written notice to the other party, however, such termination shall not affect the duration of the contracts entered into prior to 24 June 2011, which shall continue in full force and effect until 31 December 2013. Such agreement expired on 31 December 2013 and was renewed on 6 December 2013 for a term of three years from 1 January 2014 with similar terms as the previous agreement.

- (j) The Group entered into an agreement dated 22 November 2013 with a director of the Company for the leasing of properties by the director and/or her associates to the Group effective from 1 January 2014. 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 December 2016. The amounts of transactions during the period were disclosed in note 48(a) above.
- (k) Service fees in relation to the promotion of a casino were paid to an entity in which certain directors of the Group were the directors and/or key management personnel of the entity.
- (l) 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 the reporting period, the key terms and securities pledged are set out as follows:
 - (i) financial guarantee with promissory note of HK\$1,176 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 Macau SAR 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 phase 3 development project in Ponte 16; and
 - (iv) share pledges over all shares in Pier 16 – Property and its subsidiaries.

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48. RELATED PARTY TRANSACTIONS (Continued)

The Group (Continued)

- (m) As disclosed in note 22, an available-for-sale investment was acquired at a consideration of HK\$480 million during the year 2012. One of the selling shareholders in the acquisition was a connected person of the Company, and hence, the acquisition constituted a connected transaction but was exempted from reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules. The gain on derivatives arising from available-for-sale investments in equity securities, as detailed in note 22, in respect of the portion of the connected person amounting to HK\$11.2 million was settled in July 2013.
- (n) Pursuant to a transfer agreement entered into between SJM and STDM on 22 November 2013, SJM has procured its subsidiary to take over the operation of the dredging department from STDM on 1 January 2014. The takeover will involve, among other things; (i) assignment on transfer of existing employment contracts of STDM's employees; (ii) acquisition of certain assets of the dredging department from STDM for a consideration of HK\$287.5 million; (iii) assignment of certain business contracts; and (iv) entering into lease agreements.

The transfer of the operation of the dredging department from STDM was to take on the dredging responsibilities from STDM by the Group for Macau's navigation channel dredging responsibilities, which is one of the general covenants and obligations of SJM under its gaming concession contracts with the Macau SAR government.

- (o) In February 2014, the Group acquired the entire equity interest in New Hop Wo Catering Company Limited ("New Hop Wo") from an associate of a director of SJM for a cash consideration of HK\$64.1 million. New Hop Wo is principally engaged in the provision of catering service in Macau SAR and was acquired with the objective of improving the Group's catering service.

Upon completion of the acquisition, the Group allocated New Hop Wo into its gaming segment for internal catering service to staff. The difference in between the cash consideration paid of HK\$64.1 million and New Hop Wo's assets and liabilities recognised at the date of acquisition of HK\$37.4 million is recognised in profit or loss.

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48. RELATED PARTY TRANSACTIONS (Continued)

The Company

The Company's transactions and balances with related companies are disclosed in respective notes in these consolidated financial statements.

In November 2007, the immediate holding company, STDM – Investments Limited (“STDM-I”), had provided a surety (the “STDM-I Surety”) in favour of the Company for the due and punctual payment of obligations the Company may incur in relation to:

- (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.

STDM has informed the Company in August 2011 that the board of directors of STDM was satisfied that upon liquidation of STDM-I, which occurred during the year ended 31 December 2011, the Company (as beneficiary of the STDM-I Surety) would remain entitled to claim directly against STDM under the same terms and conditions as originally established in the STDM-I Surety.

49. CONTINGENT LIABILITIES

	The Group			
	2014		2013	
	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	1.9	67.3	56.3
an investee company	20.0	—	20.0	—
	87.3	1.9	87.3	56.3

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50. PRINCIPAL SUBSIDIARIES

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

(a) General information of subsidiaries

Name of subsidiary	Place of incorporation or 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		Principal activity
			2014	2013	
Brilliant Sky International Limited	Macau SAR	Quota capital: MOP25,000	100%	100%	Provision of marketing and promotion services
Brilliant Sky Investments Limited	British Virgin Islands/ Macau SAR	Share: US\$1	100%	100%	Investment holding
Cotai Magnific View – Property Development Company Limited	Macau SAR	Ordinary shares: MOP1,000,000	100%	100%	Preparation for property development
Grand Lisboa – Hotel Administration Company Limited	Macau SAR	Ordinary shares: MOP1,000,000	100%	100%	Hotel operations
Grand Lisboa – Property Investment Company Limited	Macau SAR	Ordinary shares: MOP1,000,000	100%	100%	Property holding
Honour State International Limited	British Virgin Islands/ Macau SAR	Share: US\$1	100%	100%	Securities holding
Nam Van Lake View Investment Limited	Macau SAR	Quota capital: MOP1,000,000	100%	100%	Property holding
Pier 16 – Entertainment Group Corporation Limited	Macau SAR	Quota capital: MOP25,000	51%	51%	Provision of management services for casino operations
Pier 16 – Gaming Promotion, Limited	Macau SAR	Quota capital: MOP50,000	51%	51%	Provision of gaming promotion services
Pier 16 – Management Limited	Macau SAR	Quota capital: MOP25,000	51%	51%	Hotel operations
Pier 16 – Property Development Limited	Macau SAR	Ordinary shares: MOP10,000,000	51%	51%	Property holding
SJM – Customer Services (HK) Limited	Hong Kong	Ordinary share: HK\$1	100%	100%	Provision of customer services
SJM – F&B Services Limited	Macau SAR	Quota capital: MOP25,000	100%	100%	Provision of food and beverage services

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50. PRINCIPAL SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Name of subsidiary	Place of incorporation or 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		Principal activity
			2014	2013	
SJM Holdings Management Services Limited	Hong Kong	Ordinary shares: HK\$2	100%	100%	Provision of management services
SJM – Investment Limited	Macau SAR	Quota capital: MOP1,000,000	100%	100%	Investment holding
SJM – Project Management Services (HK) Limited	Hong Kong	Ordinary share: HK\$1	100%	100%	Provision of human resources and project management services
Sociedade de Jogos de Macau, S.A.	Macau SAR	Ordinary shares: Type A shares: MOP270,000,000 Type B shares: MOP30,000,000	100% (Note (a))	100% (Note (a))	Casino operations and investment holding
Vast Field Investments Limited	British Virgin Islands/ Macau SAR	Ordinary share: US\$1	100%	100%	Investment holding

Notes:

- (a) Pursuant to the relevant requirements under Macau SAR law, SJM's ordinary shares are divided into two categories, namely, Type A shares and Type B shares representing 90% and 10% equity interests in SJM respectively. Holders of Type A shares have voting control of SJM in its shareholders' meeting. Except for one Type A share directly held by a wholly-owned subsidiary of the Company, the Company holds all the remaining Type A shares, whilst Type B shares are held by the managing director of SJM, pursuant to the relevant requirements under Macau SAR law. As Type B shares have restricted rights and only entitle the holder of Type B shares to an aggregate amount of MOP1 of dividend payable, the Company is effectively entitled to a 100% economic interest in SJM.
- (b) Except for SJM Holdings Management Services Limited and SJM, all other principal subsidiaries listed above are indirectly held by the Company.
- (c) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (d) None of the subsidiaries had any debt securities outstanding at the end of both reporting periods.

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50. PRINCIPAL SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Macau SAR. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Place of incorporation or establishment/ operations	Number of subsidiaries	
		2014	2013
Gaming related operations	Macau SAR	4	3
	Cambodia	1	—
		5	3
Hotel and catering related operations	Macau SAR	2	2
Investment holdings/Inactive	British Virgin Islands/ Macau SAR	15	14
	British Virgin Islands/ Hong Kong	4	4
	Hong Kong	1	1
	Macau SAR	4	4
	Samoa	1	—
		25	23
		32	28

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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50. PRINCIPAL SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014	2013	2014	2013
				HK\$ million	HK\$ million	HK\$ million	HK\$ million
Pier 16 – Property Development Limited	Macau SAR	49%	49%	55.1	16.4	94.9	52.1

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Pier 16 – Property Development Limited

	2014 HK\$ million	2013 HK\$ million
Current assets	495.6	678.7
Non-current assets	1,857.3	2,210.9
Current liabilities	(412.2)	(448.5)
Non-current liabilities	(2,121.9)	(2,710.0)
Equity attributable to owners of the Company	(181.2)	(268.9)
	2014 HK\$ million	2013 HK\$ million
Revenue	1,122.4	1,075.3
Cost of sales and expenses	(1,001.7)	(1,064.4)
Profit for the year	113.0	33.6
Net cash inflow from operating activities	492.8	443.9
Net cash inflow from investing activities	65.4	348.1
Net cash outflow from financing activities	(789.1)	(312.6)
Net cash (outflow) inflow	(230.9)	479.4

Five-Year Financial Summary

	For the year ended 31 December				
	2010 HK\$ million	2011 HK\$ million	2012 HK\$ million	2013 HK\$ million	2014 HK\$ million
RESULTS					
Gaming, hotel, catering and related services revenues	57,653.3	76,092.0	79,518.9	87,650.9	79,933.9
Gaming revenue	57,195.0	75,514.4	78,884.1	86,956.3	79,268.5
Profit before taxation	3,532.4	5,345.8	6,826.6	7,774.9	6,869.7
Taxation	(17.6)	(35.0)	(74.9)	(52.5)	(88.3)
Profit for the year	3,514.8	5,310.8	6,751.7	7,722.4	6,781.4
Profit attributable to:					
owners of the Company	3,559.4	5,307.6	6,745.4	7,706.0	6,730.7
non-controlling interests	(44.6)	3.2	6.3	16.4	50.7
	3,514.8	5,310.8	6,751.7	7,722.4	6,781.4
As at 31 December					
	2010 HK\$ million	2011 HK\$ million	2012 HK\$ million	2013 HK\$ million	2014 HK\$ million
ASSETS AND LIABILITIES					
Total assets	28,889.4	33,020.0	37,293.8	42,368.5	42,215.1
Total liabilities	(15,714.0)	(15,773.4)	(17,379.8)	(18,913.3)	(17,352.8)
Net assets	13,175.4	17,246.6	19,914.0	23,455.2	24,862.3

Corporate Information

BOARD OF DIRECTORS

Chairman and Executive Director

Dr. Ho Hung Sun, Stanley

Non-executive Director

Dr. Cheng Kar Shun

Independent Non-executive Directors

Mr. Chau Tak Hay

Dr. Lan Hong Tsung, David

Hon. Shek Lai Him, Abraham

Mr. Tse Hau Yin

Executive Director and Chief Executive Officer

Dr. So Shu Fai

Executive Director and Chief Operating Officer

Mr. Ng Chi Sing

Executive Directors

Dr. Rui José da Cunha

Mr. Fok Tsun Ting, Timothy

Deputada Leong On Kei, Angela

Mr. Shum Hong Kuen, David

AUDIT COMMITTEE

Mr. Tse Hau Yin (*Committee Chairman*)

Mr. Chau Tak Hay

Dr. Lan Hong Tsung, David

Hon. Shek Lai Him, Abraham

NOMINATION COMMITTEE

Mr. Chau Tak Hay (*Committee Chairman*)

Dr. Lan Hong Tsung, David

Deputada Leong On Kei, Angela

Hon. Shek Lai Him, Abraham

Mr. Shum Hong Kuen, David

Dr. So Shu Fai

Mr. Tse Hau Yin

REMUNERATION COMMITTEE

Dr. Lan Hong Tsung, David (*Committee Chairman*)

Mr. Chau Tak Hay

Deputada Leong On Kei, Angela

Hon. Shek Lai Him, Abraham

Dr. So Shu Fai

Mr. Tse Hau Yin

CHIEF FINANCIAL OFFICER

Mr. Robert McBain

GROUP LEGAL COUNSEL

Mr. Jonathan Pyne

COMPANY SECRETARY

Ms. Kwok Shuk Chong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3001–3006, 30th Floor

One International Finance Centre

1 Harbour View Street, Central

Hong Kong

Tel: (852) 3960 8000

Fax: (852) 3960 8111

Website: <http://www.sjmholdings.com>

Email (Investor Relations): ir@sjmholdings.com

LISTING INFORMATION

Share listing: Hong Kong Stock Exchange (Main Board)

Listing date: 16 July 2008

Stock short name: SJM Holdings

Stock code: 880 (Hong Kong Stock Exchange)

0880.HK (Reuters)

880:HK (Bloomberg)

Board lot: 1,000 shares

Designated Security Eligible for Short Selling

Constituent of Hang Seng HK35 Index

Constituent of Hang Seng High Dividend Yield Index

Eligible Stock for both “buy” and “sell” of Southbound

Trading of Shanghai–Hong Kong Stock Connect

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen’s Road East, Wanchai

Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

Website: <http://www.computershare.com.hk>

Email: hkinfo@computershare.com.hk

LEGAL ADVISORS

On Hong Kong Law:

Baker & McKenzie

Herbert Smith Freehills

Linklaters

On Macau Law:

C&C Advogados

Riquito Advogados

FINANCIAL ADVISOR

Somerley Capital Limited

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Macau) Limited

Bank of China Limited

Crédit Agricole Corporate and Investment Bank

BNP Paribas

Industrial and Commercial Bank of China (Asia) Limited



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<http://www.sjmholdings.com>

SJM HOLDINGS LIMITED
澳門博彩控股有限公司

Suites 3001 – 3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
香港中環港景街1號國際金融中心一期30樓3001 – 3006室

<http://www.sjmholdings.com>