



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 2015



ABOUT US

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

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

The Grand Lisboa Palace, SJM’s integrated resort on Cotai, is currently under construction. The Grand Lisboa Palace will feature a total of approximately 2,000 hotel rooms and suites, facilities for meetings and conferences, shopping, dining and entertainment, and a casino.

As at 31 December 2015, SJM operated 17 casinos, comprising more than 1,600 gaming tables and over 2,600 slot machines.



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EVENT HIGHLIGHTS

2015



January

1. Grand Lisboa 8th Anniversary Charity Event

February

2. SJM hosts traditional Gala Dinner on Lunar New Year's Eve
3. SJM participates in the Chinese New Year Float Parade organised by the Macao Government Tourism Office

April

4. SJM is the title sponsor of the SJM Macau Derby 2015

May

5. Grand opening of the Pier 16 Macau 3D World

June

6. SJM Holdings Annual General Meeting
7. SJM wins trophies in the Macau International Dragon Boat Races

August

8. 11th Annual SJM Scholarship Awards
9. Establishment of the SJM Volunteer Team
10. SJM signs Music Public Performance Licence Agreement

EVENT HIGHLIGHTS



October

11. SJM celebrates China's National Day with staff

November

12. SJM is the title sponsor of the Champion Formula 3 racing team, SJM Theodore Racing, at the 62nd Macau Grand Prix
13. SJM is the title sponsor of the world's first SJM Macau GT Cup — FIA GT World Cup

December

14. SJM hosts "The Art of French Haute Cuisine" Charity Auction and Dinner
15. SJM directors and staff members participate in Macau's Walk for a Million 2015
16. SJM and ICBC Macau jointly launch the SJM credit card, the first of its kind in Macau's gaming industry
17. New Year's countdown at Grand Lisboa

AWARDS



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4



5



6



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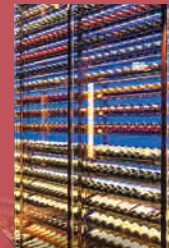
The group and its directors received numerous awards in 2015, including those listed below:

1. HKU SPACE Po Leung Kuk Stanley Ho Community College was named in honour of Dr. Stanley Ho.
2. Dr. Stanley Ho received the Friends of Spain Award by the High Commissioner of the Government for Spain Brand and the Spanish Consulate General in Hong Kong.
3. Ms. Angela Leong was awarded the Bronze Bauhinia Star by the Hong Kong SAR Government.
4. Mr. Louis Ng was awarded Chevalier de l'Ordre National du Mérite by the French government.
5. SJM Holdings received the "Global Chinese Business 1000 — Outstanding Performance Award (Hong Kong)" by Yazhou Zhoukan.
6. SJM received the Corporate Social Responsibility Gold Award (highest award in the CSR category) by the 2015 Business Awards of Macau.
7. Ten SJM staff members were awarded at the 7th International Volunteer Recognition Day ceremony organised by the Youth Volunteer Association of Macau, and one was chosen among the Top Volunteers.

AWARDS



8



9



8. *Michelin Guide Hong Kong Macau 2016*
- Robuchon au Dôme — 3 Michelin stars
 - The Eight — 3 Michelin stars
 - The Kitchen — 1 Michelin star

Hong Kong Tatler Top 20 Best Restaurants 2016

- Robuchon au Dôme

Wine Spectator 2015

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

9. Sofitel Macau at Ponte 16
- 2015 Luxury Romantic Hotel by World Luxury Hotel Awards
 - 2015 Travelers' Choice Awards for Hotels in China — Romance Category by TripAdvisor
 - 2015 Best Luxury Wellness Spa by World Luxury Spa Awards
 - 2015 Best Luxury Hotel Spa in Macau by World Luxury Spa Awards
 - 2015 Global Award for Spa by Luxury Travel Guide

FINANCIAL HIGHLIGHTS AND DIVIDEND SCHEDULE

FINANCIAL HIGHLIGHTS

	Year Ended 31 December 2015 HK\$ million	Year Ended 31 December 2014 HK\$ million
Gaming Revenue	48,590	79,269
Hotel, Catering and Other Income	601	971
Adjusted EBITDA*	3,862	7,763
Profit attributable to owners of the Company	2,465	6,731
Earnings per share		
— basic	HK43.6 cents	HK120.0 cents
— diluted	HK43.5 cents	HK119.3 cents
Dividend per ordinary share		
— proposed final dividend	HK15 cents	HK62 cents
— interim dividend paid	HK10 cents	HK22 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, share-based payments and impairment loss on available-for-sale investment in equity securities.

DIVIDEND SCHEDULE

Events	Date and Time
Announcement of proposed final dividend	23 February 2016
2016 Annual General Meeting (to approve the proposed final dividend)	2:30 p.m. on Thursday, 16 June 2016
Ex-dividend date	20 June 2016
Record date for proposed final dividend	21 June 2016
Latest time to lodge transfer documents with share registrar to qualify for proposed final dividend	4:30 p.m. on Tuesday, 21 June 2016
Expected payment date of proposed final dividend (if approved at the 2016 Annual General Meeting)	30 June 2016

CHIEF EXECUTIVE OFFICER'S STATEMENT

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

Macau experienced the second consecutive year of declining gaming revenue, due to economic conditions and policy measures principally in Mainland China, which have affected discretionary and luxury spending across-the-board. According to the Macau Government, total casino gaming revenue in 2015 declined by 34.3% from the previous year. The decline was manifest most strongly in the VIP segment of the market, as many high-rollers continued to stay away from Macau or reduced their gaming budgets. Mass market table gaming and slot machine revenues were also affected.

SJM's VIP gaming revenue declined by 48.0% in 2015 compared with the previous year, whilst the declines in mass market table gaming and slot machine revenues were 24.6% and 14.8%, respectively. 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, share-based payments and impairment loss on available-for-sale investment in equity securities) fell by 50.3% whilst profit attributable to owners of the Company declined by 63.4%, after accounting for impaired value of available-for-sale investment in equity securities and the impact of suspending operations of a satellite casino. SJM's market share of Macau gaming revenue was 21.7% in 2015.

The Group's flagship Casino Grand Lisboa showed a decline in Adjusted Property EBITDA by 49.5% for the year. Casino Grand Lisboa's VIP gaming revenue decreased by 50.6%, mass market table gaming revenue and slot machine revenue decreased by 25.4% and 17.8%, respectively. Occupancy at the Grand Lisboa Hotel was 83% for the full year, at an average room rate of \$2,030.

During 2015, the Group maintained a strong financial position, whilst returning \$4.1 billion to shareholders as dividends. Total cash and bank balances stood at \$17.3 billion as at 31 December 2015, and debt outstanding of the Group was \$0.7 billion.

The Group's project on Cotai, now named the Grand Lisboa Palace, which embodies our confidence in Macau and in China as well as our commitment to the solid diversification of our tourism business, made substantial progress in 2015. Foundation work and much of the superstructure were completed during the year, and we anticipate topping off the structure later in 2016. On completion, the Grand Lisboa Palace will increase our hotel room capacity by almost five times and provide best-in-category shopping, dining, entertainment and events facilities that will enhance Macau's position as a world centre of tourism and leisure.

As we grow our business locally we are committed to the development of local talent, which comprises over 90% of our employees in Macau. We provide training and education programmes including full sponsorship for studies at Macau Millennium College, the SJM Scholarship programme for dependents of staff, a customer services coaching programme as well as various soft and hard skills training courses. In 2015 and 2016 we initiated additional benefits for employees including increased living subsidy and incentive leave, expanded maternity and paternity benefits, establishment of the SJM Excellence Staff Center, and sponsorship with ICBC Macau of the SJM staff credit card.

SJM is also committed to the support of the local community, through donations and sponsorship of a number of worthy activities in Macau, covering charities, welfare groups, education, culture, sports and major tourist events. In 2015 we established the SJM Volunteer Team, to encourage and organise the volunteer activities of our staff. Of the many honors and awards received by SJM, we are most proud to have received from Business Awards of Macau the Corporate Social Responsibility Award (Gold Award) for 2015.

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

So Shu Fai

Chief Executive Officer

Hong Kong, 23 February 2016

BUSINESS REVIEW

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



MARKET ENVIRONMENT

Macau's casino gaming revenue declined in 2015 for the second straight year. The 34.3% decline resulted from multiple factors, including changes in administrative policies in Mainland China, and weakness in some sectors of the Chinese economy. The effects of these conditions were felt mainly in upper-end play in each segment of Macau's gaming market: VIP, mass market and slot machines.

Visitation to Macau decreased moderately by 2.6% to 30.7 million in 2015, according to the Macau Government Statistics and Census Service. Visitors from the Mainland decreased by 4.0% to 20.4 million.

BUSINESS MODEL AND KEY STRATEGIES

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

- We will continue to build, own and manage or invest in casinos and related businesses in Macau, as permitted by government regulation.
- We will continue to improve and enhance the efficiency of our existing properties in both the mass market and VIP 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.

BUSINESS REVIEW

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 2015 each declined from last year:

Group operating results	For the year ended 31 December		Decrease
	2015 HK\$ million	2014 HK\$ million	
Total revenue	49,171	79,934	(38.5%)
Gaming revenue	48,590	79,269	(38.7%)
Profit attributable to owners of the Company	2,465	6,731	(63.4%)
Adjusted EBITDA ¹	3,862	7,763	(50.3%)
Adjusted EBITDA Margin ²	7.9%	9.7%	(1.8%)

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

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

VIP gaming revenue of the Group declined by 48.0% in 2015 and mass market table gaming revenue decreased by 24.6%, reflecting the overall downturn in Macau gaming revenue. According to statistics from the MSAR government, gaming revenue of Macau declined by 34.3% in 2015, comprising a 39.9% decline in VIP gaming revenue, a 26.7% decrease in mass market table gaming revenue and a 18.6% decrease in slot machine gaming revenue.

During 2015, the Group accounted for 21.7% of Macau's casino gaming revenue of \$224,116 million. The Group's overall market share declined from 23.2% for the full year 2014.

The Group's Adjusted EBITDA Margin for the year was 7.9%, a decrease from 9.7% in 2014. If calculated under United States generally accepted accounting principles ("US GAAP"), the Group's Adjusted EBITDA Margin would be 12.4% for 2015, as compared with 16.7% in 2014 (See "Comparison with United States GAAP Accounting" below).

Net profit for the year 2015 was affected by a one-off impairment loss on available-for-sale investment in equity securities of \$250 million and the impact on profit of suspension of a satellite casino of \$143 million, which were not incurred in the previous year. Deductions of share-based payments were \$314 million, as compared with \$227 million in the previous year. Depreciation in 2015 was \$1,095 million compared with \$1,094 million in 2014, and interest expense was \$52 million, compared with \$73 million.

BUSINESS REVIEW

OPERATING RESULTS — VIP GAMING

VIP operations	For the year ended 31 December		Decrease
	2015	2014	
Gaming revenue (HK\$ million)	25,064	48,245	(48.0%)
Average daily net-win per VIP gaming table (HK\$)	144,261	231,485	(37.7%)
VIP chips sales (HK\$ million)	773,445	1,719,555	(55.0%)
Average number of VIP gaming tables (Average of month-end numbers)	476	571	(16.6%)

VIP gaming operations accounted for 51.6% of the Group's total gaming revenue in 2015, as compared with 60.9% for the previous year. As at 31 December 2015, SJM had 386 VIP gaming tables in operation with 19 VIP promoters, as compared with 567 VIP gaming tables and 35 VIP promoters as at 31 December 2014. As at 31 December 2015, SJM operated VIP gaming in 13 of its casinos.

The Group's gaming revenue from VIP gaming operations amounted to approximately 20.2% of total VIP gaming revenue in Macau, compared to 23.4% in the previous year, according to figures from the Gaming Inspection and Coordination Bureau in Macau. The hold rate for SJM's VIP operations increased in 2015 to 3.22% from 2.80% in 2014.

OPERATING RESULTS — MASS MARKET TABLE GAMING

Mass market operations	For the year ended 31 December		Increase/ (Decrease)
	2015	2014	
Gaming revenue (HK\$ million)	22,385	29,686	(24.6%)
Average daily net-win per mass market gaming table (HK\$)	49,380	68,116	(27.5%)
Average number of mass market gaming tables (Average of month-end numbers)	1,242	1,194	4.0%

Gaming revenue from mass market table gaming operations comprised 46.1% of the Group's total gaming revenue in 2015, as compared with 37.4% in 2014. SJM had 1,247 mass market gaming tables in operation as at 31 December 2015, as compared with 1,214 mass market gaming tables as at 31 December 2014.



BUSINESS REVIEW

OPERATING RESULTS — SLOT MACHINES AND OTHER GAMING OPERATIONS

Slot machine operations	For the year ended 31 December		
	2015	2014	Decrease
Gaming revenue (HK\$ million)	1,140	1,338	(14.8%)
Average daily net-win per slot machine (HK\$)	1,151	1,282	(10.3%)
Average number of slot machines (Average of month-end numbers)	2,711	2,856	(5.1%)

Gaming revenue from slot machine operations, which include other electronic gaming machines and the game of Tombola, comprised 2.3% of the Group's total gaming revenue in 2015, compared with 1.7% in 2014. SJM had 2,645 slot machines in service as at 31 December 2015 as compared with 2,865 slot machines as at 31 December 2014.

As at 31 December 2015, SJM operated slot machines in 13 of its casinos.

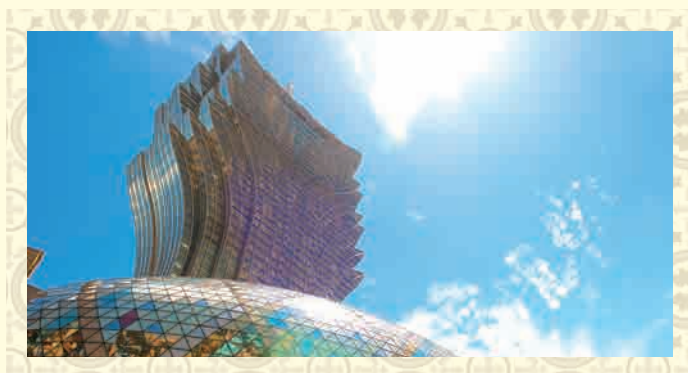
OPERATING RESULTS OF CASINO SEGMENTS — CASINO GRAND LISBOA

SJM's flagship Casino Grand Lisboa also showed a decline in revenue and profitability during the year. Visitation to Grand Lisboa increased during the course of year from an average of 29,702 visitors per day in the first quarter, to an average of 31,299 visitors per day in the fourth quarter.

Casino Grand Lisboa	For the year ended 31 December		
	2015	2014	Decrease
Revenue (HK\$ million)	16,536	29,587	(44.1%)
Profit attributable to the Group (HK\$ million)	1,692	3,857	(56.1%)
Adjusted Property EBITDA ³ (HK\$ million)	2,157	4,273	(49.5%)
Adjusted Property EBITDA Margin ⁴	13.0%	14.4%	(1.4%)

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

⁴ Adjusted Property EBITDA Margin is Adjusted Property EBITDA divided by total revenue.



BUSINESS REVIEW

OPERATING RESULTS OF CASINO SEGMENTS — CASINO GRAND LISBOA (Continued)

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

Casino Grand Lisboa	For the year ended 31 December		Increase/ (Decrease)
	2015	2014	
VIP operations			
Gaming revenue (HK\$ million)	10,943	22,138	(50.6%)
Average daily net-win per VIP gaming table (HK\$)	199,878	338,844	(41.0%)
VIP chips sales (HK\$ million)	343,670	821,925	(58.2%)
Average number of VIP gaming tables (Average of month-end numbers)	150	179	(16.2%)
Mass market operations			
Gaming revenue (HK\$ million)	5,189	6,957	(25.4%)
Average daily net-win per mass market gaming table (HK\$)	52,455	72,748	(27.9%)
Average number of mass market gaming tables (Average of month-end numbers)	271	262	3.4%
Slot machine operations			
Gaming revenue (HK\$ million)	404	491	(17.8%)
Average daily net-win per slot machine (HK\$)	1,458	1,797	(18.9%)
Average number of slot machines (Average of month-end numbers)	759	749	1.3%

During 2015 mass market gaming tables operated at Casino Grand Lisboa were reduced from 274 tables as at 1 January 2015 to 268 tables as at 31 December 2015, whilst VIP tables were reduced from 177 to 136 during the same period.

If calculated under US GAAP, the Adjusted Property EBITDA Margin of Casino Grand Lisboa would be approximately 20.3% for 2015, as compared with 24.1% in 2014 (See "Comparison with United States GAAP Accounting" below).

During 2015, Casino Grand Lisboa attracted a total of over 10.9 million visitors, an average of 29,985 visitors per day, a decrease of 20.0% over the previous year.

As at 31 December 2015, Casino Grand Lisboa operated a total of 794 slot machines. Jackpots are paid frequently, with the total exceeding \$242 million for slot machines and over \$32 million for table games (Caribbean Stud Poker) in 2015.



BUSINESS REVIEW

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

Other self-promoted casinos are Casino Lisboa and Casino Oceanus at Jai Alai (collectively, “Other Self-promoted Casinos and Slot Halls”).

Other self-promoted casinos and slot halls	For the year ended 31 December		Decrease
	2015	2014	
Revenue (HK\$ million)	6,563	9,933	(33.9%)
Profit attributable to the Group (HK\$ million)	530	1,258	(57.9%)
Adjusted EBITDA (HK\$ million)	749	1,461	(48.7%)
Adjusted EBITDA Margin	11.4%	14.7%	(3.3%)

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)
	2015	2014	
VIP operations			
Gaming revenue (HK\$ million)	2,476	4,560	(45.7%)
Average daily net-win per VIP gaming table (HK\$)	165,437	277,648	(40.4%)
VIP chips sales (HK\$ million)	66,502	149,590	(55.5%)
Average number of VIP gaming tables (Average of month-end numbers)	41	45	(8.9%)
Mass market operations			
Gaming revenue (HK\$ million)	3,866	5,129	(24.6%)
Average daily net-win per mass market gaming table (HK\$)	34,059	46,376	(26.6%)
Average number of mass market gaming tables (Average of month-end numbers)	311	303	2.6%
Slot machine operations			
Gaming revenue (HK\$ million)	221	244	(9.4%)
Average daily net-win per slot machine (HK\$)	911	932	(2.2%)
Average number of slot machines (Average of month-end numbers)	660	713	(7.4%)

As at 31 December 2015, Casino Lisboa operated a total of 30 VIP gaming tables, 144 mass market gaming tables and 116 slot machines, and Casino Oceanus at Jai Alai operated a total of 185 mass market gaming tables and 411 slot machines.

BUSINESS REVIEW

OPERATING RESULTS OF CASINO SEGMENTS — SATELLITE CASINOS AND SLOT HALL

As at 31 December 2015, SJM operated 14 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Jimei, Casino Kam Pek Paradise, Casino Lan Kwai Fong, Casino L'Arc Macau, Casino Macau Jockey Club (converted from slot hall in April 2014), Casino Ponte 16 and Casino Club VIP Legend. (Operations at Casino Greek Mythology were temporarily suspended on 31 December 2015.)

Twelve of SJM's satellite casinos are located on the Macau Peninsula whilst two satellite casinos are located on the island of Taipa, comprising a total of 220 VIP gaming tables, 650 mass market gaming tables and 1,324 slot machines, as at 31 December 2015.

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
	2015	2014	
Revenue (HK\$ million)	25,491	39,749	(35.9%)
Profit attributable to the Group (HK\$ million)	640	1,653	(61.3%)
Adjusted EBITDA (HK\$ million)	722	1,683	(57.1%)
Adjusted EBITDA Margin	2.8%	4.2%	(1.4%)

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

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)
	2015	2014	
VIP operations			
Gaming revenue (HK\$ million)	11,645	21,546	(46.0%)
Average daily net-win per VIP gaming table (HK\$)	111,551	169,628	(34.2%)
VIP chips sales (HK\$ million)	363,273	748,040	(51.4%)
Average number of VIP gaming tables (Average of month-end numbers)	286	348	(17.8%)
Mass market operations			
Gaming revenue (HK\$ million)	13,331	17,600	(24.3%)
Average daily net-win per mass market gaming table (HK\$)	55,253	76,659	(27.9%)
Average number of mass market gaming tables (Average of month-end numbers)	661	629	5.1%
Slot machine operations			
Gaming revenue (HK\$ million)	515	603	(14.5%)
Average daily net-win per slot machine (HK\$)	1,092	1,185	(7.8%)
Average number of slot machines (Average of month-end numbers)	1,292	1,394	(7.3%)

BUSINESS REVIEW

NON-GAMING OPERATIONS

For the year ended 31 December 2015, the Grand Lisboa Hotel contributed \$551 million in revenue and \$95 million in Adjusted Property EBITDA to the Group as compared with \$656 million in revenue and \$210 million in Adjusted Property EBITDA for the previous year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 83.0% for the full year, as compared with 93.2% for the previous year, and the average room rate for the full year 2015 was approximately \$2,030 as compared with \$2,325 in 2014. During the year, the hotel's room renovation programme was ongoing, resulting in approximately 5% of rooms being out of service. Room renovation is expected to be completed in September 2016.



Food and beverage units at the Grand Lisboa Hotel continued to earn international recognition. Amongst numerous awards, French restaurant "Robuchon au Dôme" and Cantonese restaurant "The Eight" were the only restaurants in Macau to receive three stars in the 2016 Michelin Guide. Modern steakhouse "The Kitchen" was also awarded one star. The wine cellars of "Robuchon au Dôme" and "Don Alfonso 1890" received the Grand Award and "The Kitchen" received the Best of Award of Excellence from *Wine Spectator*. "Robuchon au Dôme" was also among the Top 20 Restaurants of 2016 selected by *Hong Kong Tatler*.

Operating results for the Sofitel at Ponte 16, in which SJM's interest is 51%, contributed \$214 million in revenue to the Group in 2015, compared with a contribution of \$242 million in 2014. The occupancy rate of the 408-room hotel averaged 89.1% for the full year 2015 as compared with 90.3% in 2014, whilst average room rate decreased by 12.3% to \$1,204. The Sofitel at Ponte 16 received numerous travel industry awards in 2015, in both business and luxury categories.

Income from all hotel, catering and related services, after inter-company elimination, totaled \$581 million in 2015, a decrease of 12.6% from \$665 million in 2014, due primarily to lower hotel room occupancy and average room rates. Other income, primarily interest earned on bank deposits, decreased to \$19 million from \$306 million during the year, primarily affected by impairment loss on available-for-sale investment in equity securities of \$250 million.

CORPORATE SOCIAL RESPONSIBILITY

“From society, to society” is a core value of the SJM Group. In 2015 we continued to support education, arts and culture, sports and other charitable activities to benefit the residents of Macau and to encourage our employees to do likewise.

In November 2015, SJM was awarded the Corporate Social Responsibility Award (Gold Award) for 2015 by the Business Awards of Macau. This award has the stated purpose: “To distinguish companies that have made significant contributions to the community and the welfare of their workers. This award celebrates businesses that have conscientiously implemented and evolved these practices.”

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 2015 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 109 children of staff, of whom 70 have graduated.

In addition to offering scholarships to children of staff, SJM also sponsors the full school fees of staff to further their studies at Macau Millennium College, and encourages employees to return to school by completing secondary school education at Millennium Secondary School. Moreover, SJM awards scholarships at local educational institutions and sponsors their activities. In April 2015 the SJM Staff Welfare Consultative Committee organised staff participation in the patriotic education programme in Jinggangshan, Jiangxi.

CORPORATE SOCIAL RESPONSIBILITY

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. Furthermore, at a signing ceremony with the Macau Association of Composers, Authors and Publishers in August 2015, SJM announced that it was the first casino operator in Macau to commit to playing local music at its properties. In March 2015 SJM was Platinum Sponsor of the 4th Macau Literary Festival; in November 2015 SJM was a sponsor of the 15th Macau Food Festival.



SPORTS

In November 2015 SJM was the title sponsor of the Formula 3 racing team, "SJM Theodore Racing", at the 62nd Macau Grand Prix for the third consecutive year. Driving for SJM Theodore Racing, Felix Rosenqvist took victory in the 2015 race. SJM also was the title sponsor of the "SJM Macau GT Cup — FIA GT World Cup" for the first time.



In April 2015 SJM sponsored for the thirteenth consecutive year the SJM Macau Derby at Macau Jockey Club. SJM was also the sponsor of the Grand Lisboa Cup, the Oceanus Cup and the SJM ec card Cup.

SJM provides or subsidises Hong Kong/Macau ferry tickets for sports organisations in Macau 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 20th annual Macau Jockey Club Charity Day, held in March 2015. In the Macau International Dragon Boat Races held in June 2015, SJM teams were winners in two categories and placed third in the Macau International Invitational Standard Dragon Boat Race.



CORPORATE SOCIAL RESPONSIBILITY

RESPONSIBLE GAMING



SJM launched a series of Responsible Gaming (“RG”) promotions in 2015, including RG promotion booth, lucky draw, photography and drawing 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 130 RG Team Members and over 14,000 frontline Operations, Marketing and Security Department personnel in 2015. In addition, all new frontline hires receive RG training as part of their orientation. Also in 2015, seven RG Team Members completed and received their certificates for the Macau Responsible Gambling Advisor course and the SJM team was the winner of the Second Responsible Gaming Quiz Competition organised by DICJ, Social Welfare Bureau of the Macau SAR Government, and the Institute for the Study of Commercial Gaming at the University of Macau.

OTHER COMMUNITY ACTIVITIES IN 2015



In December 2015 SJM hosted “The Art of French Haute Cuisine” Charity Auction and Dinner at Grand Lisboa, which raised funds for charities in Macau. SJM was the successful bidder for the featured item of the auction, 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 (2015 Walk for a Million in Macau), Caritas de Macau (2016 Caritas Macau Charity Bazaar), Yat On Responsible Gambling Counselling Centre, Macau Social Services Centre and Macau Association of the Hearing Impaired.

CORPORATE SOCIAL RESPONSIBILITY

OTHER COMMUNITY ACTIVITIES IN 2015 (Continued)

Also in December 2015 SJM donated to the annual “Walk for a Million in Macau” charity event, and over 4,000 SJM staff and directors participated in the Walk.

Other community events sponsored by SJM in 2015 include the Grand Lisboa 8th Anniversary Charity Event, the Global Tourism Economy Forum • Macau 2015, the conference at Macao Polytechnic Institute by Former Prime Minister of Portugal and Former President of European Commission Dr. José Manuel Durão Barroso, and participation in the Float Parade of the Year of the Ram, hosted by the Macao Government Tourism Office.

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 and União Geral das Associações dos Moradores de Macau.

In August 2015, SJM established the SJM Volunteer Team to encourage and organise volunteer activities by employees. During the year, more than 500 SJM staff members were frequent volunteers to help the needy in society, working with such organisations as the Social Welfare Bureau of the



Macau SAR Government, the Social Work Department of the Liaison Office of the Central People’s Government in the Macau SAR, the Macau Social Services Centre, Macau Special Olympics, Macau Association of the Hearing Impaired and the Youth Volunteer Association of Macau. In December 2015 ten SJM staff members received recognition for their contributions to the community at the 7th International Volunteer Recognition Day ceremony hosted by the Youth Volunteer Association of Macau and one was chosen among the Top Volunteers.



PROSPECTS AND RECENT DEVELOPMENTS

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

OUTLOOK

The Group's performance in 2016 and over the medium term is susceptible to the overall economic performance of the surrounding region, government regulatory policies, and the level of visitation to Macau, as well as to the competitive situation among the casino operators in Macau. During this period, the Group is committed to maintaining its strength in both the mass market and VIP gaming segments while striving to improve its operating efficiency.

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

RECENT EVENTS AND CURRENT INITIATIVES

In pursuit of the Group's strategy of growing its business through expansion of casino and casino-related operations in Macau and improvement in the operating efficiency of existing business units, the Group has been and is progressing on a number of initiatives in 2015 and 2016, which are described below.



Grand Lisboa Palace

Construction of the Grand Lisboa Palace, SJM's future integrated resort on Cotai, which began on 13 February 2014, made substantial progress in 2015. The Company expected to be able to celebrate the topping-off of the building's superstructure around mid-2016.

Upon completion, the Grand Lisboa Palace will comprise total gross floor area of 521,435 square metres plus 77,158 square metres of parking area. More than 90% of the total area will be devoted to a full range of non-gaming facilities, including hotel towers bearing the insignia "Grand Lisboa Palace", "Palazzo Versace" and "Karl Lagerfeld", totaling approximately 2,000 rooms, plus facilities for meetings and conferences, shopping, dining and entertainment, and a casino, at an estimated construction cost of approximately \$30 billion.

As at 31 December 2015, SJM had entered into capital commitments in connection with the Grand Lisboa Palace project with a total value of approximately \$24.1 billion.

The Group is currently in discussion with commercial banks concerning arrangement of banking facilities to finance construction costs of the Grand Lisboa Palace. The Group expects to conclude these arrangements later this year.

PROSPECTS AND RECENT DEVELOPMENTS

RECENT EVENTS AND CURRENT INITIATIVES (Continued)

Casino Grand Lisboa

In July 2015, Grand Lisboa relocated the Noodle & Congee Corner restaurant from a mezzanine floor to a higher level whilst converting its previous space for premium mass market gaming. In January 2016, the area formerly occupied by the restaurant opened as a new mass market gaming area called "Tycoon 68" with 12 high limit gaming tables and 39 slot machines.



In February 2015, Grand Lisboa installed 78 live multi-game terminals on the upper mass market gaming floor.

In March 2016, Grand Lisboa will begin renovation work to update the property's ground floor. When completed by the end of the year, the ground floor will have expanded gaming space to accommodate an additional 5 tables and 31 slot machines, plus new retail space.

Hotel Grand Lisboa

Hotel Grand Lisboa is currently undertaking a room renovation programme which is the first major overhaul and updating of accommodation since the opening of the hotel in 2009. The programme, which began in the summer of 2014, requires approximately three years for completion.

Jai Alai Renovation

Renovation work on the former Casino Jai Alai premises which had been suspended since February 2014 pending government approvals was restarted in May 2015. SJM plans to reopen the building later in 2016, with new facilities including a hotel with approximately 130 rooms, restaurants and retail shops that will enhance the business of the reopened Casino Jai Alai as well as Casino Oceanus at Jai Alai.

As at 31 December 2015, SJM had entered into capital commitments in connection with the Jai Alai renovation project with a total value of approximately \$690 million.

Ponte 16 Resort

In May 2015, the first large-scale 3D museum in Macau opened at Ponte 16 Resort. The Ponte 16 Macau 3D Museum occupies approximately 17,500 square feet, divided into seven theme zones that offer visitors the opportunity to interact with various exhibits and 3D paintings.

Casino Greek Mythology

Operation of Satellite Casino Greek Mythology was suspended on 31 December 2015. SJM will operate the casino's 79 tables at its self-promoted casinos pending reopening of Casino Greek Mythology after renovation.



FINANCIAL REVIEW

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong financial position, with bank balances and cash amounting to \$16,814 million (not including \$505 million pledged bank deposits) as at 31 December 2015. This represented a decrease of 29.4% as compared with the position as at 31 December 2014 of \$23,806 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 2015 amounted to \$713 million (as at 31 December 2014: \$991 million). The maturity of the Group's borrowings as at 31 December 2015 is as follows:

Within 1 year	Maturity Profile 1–2 years	Total
22%	78%	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 2015 (as at 31 December 2014: zero).

CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments by the Group amounted to \$25.2 billion as at 31 December 2015 (as at 31 December 2014: \$26.2 billion), of which \$24.1 billion were for the Grand Lisboa Palace project. As at 31 December 2015, the Group was developing the construction plan for the Grand Lisboa Palace, with an estimated construction cost of approximately \$30 billion, including capital expenditure commitments to date.

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

PLEDGE OF ASSETS

As at 31 December 2015, certain of the Group's property and equipment and land use rights with carrying values of \$883 million and \$68 million, respectively (as at 31 December 2014: \$1,016 million and \$72 million, respectively), were pledged to banks for loan facilities. In addition, the Group had pledged bank deposits of \$505 million as at 31 December 2015 (2014: \$612 million).

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2015, the total amount guarantees of the Group given to banks of \$87 million (2014: \$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 2015.

FINANCIAL REVIEW

FINANCIAL RISK

The Group follows a conservative policy in financial management with minimal exposure to the risks of currency and interest rate. The Group does not currently hedge its interest rate exposure, although it may consider doing so in the future. As at 31 December 2015, the equivalent of approximately \$354 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 2015.

HUMAN RESOURCES

As at 31 December 2015, the Group had approximately 21,200 full-time employees. The Group's employee turnover rate was minimal in 2015.

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

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

COMPARISON WITH UNITED STATES GAAP ACCOUNTING

The Group's results are prepared in compliance with Hong Kong generally accepted accounting principles ("HK GAAP"). In comparing the Group's results to those of companies whose results are prepared under US GAAP, it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher Adjusted EBITDA Margin than that calculated under HK GAAP. If calculated under US GAAP, the Group's Adjusted EBITDA Margin would be approximately 12.4% for the year ended 31 December 2015, as compared with HK GAAP which gives an Adjusted EBITDA Margin of 7.9% for the same period.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Ho Hung Sun, Stanley, aged 94, 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 consultant to 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

EXECUTIVE DIRECTORS (Continued)

Dr. So Shu Fai, aged 64, 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 40 years of experience in the casino business.

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

Dr. So is a member of the 12th National Committee of 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 consultant of the Economic Development Council and a member 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 is a fellow member of The Hong Kong Institute of Directors. Dr. So graduated with a Bachelor of Science degree from The University of Hong Kong in 1973, and received a doctoral degree in Management Studies from IMC/Southern Cross University in 2001.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Mr. Ng Chi Sing, aged 64, 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. He was a member of the Council of the Macau University of Science and Technology until August 2015.

Mr. Ng holds a Bachelor's degree from The University of Hong Kong and a Master of Management Studies degree from Asia International Open University (Macau). He is a fellow member of The Hong Kong Institute of Directors. He was awarded Chevalier dans l'Ordre National du Mérite by the French Government in June 2015.

Dr. Rui José da Cunha, aged 74, 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 secretary 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, East Timor and Cabo Verde. 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. Dr. Cunha is a fellow member of The Hong Kong Institute of Directors.

Mr. Fok Tsun Ting, Timothy, aged 70, was appointed an Executive Director of the Company in August 2010. He has been a director of SJM since March 2014.

Mr. Fok is a member 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 is a fellow member of The Hong Kong Institute of Directors.

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.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Deputada Leong On Kei, Angela, aged 54, has been an Executive Director of the Company since 2007. She has been a member of each of the Remuneration Committee and the Nomination Committee of the Board since 2008 and a member of the Executive Committee of the Board since 2009. Deputada Leong has been the Chairman of the Staff Welfare Committee of SJM since 2005, a director of SJM since 2007, Managing Director of SJM since 2010, and Chief Administrative Officer of SJM since December 2014. She has been a director of STDMM 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, the chairman of Po Leung Kuk from April 2014 to April 2015 and currently is a member of Advisory Board of Po Leung Kuk. Deputada Leong was awarded the Medal of Merit — Industry and Commerce by the Macau SAR Government in 2009. She was awarded the Bronze Bauhinia Star by the Hong Kong SAR Government in July 2015. Deputada Leong is a fellow member of The Hong Kong Institute of Directors.

Mr. Shum Hong Kuen, David, aged 61, has been an Executive Director of the Company since 2007. He has been a member of each of the Nomination Committee and the Executive Committee of the Board since 2008 and 2009 respectively. Mr. Shum is also a director of a subsidiary 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 69, 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 the chairman and non-executive director of FSE Engineering Holdings Limited, all of them are companies listed on the HKSE Main Board. He was a non-executive director of Lifestyle International Holdings Limited (listed on HKSE Main Board) until May 2015.

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.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Tak Hay, aged 73, 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 since 2008 and thereafter appointed as the Chairman of the said committee in March 2012.

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.

Dr. Lan Hong Tsung, David, aged 75, 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 since 2008 and thereafter appointed as the Chairman of the said committee in March 2012.

Dr. Lan is the Chairman of David H T Lan Consultants Ltd., the Senior Advisor of Mitsui & Co (HK) Ltd., an independent non-executive director of Nanyang Commercial Bank, Ltd., 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 an independent non-executive director and Chairman of the 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 and was the non-executive director and co-chairman of Aurum Pacific (China) Group Limited (listed on the HKSE Growth Enterprise Market) for the period from March 2015 to October 2015.

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 is also a fellow member of The Hong Kong Institute of Directors. Dr. Lan graduated from the University of London with a Bachelor of Arts degree and obtained Advanced Management Program (AMP) qualification from the Harvard Business School. He was also a Visiting Fellow of Queen Elizabeth House (Oxford). Dr. Lan was conferred with Doctoral of Humanities (Honoris Causa) by Don Honorio Ventura Technological State University and Visiting Professorship awarded by Bulacan State University and Tarlac State University.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Hon. Shek Lai Him, Abraham, aged 70, 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, Hop Hing Group Holdings Limited, ITC Corporation Limited, TUS International Limited (formerly known as "Jinheng Automotive Safety Technology Holdings 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. Hon. Shek 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. He is an independent non-executive director of Dorsett Hospitality International Limited, which was listed on the HKSE Main Board and has been withdrawn from listing since October 2015.

Hon. Shek graduated from the University of Sydney with a Bachelor of Arts degree and a Diploma in Education. He is a fellow member of The Hong Kong Institute of Directors. Hon. Shek is a member of the Legislative Council for the Hong Kong SAR representing the real estate and construction functional constituency since 2000. He was appointed a Justice of the Peace in 1995 and awarded Silver Bauhinia Star and Gold Bauhinia Star in 2007 and 2013 respectively. Hon. Shek is also a committee member of the 5th Shenzhen Municipal Committee of CPPCC, the chairman and an independent member of the Board of Governors of English Schools Foundation, a director of the Hong Kong Mortgage Corporation Limited, a court member of the Hong Kong University of Science and Technology, a non-executive director of the Mandatory Provident Fund Schemes Authority and a court and council member of The University of Hong Kong.

Mr. Tse Hau Yin, aged 68, 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 the chairman of the Supervisory Committee of SJM and a number of its subsidiary companies.

Mr. Tse is also an independent non-executive director of China Huarong Asset Management Company, Limited, China Telecom Corporation Limited, CNOOC Limited, Daohe Global Group Limited (formerly known as "Linmark Group Limited") and Sinofer Holdings 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, 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 is also a fellow member of The Hong Kong Institute of Directors. He joined KPMG in 1976, became a partner in 1984 and retired in 2003. Between 1997 and 2000, Mr. Tse served as the non-executive chairman of KPMG's operations in China and was a member of the KPMG China Advisory Board. He is currently a member of the International Advisory Council of The People's Municipal Government of Wuhan. Mr. Tse holds a Bachelor of Social Sciences degree from The University of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

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 2015 and up to 31 December 2015 has been reflected in the above section.

SENIOR MANAGEMENT

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

DIRECTORS' REPORT

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

The Directors of the Company have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2015 (the "Financial Statements").

PRINCIPAL ACTIVITIES

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

An analysis of the revenues and the results of the Group by operating segment during the financial year is set out in note 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 45 to the Financial Statements.

FINANCIAL RESULTS

The profit of the Group for the year ended 31 December 2015, 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 95 to 171.

DIVIDENDS

An interim dividend of HK10 cents per Share for the six months ended 30 June 2015 (six months ended 30 June 2014: HK22 cents per Share) was paid on 16 September 2015.

The Board recommends a final dividend of HK15 cents per Share (2014: HK62 cents per Share) in respect of the year ended 31 December 2015, which is subject to approval at the forthcoming annual general meeting of the Company to be held on 16 June 2016 (the "2016 AGM").

RESERVES AND DISTRIBUTABLE RESERVES

Movements in the reserves of the Company during the year and reserves available for distribution to Shareholders are set out in note 38 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 2015 amounted to \$6,331.8 million (31 December 2014: \$5,503.7 million).

DONATIONS

Donations made by the Group during the year amounted to \$1.6 million (31 December 2014: \$1.2 million).

DIRECTORS' REPORT

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the sections headed "Business Review" and "Prospects and Recent Developments" on pages 8 to 15, and pages 20 and 21, respectively.

The financial risk management objectives and policies of the Group are shown in the section headed "Financial Review" on pages 22 and 23 and note 6 to the Financial Statements.

The environmental policies and performance of the Group and its compliance with relevant laws and regulations are set out in the "Environmental, Social and Governance Report" on pages 85 to 92.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 63 to 84.

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 2015 is set out on page 172.

RECORD DATE FOR PROPOSED FINAL DIVIDEND

Record date for proposed final dividend	: 21 June 2016
Latest time to lodge transfer documents with the Company's share registrar	: 4:30 p.m. on Tuesday, 21 June 2016
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	: 30 June 2016 (if approved at the 2016 AGM)

CLOSURE OF REGISTER OF MEMBERS FOR 2016 AGM

Book close dates for 2016 AGM	: 14 June 2016 to 16 June 2016 (both days inclusive)
Latest time to lodge transfer documents with the Company's share registrar	: 4:30 p.m. on Monday, 13 June 2016
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 2016 AGM	: 2:30 p.m. on Thursday, 16 June 2016

DIRECTORS' REPORT

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, 40.86% of the Group's purchases was attributable to the Group's five largest suppliers combined as below:

- (i) Zhen Hwa Harbour Construction Company Limited (an associate of the Company that is 49% owned by SJM), which provides SJM with construction services, accounted for 15.00% of the Group's total purchases;
- (ii) Iao Lek Engineering Company Limited which provides SJM with construction services, accounted for 9.10% of the Group's total purchases;
- (iii) Shing Lung Construction & Engineering Company Limited which provides SJM with construction services, accounted for 4.86% of the Group's total purchases;
- (iv) STDM, through Hotel Lisboa Macau and Hotel Sintra, which provides SJM with casino and office leasing, hotel rooms and entertainment services, accounted for 4.80% of the Group's total purchases; and
- (v) Tsinghua CH Consortium which provides SJM with construction services, accounted for 4.10% of the Group's total purchases.

Hotel Lisboa Macau and Hotel Sintra are owned by STDM. Dr. Ho Hung Sun, Stanley, Dr. Cheng Kar Shun (via Many Town Company Limited), Deputada Leong On Kei, Angela and Mr. Shum Hong Kuen, David have beneficial interests in STDM. Both Dr. Ho Hung Sun, Stanley and Deputada Leong On Kei, Angela are directors of STDM and Many Town Company Limited (represented by Dr. Cheng Kar Shun) and Shun Tak Holdings Limited (represented by Mr. Shum Hong Kuen, David) are corporate directors of STDM. STDM is a controlling shareholder of the Company and therefore a connected person of the Company as defined under the Listing Rules. The purchases from Hotel Lisboa Macau and Hotel Sintra are undertaken pursuant to the Products and Services Master Agreement and the Premises Leasing Master Agreement, further details of which are included in the section headed "Directors' Interests in Contracts and Connected Transactions".

Save as disclosed, no other Director, their associates or Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued 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%.

DIRECTORS' REPORT

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.

MAJOR PROPERTIES

Details of major properties of the Group as at 31 December 2015 are as follows:

Property	Location	Use	Site area (sq.m.)	Gross floor area/saleable area (sq.m.)	Group interest
Grand Lisboa Palace (under development with expected completion 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 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 2015 are set out in note 33 to the Financial Statements.

CAPITALISATION OF BORROWING COSTS

Borrowing costs capitalised by the Group during the year amounted to \$36.4 million (2014: \$52.3 million).

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 36 to the Financial Statements.

DIRECTORS' REPORT

SHARE OPTION SCHEME

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

Principal terms of the Scheme

The principal terms of the Scheme are summarised below:

Purpose	:	To provide incentives to participants to contribute to the Group and/or to enable the Group to retain and recruit high-calibre employees and/or attract human resources that are valuable to the Group
Participants	:	Any employee, officer, agent, consultant or representative of the Company or any subsidiary, including any executive or non-executive director of the Company or any subsidiary, who is regarded as a valuable human resources of the Group based on his work experience, knowledge of the industry and other relevant factors
Total number of Shares available for issue	:	The total number of Shares which may be issued upon exercise of all Options must not in aggregate exceed 10% of the nominal amount of the issued share capital of the Company as at 13 May 2009 (that is, 500,000,000 Shares). As at the date of this annual report, the total number of Shares available for issue under the Scheme is 33,561,000 Shares, representing approximately 0.59% 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>

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

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	:	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: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the grant date, which must be a business day; and (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date.
Remaining life of the Scheme	:	The Scheme will remain in force for a period of 10 years commencing on the adoption date.

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

During the year, 800,000 Options were exercised, and a total of \$2,714,000 were received by the Company as the proceeds for allotment and issue of 800,000 Shares.

As at 31 December 2015, 468,085,000 Options were granted under the Scheme with 275,050,000 Options were exercised, and a total of \$1,845,602,400 were received by the Company as the proceeds for the allotment and issue of 275,050,000 Shares.

Excluding 1,646,000 Options lapsed, there were 191,389,000 Options outstanding as at 31 December 2015 (including 101,114,000 Options not yet vested on that date). If all those outstanding share options were exercised, a total of \$2,447,795,810 would be received by the Company as the proceeds for the allotment and issue of 191,389,000 Shares.

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted

Details of the movement in Options granted under the Scheme during the year ended 31 December 2015 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 2015	
				Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year		Lapsed during the year
Directors:									
Ho Hung Sun, Stanley	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	1,667,000	—	—	—	1,667,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	1,667,000	—	—	—	1,667,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	1,666,000	—	—	—	1,666,000
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
	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
Chau Tak Hay	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	167,000	—	—	—	167,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	167,000	—	—	—	167,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	166,000	—	—	—	166,000
Lan Hong Tsung, David	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	167,000	—	—	—	167,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	167,000	—	—	—	167,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	166,000	—	—	—	166,000
Shek Lai Him, Abraham	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	167,000	—	—	—	167,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	167,000	—	—	—	167,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	166,000	—	—	—	166,000

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share (\$)	Number of Options					Balance as at 31 December 2015
				Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Tse Hau Yin	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	167,000	—	—	—	167,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	167,000	—	—	—	167,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	166,000	—	—	—	166,000
So Shu Fai	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	11,667,000	—	—	—	11,667,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	11,667,000	—	—	—	11,667,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	11,666,000	—	—	—	11,666,000
Ng Chi Sing	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	10,667,000	—	—	—	10,667,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	10,667,000	—	—	—	10,667,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	10,666,000	—	—	—	10,666,000
Rui José da Cunha	17 March 2011 (Note 5)	17 September 2011 to 16 February 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
Fok Tsun Ting, Timothy	31 August 2010 (Note 4)	28 February 2011 to 16 February 2020	\$7.48	3,000,000	—	—	—	—	3,000,000
	17 March 2011 (Note 5)	17 September 2011 to 16 February 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share (\$)	Number of Options					Balance as at 31 December 2015
				Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Leong On Kei, Angela	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	10,000,000	—	—	—	10,000,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	10,000,000	—	—	—	10,000,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	10,000,000	—	—	—	10,000,000
Shum Hong Kuen, David	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	3,000,000	—	—	—	—	3,000,000
	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
	15 June 2015 (Note 7)	15 December 2017 to 4 December 2024	\$9.826	—	1,000,000	—	—	—	1,000,000
Sub-total (Directors):				16,000,000	116,000,000	—	—	—	132,000,000
Associates (as defined in the Listing Rules) of Directors (who are also Employees):									
Fung Ho Yuen Hung, Nanette	8 October 2013 (Note 6)	8 April 2014 to 7 April 2023	\$22	67,000	—	—	—	—	67,000
	8 October 2013 (Note 6)	8 April 2015 to 7 April 2023	\$22	67,000	—	—	—	—	67,000
	8 October 2013 (Note 6)	8 April 2016 to 7 April 2023	\$22	66,000	—	—	—	—	66,000
	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	20,000	—	—	—	20,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	20,000	—	—	—	20,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	20,000	—	—	—	20,000
Huen Wai Kei	8 October 2013 (Note 6)	8 April 2014 to 7 April 2023	\$22	67,000	—	—	—	—	67,000
	8 October 2013 (Note 6)	8 April 2015 to 7 April 2023	\$22	67,000	—	—	—	—	67,000
	8 October 2013 (Note 6)	8 April 2016 to 7 April 2023	\$22	66,000	—	—	—	—	66,000
	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	20,000	—	—	—	20,000
	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	20,000	—	—	—	20,000
	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	20,000	—	—	—	20,000
Sub-total (Associates of Directors (who are also Employees)):				400,000	120,000	—	—	—	520,000

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share (\$)	Number of Options					Balance as at 31 December 2015
				Outstanding as at 1 January 2015	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	2,890,000	—	(600,000)	—	—	2,290,000
Employee	19 May 2010 (Note 2)	19 November 2010 to 18 November 2019	\$5.11	200,000	—	(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	13,911,000	—	—	—	(250,000)	13,661,000
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	13,808,000	—	—	—	(200,000)	13,608,000
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	13,793,000	—	—	—	(208,000)	13,585,000
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
Employees*	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	3,302,000	—	—	(34,000)	3,268,000
Employees*	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	3,302,000	—	—	(54,000)	3,248,000
Employees*	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	3,171,000	—	—	(52,000)	3,119,000
Sub-total (Employees):				47,862,000	9,775,000	(800,000)	—	(798,000)	56,039,000

* excluding associates (as defined in the Listing Rules) of Directors who are also Employees

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share (\$)	Number of Options					Balance as at 31 December 2015
				Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Other participants	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	300,000	—	—	—	—	300,000
Other participants	8 October 2013 (Note 6)	8 April 2014 to 7 April 2023	\$22	734,000	—	—	—	(167,000)	567,000
Other participants	8 October 2013 (Note 6)	8 April 2015 to 7 April 2023	\$22	734,000	—	—	—	(167,000)	567,000
Other participants	8 October 2013 (Note 6)	8 April 2016 to 7 April 2023	\$22	566,000	—	—	—	—	566,000
Other participants	15 June 2015 (Note 7)	15 December 2015 to 14 December 2024	\$9.826	—	277,000	—	—	—	277,000
Other participants	15 June 2015 (Note 7)	15 December 2016 to 14 December 2024	\$9.826	—	277,000	—	—	—	277,000
Other participants	15 June 2015 (Note 7)	15 December 2017 to 14 December 2024	\$9.826	—	276,000	—	—	—	276,000
Sub-total (Other participants):				2,334,000	830,000	—	—	(334,000)	2,830,000
Total:				66,596,000	126,725,000	(800,000)	—	(1,132,000)	191,389,000

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	Exercise period	Option unit value
146,700,000	13 January 2010 to 12 January 2019	\$1.25819
10,000,000	13 January 2011 to 12 January 2019	\$1.28888
10,000,000	13 January 2012 to 12 January 2019	\$1.31545

- 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.

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

4. 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.
5. 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.
6. 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	Exercise period	Option unit value
15,863,000	8 April 2014 to 7 April 2023	\$8.4299
1,000,000	8 October 2014 to 7 April 2023	\$8.5172
15,808,000	8 April 2015 to 7 April 2023	\$8.6397
500,000	8 October 2015 to 7 April 2023	\$8.7396
15,789,000	8 April 2016 to 7 April 2023	\$8.8327
500,000	8 October 2016 to 7 April 2023	\$8.8954
500,000	8 October 2017 to 7 April 2023	\$8.9801
500,000	8 October 2018 to 7 April 2023	\$8.9928

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

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

8. The weighted average closing price of the Shares immediately before the dates on which the Options were exercised is \$9.96.

DIRECTORS' REPORT

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

Brief biographical details of Directors are set out on pages 24 to 30. 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, Mr. Ng Chi Sing, an Executive Director, Dr. Cheng Kar Shun, a Non-executive Director, and Mr. Chau Tak Hay and Dr. Lan Hong Tsung, David, each an Independent Non-executive Director will retire from the Board by rotation at the 2016 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' REPORT

DIRECTORS (Continued)

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

Dr. Chan Un Chan
Mr. Chan Wai Lun
Mr. Cheung Chung Sing
Mr. Chow Kwok Chung, Peter
Mr. Chung Kin Pong
Mr. Ho Alan Reginald John
Ms. Ho Chiu Ha, Maisy
Ms. Kong leong
Ms. Kwok Shuk Chong
Mr. Laam Wah Ying, Eddie (Deceased)
Mr. Law Man Hing, Zaccheus
Mr. Leng Vannaroth
Mr. Lo Chun Ming
Dr. Ma Ho Man, Hoffman
Mr. McBain, Robert Earle
Mrs. Mok Ho Yuen Wing
Mr. Pyne, Jonathan Charles
Mr. Taing Kykhieng
Mr. Tam Chan Sing, Joseph
Mr. Yeung Hoi Sing, Sonny
Mr. Yip Cheuk Yuen, Bernard

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2016 AGM has a service contract with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

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 interests 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 Shun Tak Holdings Limited, a corporate director of STDM) also has beneficial interests 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

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2015
18 June 2008	18 June 2008 to 31 March 2020 (the Company may terminate the agreement by giving at least three months' prior written notice)	<ul style="list-style-type: none">For the leasing of premises by STDM Group to the Group for use as casinos, offices, or for other business 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 48

Further details of the above transactions were set out in the section headed "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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Agreements with STDM or its subsidiaries (Continued)

Products and Services Master Agreement

Parties to the agreement:

STDM and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2015
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 48

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Agreements with STDM or its subsidiaries (Continued)

Chips Agreement

Parties to the agreements:

STDM and SJM

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2015
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 48

Further details of the above transactions were set out in the section headed "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 starting from 2011, the overall value of STDM chips redeemed in 2015 has declined substantially from the historical levels seen in earlier years. Furthermore, all casino chips of STDM have been withdrawn from circulation and procedures were put in place for those holding such chips to redeem them for cash or for casino chips of SJM.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued) Agreements with STDM or its subsidiaries (Continued)

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2015 \$ million (audited)	Annual cap for the year ended 31 December 2015 \$ million	Annual cap for the year ending 31 December 2016 \$ million
Premises Leasing Master Agreement (Note 1)	294.4	327	327
Products and Services Master Agreement (Note 2)			
(i) Hotel accommodation	77.6	169	203
(ii) Entertainment and staff messing	51.2	101	121
(iii) Transportation	153.6	223	257
(iv) Maintenance services	N/A	N/A	N/A
(v) Hotel management and operation	N/A	N/A	N/A
Chips Agreement (Note 3)	0.8	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.
- 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.
- 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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Master Service Agreement with ST-CITS

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

An aggregate of 51% of ST-CITS is owned by Dr. Ho Hung Sun, Stanley's associates 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

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2015
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 50

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued) Master Service Agreement with ST-CITS (Continued)

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2015 \$ million (audited)	Annual Cap for the year ended 31 December 2015 \$ million	Annual Cap for the year ending 31 December 2016 \$ million
Transportation Services (Note)	43.5	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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

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

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

Connected relationship:

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

Parties to the agreement:

Tin Hou and SJM

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Aggregate amount of transactions in 2015 \$ 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.	1,340.3

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Lease Agreement for Jai Alai Palace

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

Deputada Leong On Kei, Angela owns 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

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transaction in 2015
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

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Lease Agreement for Jai Alai Palace (Continued)

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2015 \$ million (audited)	Annual cap for the year ended 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 page 54	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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transaction in 2015
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" below

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

Annual Caps Table and Aggregate Amount Table:

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

DIRECTORS' REPORT

REVIEW BY THE AUDITOR

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 2015:

- (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.

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

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

At a meeting of the Audit Committee held on 23 February 2016, 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 2015, the net amount received and receivable on reimbursement of STDM chips in circulation amounted to \$0.8 million.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the usual course of business are set out in note 43 to the Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards. The related party transactions referred in notes 43(b) to 43(j) constitute continuing connected transactions, and notes 43(m) and 43(n) constitute connected transactions as defined under Chapter 14A of the Listing Rules, and all such related party transactions comply with the requirement under Chapter 14A of the Listing Rules.

DIRECTORS' 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 2015, 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.

DIRECTORS' REPORT

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

As at 31 December 2015, 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 SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, are as follows:

Interests in Shares, underlying Shares and debentures of the Company

Name of Director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued Shares
					(Note 2)
Ho Hung Sun, Stanley	Beneficial owner	Long position	—	5,000,000 (Note 1)	0.09%
Cheng Kar Shun	Beneficial owner	Long position	—	6,000,000	0.11%
Chau Tak Hay	Beneficial owner	Long position	500,000	—	0.01%
	Beneficial owner	Long position	—	500,000 (Note 1)	0.01%
			500,000	500,000	0.02%
Lan Hong Tsung, David	Beneficial owner	Long position	100,000	—	0.002%
	Beneficial owner	Long position	—	1,000,000 (Note 1)	0.02%
			100,000	1,000,000	0.022%
Shek Lai Him, Abraham	Beneficial owner	Long position	200,000	—	0.004%
	Beneficial owner	Long position	—	500,000 (Note 1)	0.01%
			200,000	500,000	0.014%
Tse Hau Yin	Beneficial owner	Long position	500,000	—	0.01%
	Beneficial owner	Long position	—	1,000,000 (Note 1)	0.02%
			500,000	1,000,000	0.03%
So Shu Fai	Beneficial owner	Long position	153,327,922	—	2.71%
	Beneficial owner	Long position	—	35,000,000 (Note 1)	0.62%
			153,327,922	35,000,000	3.33%

DIRECTORS' REPORT

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

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

Name of Director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued Shares
					(Note 2)
Ng Chi Sing	Beneficial owner	Long position	118,452,922	—	2.09%
	Beneficial owner	Long position	—	32,000,000	0.57%
			118,452,922	32,000,000	2.66%
					(Note 1)
Rui José da Cunha	Beneficial owner	Long position	18,107,500	—	0.32%
	Beneficial owner	Long position	—	6,000,000	0.11%
			18,107,500	6,000,000	0.43%
					(Note 1)
Fok Tsun Ting, Timothy	Beneficial owner	Long position	—	9,000,000	0.16%
					(Note 1)
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	—	8.10%
	Beneficial owner	Long position	—	30,000,000	0.53%
			457,950,000	30,000,000	8.63%
Shum Hong Kuen, David	Beneficial owner	Long position	3,000,000	—	0.05%
	Beneficial owner	Long position	—	6,000,000	0.11%
			3,000,000	6,000,000	0.16%
					(Note 1)

Notes:

- These represent the interests in underlying Shares in respect of share options granted by the Company, the details of which are stated in section "Share Option Scheme" above.
- The percentage has been calculated based on 5,656,729,293 Shares in issue as at 31 December 2015.

DIRECTORS' REPORT

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

Interests in shares, underlying shares and debentures of associated corporations *Sociedade de Turismo e Diversões de Macau, S.A.*

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, so far as was known to any Director, as of 31 December 2015, 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.

DIRECTORS' REPORT

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

As at 31 December 2015, details of substantial Shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of substantial Shareholder	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued Shares
					(Note)
Sociedade de Turismo e Diversões de Macau, S.A.	Beneficial owner	Long position	3,062,059,500	—	54.13%
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	30,000,000	8.63%

Note:

The percentage has been calculated based on 5,656,729,293 Shares in issue as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any persons (other than a Director or the Chief Executive Officer) of any interest or short position in Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' REPORT

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

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

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

At a meeting of the Audit Committee held on 23 February 2016, 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 23 February 2016, all the Independent Non-executive Directors reviewed the position regarding the indemnity provided by STDM-I (liquidated on 15 August 2011) dated 20 November 2007 in respect of certain litigation ongoing at the time of the Company's global offering of Shares (the "STDM-I Surety").

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

Based on information provided by the law firms in Macau and Hong Kong who had 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.

DIRECTORS' REPORT

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 2015.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company until the conclusion of the next annual general meeting is to be proposed at the 2016 AGM.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2015 have been reviewed by the Audit Committee of the Company.

By order of the Board of Directors
SJM Holdings Limited

So Shu Fai
Director

Hong Kong, 23 February 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the CG Code set out in Appendix 14 to the Listing Rules on the Stock Exchange.

During the year ended 31 December 2015, 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 18 June 2015 (the "2015 AGM").

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

Directors of the Company

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

Having made specific enquiry, the Company confirms that all Directors have complied with the required standards as stated in the Model Code for the year ended 31 December 2015.

Relevant employees of the Company

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

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

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

The Board (including corporate governance functions) (Total no. of directors: 12 <i>(Note 1)</i>)		
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 <i>(Note 3)</i>
Total number: 7 % to total Directors: 58.3%	Total number: 1 % to total Directors: 8.3%	Total number: 4 <i>(Note 2)</i> % to total Directors: 33.4% <i>(Note 4)</i>

Notes:

- Maximum number of Directors: 12 (Article 80 of the articles of association of the Company (the "Articles"))
- Minimum number of Independent Non-executive Directors: 3 (Listing Rules 3.10(1))
- One Independent Non-executive Director having accounting expertise (Listing Rule 3.10(2))
- Independent Non-executive Directors represent 1/3 of the Board (Listing Rule 3.10A)

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

CORPORATE GOVERNANCE REPORT

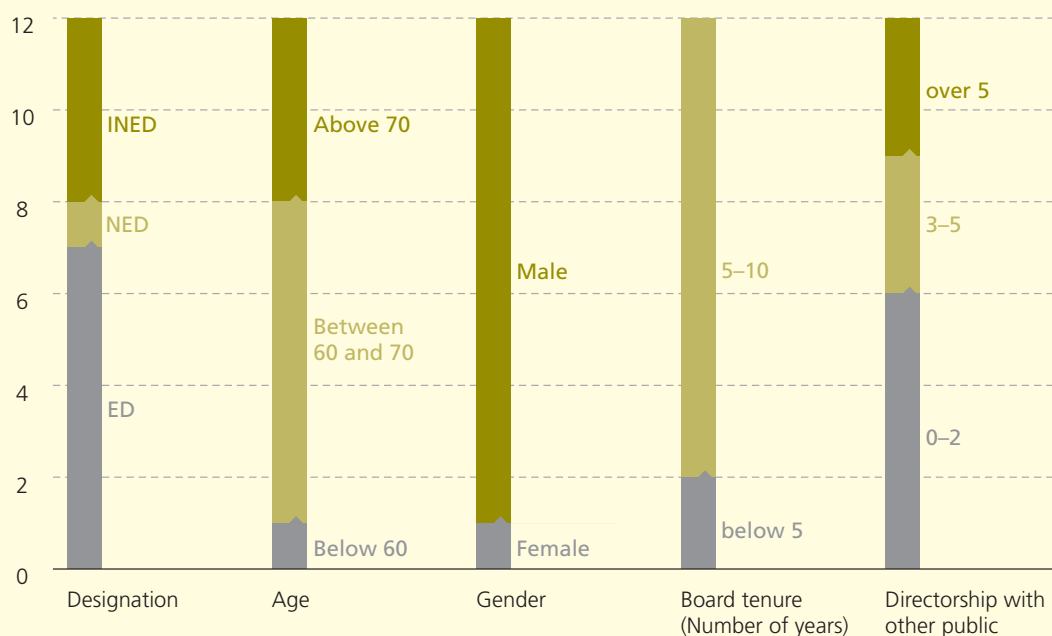
BOARD DIVERSITY

The Board adopted a board diversity policy for the Company in 2013 which stipulates that for identifying individuals suitably qualified to become Directors, the Nomination Committee should consider the benefits of all aspects of diversity including, but not limited to, a number of factors, such as gender, age, race, cultural and educational background, professional experience and industry and business-related experience, in order to maintain an appropriate range of balance of skills, experience and background on the Board. All appointments of Directors should have taken into account the aforesaid factors as a whole for the 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 24 to 30.

Board Diversity Mix

Number of Directors



Remarks:
 ED: Executive Director
 NED: Non-executive Director
 INED: Independent non-executive Director

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Chairman



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.

CORPORATE GOVERNANCE REPORT

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, 16 June 2016 (the "2016 AGM"), the following Directors will retire from the Board by rotation pursuant to Article 95:

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

Mr. Ng Chi Sing, Dr. Cheng Kar Shun, Mr. Chau Tak Hay and Dr. Lan Hong Tsung, David, all being eligible, offer themselves for re-election at the 2016 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 29 April 2016 for despatch to Shareholders.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

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

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

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

Independent Non-executive Directors and other Non-executive Directors have given a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They have given the Board and any Board committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. All Independent Non-executive Directors have attended the 2015 AGM.

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

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

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

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

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF DIRECTORS

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

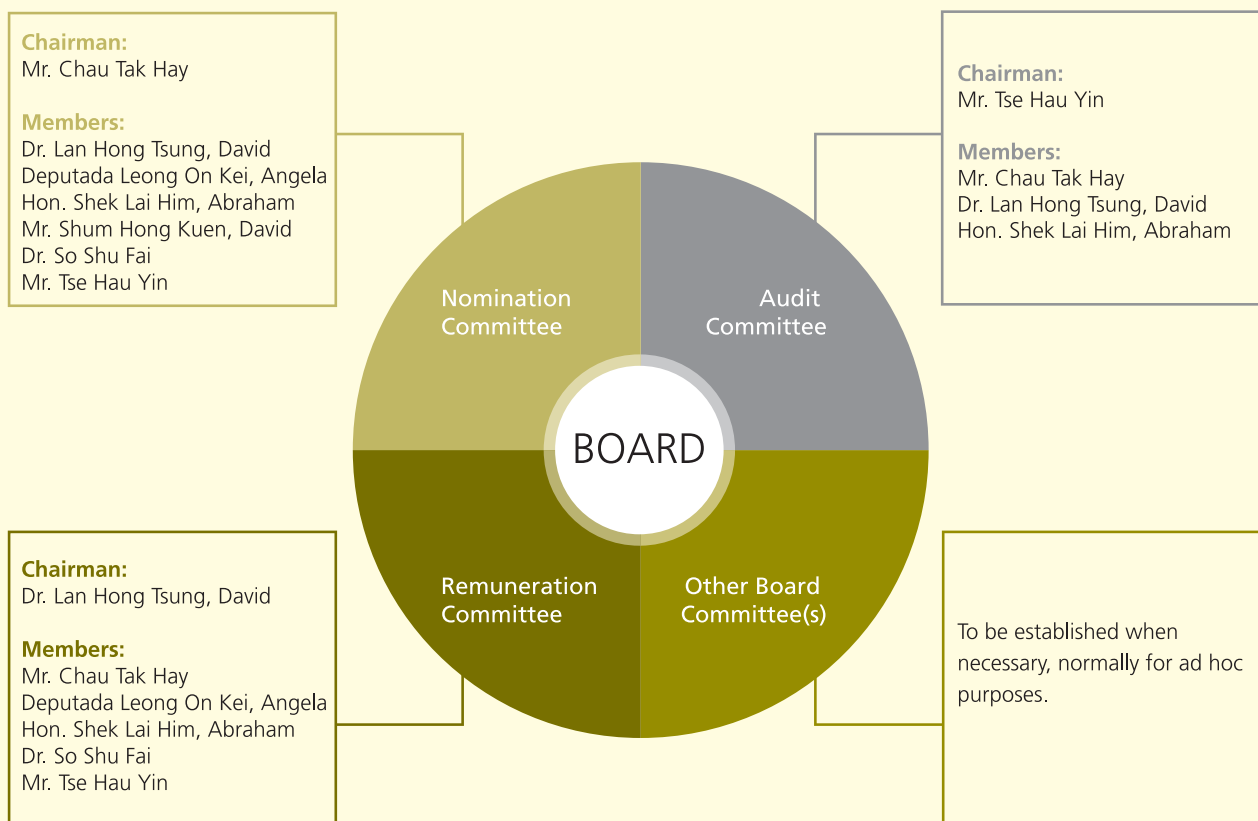
CORPORATE GOVERNANCE REPORT

PRACTICE AND CONDUCT OF MEETINGS (Continued)

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 2015 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.



CORPORATE GOVERNANCE REPORT

BOARD AND BOARD COMMITTEE MEETINGS (Continued)

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

During the year ended 31 December 2015, five 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:

Directors	Board Meetings (including corporate governance functions)	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	2015 AGM
<i>Executive Directors:</i>					
Dr. Ho Hung Sun, Stanley	1/5 ^(Note)	N/A	N/A	N/A	0/1
Dr. So Shu Fai	5/5	N/A	1/1	1/1	1/1
Mr. Ng Chi Sing	5/5	N/A	N/A	N/A	1/1
Dr. Rui José da Cunha	5/5	N/A	N/A	N/A	1/1
Mr. Fok Tsun Ting, Timothy	3/5	N/A	N/A	N/A	1/1
Deputada Leong On Kei, Angela	5/5	N/A	1/1	1/1	1/1
Mr. Shun Hong Kuen, David	5/5	N/A	N/A	1/1	1/1
<i>Non-executive Director:</i>					
Dr. Cheng Kar Shun	3/5 ^(Note)	N/A	N/A	N/A	0/1
<i>Independent Non-executive Directors:</i>					
Mr. Chau Tak Hay	5/5	4/4	1/1	1/1	1/1
Dr. Lan Hong Tsung, David	5/5	4/4	1/1	1/1	1/1
Hon. Shek Lai Him, Abraham	5/5	4/4	1/1	1/1	1/1
Mr. Tse Hau Yin	5/5	4/4	1/1	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. Shun Hong Kuen, David were interested in certain continuing connected transactions. All of them had to physically absent and abstained 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.

CORPORATE GOVERNANCE REPORT

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.

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 (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: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (Continued)

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 2015, 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 71.

Principal work performed by the Audit Committee during 2015

Review of annual financial statements of the Group for the year ended 31 December 2014, interim financial statements of the Group for the six months ended 30 June 2015, and quarterly unaudited key performance indicators of the Group for the three months ended 31 March 2015 and 30 September 2015 respectively, with recommendations to the Board for approval

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

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

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

Review of 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 2016

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.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The composition of the Remuneration Committee is as follows:

Remuneration Committee (established in June 2008)	
Committee members	Committee secretary
<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	Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Remuneration Committee)
Total number of members: 6 % of total Independent Non-executive Directors: 67%	
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.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE (Continued)

In 2015, the Remuneration Committee held one meeting and its principal work performed is set out in the table below:

Principal work performed by the Remuneration Committee during 2015

Review of the remuneration of Executive Directors and senior management for 2015 and the special fees for 2014 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 2015 and the special fees for 2014, with recommendations to the Board for approval
Review of the share option grant policy of the Company, with recommendation to the Board for approval
Review of the Options granted and exercise position
Review of the Terms of Reference of the Remuneration Committee, with recommendation to the Board for approval

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 71.

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

The emoluments of Directors, including basic 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 18 June 2015, a resolution was passed to authorise the Board to fix the Directors' remuneration. A resolution will be proposed at the 2016 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 42 to the Financial Statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The composition of the Nomination Committee is as follows:

Nomination Committee (established in June 2008)	
Committee members	Committee secretary
<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	Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Nomination Committee)
Total number of members: 7 % of total Independent Non-executive Directors: 57%	
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 a mandatory requirement to nominate candidates to fill casual vacancies of the Board. During the nomination process, 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.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

In 2015, 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 2015

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

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 29 April 2016 accompanying the notice of the 2016 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 71.

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 employees 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, keeping of 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS (Continued)

In 2015, 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 2015

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 of the Company

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

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Receiving Director's Induction

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

Attending Briefing and Professional Development Training

Arrangements are in place for providing continuing briefing and professional development training to Directors whenever necessary. During the year, the Company has organised a Macau Cotai site visit for the Directors.

Continuous Professional/Business Development Plan for Directors

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

The Directors informed the Company that they had received the following training and continuous professional development during the period from 1 January 2015 to 31 December 2015:

Directors	Type of training	
	Reading regulatory updates	Attending 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 8 to 15 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.

CORPORATE GOVERNANCE REPORT

AUDITOR'S 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 93 and 94.

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.

AUDITORS' 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 2015 and 2014 is set out below:

Audit and Non-audit Services	2015 HK\$ million	2014 HK\$ million
Annual audit	9.2	8.3
Interim review	3.5	3.2
Quarterly results review	0.6	0.6
Test counts of chips	0.1	0.1
Tax consultancy and advisory	0.7	1.0
Consultancy for Cotai Project	4.7	—
Reporting services	0.2	—
Provision of training	0.1	—
Total:	19.1	13.2

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective system of risk management and internal controls, and for evaluating their effectiveness on which a review is conducted at least annually. The system is designed 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 limiting the risks of the Company to an acceptable level but cannot, of itself, eliminate all risks.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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

The Board continues to review on an on-going basis, through the Audit Committee, the effectiveness of the system of risk management that includes finance, operation, 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. The findings of these reviews were reported to the Audit Committee.

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

During the year ended 31 December 2015, Internal Audit performed a review of the effectiveness of the internal control system of the Group's businesses in respect of 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 the staff within Internal Audit.

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

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.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Kwok Shuk Chong is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of Company Secretary of the Company. She is a 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 2015.

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

SHAREHOLDERS' RIGHTS

Procedures for convening a general meeting

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

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

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (Continued)

Procedures for putting forward proposals at an annual general meeting

The rights of Shareholders and the procedures for demanding a poll on resolutions at 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. The Company holds press conferences, analysts' briefings and investor meetings/calls after the announcement of its financial results, and regularly participates in investment forums and briefings hosted by investment banks. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner. Enquiries and suggestions from Shareholders or investors are welcomed by mail to the Company's registered office at Suites 3001-3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong or by email to ir@sjmholdings.com for the attention of the Investor Relations Department.

The last general meeting of the Company was an annual general meeting which was held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 18 June 2015 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 2014, (ii) declaration of a final 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, and (vi) approval of the grant Options under the Scheme of the Company and issue and allotment of Shares arising from exercising the Options.

The important dates for the 2016 AGM and the proposed final dividend are set out in page 6.

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.

CORPORATE GOVERNANCE REPORT

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, 23 February 2016

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

The table below shows the ESG issues which were determined to be material to the Group, together with the aspects on the ESG Guide to which they relate, based on the assessment performed by the ESG working team. This ESG Report mainly covers the policies, initiatives and performance of the Company’s major hotel and casino operations, the Casino Grand Lisboa and the Grand Lisboa Hotel, as well as its Hong Kong office, unless specified, in relation to these issues, for the period from 1 January to 31 December 2015 (the “Reporting Period”):

ESG Aspects as set forth in ESG Guide	Material ESG issues for the Group
<i>A. Environmental</i>	
A1 Emissions	Carbon emissions, waste management
A2 Use of resources	Use of energy and water
A3 The environment and natural resources	Air quality
<i>B. Social</i>	
B1 Employment	Labor practices
B2 Health & safety	Workplace health and safety
B3 Development and training	Employee development and training
B4 Labor standards	Anti-child and forced labor
B5 Supply chain management	Green procurement
B6 Product responsibility	Food safety, responsible gaming and data privacy
B7 Anti-corruption	Anti-corruption and money laundering
B8 Community investment	Community programs, employee volunteering and donation

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

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

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

A1 Emissions

Carbon Emissions

The major source of our carbon emissions is the use of energy. We have developed various energy-saving initiatives to help reduce our carbon footprint (please refer to the "Use of Energy" section below). For several years, the Company has supported the Carbon Footprint Repository for Hong Kong-listed companies initiated by the Environment Protection Department of the Hong Kong Government (the "EPD"). We submitted a carbon emissions report for our Hong Kong head office for such purpose in 2014, which is available on the EPD's website (<http://www.carbon-footprint.hk>).

Waste Management

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

Type of waste	Amount
Paper	18,588.50 Kg
Plastic bottles	1,528,472 Litres

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

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

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

We are now considering making use of recycled materials, from both internal and external sources, to produce corporate stationery for internal use and documents published for external consumption, as well as items from non-paper sources, where feasible.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (Continued)

A2 Use of Resources

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

Use of Energy

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

Type	Amount	Carbon emission
Gasoline	23,847.45 Litres	64.58 Tonnes CO ₂ e
Diesel	23,921.00 Litres	63.38 Tonnes CO ₂ e
LPG	1,178,861 Kg	3,556.62 Tonnes CO ₂ e
Purchased Electricity	86,893,080 Kwh	65,383.00 Tonnes CO ₂ e

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

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

In 2015, SJM participated in various activities during the “Macau Energy Saving Week”, including the One-hour Lights Off and Dress Casual Summer campaigns.

Use of Water

During the Reporting Period, water consumed by Casino Grand Lisboa and Grand Lisboa Hotel was 764,396 cubic meters. We have established a water management platform and reduction plan, and managed to use water in a more efficient way through the following measures:

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

A3 The Environment and Natural Resources

Air quality

In order to help improve air quality, the Group aims to reduce air emissions generated from its properties and vehicles in Macau by regular examination and green initiatives. An electronic precipitator has been installed to remove the grease content in the kitchen exhaust and reduce its temperature before discharging outside, in order to minimize pollution.

SJM is committed to fulfilling and complying with the Regime of Tobacco Prevention and Control requirements in Macau law. To protect non-smoking guests, SJM has separate smoking and non-smoking areas, and has built 42 smoking lounges for indoor air quality management (27 of which for self-promoted casinos (7 at Casino Grand Lisboa) and 15 of which for third party-promoted casinos).

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

B1 Employment

Labour Practices

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

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

The total workforce of SJM (including Casino Grand Lisboa and Grand Lisboa Hotel) and of the Group's offices in Hong Kong as at 31 December 2015 is summarized as follows:

Gender	No. of employees	Employment Type	No. of employees
Male	9,506	Full-time (Permanent)	17,997
Female	11,021	Full-time (Contract)	2,530
Total	20,527	Total	20,527

Age	No. of employees	Geographical Region	No. of employees
18-30	4,277	Hong Kong	57
31-40	5,595	Macau	20,470
41-50	5,846	Overseas	0
51-60	4,419		
>=61	390		
		Total	20,527
Total	20,527		

B2 Health and Safety

Workplace health and safety

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B2 Health and Safety (Continued)

Workplace health and safety (Continued)

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

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

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

B3 Development and Training

Employee development and training

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

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

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

The percentage of employees of SJM (including Casino Grand Lisboa and Grand Lisboa Hotel) receiving training and the average training hours per employee during the Reporting Period are summarized as follows:

Gender/Employee Category	% of employee trained	Average training hours per employee
Male	29%	8.32
Female	35%	7.33
General employees	33%	7.81
Middle management	17%	5.70

Note: The percentage of employees trained is calculated as the total number of trained employees in the category over the average no. of employees in the category during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B4 Labor Standards

Anti-child and forced labour

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

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

B5 Supply Chain Management

Green procurement

We promote green and environmentally friendly procurement in our casinos, hotels and offices, and encourage our third party-promoted casinos to adopt environmental protection measures such as reducing their carbon footprint and complying with the Regime of Tobacco Prevention and Control. Third party-promoted casinos are also required to report the extent of their compliance with the Regime of Tobacco Prevention and Control and we also encourage them to do this.

The geographical distribution of our active suppliers is as follows:

Geographical region	No. of Suppliers
Hong Kong	161
Macau	851
Other	47
Total	1,059

Note: The above statistics cover our suppliers of goods and services in SJM and certain subsidiaries in Macau during the Reporting Period.

B6 Product Responsibility

Food safety

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

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

Responsible gaming

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Continued)

B6 Product Responsibility (Continued)

Data privacy

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

B7 Anti-corruption

Anti-corruption and money laundering

The code of conduct adopted by the Company sets out procedures for preventing corruption. We have in place a number of policies addressing anti-corruption, such as acceptance of gifts, and conflicts of interest, which provide guidance to employees in this area. SJM has also set up a special team and has established policies and procedures to deal with money laundering in gaming operations.

Training on anti-money laundering has been provided to employees of all levels, in order to raise their awareness of the code of conduct as well as related procedures and guidelines. Those procedures and guidelines have been included in the Employee Handbook for ease of reference.

We have adopted a whistle-blowing system for reporting any improprieties in financial reporting, internal control or other matters. Our anti-money laundering team and Internal Audit Department are responsible for dealing with reported cases according to their nature. Both these teams seek the assistance of the Group's Legal Departments, if necessary.

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

B8 Community Investment

Community programs, employee volunteering and donation

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

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

So Shu Fai

Executive Director and Chief Executive Officer

Hong Kong, 23 February 2016

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 95 to 171, which comprise the consolidated statement of financial position as at 31 December 2015, 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, 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 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 February 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK\$ million	2014 HK\$ million
Gaming, hotel, catering and related services revenues	7(a)	49,170.9	79,933.9
Gaming revenue	8	48,589.5	79,268.5
Special gaming tax, special levy and gaming premium		(18,819.9)	(30,495.8)
		29,769.6	48,772.7
Hotel, catering and related services income		581.4	665.4
Cost of sales and services on hotel, catering and related services		(249.0)	(266.3)
Other income, gains and losses		19.4	306.0
Marketing and promotional expenses		(18,455.0)	(33,788.6)
Operating and administrative expenses		(9,196.0)	(8,780.3)
Finance costs	9	(51.9)	(72.6)
Share of profits of an associate	20	64.7	26.0
Share of profits of a joint venture	21	7.0	7.4
Profit before taxation	10	2,490.2	6,869.7
Taxation	12	(38.3)	(88.3)
Profit for the year		2,451.9	6,781.4
Other comprehensive income (expense):			
Item that may be subsequently reclassified to profit or loss:			
Available-for-sale investment in equity securities:			
Losses arising during the year		(397.2)	(1,095.5)
Reclassification adjustment upon impairment		250.0	—
Other comprehensive expense for the year		(147.2)	(1,095.5)
Total comprehensive income for the year		2,304.7	5,685.9
Profit for the year attributable to:			
owners of the Company		2,465.0	6,730.7
non-controlling interests		(13.1)	50.7
		2,451.9	6,781.4
Total comprehensive income for the year attributable to:			
owners of the Company		2,317.8	5,635.2
non-controlling interests		(13.1)	50.7
		2,304.7	5,685.9
Earnings per share:			
Basic	14	HK43.6 cents	HK120.0 cents
Diluted	14	HK43.5 cents	HK119.3 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK\$ million	2014 HK\$ million
Non-current assets			
Property and equipment	15	14,054.4	11,431.4
Land use rights	17	2,634.5	2,728.9
Intangible asset	18	7.9	14.2
Art works and diamonds	19	281.3	281.3
Interest in an associate	20	109.8	45.1
Interest in a joint venture	21	108.2	101.2
Available-for-sale investment in equity securities	22	211.2	608.4
Other financial assets	23	346.2	350.7
Pledged bank deposits	24	424.1	525.9
		18,177.6	16,087.1
Current assets			
Inventories		63.0	63.0
Trade and other receivables	25	1,658.2	2,093.9
Amount due from ultimate holding company	26	—	0.1
Financial assets at fair value through profit or loss	27	61.4	78.6
Pledged bank deposits	24	80.9	85.8
Short-term bank deposits	28	6,441.7	14,259.8
Bank balances and cash	28	10,371.9	9,546.8
		18,677.1	26,128.0
Current liabilities			
Trade and other payables	29	10,730.3	14,383.4
Payable for acquisition of land use rights	32	343.9	327.3
Taxation payable		59.7	41.1
Long-term bank loans	33	158.4	257.9
Amounts due to non-controlling interests of subsidiaries	34	5.0	22.9
		11,297.3	15,032.6
Net current assets		7,379.8	11,095.4
Total assets less current liabilities		25,557.4	27,182.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK\$ million	2014 HK\$ million
Non-current liabilities			
Other payables	29	603.6	281.5
Payable for acquisition of land use rights	32	178.4	522.3
Long-term bank loans	33	554.4	733.1
Amounts due to non-controlling interests of subsidiaries	34	630.0	650.3
Deferred taxation	35	111.6	133.0
		2,078.0	2,320.2
Net assets			
		23,479.4	24,862.3
Capital and reserves			
Share capital	36	11,235.7	11,231.9
Reserves		12,090.2	13,532.1
Equity attributable to owners of the Company			
		23,325.9	24,764.0
Non-controlling interests		153.5	98.3
Total equity			
		23,479.4	24,862.3

The consolidated financial statements on pages 95 to 171 were approved and authorised for issue by the Board of Directors on 23 February 2016 and are signed on its behalf by:

So Shu Fai
Director

Ng Chi Sing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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 2014	5,553.5	3,951.5	608.9	1,223.9	12,065.3	23,403.1	52.1	23,455.2
Profit for the year	—	—	—	—	6,730.7	6,730.7	50.7	6,781.4
Other comprehensive expense for the year	—	—	—	(1,095.5)	—	(1,095.5)	—	(1,095.5)
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
Profit for the year	—	—	—	—	2,465.0	2,465.0	(13.1)	2,451.9
Other comprehensive expense for the year	—	—	—	(147.2)	—	(147.2)	—	(147.2)
Total comprehensive income for the year	—	—	—	(147.2)	2,465.0	2,317.8	(13.1)	2,304.7
Exercise of share options	3.8	—	(1.2)	—	—	2.6	—	2.6
Recognition of equity-settled share-based payments	—	—	314.3	—	—	314.3	—	314.3
Release of lapsed equity-settled share-based payments	—	—	(7.8)	—	7.8	—	—	—
Arising from changes in cash flow estimates on amount due to non-controlling interests of a subsidiary	—	—	—	—	—	—	68.3	68.3
Dividends paid (note 13)	—	—	—	—	(4,072.8)	(4,072.8)	—	(4,072.8)
	3.8	—	305.3	—	(4,065.0)	(3,755.9)	68.3	(3,687.6)
At 31 December 2015	11,235.7	—	681.8	(18.8)	11,427.2	23,325.9	153.5	23,479.4

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 2015

	2015 HK\$ million	2014 HK\$ million
Operating activities		
Profit before taxation	2,490.2	6,869.7
Adjustments for:		
Interest income	(254.1)	(372.0)
Interest expenses	26.8	42.4
Imputed interest on amount due to non-controlling interests of a subsidiary	25.1	30.2
Dividend income	(4.0)	(5.2)
Share of profits of an associate	(64.7)	(26.0)
Share of profits of a joint venture	(7.0)	(7.4)
Depreciation of property and equipment	1,094.7	1,093.5
Loss on disposal/write-off of property and equipment	3.6	13.2
Operating lease rentals in respect of land use rights	42.5	42.4
Amortisation of intangible asset	6.3	6.3
Impairment loss on available-for-sale investment in equity securities	250.0	—
Allowance (recovery of allowance) for doubtful debts	49.7	(3.2)
Change in fair value of financial assets at fair value through profit or loss	17.2	72.7
Share-based payments	314.1	227.4
Operating cash flows before movements in working capital	3,990.4	7,984.0
Increase in inventories	—	(0.6)
Decrease (increase) in trade and other receivables	346.1	(591.6)
Decrease in trade and other payables	(3,886.8)	(1,098.3)
Cash from operations	449.7	6,293.5
Income tax paid	(41.1)	(41.1)
Net cash from operating activities	408.6	6,252.4

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$ million	2014 HK\$ million
Investing activities		
Interest received	294.0	373.1
Dividends received	4.0	5.2
Purchase of property and equipment	(3,024.8)	(3,338.3)
Proceeds from disposal of property and equipment	10.9	13.2
Additions of land use rights	(327.3)	(311.5)
Deposits paid for acquisitions of property and equipment	(65.4)	(73.2)
Advance to ultimate holding company	(0.8)	(0.4)
Repayment from ultimate holding company	0.9	3.7
Advances to a joint venture	(0.1)	—
Repayment from a fellow subsidiary	—	2.1
Repayment from an investee company	9.0	18.0
Withdrawal of short-term bank deposits	24,966.8	30,733.0
Placement of short-term bank deposits	(17,148.7)	(30,082.6)
Withdrawal of pledged bank deposits	94.3	78.2
Placement of pledged bank deposits	(11.8)	(14.3)
Acquisition of a subsidiary (note 43(n))	—	(26.8)
Net cash from (used in) investing activities	4,801.0	(2,620.6)
Financing activities		
Interest paid	(65.4)	(119.7)
Dividends paid	(4,072.8)	(5,768.8)
Proceeds from issue of shares	2.6	1,267.1
Repayment of obligations under finance leases	—	(2.1)
Repayment of long-term bank loans	(253.9)	(516.7)
Capital contribution by non-controlling interests of a subsidiary	—	7.8
Advances from (repayment to) non-controlling interests of a subsidiary	5.0	(98.0)
Net cash used in financing activities	(4,384.5)	(5,230.4)
Net increase (decrease) in cash and cash equivalents	825.1	(1,598.6)
Cash and cash equivalents at 1 January	9,546.8	11,145.4
Cash and cash equivalents at 31 December	10,371.9	9,546.8
Analysis of the balances of cash and cash equivalents, representing bank balances and cash	10,371.9	9,546.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

SECTION A

THE COMPANY'S STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Notes	2015 HK\$ million	2014 HK\$ million
Non-current assets			
Property and equipment	15	0.9	1.3
Investments in subsidiaries	16	4,359.3	4,359.3
		4,360.2	4,360.6
Current assets			
Other receivables, deposits and prepayments		18.8	53.2
Amounts due from subsidiaries	30	7,086.9	811.9
Short-term bank deposits	28	4,398.4	11,726.4
Bank balances and cash	28	2,682.5	456.7
		14,186.6	13,048.2
Current liabilities			
Other payables and accruals		5.9	5.1
Amount due to a subsidiary	30	291.6	291.6
		297.5	296.7
Net current assets		13,889.1	12,751.5
Net assets		18,249.3	17,112.1
Capital and reserves			
Share capital	36	11,235.7	11,231.9
Reserves	38	7,013.6	5,880.2
Total equity		18,249.3	17,112.1

The Company's statement of financial position was approved and authorised for issue by the Board of directors on 23 February 2016 and is signed on its behalf by:

So Shu Fai
Director

Ng Chi Sing
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

SECTION B

1. GENERAL

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

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

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of the above amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ²
Amendments to HKAS 1	Disclosure initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle ²

1. Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2. Effective for annual periods beginning on or after 1 January 2016, with earlier application 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 in 2013 to include the new requirements for general 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

HKFRS 9 Financial instruments (Continued)

Key requirements of HKFRS 9:

- 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 value at the end of subsequent accounting 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 is 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 mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective qualitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

HKFRS 15 Revenue from contracts with customers

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. The directors of the Company anticipate that the application of HKFRS 15 in the future has no material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

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

The amendments to HKAS 16 "Property, plant and equipment" prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 "Intangible assets" 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 asset 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 asset. 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.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, 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 within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 and its subsidiaries. Control is achieved when the Company:

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property and equipment (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

(a) Financial assets (Continued)

(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/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 and is included in other income, gains and losses.

(iv) Available-for-sale financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

(a) Financial assets (Continued)

(iv) Available-for-sale financial assets (Continued)

Equity and debt securities are held by the Group that are reclassified as available-for-sale financial assets and 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 monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

(v) Impairment of financial assets

Financial assets, other than financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are 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 available-for-sale equity investment, a significant or prolonged decline in fair value of the security below its cost is considered to be objective evidence of impairment.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

(a) Financial assets (Continued)

(v) Impairment of financial assets (Continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

(b) *Financial liabilities and equity instruments (Continued)*

(ii) **Financial liabilities**

Financial liabilities including trade and other payables, payable for acquisition of land use rights, amounts due to a subsidiary/non-controlling interests of subsidiaries and long-term bank loans 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.

(iv) **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's accounting policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. KEY SOURCES OF ESTIMATION

The key assumptions concerning the future, and other key sources of estimation at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowance for doubtful debts

The Group grants pre-approved revolving credit lines and short-term temporary advances to its gaming promoters, patrons and service providers of satellite casinos with good credit histories and financial track records. For the outstanding balances from inactive gaming promoters, patrons and service providers of satellite casinos, 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, patrons and service providers of satellite casinos 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, patrons or service providers of satellite casinos at the end of the reporting period, the continuous business relationship, the commissions payable to the relevant gaming promoters, patrons or service providers of satellite casinos subsequent to the end of the reporting period, the cheques and guarantees obtained and the financial background of the relevant gaming promoters, patrons or service providers of satellite casinos. When the actual future cash flows from the settlement of the outstanding balances from gaming promoters, patrons or service providers of satellite casinos are less than expected, a material impairment loss may arise and affect profit or loss in the period of change. As at 31 December 2015, the carrying amount of advances to and other receivables from gaming promoters, patrons and service providers of satellite casinos are HK\$1,175.0 million (2014: HK\$1,560.3 million), net of allowance for doubtful debts of HK\$132.5 million (2014: HK\$82.8 million).

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

Save as disclosed in note 34(i), a portion of the Group's carrying amount of the amount due to non-controlling interests of a subsidiary as at 31 December 2015 was HK\$630.0 million (2014: HK\$673.2 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 2015, the interest in a joint venture and interest in an associate is HK\$108.2 million (2014: HK\$101.2 million) and HK\$109.8 million (2014: HK\$45.1 million) respectively. Included in the cost of investment in a joint venture is goodwill of HK\$34.3 million (2014: HK\$34.3 million). Where the actual future cash flows are less than expected, a material impairment loss may arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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, amounts due to non-controlling interests of subsidiaries, 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

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

	2015 HK\$ million	2014 HK\$ million
Financial assets		
Loans and receivables (including cash and cash equivalents)	18,961.7	26,529.8
Financial assets at fair value through profit or loss	61.4	78.6
Available-for-sale financial assets	211.2	608.4
	19,234.3	27,216.8
Financial liabilities		
Amortised cost	10,503.2	13,749.6

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk management

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

- the carrying amount of the respective recognised financial assets as stated in the Group's statements of financial position; and
- the amount of financial guarantee obligations and contingent liabilities disclosed in notes 31 and 44 respectively.

The Group has concentration of credit risk at 91% (2014: 88%) 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 of the 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 the service providers of satellite casinos (net of allowance of doubtful debts), 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 44) 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 reputation.

Other than concentration of credit risk on advances to and receivables from gaming promoters, amounts due from an associate/a joint venture/an investee company and liquid funds which are deposited with several banks with high credit ratings (2014: advances to and receivables from gaming promoters, amounts due from ultimate holding company/an associate/a joint venture/an investee company and liquid funds), the Group does not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to its bank balances and bank loans (2014: bank balances and bank loans). The Group is also exposed to fair value interest rate risk in relation to its fixed-rate bank deposits, pledged bank deposits, short-term bank deposits and 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 loans and bank balances (2014: interest rates for bank loans and bank balances). The analyses were prepared assuming these balances outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points (2014: 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 (2014: bank loans and bank balances) had been 50 basis points (2014: 50 basis points) higher and all other variables were held constant, the potential effect on profit for the year:

	2015 HK\$ million	2014 HK\$ million
Increase in profit for the year	39.5	32.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(e) Price risk management

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 investment 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 investment in equity securities at the end of the reporting period. If the market bid price on such listed equity securities had been 10% (2014: 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 2015 would increase/decrease by HK\$6.1 million (2014: increase/decrease by HK\$7.9 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 by HK\$21.1 million (2014: increase/decrease by HK\$60.8 million) arising from the listed equity securities in available-for-sale investment in equity securities.
- the management does not anticipate a significant decrease in the market bid price on the available-for-sale investment in equity securities in the next financial year having regard to the trends in the market bid price. Accordingly, sensitivity analysis on a decrease in such price is not presented.

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

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For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(f) Liquidity risk management (Continued)

The following table details the Group's remaining contractual maturities of financial liabilities that are exposed to liquidity risk based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount of interest payment is estimated based on the interest rate at the end of the reporting period.

	Weighted average effective interest rate	On demand HK\$ million	Not more than 3 months HK\$ million	Over 3 months but not more than 6 months HK\$ million	Over 6 months but not more than 1 year HK\$ million	Over 1 year more than 1 year HK\$ million	Total undiscounted cash flow HK\$ million	Carrying amount HK\$ million
At 31 December 2015								
Trade payables	—	—	1,304.6	3.8	1.1	—	1,309.5	1,309.5
Chips in circulation	—	4,403.4	—	—	—	—	4,403.4	4,403.4
Other payables	—	—	1,566.7	39.4	710.5	603.6	2,920.2	2,920.2
Amounts due to non-controlling interests of subsidiaries	4.10%	—	—	—	5.0	758.4	763.4	635.0
Payable for acquisitions of land use rights	5.00%	—	—	182.9	182.9	182.9	548.7	522.3
Bank loans (Note (i))	3.07%	—	45.4	45.1	89.4	566.7	746.6	712.8
Financial guarantee obligations (Note (ii))	—	87.3	—	—	—	—	87.3	—
		4,490.7	2,916.7	271.2	988.9	2,111.6	10,779.1	10,503.2
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

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement of financial instruments

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.

The Group's available-for-sale investment 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 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 25 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	Gross amounts of recognised financial assets 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 2015	862.0	(215.1)	646.9	(111.8)	535.1
— at 31 December 2014	1,158.7	(177.3)	981.4	(212.5)	768.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	Net amount
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Trade payables				
— at 31 December 2015	430.6	(215.1)	215.5	103.7
— at 31 December 2014	658.6	(177.3)	481.3	268.8

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 arrangement are set out in note 25.

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 and 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 revenue and operating results of gaming operations as a whole for resources allocation and performance assessment. For hotel and catering operations, the CODM regularly reviews the performance on the basis of individual hotel. For segment reporting under HKFRS 8, financial information of the Group's hotels with similar economic characteristics has been aggregated into a single operating segment named "hotel and catering operations".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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	
	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million
Gaming operations	48,589.5	79,268.5	2,924.4	7,086.1
Hotel and catering operations:				
external sales	581.4	665.4		
inter-segment sales	260.0	321.4		
Eliminations	841.4 (260.0)	986.8 (321.4)	(294.0)	(257.0)
	581.4	665.4		
	49,170.9	79,933.9		
Reconciliation from segment results to profit before taxation:			2,630.4	6,829.1
Unallocated corporate income			174.9	232.4
Unallocated corporate expenses			(119.6)	(152.5)
Impairment loss on available-for-sale investment in equity securities			(250.0)	—
Change in fair value of financial assets at fair value through profit or loss			(17.2)	(72.7)
Share of profits of an associate			64.7	26.0
Share of profits of a joint venture			7.0	7.4
Profit before taxation			2,490.2	6,869.7

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, impairment loss on available-for-sale investment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. OPERATING SEGMENTS (Continued)

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

	2015 HK\$ million	2014 HK\$ million
ASSETS		
Segment assets:		
gaming operations	14,542.1	16,948.4
hotel and catering operations	5,188.3	5,589.2
	19,730.4	22,537.6
Interest in an associate	109.8	45.1
Interest in a joint venture	108.2	101.2
Unallocated bank deposits, bank balances and cash	7,152.0	12,300.0
Other unallocated assets	9,754.3	7,231.2
Group's total	36,854.7	42,215.1
LIABILITIES		
Long term bank loans:		
gaming operations	315.6	438.8
hotel and catering operations	397.2	552.2
	712.8	991.0
Other segment liabilities:		
gaming operations	10,486.4	13,987.8
hotel and catering operations	320.5	336.9
	10,806.9	14,324.7
Total segment liabilities	11,519.7	15,315.7
Unallocated liabilities	1,855.6	2,037.1
Group's total	13,375.3	17,352.8

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 investment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

(c) Other segment information of the Group

	2015 HK\$ million	2014 HK\$ million
Additions to non-current assets (other than financial instruments):		
gaming operations	624.6	1,069.2
hotel and catering operations	151.8	58.9
corporate level*	3,057.6	3,257.7
	3,834.0	4,385.8
Depreciation and amortisation:		
gaming operations	639.0	647.4
hotel and catering operations	455.5	446.8
corporate level	6.5	5.6
	1,101.0	1,099.8
(Gains) losses on disposal/write-off of property and equipment:		
gaming operations	(3.8)	(2.2)
hotel and catering operations	7.4	14.8
corporate level	—	0.6
	3.6	13.2
Share-based payments:		
gaming operations	298.4	217.1
corporate level	15.7	10.3
	314.1	227.4

* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. OPERATING SEGMENTS (Continued)

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

	2015 HK\$ million	2014 HK\$ million
Finance costs:		
gaming operations	11.9	22.8
hotel and catering operations	15.0	19.3
corporate level	25.0	30.5
	51.9	72.6
Interest income:		
gaming operations	77.4	132.4
hotel and catering operations	15.0	20.2
corporate level	161.7	219.4
	254.1	372.0
Allowance (recovery of allowance) for doubtful debts:		
gaming operations	49.7	(3.2)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. GAMING REVENUE

	2015 HK\$ million	2014 HK\$ million
Gaming revenue from:		
VIP gaming operations	25,063.9	48,244.8
mass market table gaming operations	22,385.4	29,685.6
slot machine and other gaming operations	1,140.2	1,338.1
	48,589.5	79,268.5

9. FINANCE COSTS

	2015 HK\$ million	2014 HK\$ million
Interest on:		
bank borrowings wholly repayable within five years	26.8	42.1
finance leases repayable within five years	—	0.3
acquisition of land use rights	36.4	52.3
Imputed interest on amount due to non-controlling interests of a subsidiary	25.1	30.2
	88.3	124.9
Less: Amount capitalised	(36.4)	(52.3)
	51.9	72.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. PROFIT BEFORE TAXATION

	2015 HK\$ million	2014 HK\$ million
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration (note 11)	311.9	102.8
Retirement benefits scheme contributions for other staff	215.5	99.4
Less: Forfeited contributions	(21.7)	(25.0)
	193.8	74.4
Share-based payments to other staff	95.6	204.2
Other staff costs	5,926.8	5,741.6
	6,022.4	5,945.8
Total employee benefit expenses	6,528.1	6,123.0
Operating lease rentals in respect of:		
land use rights	45.0	44.9
rented premises	374.4	334.4
	419.4	379.3
Allowance for doubtful debts (Note)	49.7	—
Amortisation of intangible asset (included in operating and administrative expenses)	6.3	6.3
Auditor's remuneration	9.2	8.3
Change in fair value of financial assets at fair value through profit or loss	17.2	72.7
Depreciation of property and equipment	1,094.7	1,093.5
Impairment loss on available-for-sale investment in equity securities	250.0	—
Loss on disposal/write-off of property and equipment	3.6	13.2
Share-based payments to other participants (included in operating and administrative expenses)	1.7	9.4
<i>and after crediting:</i>		
Interest income from:		
bank deposits	254.1	371.7
a fellow subsidiary	—	0.3
	254.1	372.0
Dividend income	4.0	5.2
Recovery of allowance for doubtful debts	—	3.2

Note: During the year ended 31 December 2015, there was a charge of HK\$142.5 million relating to the suspension of a satellite casino, comprising an allowance for doubtful debts of HK\$49.7 million and certain marketing and promotional expenses to be reimbursed by the service provider of HK\$92.8 million (2014: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2015					2014				
	Base fees HK\$ million (Note (1))	Special fees HK\$ million (Note (2))	Other fees HK\$ million (Note (3))	Share- based payments HK\$ million	Total HK\$ million	Base fees HK\$ million (Note (1))	Special fees HK\$ million (Note (2))	Other fees HK\$ million (Note (3))	Share- based payments HK\$ million	Total HK\$ million
THE COMPANY										
Executive directors:										
Dr. Ho Hung Sun, Stanley	1.0	0.3	—	—	1.3	1.0	0.3	—	—	1.3
Dr. So Shu Fai (Chief Executive Officer)	1.6	0.4	—	—	2.0	1.1	0.3	—	—	1.4
Mr. Ng Chi Sing	0.5	0.1	—	—	0.6	0.5	0.1	—	—	0.6
Dr. Rui José da Cunha	0.5	0.1	—	—	0.6	0.5	0.1	—	—	0.6
Mr. Fok Tsun Ting, Timothy	1.0	0.2	—	—	1.2	0.5	0.1	—	—	0.6
Deputada Leong On Kei, Angela	1.1	0.2	—	—	1.3	0.6	0.2	—	—	0.8
Mr. Shum Hong Kuen, David	1.0	0.2	—	—	1.2	0.5	0.1	—	—	0.6
Non-executive director:										
Dr. Cheng Kar Shun	0.5	0.1	—	—	0.6	0.5	0.1	—	—	0.6
Independent non-executive directors:										
Mr. Chau Tak Hay	0.6	0.2	—	0.9	1.7	0.6	0.2	—	—	0.8
Dr. Lan Hong Tsung, David	0.6	0.2	—	0.9	1.7	0.6	0.2	—	—	0.8
Hon. Shek Lai Him, Abraham	1.3	0.3	—	0.9	2.5	0.6	0.2	—	—	0.8
Mr. Tse Hau Yin	1.2	0.3	—	—	1.5	0.6	0.2	—	—	0.8
	10.9	2.6	—	2.7	16.2	7.6	2.1	—	—	9.7
SUBSIDIARIES										
Executive directors:										
Dr. Ho Hung Sun, Stanley	23.3	5.8	2.4	9.1	40.6	23.3	5.8	2.4	—	31.5
Dr. So Shu Fai (Chief Executive Officer)	11.4	2.8	1.2	63.9	79.3	10.8	2.7	1.2	—	14.7
Mr. Ng Chi Sing	10.4	2.7	1.2	58.4	72.7	9.9	2.5	1.2	—	13.6
Dr. Rui José da Cunha	2.5	0.6	0.4	5.5	9.0	2.4	0.6	0.4	—	3.4
Mr. Fok Tsun Ting, Timothy	0.4	0.1	0.4	5.5	6.4	0.3	0.1	0.4	—	0.8
Deputada Leong On Kei, Angela	8.6	2.2	2.4	54.8	68.0	8.2	2.0	2.3	—	12.5
Mr. Shum Hong Kuen, David	0.4	0.1	0.4	5.5	6.4	0.4	0.1	0.4	—	0.9
Non-executive director:										
Dr. Cheng Kar Shun	0.4	0.1	0.4	10.5	11.4	0.4	0.1	0.4	13.8	14.7
Independent non-executive directors:										
Mr. Chau Tak Hay	—	—	—	—	—	—	—	—	—	—
Dr. Lan Hong Tsung, David	—	—	—	—	—	—	—	—	—	—
Hon. Shek Lai Him, Abraham	—	—	—	—	—	—	—	—	—	—
Mr. Tse Hau Yin	—	—	1.0	0.9	1.9	—	—	1.0	—	1.0
	57.4	14.4	9.8	214.1	295.7	55.7	13.9	9.7	13.8	93.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

	2015					2014				
	Base fees	Special fees	Other fees	Share-based payments	Total	Base fees	Special fees	Other fees	Share-based payments	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(Note (1))	(Note (2))	(Note (3))			(Note (1))	(Note (2))	(Note (3))		
THE GROUP										
Executive directors:										
Dr. Ho Hung Sun, Stanley	24.3	6.1	2.4	9.1	41.9	24.3	6.1	2.4	—	32.8
Dr. So Shu Fai (Chief Executive Officer)	13.0	3.2	1.2	63.9	81.3	11.9	3.0	1.2	—	16.1
Mr. Ng Chi Sing	10.9	2.8	1.2	58.4	73.3	10.4	2.6	1.2	—	14.2
Dr. Rui José da Cunha	3.0	0.7	0.4	5.5	9.6	2.9	0.7	0.4	—	4.0
Mr. Fok Tsun Ting, Timothy Deputada Leong On Kei, Angela	1.4	0.3	0.4	5.5	7.6	0.8	0.2	0.4	—	1.4
Mr. Shum Hong Kuen, David	9.7	2.4	2.4	54.8	69.3	8.8	2.2	2.3	—	13.3
	1.4	0.3	0.4	5.5	7.6	0.9	0.2	0.4	—	1.5
Non-executive director:										
Dr. Cheng Kar Shun	0.9	0.2	0.4	10.5	12.0	0.9	0.2	0.4	13.8	15.3
Independent non-executive directors:										
Mr. Chau Tak Hay	0.6	0.2	—	0.9	1.7	0.6	0.2	—	—	0.8
Dr. Lan Hong Tsung, David	0.6	0.2	—	0.9	1.7	0.6	0.2	—	—	0.8
Hon. Shek Lai Him, Abraham	1.3	0.3	—	0.9	2.5	0.6	0.2	—	—	0.8
Mr. Tse Hau Yin	1.2	0.3	1.0	0.9	3.4	0.6	0.2	1.0	—	1.8
	68.3	17.0	9.8	216.8	311.9	63.3	16.0	9.7	13.8	102.8

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 chairman/member of SJM. Other fee paid to other directors represent special allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Executive directors are also senior management of the Group.

There was no arrangement under which any directors waived or agreed to waive any remuneration during the year.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company set out in note 37.

The five highest paid individuals included four (2014: four) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining highest paid individual in 2015 were as follows:

	2015 HK\$ million	2014 HK\$ million
Employee:		
salaries and allowances	6.3	6.3
share-based payments	25.3	68.9
	31.6	75.2

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. TAXATION

	2015 HK\$ million	2014 HK\$ million
Current tax — Macau SAR Complementary Tax	59.7	41.1
Deferred taxation	(21.4)	47.2
	38.3	88.3

No provision for Macau SAR Complementary Tax (“CT”) on gaming related income is made for a subsidiary, SJM. Pursuant to the approval notice issued by the 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 letter dated 10 August 2012 issued by the Finance Services Bureau of the Macau SAR government, SJM’s shareholders were obligated to pay the dividend tax of MOP42.3 million (equivalent to HK\$41.1 million) for dividend distributed by SJM (the “Special Complementary Tax”) for each of the years from 2012 to 2016. During the year, the Company, as a shareholder of SJM, was obligated to pay HK\$41.1 million (2014: HK\$41.1 million).

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

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

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

	2015 HK\$ million	2014 HK\$ million
Profit before taxation	2,490.2	6,869.7
Tax at the applicable income tax rate of 12%	298.8	824.4
Effect of tax exemption granted to the Group	(370.6)	(835.8)
Effect of share of results of an associate and a joint venture	(8.6)	(4.0)
Effect of income that is not taxable for tax purpose	(12.0)	(17.9)
Effect of expenses that are not deductible for tax purpose	53.0	44.4
Effect of tax loss not recognised	36.8	37.5
Utilisation of tax losses previously not recognised	(0.2)	(1.4)
Special Complementary Tax	41.1	41.1
Tax charge for the year	38.3	88.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. DIVIDENDS

	2015 HK\$ million	2014 HK\$ million
Interim dividend per ordinary share paid		
— HK10 cents for 2015	565.6	—
— HK22 cents for 2014	—	1,244.3
Final dividend per ordinary share paid		
— HK62 cents for 2014	3,507.2	—
— HK50 cents for 2013	—	2,827.8
Special dividend per ordinary share paid		
— HK30 cents for 2013	—	1,696.7
	4,072.8	5,768.8

A final dividend of HK15 cents per ordinary share, totalling HK\$848.5 million, is proposed by the directors of the Company at a board meeting held on 23 February 2016, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,656,729,293 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

	2015 HK\$ million	2014 HK\$ million
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	2,465.0	6,730.7

Number of shares

	2015	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,656,504,361	5,611,063,923
Effect of dilutive potential ordinary shares on share options	4,455,733	30,050,399
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,660,960,094	5,641,114,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Chips	Furniture, fixtures and equipment	Gaming equipment	Leasehold improvements	Motor vehicles	Vessels	Construction in progress	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
The Group									
COST									
At 1 January 2014	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
Additions	7.0	5.6	257.7	60.1	65.2	6.3	—	3,330.3	3,732.2
Disposals/write-off	—	—	(38.4)	(56.3)	(51.3)	(3.3)	(3.3)	—	(152.6)
At 31 December 2015	4,936.3	461.2	5,830.3	658.3	2,943.4	43.7	286.1	7,871.0	23,030.3
DEPRECIATION									
At 1 January 2014	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
Provided for the year	237.3	12.8	479.2	48.5	297.6	5.9	13.4	—	1,094.7
Eliminated on disposals/write-off	—	—	(33.6)	(56.2)	(46.2)	(1.4)	(0.7)	—	(138.1)
At 31 December 2015	1,739.6	447.8	3,932.0	517.5	2,271.3	27.8	39.9	—	8,975.9
CARRYING VALUES									
At 31 December 2015	3,196.7	13.4	1,898.3	140.8	672.1	15.9	246.2	7,871.0	14,054.4
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 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.

At 31 December 2015, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate carrying value of HK\$1,805.9 million (2014: HK\$2,171.4 million) in respect of the Group's gaming business have to be returned to the Macau SAR government upon completion of the term of the concession in 2020.

Other staff costs of HK\$296.3 million (2014: HK\$156.4 million) (including share-based payment to other staff of HK\$0.2 million (2014: nil)), operating lease rental in respect of rented premises of HK\$152.1 million (2014: HK\$147.6 million) and operating lease rental in respect of land use right of HK\$88.3 million (note 17) (2014: HK\$86.4 million) have been capitalised in property and equipment for the year ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. PROPERTY AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment HK\$ million	Leasehold improvements HK\$ million	Total HK\$ million
The Company			
COST			
At 1 January 2014, 31 December 2014 and 31 December 2015	3.7	3.8	7.5
DEPRECIATION			
At 1 January 2014	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
Provided for the year	0.4	—	0.4
At 31 December 2015	2.8	3.8	6.6
CARRYING VALUES			
At 31 December 2015	0.9	—	0.9
At 31 December 2014	1.3	—	1.3

16. INVESTMENTS IN SUBSIDIARIES

	2015 HK\$ million	2014 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 45.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. LAND USE RIGHTS

	2015 HK\$ million	2014 HK\$ million
CARRYING VALUE		
At 1 January	2,728.9	2,771.0
Additions during the year	—	34.4
Interest capitalised (note 9)	36.4	52.3
Released to profit or loss during the year	(42.5)	(42.4)
Released and capitalised to construction in progress during the year	(88.3)	(86.4)
At 31 December	2,634.5	2,728.9

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 parcel of land in Macau SAR for the development and operation of a casino, hotels and entertainment complex for 25 years (the "Grand Lisboa Palace Project"). Pursuant to the land concession contract, the total land premium is HK\$2,087.9 million. The land concession contract was approved and the grant of land use rights was finalised by Macau SAR government in 2013. The remaining land premium payable to Macau SAR government would be paid by 8 semi-annual 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 (2014: 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 amounts represent the aggregate cost of art works and diamonds held by the Group. In the opinion of the directors of the Company, the recoverable amounts of the art works and diamonds are at least their carrying amounts at the end of both reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. INTEREST IN AN ASSOCIATE

	2015 HK\$ million	2014 HK\$ million
Cost of unlisted investment	25.0	25.0
Discount on acquisition	6.8	6.8
Share of post-acquisition profits	78.0	13.3
	109.8	45.1

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.

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.

	2015 HK\$ million	2014 HK\$ million
Current assets	1,485.3	1,186.5
Non-current assets	84.2	69.4
Current liabilities	(1,647.5)	(1,361.4)
Revenue	1,593.7	805.0
Profit for the year	26.6	53.3

The unrecognised share of loss of an associate*:

	2015 HK\$ million	2014 HK\$ million
At 1 January	185.8	185.8
Unrecognised share of loss for the year	105.4	—
At 31 December	291.2	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. INTEREST IN AN ASSOCIATE (Continued)

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

Reconciliation of interest in associate

	2015 HK\$ million	2014 HK\$ million
Net liabilities of associate	(78.0)	(105.5)
Unrecognised share of loss of associate	291.2	185.8
Adjusted net assets of associate	213.2	80.3
Proportion of the Group's ownership interest in associate	49%	49%
Effect of fair value adjustments at acquisition	5.3	5.8
Carrying amount of the Group's interest in associate	109.8	45.1

Reconciliation of share of profits of associate

	2015 HK\$ million	2014 HK\$ million
Profit for the year of associate	26.6	53.3
Unrecognised share of loss for the year	105.4	—
Adjusted profit for the year of associate	132.0	53.3
Proportion of the Group's ownership interest in associate	49%	49%
Share of profits of associate	64.7	26.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. INTEREST IN A JOINT VENTURE

	2015 HK\$ million	2014 HK\$ million
Cost of unlisted investment	39.7	39.7
Share of post-acquisition profits	68.5	61.5
	108.2	101.2

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 (2014: 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.

	2015 HK\$ million	2014 HK\$ million
Current assets	158.5	143.4
Non-current assets	29.7	30.6
Current liabilities	(37.4)	(37.5)
Revenue	14.4	14.4
Profit for the year	14.3	15.1
The above profit for the year including the following:		
Depreciation	0.9	0.9
Interest income	2.0	1.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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:

	2015 HK\$ million	2014 HK\$ million
Net assets of a joint venture	150.8	136.5
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	108.2	101.2

22. AVAILABLE-FOR-SALE INVESTMENT IN EQUITY SECURITIES

The amount comprises equity shares listed in Hong Kong that are carried at fair value. The management estimated the fair value of the available-for-sale investment in equity securities with reference to the quoted bid price in an active market and the market condition at the end of the reporting period. A significant decline in fair value was noted during the year ended 31 December 2015 and the cumulative losses of HK\$250 million (2014: Nil) previously recognised in other comprehensive income are reclassified to profit or loss in this year.

23. OTHER FINANCIAL ASSETS

	2015 HK\$ million	2014 HK\$ million
Deposits made on acquisitions of property and equipment	177.4	173.0
Amount due from an associate	88.4	88.4
Amount due from a joint venture	14.4	14.3
Amount due from an investee company	66.0	75.0
	346.2	350.7

The amounts due from an associate/a joint venture/an investee company are unsecured, interest-free and have no fixed repayment terms. At 31 December 2015, the management of the Group expects that these amounts will not be realised within 12 months from the end of the reporting period, hence, these amounts are classified as non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

24. PLEDGED BANK DEPOSITS

	2015 HK\$ million	2014 HK\$ million
Bank deposits pledged to secure:		
bank facilities (Note (a))	278.5	380.3
bank facilities (Note (b))	145.6	145.6
Non-current portion	424.1	525.9
Bank deposits pledged:		
to secure bank facilities (Note (a))	79.6	84.5
others	1.3	1.3
Current portion	80.9	85.8
	505.0	611.7

Notes:

- (a) Amount represents deposits pledged to secure the bank facilities granted to a subsidiary of the Company of which HK\$278.5 million (2014: HK\$380.3 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 2015, the pledged bank deposits carry fixed interest rates ranging from 1.20% to 2.75% (2014: 1.30% to 2.75%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. TRADE AND OTHER RECEIVABLES

	2015 HK\$ million	2014 HK\$ million
Advances to gaming promoters and patrons, net	646.9	981.4
Other receivables from gaming promoters and service providers, net	528.1	578.9
Prepayments	183.9	160.2
Other sundry receivables	299.3	373.4
	1,658.2	2,093.9

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 2015, 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.

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

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

	2015 HK\$ million	2014 HK\$ million
Age		
0 to 30 days	646.9	981.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts

	2015 HK\$ million	2014 HK\$ million
At 1 January	82.8	87.1
Allowance for doubtful debts	49.7	—
Write-off	—	(1.1)
Amounts recovered during the year	—	(3.2)
At 31 December	132.5	82.8

Allowance for doubtful debts with an aggregate balance of HK\$132.5 million (2014: HK\$82.8 million) represents individually impaired advances to gaming promoters and patrons and other receivables from gaming promoters and service providers as the management considered the outstanding balances from these gaming promoters and service providers were uncollectible.

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

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

	2015 HK\$ million	2014 HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group	24.3	25.5
An associate of the Group	1.4	1.3
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	209.7	225.8
	235.4	252.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company arising from the Chips Agreement as defined in note 43(b) was unsecured, interest-free and fully settled during the year.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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.

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

The Group

At 31 December 2015, the short-term bank deposits carried fixed interest rates ranging from 0.53% to 2.00% (2014: 0.86% to 2.75%) per annum with original maturity ranging from 3 months to 6 months (2014: 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 2015, bank balances carried effective interest rates ranging from 0.01% to 1.45% (2014: 0.01% to 1.95%) per annum.

The Company

At 31 December 2015, the short-term bank deposits carried fixed interest rates ranging from 0.53% to 1.60% (2014: 0.93% to 2.00%) per annum with original maturity ranging from 3 months to 6 months (2014: 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 2015, bank balances carried effective interest rates ranging from 0.01% to 1.35% (2014: 0.01% to 1.40%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

29. TRADE AND OTHER PAYABLES

	2015 HK\$ million	2014 HK\$ million
Trade payables	1,309.5	2,263.1
Special gaming tax payable	1,402.8	2,065.8
Chips in circulation	4,403.4	6,732.4
Chips in custody and deposits received from gaming patrons and gaming promoters	1,280.9	1,342.4
Payable for acquisition of property and equipment	86.6	60.9
Construction payables	1,210.1	677.9
Accrued staff costs	1,045.6	947.1
Rentals payables	187.7	152.1
Withholding tax payable for gaming promoters and employees	17.1	20.9
Other sundry payables and accruals	390.2	402.3
	11,333.9	14,664.9
Less: Non-current portion	(603.6)	(281.5)
Current portion	10,730.3	14,383.4

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

	2015 HK\$ million	2014 HK\$ million
Age		
0 to 30 days	1,298.7	2,216.4
31 to 60 days	7.0	32.2
61 to 90 days	1.9	2.0
Over 90 days	1.9	12.5
	1,309.5	2,263.1

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

29. 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:

	2015 HK\$ million	2014 HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group	173.1	121.1
An associate of the Group	297.7	64.5
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	396.8	280.5
	867.6	466.1

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

The amounts due from subsidiaries are unsecured, interest-free and are expected to be realised within 12 months from the end of the reporting period.

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

31. FINANCIAL GUARANTEE OBLIGATIONS

The fair value of financial guarantee obligations set out in note 44 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 2015 and 31 December 2014 as the default risk is low.

32. PAYABLE FOR ACQUISITION OF LAND USE RIGHTS

As at 31 December 2015, total payable for acquisition of land use rights amounted to HK\$522.3 million (2014: HK\$849.6 million), of which HK\$343.9 million (2014: HK\$327.3 million) is included in current liabilities, and the remaining balance of HK\$178.4 million (2014: HK\$522.3 million) is included in non-current liabilities, which would be payable after 12 months from the end of the reporting period according to the land concession contract for Grand Lisboa Palace Project set out in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

33. LONG-TERM BANK LOANS

	2015 HK\$ million	2014 HK\$ million
The syndicated secured long-term bank loans are repayable:		
within one year	158.4	257.9
between one to two years	554.4	162.9
between two to five years	—	570.2
	712.8	991.0
Less: Current portion	(158.4)	(257.9)
Non-current portion	554.4	733.1

At 31 December 2015, the Group's syndicated secured bank loans carry interest rate at 2.75% (2014: 2.75% to 3.0%) over 3-month HIBOR per annum with effective interest rate at 3.14% (2014: 3.13% to 3.38%) per annum and are all denominated in Hong Kong dollars, except for a loan amounting to HK\$353.9 million denominated in Renminbi (2014: HK\$457.8 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 2015, the loans were secured by certain of the Group's property and equipment and land use rights with carrying values of HK\$883.2 million (2014: HK\$1,016.1 million) and HK\$67.5 million (2014: HK\$72.3 million) respectively. In addition, the other key terms and securities for such bank loans pledged are set out as follows:

- (i) a pledged bank deposit amounting to HK\$358.1 million (2014: HK\$464.8 million);
- (ii) financial guarantees with promissory notes given by certain subsidiaries and the non-controlling shareholders amounting to approximately HK\$2,400 million (2014: HK\$2,400 million) and HK\$1,176 million (2014: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

At the end of reporting period, the amounts comprise:

- (i) HK\$630.0 million (2014: HK\$673.2 million) which is unsecured, interest-free and to be repaid from surplus funds. The surplus funds represent the cash available in the relevant subsidiary of the Group after estimated payments of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayments together with the accrued interests.

During the year ended 31 December 2015, imputed interest of HK\$25.1 million (2014: HK\$30.2 million) on the amount due to the non-controlling interests of the subsidiary of HK\$630.0 million (2014: HK\$673.2 million) has been recognised based on the principal amount of HK\$758.4 million (2014: HK\$758.4 million) at a weighted average original interest rate of approximately 4.1% (2014: 4.1%) per annum.

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 bank facility agreement. The amount is classified as non current liabilities at 31 December 2015. At 31 December 2014, total carrying amounts of HK\$22.9 million and HK\$650.3 million were classified as current and non-current liabilities respectively. During the year ended 31 December 2015, these carrying amounts have been adjusted by HK\$68.3 million (2014:HK\$12.3 million) because of changes in cash flow estimates, computed based on the present value of future cash outflows discounted at the original effective interest rate.

- (ii) HK\$5.0 million (2014: nil) which is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. 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 2014	(159.5)	78.5	(81.0)
Acquisition of subsidiary (note 43(n))	(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)
Credited (charged) to profit or loss	25.9	(4.5)	21.4
At 31 December 2015	(114.4)	2.8	(111.6)

Also, at 31 December 2015, the Group has unutilised tax losses of HK\$779.0 million (2014: HK\$660.8 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. SHARE CAPITAL

	Authorised Number of shares	Amount HK\$ million
Ordinary shares of HK\$1 each		
At 1 January 2014	15,000,000,000	15,000.0
Ordinary shares with no par value		
At 31 December 2014 and 31 December 2015 (Note)	Not applicable	Not applicable
	Issued and fully paid Number of shares	Amount HK\$ million
Ordinary shares of HK\$1 each		
At 1 January 2014	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
Exercise of share options	800,000	3.8
At 31 December 2015	5,656,729,293	11,235.7

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 2015, 800,000 (2014: 102,420,000) share options were exercised, resulting in the issue of 600,000 and 200,000 (2014: 1,020,000, 400,000 and 101,000,000) ordinary shares in the Company at a price of HK\$2.82 and HK\$5.11 (2014: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

37. SHARE OPTION SCHEME

According to an ordinary resolution passed at the annual general meeting held on 13 May 2009, the Company adopted a share option scheme (the "Scheme"), which will expire on 13 May 2019, for the purpose of providing incentives to participants to contribute to the Group and/or to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group. Under the Scheme, the directors may grant options to any employees, officers, agents, consultants or representatives of the Company or any subsidiary, including directors of the Company and any subsidiary (the "Participants") who, as the directors may determine in their absolute discretion, are regarded as valuable human resources of the Group.

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; (ii) the average closing price of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed in nominal amount of 10% of the issued share capital of the Company at the date of adoption of the Scheme. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time.

The maximum entitlement of each Participant, excluding substantial shareholders and independent non-executive directors, in any 12-month period (including the date of grant) is 1% of the number of shares in issue as at the date of grant. No grant may be made to substantial shareholders and independent non-executive directors of the Company or their respective associates if such grant would result in the shares issued and falling to be issued upon the exercise of such options proposed to be granted and all other options already granted and to be granted (a) representing in aggregate over 0.1% of the number of shares then in issue; and (b) having an aggregate value, based on the closing price of the shares on each relevant date on which the grant of such options is made, is in excess of HK\$5 million, unless such grant has first been approved by the independent shareholders in general meeting.

On 15 June 2015, a total of approximately 126.7 million share options with the estimated fair value of approximately HK\$436.5 million at the date of grant to directors of the Company, employees and other participants, were granted at an exercise price of HK\$9.826 per share under the terms of the Scheme. Total consideration received from the Participants for taking up the options granted amounted to approximately HK\$280.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

37. SHARE OPTION SCHEME (Continued)

A summary of the movements of the outstanding options during the year ended 31 December 2015 under the Scheme is as follows:

Type of participants	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options								
					Outstanding at 1.1.2014	Exercised in 2014	Lapsed in 2014	Outstanding at 31.12.2014	Granted in 2015	Exercised in 2015	Lapsed in 2015	Outstanding at 31.12.2015	
Directors	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	3,000,000	—	—	3,000,000	—	—	—	3,000,000	
	31.8.2010	31.8.2010 to 27.2.2011	28.2.2011 to 27.2.2020	7.48	3,000,000	—	—	3,000,000	—	—	—	3,000,000	
	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	108,000,000	(101,000,000)	—	7,000,000	—	—	—	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	
	15.6.2015	15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	—	—	—	—	38,669,000	—	—	—	38,669,000
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	—	—	—	—	38,669,000	—	—	—	38,669,000
	15.6.2015	15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	—	—	—	—	38,662,000	—	—	—	38,662,000
Employees	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	3,260,000	(370,000)	—	2,890,000	—	(600,000)	—	2,290,000	
	19.5.2010	19.5.2010 to 18.11.2010	19.11.2010 to 18.11.2019	5.11	600,000	(400,000)	—	200,000	—	(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	14,125,000	—	(80,000)	14,045,000	—	—	(250,000)	13,795,000	
	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	14,070,000	—	(128,000)	13,942,000	—	—	(200,000)	13,742,000	
	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	14,053,000	—	(128,000)	13,925,000	—	—	(208,000)	13,717,000	
	8.10.2013	8.10.2013 to 7.10.2016	8.10.2016 to 7.4.2023	22	500,000	—	—	500,000	—	—	—	500,000	
	8.10.2013	8.10.2013 to 7.10.2017	8.10.2017 to 7.4.2023	22	500,000	—	—	500,000	—	—	—	500,000	
	8.10.2013	8.10.2013 to 7.10.2018	8.10.2018 to 7.4.2023	22	500,000	—	—	500,000	—	—	—	500,000	
	15.6.2015	15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	—	—	—	—	3,342,000	—	(34,000)	3,308,000	
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	—	—	—	—	3,342,000	—	(54,000)	3,288,000	
	15.6.2015	15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	—	—	—	—	3,211,000	—	(52,000)	3,159,000	
	Other participants	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	950,000	(650,000)	—	300,000	—	—	—	300,000
8.10.2013		8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	734,000	—	—	734,000	—	—	(167,000)	567,000	
8.10.2013		8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	734,000	—	—	734,000	—	—	(167,000)	567,000	
8.10.2013		8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	732,000	—	(166,000)	566,000	—	—	—	566,000	
15.6.2015		15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	—	—	—	—	277,000	—	—	277,000	
15.6.2015		15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	—	—	—	—	277,000	—	—	277,000	
15.6.2015		15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	—	—	—	—	276,000	—	—	276,000	
						169,518,000	(102,420,000)	(502,000)	66,596,000	126,725,000	(800,000)	(1,132,000)	191,389,000
Weighted average exercise price per share					HK\$14.79	HK\$12.37	HK\$22.00	HK\$18.45	HK\$9.826	HK\$3.39	HK\$20.49	HK\$12.79	

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37. 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\$9.95. At the end of the reporting period, 90,275,000 share options are exercisable (2014: 33,429,000).

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	15 June 2015
Model	Black-Scholes	Binomial	Binomial	Binomial	Black-Scholes	Binomial	Binomial
Number of share options	166,700,000	1,500,000	500,000	5,000,000	116,000,000	50,460,000	126,725,000
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	6 to 30 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	HK\$9.83
Expected/contractual life	5-6 years	9.5 years	9.5 years	9.5 years	5 years	9.5 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	HK\$9.826
Exercise multiple (Directors)	N/A	1.79 times	1.79 times	1.81 times	N/A	2 times	2.8 times
Exercise multiple (Employees and other participants)	N/A	1.79 times	1.79 times	1.81 times	N/A	2 times	2.2 times
Expected volatility	66.46%	56.77%	56.16%	49.56%	54.83%	47.55%	47.00%
Risk-free interest rate	1.74-1.94%	2.47%	2.35%	1.89%	2.49%	2.03%	1.74%
Expected dividend yield	3.26%	1.76%	1.79%	1.87%	3.33%	3.182%	5.5%

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 2.2 times and 2.8 times for options granted in 2015 based on the historical exercise behaviour of the Company's employees and directors respectively.

During the year ended 31 December 2015, the Group recognised total expenses of HK\$314.3 million (2014: HK\$227.4 million), whilst HK\$0.2 million (2014: nil) capitalised to construction in progress during the year, in relation to share options granted by the Company.

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38. RESERVES

	Share premium HK\$ million	Share options reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
THE COMPANY				
At 1 January 2014	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
Exercise of share options	—	(1.2)	—	(1.2)
Recognition of equity-settled share-based payments	—	314.3	—	314.3
Release of lapsed equity-settled share-based payments	—	(7.8)	7.8	—
Dividends paid (note 13)	—	—	(4,072.8)	(4,072.8)
Profits and total comprehensive income for the year (Note)	—	—	4,893.1	4,893.1
At 31 December 2015	—	681.8	6,331.8	7,013.6

Note: Amount included dividend income from SJM of HK\$4,854.4 million (2014: HK\$5,339.8 million).

39. MAJOR NON-CASH TRANSACTIONS

Other than the transactions disclosed in respective notes to the consolidated financial statements, property and equipment totalling HK\$61.0 million (2014: HK\$326.9 million) were settled by utilising deposits made on acquisitions during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40. OPERATING LEASE COMMITMENTS

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

	Land use rights		Rented premises	
	2015 HK\$ million	2014 HK\$ million	2015 HK\$ million	2014 HK\$ million
Within one year	4.6	4.6	265.7	320.0
In the second to fifth year inclusive	35.7	29.1	213.9	387.7
After five years	182.3	193.5	—	14.6
	222.6	227.2	479.6	722.3

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

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

At 31 December 2015, operating lease rentals committed to related parties amounted to HK\$396.9 million (2014: HK\$618.9 million) which fall due as follows:

	Rented premises	
	2015 HK\$ million	2014 HK\$ million
Within one year	207.6	269.7
In the second to fifth year inclusive	189.3	334.6
After five years	—	14.6
	396.9	618.9

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41. CAPITAL COMMITMENTS

	2015 HK\$ million	2014 HK\$ million
Capital expenditure in respect of property and equipment:		
Authorised but not contracted for:		
Grand Lisboa Palace Project	13,960.6	16,843.0
Others	146.1	196.8
	14,106.7	17,039.8
Contracted for but not provided in the consolidated financial statements:		
Grand Lisboa Palace Project	10,140.3	8,282.2
Others	987.0	918.6
	11,127.3	9,200.8

At the end of the reporting period, capital expenditure in respect of property and equipment committed to acquire from related parties amounted to HK\$2,418.1 million (2014: HK\$2,018.2 million).

Up to 31 December 2015, the estimated total construction costs for the Grand Lisboa Palace Project by the Group's management is approximately HK\$30,000 million (2014: HK\$30,000 million).

42. RETIREMENT BENEFITS SCHEMES

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

The Group 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 contribution 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. RELATED PARTY TRANSACTIONS

- (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	2015 HK\$ million	2014 HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group ("STDM Group")	<i>Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>		
	Property rentals (note 43(c))	294.4	261.2
	Transportation (note 43(d))	153.6	163.5
	Hotel accommodation (note 43(d))	77.6	118.0
	Entertainment and staff messing (note 43(d))	51.2	54.2
	<i>Exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>		
	Share of administrative expenses (note 43(f) and (g))	1.7	3.5
	Cleaning services (note 43(g))	23.7	24.4
	Hotel management and operation (note 43(d) and (g))	29.7	28.7
	Promotional and advertising services (note 43(d) and (g))	18.3	17.9
	Dredging services (note 43(d) and (g))	0.1	23.7
	Maintenance services (note 43(d) and (g))	18.1	18.2
	Aircraft sublease rental receipts (note 43(e) and (g))	—	2.5
	Others (note 43(g))	13.8	19.6
	<i>Non-exempt connected transactions under Chapter 14A of the Listing Rules</i>		
	Transfer of dredging department (note 43(m))	—	290.8
	<i>Exempt connected transaction</i>		
Purchase of assets (note 43(g))	—	3.8	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Relationship	Nature of transactions	2015 HK\$ million	2014 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 43(h))	1,340.3	1,692.6
	Transportation (note 43(i))	43.5	51.5
	Property rentals (note 43(j))	158.6	158.6
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules		
	Entertainment and staff messing (note 43(g))	—	12.7
	Others (note 43(g))	30.4	34.4
	Exempt connected transactions under Chapter 14A of the Listing Rules		
	Acquisition of a subsidiary (note 43(n))	—	64.1
	Entities other than above in which STD, 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 43(k))	858.6
Insurance expenses		96.7	88.5
Promotion and advertising expenses		1.3	1.2
Service fee in relation to foreign currencies exchange		14.8	20.7
Construction costs		289.0	—
Others		13.3	17.2
An associate		Construction costs and management fee paid	823.6
A joint venture	Property rentals	14.4	14.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. RELATED PARTY TRANSACTIONS (Continued)

- (b) In 2002, SJM was granted a concession to operate casinos in Macau SAR. For this purpose, STDM transferred its gaming assets to SJM. SJM has been borrowing casino chips from STDM for the purpose of its business operation since SJM, as a new concessionaire from 2002, did not have sufficient casino chips to meet its business needs. According to the gaming concession contract, SJM is permitted to use STDM's casino chips, both in treasury and those put in circulation by STDM prior to 1 April 2002 and should honour such casino chips. In order to regulate the borrowing and use of STDM chips, the Group entered into an agreement with STDM dated 18 June 2008 (the "Chips Agreement") regarding the honouring and borrowing of STDM chips. Under the Chips Agreement, the Group has agreed to honour the STDM chips in circulation upon their redemption by patrons or clients. In addition, STDM has agreed to reimburse the STDM chips presented by the Group to STDM, by paying to the Group in cheque the aggregate face value of chips so presented within the same quarter when such presentation takes place. During the year ended 31 December 2015 the net amount received or receivable on reimbursement of STDM chips in circulation amounted to HK\$0.8 million (2014: HK\$0.4 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 43(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 include hotel accommodation, hotel management and operation, entertainment and staff messing, dredging services, transportation, promotional and advertising services, travel agency services and maintenance services. On 19 June 2011, the Company entered into a renewed products and services master agreement with STDM ("Renewed Master Agreement") for the provision of products and services as described in the Products and Services Master Agreement, except for hotel management and operations promotional and advertising services, and travel agency services, which are regarded as de minimis transactions as described in note 43(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 43(g).
- (e) The Group charged minimum lease payments and related expenses of HK\$2.5 million to the fellow subsidiary, and repaid the same amount of minimum lease payments to the finance company during year ended 31 December 2014. The transaction amount during the year was de minimis as described in note 43(g).

Upon exercise of early buy option by the fellow subsidiary during the year ended 31 December 2014, obligations under finance leases amounted to HK\$72.0 million were settled by the fellow subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. RELATED PARTY TRANSACTIONS (Continued)

- (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 was expired on 31 December 2013 and exempted as continuing connected transactions under Rule 14A.33(2) (before 1 July 2014) and 14A.98 (on and after 1 July 2014). The amounts of transactions during the year were disclosed in note 43(a) above.

- (g) These are de minimis transactions as defined under Rule 14A.31(2) of the Listing Rules, which are continuing connected transactions on normal commercial terms, exempt from reporting, annual review, announcement and independent shareholders’ approval requirements as defined under Rule 14A.33(3) (before 1 July 2014) and 14A.76(1)(a) (on and 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 and is a connected person of the Company pursuant to Rule 14A.11(4)(b) (ii) (before 1 July 2014) of the Listing Rules.
- (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 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 year were disclosed in note 43(a) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. RELATED PARTY TRANSACTIONS (Continued)

- (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 33, 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.
- (m) Pursuant to a transfer agreement entered into between SJM and STDM on 22 November 2013, SJM procured its subsidiary to take over the operation of the dredging department from STDM on 1 January 2014. The takeover involved, 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 gaming concession contract with Macau SAR government.

- (n) In February 2014, the Group acquired 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 services.

Upon completion of the acquisition, the Group allocated New Hop Wo into its gaming segment for internal catering service to staff. The difference 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 was recognised in profit or loss in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

43. RELATED PARTY TRANSACTIONS (Continued)

- (o) In November 2007, the immediate holding company, STDM – Investments Limited (“STDM-I”), has provided a surety (the “STDM-I Surety”) in favour of the Company for the due and punctual payment of obligations the Company may incur in relation to:
- (i) penalties incurred by the Company for any non-criminal violations of relevant laws or regulations pertaining to anti-money laundering, where such violations occurred prior to the listing of the ordinary shares of the Company on the Stock Exchange; and
 - (ii) losses or contingency provisions incurred by the Company in connection with any judgement of any lawsuit, as set out in the paragraph headed “Litigation” in Appendix VII to the Company’s prospectus dated 26 June 2008, to which the Company is a party and which is pending at the time of listing of the ordinary shares of the Company on the Stock Exchange.

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

44. CONTINGENT LIABILITIES AND GUARANTEES

	2015		2014	
	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	1.9
an investee company	20.0	—	20.0	—
	87.3	1.9	87.3	1.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

45. 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
			2015	2014	
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
Macau Dredging Services Limited	Macau SAR	Quota capital: MOP1,000,000	100%	100%	Provision of dredging services
Nam Van Lake View Investment Limited	Macau SAR	Quota capital: MOP1,000,000	100%	100%	Property holding
New Hop Wo Catering Company Limited	Macau SAR	Quota capital: MOP100,000	100%	100%	Provision of food and beverage services
Pier 16 – Entertainment Group Corporation Limited	Macau SAR	Quota capital: MOP25,000	51%	51%	Provision of management services for casino operations
Pier 16 – Gaming Promotion, Limited	Macau SAR	Quota capital: MOP50,000	51%	51%	Provision of gaming promotion services
Pier 16 – Management Limited	Macau SAR	Quota capital: MOP25,000	51%	51%	Hotel operations
Pier 16 – Property Development Limited	Macau SAR	Ordinary shares: MOP10,000,000	51%	51%	Property holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

45. 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
			2015	2014	
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
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

45. 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 are operated in Macau SAR. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Place of incorporation or establishment/ operations	Number of subsidiaries	
		2015	2014
Gaming related operations	Macau SAR	3	2
	Cambodia	1	1
		4	3
Hotel and catering related operations	Macau SAR	2	2
Investment holdings/Inactive	British Virgin Islands/ Macau SAR	15	15
	British Virgin Islands/ Hong Kong	4	4
	Hong Kong	1	1
	Macau SAR	4	4
	Samoa	1	1
		25	25
		31	30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

45. 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		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Pier 16 – Property Development Limited	Macau SAR	49%	49%	(3.3)	55.1	159.9	94.9

Summarised financial information in respect of each 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

	2015 HK\$ million	2014 HK\$ million
Current assets	601.9	495.6
Non-current assets	1,575.7	1,857.3
Current liabilities	(329.0)	(412.2)
Non-current liabilities	(1,893.5)	(2,121.9)
Equity attributable to owners of the Company	(44.9)	(181.2)
Non-controlling interests	(3.5)	—
	2015 HK\$ million	2014 HK\$ million
Revenue	799.4	1,122.4
Cost of sales and expenses	(815.3)	(1,001.7)
(Loss) profit for the year	(3.0)	113.0
Profit attributable to owners of the Company	0.5	113.0
Net cash inflow from operating activities	340.7	492.8
Net cash inflow from investing activities	77.0	65.4
Net cash outflow from financing activities	(308.6)	(789.1)
Net cash inflow (outflow)	109.1	(230.9)

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2011 HK\$ million	2012 HK\$ million	2013 HK\$ million	2014 HK\$ million	2015 HK\$ million
RESULTS					
Gaming, hotel, catering and related services revenues	76,092.0	79,518.9	87,650.9	79,933.9	49,170.9
Gaming revenue	75,514.4	78,884.1	86,956.3	79,268.5	48,589.5
Profit before taxation	5,345.8	6,826.6	7,774.9	6,869.7	2,490.2
Taxation	(35.0)	(74.9)	(52.5)	(88.3)	(38.3)
Profit for the year	5,310.8	6,751.7	7,722.4	6,781.4	2,451.9
Profit attributable to:					
owners of the Company	5,307.6	6,745.4	7,706.0	6,730.7	2,465.0
non-controlling interests	3.2	6.3	16.4	50.7	(13.1)
	5,310.8	6,751.7	7,722.4	6,781.4	2,451.9
As at 31 December					
	2011 HK\$ million	2012 HK\$ million	2013 HK\$ million	2014 HK\$ million	2015 HK\$ million
ASSETS AND LIABILITIES					
Total assets	33,020.0	37,293.8	42,368.5	42,215.1	36,854.7
Total liabilities	(15,773.4)	(17,379.8)	(18,913.3)	(17,352.8)	(13,375.3)
Net assets	17,246.6	19,914.0	23,455.2	24,862.3	23,479.4

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. McBain, Robert Earle

GROUP LEGAL COUNSEL

Mr. Pyne, Jonathan Charles

COMPANY SECRETARY

Ms. Kwok Shuk Chong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3001–3006, 30th Floor
One International Finance Centre
1 Harbour View Street, Central
Hong Kong
Tel: (852) 3960 8000
Fax: (852) 3960 8111
Website: <http://www.sjmholdings.com>
Email (Investor Relations): ir@sjmholdings.com

LISTING INFORMATION

Share listing: Hong Kong Stock Exchange
(Main Board)
Listing date: 16 July 2008
Stock short name: SJM Holdings
Stock code: 880 (Hong Kong Stock Exchange)
0880.HK (Reuters)
880:HK (Bloomberg)
Board lot: 1,000 shares
Designated Securities Eligible for Short Selling
Constituent of Hang Seng HK35 Index
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
BNP Paribas
Industrial and Commercial Bank of China (Asia) Limited

DEFINITIONS

In this report, unless the context states otherwise, the following expressions shall have the following meanings:

- “Adjusted EBITDA” : earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, premium on acquisition written off, loss on disposal/write-off of property and equipment, share-based payments and impairment loss on available-for-sale investment in equity securities
- “ Adjusted EBITDA Margin” : the Adjusted EBITDA divided by total revenue
- “Adjusted Property 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, share-based payments, impairment loss on available-for-sale investment in equity securities and before elimination of inter-company consumption
- “Adjusted Property EBITDA Margin” : the Adjusted Property EBITDA divided by total revenue
- “Administrative Cost Sharing Agreement” : the agreement dated 18 June 2008 entered into between the Company and STDM by which STDM and/or its associates (as defined in the Listing Rules) and the Group have agreed to share the costs of certain administrative services, which was renewed on 19 June 2011 and expired on 31 December 2013
- “Board” : the board of Directors of the Company
- “CG Code” : Corporate Governance Code set out in Appendix 14 of the Listing Rules
- “Chips Agreement” : the agreement dated 18 June 2008 entered into between STDM and SJM to regulate the honouring, borrowing and use of the casino chips of STDM for the purposes of SJM’s gaming operations
- “CODM” : the chief operation decision maker, which is a group of executive directors of the Company who regularly analyse gaming revenue in terms of VIP gaming operations, mass market table gaming operations, slot machine and other gaming operations
- “Company” or “SJM Holdings” : SJM Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Stock Exchange
- “connected person(s)” : has the meaning ascribed to it under the Listing Rules
- “CT” : the Complementary Tax of the Macau SAR

DEFINITIONS

“DICJ”	: Direcção de Inspeção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
“Director(s)”	: the director(s) of the Company
“Group”	: the Company and its subsidiaries
“Hong Kong” or “Hong Kong SAR”	: the Hong Kong Special Administrative Region of the People’s Republic of China
“HKAS”	: Hong Kong Accounting Standard
“HK GAAP”	: Hong Kong generally accepted accounting principles
“HKFRSs”	: Hong Kong Financial Reporting Standards
“HKICPA”	: Hong Kong Institute of Certified Public Accountants
“Listing Rules”	: The Rules Governing the Listing of Securities on the Stock Exchange
“Macau” or “Macau SAR” or “MSAR”	: the Macau Special Administrative Region of the People’s Republic of China
“Model Code”	: the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
“New CO”	: the Companies Ordinance, Chapter 622 of the laws of Hong Kong which became effective on 3 March 2014
“New Hop Wo”	: New Hop Wo Catering Company Limited, a company acquired by the Group on 28 February 2014
“Options”	: share options which the Directors may grant to any participants of the Scheme
“Other Self-promoted Casinos and Slot Halls”	: Casino Lisboa and Casino Oceanus at Jai Alai
“Pier 16 – Property”	: Pier 16 – Property Development Limited, a 51% subsidiary of the Company
“Premises Leasing Master Agreement”	: the agreement entered into between the Company and STDM dated 18 June 2008 for the leasing of premises by STDM Group to the Group

DEFINITIONS

“Products and Services Master Agreement”	: the agreement entered into between the Company and STD M on 18 June 2008 for the provision of products and services by STD M and/or its associates (as defined in the Listing Rules) to the Group
“Renewed Master Agreement”	: the products and services master agreement dated 19 June 2011 entered into between the Company and STD M in relation to the renewal of the Products and Services Master Agreement which was further renewed on 6 January 2014 for a term of three years from 1 January 2014
“Scheme”	: the share option scheme of the Company adopted on 13 May 2009
“SFO”	: the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	: the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	: holder(s) of the Share(s)
“SJM”	: Sociedade de Jogos de Macau, S.A., a joint stock company “sociedade anónima” incorporated under the laws of Macau and a subsidiary of the Company
“Special Complementary Tax”	: the dividend tax which shareholders are obligated to pay to Macau SAR government for dividend distribution
“ST-CITS”	: Shun Tak & CITS Coach (Macao) Limited, a company incorporated in Macau with limited liability
“STD M”	: Sociedade de Turismo e Diversões de Macau, S.A., a controlling Shareholder
“STD M Group”	: STD M and its associates (as defined in the Listing Rules), excluding the Group
“STD M-I”	: STD M-Investments Limited, a subsidiary of STD M liquidated on 15 August 2011
“Stock Exchange”	: The Stock Exchange of Hong Kong Limited
“the Reporting Period”	: the period for the year ended 31 December 2015
“US GAAP”	: United States generally accepted accounting principles
“HK\$”	: Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	: per cent

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