

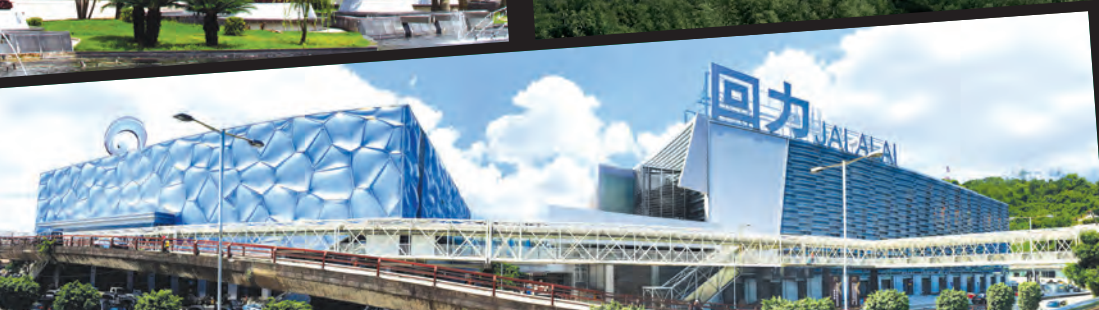
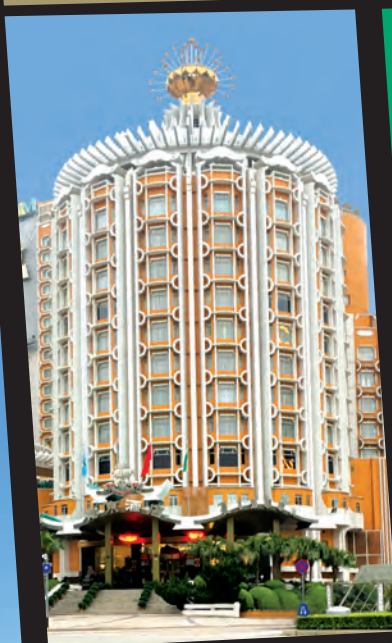


澳門博彩控股有限公司 SJM HOLDINGS LIMITED

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

股份代號：880
Stock Code：880

ANNUAL REPORT 年報 2019



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, the expiry date of which has been extended from March 2020 to June 2022. SJM is the only casino gaming concessionaire with its roots in Macau.

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

The Grand Lisboa Palace, SJM’s integrated resort on Cotai, completed construction in the fourth quarter of 2019 and began the process of obtaining the necessary operating licenses. The Grand Lisboa Palace will feature a total of approximately 1,900 hotel rooms and suites, facilities for meetings and conferences, shopping, dining and entertainment, and a casino.

As at 31 December 2019, SJM operated 20 casinos, comprising more than 1,700 gaming tables and over 2,400 slot machines.





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GRAND LISBOA PALACE
MACAU

澳門上葡京

GRAND LISBOA PALACE

An East-Meets-West Masterpiece

Marking a grand entrance on Cotai and being a milestone development for SJM, Grand Lisboa Palace is an iconic integrated resort soon to be launched on a plot of 70,468 square metres near the Macau East Asian Games Dome.

Inspired by the architecture of European monumental buildings while featuring traditional Chinese motifs, the positioning of Grand Lisboa Palace celebrates the meeting of East and West and reflects the rich cultural heritage of Macau, a thriving gateway for Sino-Western cultural exchange for over 400 years.

The Grand Lisboa Palace resort will offer approximately 1,900 rooms and suites with three distinct and exciting hospitality propositions: leading the way with 1,350 rooms is the five-star Grand Lisboa Palace hotel. Its modern Chinoiserie-styled interior paired with luxurious amenities will bring the widely-recognised Lisboa brand up to a new level of excellence.

Grand Lisboa Palace is also the first integrated resort in the world to house two towers exclusively designed by world-class fashion brands, namely Versace and Karl Lagerfeld respectively. Asia's first Palazzo Versace is designed under the creative direction of Donatella Versace, offering 271 rooms and suites which boast a total Versace-branded lifestyle experience.



The tower bearing the name of the late fashion legend, Karl Lagerfeld, is the only one in the world with its interior fully designed by the eponymous designer. Every single detail in the 271 rooms and suites was personally conceived or selected by Mr. Lagerfeld.

In addition, Grand Lisboa Palace will offer the finest and most diverse cuisines via over 30 food and beverage outlets, underpinned by SJM's industry-leading culinary expertise which has been recognised extensively in the Michelin Guide.

The property has a total gross floor area of 521,435 square metres, plus 77,158 square metres of parking. Over 90 percent of its total area comprises a full range of non-gaming facilities, offering guests varied luxury accommodation and refined leisure enjoyment.

The retail mall of Grand Lisboa Palace covers more than 75,000 square metres and is themed as "Le Jardin de la Fantaisie" or Fantasy Garden. Included in the more than 100 shops will be the Macau flagship outlet of China Duty Free Group, and Macau's largest department store, to be run by NYH Gestão de Vendas a Retalho Limitada, the operator of the famous New Yaohan Department Store.

Amongst its diversified entertainment and leisure facilities, the resort offers The Grand Pavilion, a splendid venue for events and banquets, and a versatile multi-purpose hall for meetings and performances.

Grand Lisboa Palace is set to open in the second half of 2020, offering an exciting panoply of style and leisure experiences and continuing SJM's legacy in hospitality and entertainment.





GRAND LISBOA PALACE

MACAU

澳門上葡京



CHAIRMAN'S STATEMENT



First of all, I would like to extend my personal sympathy to the individuals and families who have been affected by the international outbreak of coronavirus.

The new coronavirus, since named COVID-19, first reached Macau in January. Thanks to the proactivity of the Macau Government, the entire community was quickly made aware of the importance of certain steps to prevent contamination and spread of the virus. In addition, quarantining facilities were designated, monitoring at the border entry points was initiated, and facemasks and other medical supplies were procured early.

SJM is working closely together with the Macau Government to assist in all possible ways to contain the spread of this disease. In our operations, SJM's highest priority has always been the health and safety of our employees and patrons, and we fully support the measures taken by the local government.

Beginning on 5 February, all gaming premises in Macau were closed for a period of 15 days. Since 20 February, casinos have been permitted to reopen subject to several prudent restrictions, including *inter alia* requirements for staff to wear face masks, to check temperatures of all visitors at entry, and to maintain separation between gaming tables. Of SJM's 20 casino properties, 16 were placed back into service on 20 February and the rest were ready for business shortly thereafter. Special arrangements have been instituted for certain employees to work from home, if possible, and for employees to submit daily health declarations to their respective managers.

At this date it is not clear for how long the above measures, and others, will remain in place. SJM has pledged its full cooperation with the Macau Government, and we will continue to do our utmost to ensure that we provide a safe and hygienic environment for our staff and our customers. The impact of COVID-19 and efforts to bring it under control will definitely have a material effect on business results in 2020, but at a level that is not possible to know at the present time. I am confident, however, that SJM has the financial, operational and managerial strength to carry on and return to realizing our full potential in 2021 and beyond.

On 5 February, SJM announced a donation of MOP20 million to aid coronavirus control and relief efforts in Hubei province, including purchasing the much-needed medical supplies and protective equipment. The donation was made under coordination of the Liaison Office of the Central People's Government in Macau. We have also donated kits full of daily necessities to Macau's neediest families, working together with six local community organizations.

I would like to thank all departments of the Macau government, both those charged with direct response to the outbreak, and to others who have contributed to the community spirit of unity. I would also like to thank our staff members for their loyalty and diligent work during the past year and the current period, our Board members for their wise counsel, and our shareholders and business partners for their support.

Ho Chiu Fung, Daisy

Chairman and Executive Director

Hong Kong, 16 March 2020

FINANCIAL HIGHLIGHTS AND DIVIDEND SCHEDULE

FINANCIAL HIGHLIGHTS

	Year Ended 31 December 2019 (HK\$ million)	Year Ended 31 December 2018 (HK\$ million)
Net Gaming Revenue	33,159	33,677
Hotel, Catering, Retail and Other Income	1,050	1,110
Adjusted EBITDA*	4,213	3,724
Profit attributable to owners of the Company	3,207	2,850
Earnings per share		
— basic	HK56.6 cents	HK50.4 cents
— diluted	HK56.6 cents	HK50.3 cents
Dividend per ordinary share		
— proposed final dividend	HK22 cents	HK21 cents
— interim dividend paid	HK8 cents	HK8 cents

* Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, gain/loss on disposal of property and equipment, share-based payments, loss on modification of long-term bank loans, impairment loss (including reversal) on property and equipment and project feasibility study cost.

DIVIDEND SCHEDULE

Events	Date and Time
Announcement of proposed final dividend	16 March 2020
2020 Annual General Meeting (to approve the proposed final dividend)	2:30 p.m. on Tuesday, 9 June 2020
Ex-dividend date	11 June 2020
Record date for proposed final dividend	12 June 2020
Latest time to lodge transfer documents with share registrar to qualify for proposed final dividend	4:30 p.m. on Friday, 12 June 2020
Expected payment date of proposed final dividend (if approved at the 2020 Annual General Meeting)	24 June 2020

CHIEF EXECUTIVE OFFICER'S STATEMENT

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

Macau's gaming market declined moderately in 2019 after a couple years of growth. The bright spot was mass market gaming, which grew at a rate of 16.8%, but not enough to eclipse the decline in VIP revenue. Global economic issues, including uncertainties concerning trade restrictions, definitely weighed on the spending of high-rollers during the year.

Additionally, social disturbances in Hong Kong affected the level of visitation to Macau, as many patrons from central and northern China would have visited Macau and Hong Kong on the same trip. Indeed, visitation to Macau declined 5.7% from the first half of the year to the second half, this in spite of the opening of the Hong Kong/Zhuhai/Macau Bridge in late 2018. Correspondingly, Macau's gaming revenue showed a half-to-half decline of 4.4%.

SJM's net gaming revenue declined by 1.5% in 2019, with the gross revenue numbers showing increases in mass market table games by 8.9% and slot machines by 2.5%, whilst VIP gross revenue declined by 30.4%. The relative difference in mass market versus VIP meant that our Adjusted EBITDA margin (as defined herein) showed a positive increase for the year, and our net income available to shareholders grew by 12.5%.

With the continuing shift of gaming revenue to Cotai, however, SJM's market share of gaming declined to 14.1% for the year.

At the Group's flagship Casino Grand Lisboa, mass market table gaming revenue and slot machine revenue increased by 8.1% and 5.4%, respectively, whilst VIP gaming revenue decreased by 31.4%. The property showed an increase in Adjusted Grand Lisboa EBITDA of 12.9% for the year. Occupancy at the Grand Lisboa Hotel was 93.8% for the full year, at an average room rate of \$1,508.

The Group's financial position continued to be strong. Total cash and bank balances stood at \$15.5 billion as at 31 December 2019, and debt outstanding of the Group was \$15.3 billion.

In the fourth quarter of 2019, construction of the Group's Grand Lisboa Palace project on Cotai was completed, and the process of obtaining the necessary operating licenses was begun. We anticipate that the Grand Lisboa Palace, with its full range of non-gaming activities, luxury hotel accommodations and state-of-the-art gaming facilities, will be ready to open its doors by the end of this year, to make a major contribution to the evolution of Macau as a world centre of tourism and leisure.

Subject to approval by shareholders at the 2020 annual general meeting, the Board of Directors has recommended a final dividend of HK22 cents per ordinary share. In addition to the interim dividend of HK8 cents per ordinary share paid previously, total dividends for the year would amount to HK30 cents per ordinary share.

I would like to express my sincere thanks to our staff for their dedication and hard work, to my fellow directors for their support and guidance, and to our business partners, shareholders and other stakeholders for their ongoing engagement.

So Shu Fai

Vice-Chairman and Executive Director
Chief Executive Officer

Hong Kong, 16 March 2020

BUSINESS REVIEW

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

MARKET ENVIRONMENT

Following two years of growth, Macau's casino gross gaming revenue declined by 3.4% in 2019, as per figures reported by the Macau Gaming Inspection and Coordination Bureau ("DICJ"). The entire decline was accounted for by VIP gaming, however, which decreased year-on-year by 18.6%. In contrast, gross revenue of mass market gaming including slot machines grew by 15.0% in 2019. Given the comparatively low profit margin of VIP gaming, the divergence of VIP and mass market/slot machine revenues resulted in increased overall profitability for Macau's casino gaming industry.

According to the Macau Government Statistics and Census Service, visitation to Macau increased strongly in the first half of 2019 by 20.6% over the first half of 2018 to 20.3 million visitors, aided by the opening of the Hong Kong-Zhuhai-Macau Bridge in the previous October. The second half of the year was marked by social disturbances in Hong Kong, causing many potential visitors who would travel to Macau via Hong Kong to cancel or postpone their trips. Visitation to Macau in the second half of the year thus declined by 5.7% from the first half to 19.1 million.

BUSINESS MODEL AND KEY STRATEGIES

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

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

BUSINESS REVIEW

GROUP OPERATING RESULTS

The Group's profit attributable to owners of the Company, Adjusted EBITDA and Adjusted EBITDA Margin for the year ended 31 December 2019 all increased materially from last year, whilst total net revenue and net gaming revenue recorded decreases compared to last year.

	For the year ended 31 December		Increase/ (Decrease)
	2019 HK\$ million	2018 HK\$ million	
Group operating results			
Total net revenue	33,875	34,410	(1.6%)
Net gaming revenue	33,159	33,677	(1.5%)
Profit attributable to owners of the Company	3,207	2,850	12.5%
Adjusted EBITDA ¹	4,213	3,724	13.2%
Adjusted EBITDA Margin ²	12.4%	10.8%	1.6%

¹ Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, gain/loss on disposal of property and equipment, share-based payments, loss on modification of long-term bank loans, impairment loss (including reversal) on property and equipment and project feasibility study cost.

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

VIP gross gaming revenue of the Group decreased by 30.4% in 2019 while mass market table gross gaming revenue increased by 8.9%. According to statistics from the MSAR government, gaming revenue of Macau decreased by 3.4% in 2019, comprising a 18.6% decrease in VIP gross gaming revenue, a 16.8% increase in mass market table gross gaming revenue and a 0.6% increase in slot machine gross gaming revenue.

During 2019, the Group accounted for 14.1% of Macau's casino gaming revenue of \$283,937 million which represented a decline in market share from 14.9% for the full year 2018.

The Group's Adjusted EBITDA Margin for the year was 12.4%, an increase from 10.8% in 2018.

Attributable profit in the Reporting Period was affected by deductions of share-based payments which were \$6 million in 2019, as compared with \$10 million in the previous year. Depreciation in 2019 was \$1,055 million compared with \$1,163 million in 2018, and interest expense was \$34 million, compared with \$28 million in 2018.

BUSINESS REVIEW

OPERATING RESULTS — VIP GAMING

VIP operations	For the year ended 31 December		
	2019	2018	(Decrease)
Gross gaming revenue (HK\$ million)	13,687	19,663	(30.4%)
Average daily net-win per VIP gaming table (HK\$)	132,040	187,055	(29.4%)
VIP chips sales (HK\$ million)	420,164	670,700	(37.4%)
Average number of VIP gaming tables (Average of month-end numbers)	284	288	(1.4%)

VIP gaming operations accounted for 34.2% of the Group's total gross gaming revenue in 2019, as compared with 44.8% for the previous year. As at 31 December 2019, SJM had 275 VIP gaming tables in operation with 15 VIP promoters, as compared with 287 VIP gaming tables and 19 VIP promoters as at 31 December 2018. As at 31 December 2019, SJM operated VIP gaming in 13 of its casinos.

The Group's gross gaming revenue from VIP gaming operations amounted to approximately 10.4% of total VIP gaming revenue in Macau, compared to 12.2% in the previous year, according to figures from DICJ. The hold rate for SJM's VIP operations was 3.26% in 2019 as compared with 2.93% in 2018.

OPERATING RESULTS — MASS MARKET TABLE GAMING

Mass market operations	For the year ended 31 December		
	2019	2018	Increase
Gross gaming revenue (HK\$ million)	25,127	23,080	8.9%
Average daily net-win per mass market gaming table (HK\$)	46,451	44,657	4.0%
Average number of mass market gaming tables (Average of month-end numbers)	1,482	1,416	4.7%

Gross gaming revenue from mass market table gaming operations comprised 62.8% of the Group's total gross gaming revenue in 2019, as compared with 52.6% in 2018. SJM had 1,511 mass market gaming tables in operation as at 31 December 2019, as compared with 1,425 mass market gaming tables as at 31 December 2018.

OPERATING RESULTS — SLOT MACHINES AND OTHER GAMING OPERATIONS

Slot machine operations	For the year ended 31 December		Increase/ (Decrease)
	2019	2018	
Gross gaming revenue (HK\$ million)	1,186	1,157	2.5%
Average daily net-win per slot machine (HK\$)	1,268	1,188	6.8%
Average number of slot machines (Average of month-end numbers)	2,562	2,668	(4.0%)

Gross gaming revenue from slot machine operations comprised 3.0% of the Group's total gross gaming revenue in 2019, compared with 2.6% in 2018. SJM had 2,439 slot machines in service as at 31 December 2019 as compared with 2,454 slot machines as at 31 December 2018.

As at 31 December 2019, SJM operated slot machines in 12 of its casinos.

OPERATING RESULTS — CASINO GRAND LISBOA

SJM's flagship Casino Grand Lisboa showed a decrease in gross gaming revenue of 17.6%, an increase in Adjusted Grand Lisboa EBITDA and attributable profit of 12.9% and 17.3% respectively.

Casino Grand Lisboa	For the year ended 31 December		Increase/ (Decrease)
	2019	2018	
Gross gaming revenue (HK\$ million)	12,910	15,663	(17.6%)
Profit attributable to the Group (HK\$ million)	2,203	1,878	17.3%
Adjusted Grand Lisboa EBITDA ³ (HK\$ million)	2,349	2,081	12.9%
Adjusted Grand Lisboa EBITDA Margin (over gross gaming revenue)	18.2%	13.3%	4.9%

³ Adjusted Grand Lisboa EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, gain/loss on disposal of property and equipment, share-based payments, loss on modification of long-term bank loans, impairment loss (including reversal) on property and equipment, project feasibility study cost and before elimination of inter-company consumption.

BUSINESS REVIEW

Operating results of Casino Grand Lisboa are as follows:

Casino Grand Lisboa	For the year ended 31 December		Increase/ (Decrease)
	2019	2018	
<i>VIP operations</i>			
Gross gaming revenue (HK\$ million)	6,966	10,155	(31.4%)
Average daily net-win per VIP gaming table (HK\$)	157,717	244,042	(35.4%)
VIP chips sales (HK\$ million)	212,151	361,746	(41.4%)
Average number of VIP gaming tables (Average of month-end numbers)	121	114	6.1%
<i>Mass market operations</i>			
Gross gaming revenue (HK\$ million)	5,475	5,063	8.1%
Average daily net-win per mass market gaming table (HK\$)	52,633	50,811	3.6%
Average number of mass market gaming tables (Average of month-end numbers)	285	273	4.4%
<i>Slot machine operations</i>			
Gross gaming revenue (HK\$ million)	469	445	5.4%
Average daily net-win per slot machine (HK\$)	1,558	1,568	(0.6%)
Average number of slot machines (Average of month-end numbers)	825	778	6.0%

Casino Grand Lisboa operated 292 mass market gaming tables and 123 VIP gaming tables as at 31 December 2019, compared with 266 and 115, respectively at the end of the previous year.

As at 31 December 2019, Casino Grand Lisboa operated a total of 780 slot machines. Jackpots are awarded frequently, with the total exceeding \$185 million for slot machines and over \$47 million for table games (Caribbean Stud Poker) in 2019. During 2019, Casino Grand Lisboa attracted a total of over 12 million visitors.

OPERATING RESULTS — OTHER SELF-PROMOTED CASINOS

Other self-promoted casinos are Casino Lisboa, Casino Oceanus at Jai Alai (including the casino area in the Jai Alai building) and Casino Taipa (collectively, "Other Self-promoted Casinos").

	For the year ended 31 December		
Other self-promoted casinos	2019	2018	Increase
Gross gaming revenue (HK\$ million)	6,308	6,265	0.7%
Profit attributable to the Group (HK\$ million)	908	627	44.6%
Adjusted EBITDA (HK\$ million)	1,223	890	37.3%
Adjusted EBITDA Margin (over gross gaming revenue)	19.4%	14.2%	5.2%

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

	For the year ended 31 December		
Other self-promoted casinos	2019	2018	Increase/ (Decrease)
VIP operations			
Gross gaming revenue (HK\$ million)	1,284	1,630	(21.2%)
Average daily net-win per VIP gaming table (HK\$)	159,850	159,454	0.2%
VIP chips sales (HK\$ million)	34,240	55,151	(37.9%)
Average number of VIP gaming tables (Average of month-end numbers)	22	28	(21.4%)
Mass market operations			
Gross gaming revenue (HK\$ million)	4,704	4,327	8.7%
Average daily net-win per mass market gaming table (HK\$)	32,880	33,873	(2.9%)
Average number of mass market gaming tables (Average of month-end numbers)	392	350	12.0%
Slot machine operations			
Gross gaming revenue (HK\$ million)	320	308	3.7%
Average daily net-win per slot machine (HK\$)	1,321	1,118	18.2%
Average number of slot machines (Average of month-end numbers)	663	756	(12.3%)

As at 31 December 2019, Casino Lisboa operated a total of 22 VIP gaming tables, 111 mass market gaming tables and 56 slot machines, and Casino Oceanus at Jai Alai operated a total of 233 mass market gaming tables and 397 slot machines, plus 62 mass market gaming tables and 74 slot machines in the casino area of the Jai Alai building. Casino Taipa, operated 5 mass market gaming tables and 101 slot machines.

OPERATING RESULTS — SATELLITE CASINOS

As at 31 December 2019, SJM operated 16 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Eastern, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Kam Pek Paradise, Casino L'Arc Macau, Casino Landmark, Casino Legend Palace, Casino Macau Jockey Club, Casino Million Dragon, Casino Ponte 16 and Casino Royal Dragon.

Fourteen of SJM's satellite casinos are located on the Macau Peninsula whilst two satellite casinos are located on the island of Taipa. Satellite casinos comprised a total of 130 VIP gaming tables, 808 mass market gaming tables and 1,031 slot machines, as at 31 December 2019.

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

Satellite casinos	For the year ended 31 December		
	2019	2018	(Decrease)
Gross gaming revenue (HK\$ million)	20,782	21,972	(5.4%)
Profit attributable to the Group (HK\$ million)	525	689	(23.9%)
Adjusted EBITDA (HK\$ million)	522	647	(19.4%)
Adjusted EBITDA Margin (over gross gaming revenue)	2.5%	2.9%	(0.4%)

Operating results of satellite casinos are as follows:

Satellite casinos	For the year ended 31 December		
	2019	2018	Increase/ (Decrease)
<i>VIP operations</i>			
Gross gaming revenue (HK\$ million)	5,438	7,879	(31.0%)
Average daily net-win per VIP gaming table (HK\$)	105,665	146,845	(28.0%)
VIP chips sales (HK\$ million)	173,773	253,803	(31.5%)
Average number of VIP gaming tables (Average of month-end numbers)	141	147	(4.1%)
<i>Mass market operations</i>			
Gross gaming revenue (HK\$ million)	14,947	13,690	9.2%
Average daily net-win per mass market gaming table (HK\$)	50,872	47,357	7.4%
Average number of mass market gaming tables (Average of month-end numbers)	805	792	1.6%
<i>Slot machine operations</i>			
Gross gaming revenue (HK\$ million)	397	403	(1.5%)
Average daily net-win per slot machine (HK\$)	1,012	974	4.0%
Average number of slot machines (Average of month-end numbers)	1,074	1,134	(5.3%)

NON-GAMING OPERATIONS

For the year ended 31 December 2019, the Grand Lisboa Hotel contributed \$514 million in revenue and \$16 million in Adjusted Grand Lisboa EBITDA to the Group as compared with \$518 million in revenue and \$33 million in Adjusted Grand Lisboa EBITDA for the previous year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 93.8% for the full year, as compared with 95.5% for the previous year, and the average room rate for the full year 2019 was approximately \$1,508 as compared with \$1,495 in 2018.

Food and beverage units at the Grand Lisboa Hotel continued to earn international recognition. Amongst numerous awards, French restaurant “Robuchon au Dôme” and Cantonese restaurant “The Eight” received three stars in the Michelin Guide Hong Kong Macau 2020. Modern steakhouse “The Kitchen” was also awarded one star. The wine cellars of “Robuchon au Dôme” and Italian restaurant “Casa Don Alfonso” received the Grand Award and “The Kitchen” received the Best of Award of Excellence from Wine Spectator.

The Sofitel at Ponte 16, in which SJM’s interest is 51%, contributed \$212 million in revenue to the Group in 2019, compared with a contribution of \$214 million in 2018. The occupancy rate of the 408-room hotel averaged 91.2% for the full year 2019 as compared with 92.7% in 2018, whilst average room rate increased by 0.01% to \$1,144. The Sofitel at Ponte 16 received numerous travel industry awards in 2019, in both business and luxury categories.

Income from all hotel, catering, retail and related services, after inter-company elimination, totaled \$717 million in 2019, a decrease of 2.3% from \$733 million in 2018, due primarily to decline in hotel room occupancy and retail operations.

PROSPECTS AND RECENT DEVELOPMENTS

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

COVID-19 UPDATE

In December 2019 a new strain of coronavirus, since named COVID-19 was reported in Wuhan, Hubei Province, China and has since appeared in more than 100 countries and territories including Macau. In response, China and other governments have undertaken significant measures to prevent the spread of the disease, including the following:

- Wuhan and several other Chinese cities have been placed under quarantine;
- Chinese citizens have been advised to avoid all non-essential travel;
- The Individual Visa Scheme under which many mainland Chinese normally visit Macau has been suspended;
- The Hong Kong-Macau Ferry Terminal in Hong Kong was temporarily closed and all ferry operations suspended;
- Casino operations in Macau, including all casinos operated by the Company, were suspended for 15 days from 5 February 2020 and subsequently permitted to reopen under restrictions; and
- Flights to Macau and the region have been suspended or reduced in frequency.

The above measures, which were still in force as of the date of this report, combined with voluntary avoidance of travel, have drained Macau of visitors and therefore seriously reduced gaming and non-gaming activities at SJM's properties.

The disruption of SJM's business due to the outbreak of COVID-19 is expected to have a material adverse effect on the Group's results in the first half of 2020 and potentially beyond. It is not possible to predict the full extent or duration of the impact, however, as it will depend on the progression of the disease and efforts to control it.

PROSPECTS AND RECENT DEVELOPMENTS

CURRENT AND RECENT INITIATIVES

Grand Lisboa Palace

Construction work on the Grand Lisboa Palace, the Group's integrated resort on Cotai, was completed in late 2019 and application was made for the relevant licenses to begin operation in the second half of 2020.

When open, the Grand Lisboa Palace will comprise a total gross floor area of 521,435 square metres plus 77,158 square metres of parking area. More than 90% of the total area will be devoted to a full range of non-gaming facilities, including hotel towers bearing the insignia "Grand Lisboa Palace", "Palazzo Versace" and "Karl Lagerfeld", totaling approximately 1,900 rooms, plus facilities for events, meetings and conferences, shopping, dining and entertainment, and a casino, at an estimated total project cost of approximately \$39 billion.

In May 2019, SJM announced the signing of an agreement with China Duty Free Group Co., Ltd. ("CDFG") to open CDFG's Macau flagship outlet at Grand Lisboa Palace, which will cover approximately 7,500 square metres on the first floor of the project's retail mall.

In January 2020, the Company announced the signing of an agreement between SJM and NYH Gestão de Vendas a Retalho Limitada ("NYH") for NYH to set up a high-class department store on the second floor of the project's retail mall. The store will be under the brand or style "New Yaohan" and will cover approximately 15,500 square metres.

As at 31 December 2019, SJM had entered into capital commitments in connection with the Grand Lisboa Palace project with a total value of approximately \$6.8 billion.

Gaming Concession Extension

In March 2019, a Concession Extension Contract was executed between the Macau Government and SJM, pursuant to which the gaming concession of SJM, which was due to expire on 31 March 2020, would be extended for a further period up to 26 June 2022 which coincides with the expiry date of other concessionaires so that all the original gaming concessions will expire at the same time. Details of the Concession Extension Contract were disclosed in the Company's announcement dated 15 March 2019.

Pursuant to the Concession Extension Contract, SJM submitted a bank guarantee in amount of MOP3,500 million (equivalent to approximately HK\$3,398 million) to the Macau Government on 12 June 2019 to warrant the fulfilment of an already existing commitment of labour liabilities after the expiry of the Concession Extension Contract.

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 \$14,504 million (not including \$1,021 million pledged bank deposits) as at 31 December 2019. This represented a decrease of 22.4% as compared with the position as at 31 December 2018 of \$18,691 million. The decrease was mainly attributable to cash outflows for repayment of syndicated loan facilities and payment for construction of the Grand Lisboa Palace during the year.

Total outstanding balances of bank loans drawn by the Group as at 31 December 2019 amounted to \$15,281 million (as at 31 December 2018: \$15,445 million). The maturity of the Group's borrowings as at 31 December 2019 is as follows:

Maturity Profile			
Within 1 year	1–2 years	2–5 years	Total
1%	33%	66%	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 2019 (as at 31 December 2018: zero).

CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments by the Group amounted to \$7.1 billion as at 31 December 2019 (as at 31 December 2018: \$9.5 billion), of which \$6.8 billion were for the Grand Lisboa Palace project. As at 31 December 2019, the Group was in construction of the Grand Lisboa Palace, with an estimated total project cost of approximately \$39 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 2019, certain of the Group's property and equipment and right-of-use assets (2018: property and equipment and land use rights) with carrying values of \$31,901 million and \$1,887 million, respectively (as at 31 December 2018: \$27,719 million and \$1,797 million, respectively), were pledged to banks for loan facilities. In addition, the Group had pledged bank deposits of \$1,021 million as at 31 December 2019 (2018: \$147 million).

FINANCIAL REVIEW

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2019, the total amount of guarantees of the Group given to banks of \$87 million (2018: \$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 2019.

FINANCIAL RISK

The Group follows a conservative policy in financial management with minimal exposure to the risks of currency and interest rate. The Group does not currently hedge its interest rate exposure, which relates principally to the facilities which bear interest based on the prevailing rates of HIBOR, LIBOR and MAIBOR, although it may consider doing so in the future. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations. All of the Group's bank deposits are denominated in Hong Kong dollars, United States dollars or Macau patacas. It is the Group's policy to avoid speculative trading activity.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions or material disposals of subsidiaries and associated companies during the year ended 31 December 2019.

HUMAN RESOURCES

As at 31 December 2019, the Group had approximately 20,700 full-time employees. The Group's employee turnover rate was minimal in 2019.

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

“From society, to society” is a core value of the SJM Group. In 2019 we continued to support education, arts and culture, sports and other charitable activities to benefit the residents of Macau and to encourage our employees to do likewise.

EDUCATION

The SJM Scholarship Programme annually awards scholarships of MOP10,000 each for ten outstanding students at University of Macau and ten outstanding students at the Macao Institute for Tourism Studies.

For children of staff, the SJM Scholarship Programme, since 2005, has awarded ten scholarships annually to students, who are each awarded MOP20,000 per year until they finish their studies of up to five years. In addition, two best performing students in the past academic year are granted additional awards of MOP5,000 each. This Programme has witnessed the graduation of 104 students since its establishment. The Alumni Association of Scholarship for SJM Employees’ Children was established in 2012, aiming to encourage active participation by past scholarship recipients in social services for the benefit of the community.



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. In April 2019 staff participation in patriotic education programmes in Jinggangshan, Jiangxi was organised by the SJM Staff Welfare Consultative Committee, and SJM also hosted a series of activities for staff and their children to enhance their knowledge of China and Chinese culture.

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

ARTS AND CULTURE

SJM regularly sponsors cultural events in Macau such as art exhibitions and Chinese Opera at the Kam Pek Community Centre in Macau’s Inner Harbour neighbourhood and music performances at the Clube Militar de Macau, dedicated to promoting Macau as a base for multicultural exchange and cooperation with an emphasis on Chinese culture. SJM also provides or subsidises Hong Kong/Macau ferry tickets for arts and culture groups.

CORPORATE SOCIAL RESPONSIBILITY

In March 2019 SJM was a Platinum Sponsor of the 8th Macau Literary Festival. In November 2019 SJM was a sponsor of the 19th Macau Food Festival and in December 2019 Grand Lisboa sponsored the Macao International Parade.

From June to October 2019 SJM presented “ART • Appreciation • Legacy” exhibition series, in support of “Art Macao” launched by the Macau Government. Seven exhibitions, acknowledging both Chinese and Western cultures, were held at SJM’s properties.



In October 2019 SJM presented the “Yuanmingyuan Bronze Horse Head Special Exhibition” upon the 70th anniversary of the founding of the People’s Republic of China and the 20th anniversary of Macau’s return to China, prior to the return of the bronze statue to China. Dr. Stanley Ho had purchased the Horse Head in 2007 to return it to China and on 13 November 2019, it was officially donated to the National Cultural Heritage Administration for collection at the Yuanmingyuan Management Office in Beijing.

In November 2019, SJM sponsored three performances by the China National Peking Opera Company at the Macao Cultural Centre to mark the year of “double celebration”. The event was jointly organised by the Department of Publicity and Culture of the Liaison Office of the Central People’s Government in Macau and the Cultural Affairs Bureau of the Macau Government.

SPORTS

In November 2019 SJM continued as the title sponsor of the Formula 3 racing team, “SJM Theodore Racing” for the seventh consecutive year, at the 66th Macau Grand Prix. SJM also was the title sponsor of the “SJM Macau GT Cup – FIA GT World Cup” for the fifth consecutive year.



SJM provides or subsidises Hong Kong/Macau ferry tickets for sports organisations in Macau such as Macau Dance Sport Federation for exchanges in Hong Kong. SJM was a sponsor of the 24th annual Macau Jockey Club Charity Day held in June 2019, and was the title sponsor of the MJC 30th Anniversary Cup and the SJM Macau Derby in March and July 2019, respectively. SJM was also the title sponsor of the SJM Cup – 8th Macau International Wushu Festival and Macau International Martial Arts Competition held in July. SJM sponsored the Macao International Dragon Boat Races held in June 2019. SJM formed nine dragon boat teams to compete in the local and international races and won several trophies.



RESPONSIBLE GAMING

In 2019, SJM's Performance Improvement Department ("PID") continued its work with the Yat On Responsible Gambling Counselling Centre ("Yat On Centre") to actively promote responsible gaming ("RG") in Macau. In addition, PID cooperated with Yat On Centre in organising responsible gaming training for 1,848 new employees, and on the "RG Ambassadors training programme" and "SJM RG Internship programme". PID conducted activities at various SJM casinos and at the "SJM RG Corner" located in the Macau Gaming History



Gallery to promote RG through interactive games for a total of 14,481 staff members, Macau residents and visitors. SJM also organised different RG activities and competitions, including "SJM Responsible Gaming Promotion 2019", "RG ICON Design Competition", "Knowing Gambling Disorder Competition", "Tetris Crossword Contest" and "RG Maze Competition" for its employees and their family members during 2019.

OTHER COMMUNITY ACTIVITIES IN 2019

In December 2019 SJM hosted the thirteenth annual Charity Auction and Michelin-starred Dinner at Grand Lisboa, which raised funds for Macau charities. SJM was the successful bidder for the featured item of the auction, and all money raised was donated to local charities including Tung Sin Tong Charitable Society, Kiang Wu Hospital Charitable Association, Obra das Mães, Macau Special



Olympics, Macau Holy House of Mercy, Charity Fund From The Readers of Macao Daily News (2019 "Walk for a Million" in Macau), Caritas de Macau (2020 Caritas Macau Charity Bazaar), Yat On Centre, Macau Social Services Centre and Macau Association of the Hearing Impaired.

Also in December 2019 SJM donated to the annual charity event "Walk for a Million" in Macau, and over 3,000 SJM staff and directors participated in the Walk. SJM also participated in the Parade for Celebration of the Year of the Pig by the Macao Government Tourism Office. The Company was a major sponsor of the Global Tourism Economy Forum in Macau in October 2019.



CORPORATE SOCIAL RESPONSIBILITY

In 2019 the SJM Volunteer Team continued to encourage and organise volunteer activities by employees. During the year, more than 665 SJM staff members volunteered to help the needy in society, working with such organisations as Macau Social Services Centre, Macau Special Olympics, Macau Association of the Hearing Impaired, Macau Holy House of Mercy, Caritas de Macau and Associação de Juventude Voluntária de Macau. Members of the SJM Volunteer Team received recognition at the 11th International Volunteer Recognition Ceremony.



SJM supported the first edition of Occupational Skills Competition for Tourism and Leisure Enterprises in Macau held in January 2019, jointly organised by the Labour Affairs Bureau and the Macao Federation of Trade Unions. SJM staff won first place in the Counting Contest, and second place at the Hotel Integrated Services Contest.



SUPPORT FOR MACAU'S SMEs

To support the Macau Government's policy on prioritising purchases from local SMEs, SJM jointly launched the "SJM and Macau SME Procurement Partnership Programme" with the Macao Chamber of Commerce in August 2016. Since the programme was launched and up to 31 December 2019, 1,259 local suppliers have enrolled. Total procurement from local SMEs in 2019 exceeded MOP900 million.

ENVIRONMENTAL PROTECTION

SJM participated in activities during "Macau Energy Saving Week", including "Macau Energy Saving Activity 2019" and "One-hour Lights Off" campaigns. SJM also participated in the 2019 Macao International Environmental Co-operation Forum and Exhibition, aiming to promote environmental protection and green development. The Company was a co-organiser of the Eighth International Forum on Clean Energy held in Macau in November 2019. The Forum brought together representatives from local and foreign governments, industries and academia to discuss the green development of the Guangdong-Hong Kong-Macau Greater Bay Area, focusing on offshore wind power, hydrogen energy, fuel cell, energy internet and green finance. The Forum launched two Reports on International Clean Energy Industry 2019 and on Guangdong-Hong Kong-Macau Greater Bay Area 2019. See also "Environmental, Social and Governance Report" on pages 105 to 117.



EVENT HIGHLIGHTS

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FEBRUARY

- 1 SJM hosts traditional Gala Dinner on Lunar New Year's Eve
- 2 SJM participates in the Parade for Celebration of the Year of the Pig organised by Macao Government Tourism Office

MARCH

- 3 SJM signs Concession Extension Contract valid until 26 June 2022 with the Macau Government

MAY

- 4 SJM signs an agreement with China Duty Free Group to open Macau flagship outlet at Grand Lisboa Palace

JUNE

- 5 Annual General Meeting of SJM Holdings Limited

- 6 SJM presents "ART • Appreciation • Legacy" exhibitions in support of "Art Macao"

AUGUST

- 7 15th Annual SJM Scholarship Awards

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OCTOBER

- 8 SJM celebrates the 70th anniversary of the founding of the People's Republic of China with staff
- 9 SJM presents "Yuanmingyuan Bronze Horse Head Special Exhibition" upon the 70th anniversary of the founding of the People's Republic of China and the 20th anniversary of Macau's return to China, prior to the return of the bronze statue to China

NOVEMBER

- 10 Grand Lisboa presents "Miniature Gastronomic Exhibition" for the year of "double celebration"
- 11 SJM is the title sponsor of the SJM Macau GT Cup – FIA GT World Cup
- 12 SJM is the title sponsor of SJM Theodore Racing for the 66th Macau Grand Prix Formula 3 Race

DECEMBER

- 13 2019 SJM Charity Auction and Michelin-starred Dinner
- 14 SJM directors and staff members participate in Macau's Walk for a Million 2019
- 15 New Year's countdown at Grand Lisboa
- 16 New Year's countdown at Ponte 16 Resort

AWARDS

Numerous awards were received by the Group and its directors in 2019, including the following:

- ◆ Dr. Stanley Ho was elected one of the “20 Persons in 20 Years: the Most Valuable Persons of Macao’s Tourism and Leisure Industry from 1999 to 2019” – Persons with Significant Values by the Institute for Social and Cultural Research of Macau University of Science and Technology.
 - ◆ Ms. Daisy Ho was presented the Women of Hope Awards 2019 – Power and Influence by the Hong Kong Adventist Hospital Foundation.
 - ◆ Dr. Ambrose So was elected one of the “20 Persons in 20 Years: the Most Valuable Persons of Macao’s Tourism and Leisure Industry from 1999 to 2019” – Persons with Values by the Institute for Social and Cultural Research of Macau University of Science and Technology.
-
- ◆ SJM Holdings Limited was presented the “Global Chinese Business 1000 – Outstanding Performance Award” by Yazhou Zhoukan.

GRAND LISBOA

- ◆ MECC Award for Euroexcellence in Luxury by the Macau European Chamber of Commerce
- ◆ The Best Hotel Wine Collection of the Year by Target Taste Award
- ◆ The Spa at Grand Lisboa Hotel received the “Best Men’s Treatment” award at the SpaChina Awards Ceremony 2019

ROBUCHON AU DÔME, GRAND LISBOA



- ◆ Three Michelin Stars by Michelin Guide Hong Kong Macau 2020
- ◆ Wine Spectator Grand Award 2019
- ◆ Five Star Rating by Forbes Travel Guide 2019
- ◆ 3-Glass Rating (Excellent) by China’s Wine List of the Year Awards 2019
- ◆ Best Restaurant Wine List – Outstanding by China’s Wine List of the Year Awards 2019
- ◆ The “Most Valuable Brand” Excellence Award by the Business Awards of Macau
- ◆ Hong Kong Tatler Best Restaurants 2020
- ◆ South China Morning Post 100 Top Tables 2019
- ◆ Three-star Restaurant in Ctrip Gourmet List 2019
- ◆ Ranked 12th in the Top 100 Restaurants in the World by Elite Traveler 2019
- ◆ Three Diamonds by 2019 Black Pearl Restaurant Guide
- ◆ Ranked 2nd in Top 100+ Asian Restaurants by 2019 Opinionated About Dining
- ◆ 2019 Masterchef Recommendation Restaurant by Asia Art of Cuisine Society
- ◆ Champions’ League Best Dessert & Fortified Wine List 2019 by World of Fine Wine

THE EIGHT, GRAND LISBOA



- ◆ Three Michelin Stars by Michelin Guide Hong Kong Macau 2020
- ◆ 3-Glass Rating (Excellent) by China's Wine List of the Year Awards 2019
- ◆ Hong Kong Tatler Best Restaurants 2020
- ◆ South China Morning Post 100 Top Tables 2019
- ◆ Two-star Restaurant in Ctrip Gourmet List 2019
- ◆ One Diamond by 2019 Black Pearl Restaurant Guide
- ◆ Ranked 4th in Top 100+ Asian Restaurants by 2019 Opinionated About Dining
- ◆ 2019 Masterchef Recommendation Restaurant by Asia Art of Cuisine Society

CASA DON ALFONSO, GRAND LISBOA



- ◆ Wine Spectator Grand Award 2019
- ◆ 3-Glass Rating (Excellent) by China's Wine List of the Year Awards 2019
- ◆ Best Listing of German Wines by China's Wine List of the Year Awards 2019
- ◆ Hong Kong Tatler Best Restaurants 2020
- ◆ Best Italian Restaurant of The Year by Target Taste Award
- ◆ Ranked 56th in Top 100+ Asian Restaurants by 2019 Opinionated About Dining
- ◆ Certified as an authentic Italian restaurant by Ospitalità Italiana

THE KITCHEN, GRAND LISBOA



- ◆ One Michelin Star by Michelin Guide Hong Kong Macau 2020
- ◆ Wine Spectator Best of Award of Excellence 2019
- ◆ 3-Glass Rating (Excellent) by China's Wine List of the Year Awards 2019
- ◆ South China Morning Post 100 Top Tables 2019
- ◆ One-star Restaurant in Ctrip Gourmet List 2019
- ◆ One Diamond by 2019 Black Pearl Restaurant Guide

SOFITEL MACAU AT PONTE 16



- ◆ Macao Green Hotel Award 2017–2019 – Silver
- ◆ Excellent Communication Service Hotel Award by Macao Smart Hotel Award 2019
- ◆ Luxury Cultural Hotel by World Luxury Hotel Awards 2019
- ◆ Asia's Top Spa Hotel & Resort by 2019–2020 Now Travel Asia Awards
- ◆ China's Best Destination Hotel by the 19th Golden Horse Awards of China
- ◆ Excellent Service Oriented Hotel of the Year by 2019 Greater Bay Area Hospitality Awards
- ◆ My Favourite Hotel & Resorts by U Magazine Travel Awards 2019
- ◆ Le Chinois was awarded My Favourite Hotel Restaurant in Macau by U Favourite Food Awards 2019
- ◆ So SPA was awarded Luxury Hammam Experience by World Luxury Spa Awards 2019
- ◆ So SPA was awarded Asia's top Wellness Spa by 2019–2020 Now Travel Asia Awards

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Ho Chiu Fung, Daisy, aged 55, was elected an Executive Director of the Company in June 2017. She was appointed to succeed as Chairman of the Company in June 2018, and was appointed as the Chairman of the Executive Committee of the Board in July 2018, and a member of the Nomination Committee and the Remuneration Committee of the Board in February 2019. Ms. Ho was re-designated from a member to the Chairman of the Nomination Committee of the Board in June 2019. She was elected as a director of SJM and was appointed as the Chairman of the board of directors of SJM in March 2019. Ms. Ho is also a director of a number of principal subsidiaries of the Company.

Ms. Ho was an appointed representative of Shun Tak Holdings Limited ("Shun Tak"), which is a corporate director of STDM (the controlling shareholder of the Company), up till 31 March 2010, and has thereafter become an appointed representative of Lanceford Company Limited, which is also a corporate director of STDM, since 1 April 2010. She was appointed an executive director of Shun Tak, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE Main Board"), in 1994, and has been the deputy managing director and chief financial officer of Shun Tak since 1999. She is also a member of the executive committee, remuneration committee and nomination committee of Shun Tak and a director of a number of its subsidiaries.

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Mr. Fok Tsun Ting, Timothy, aged 74, was appointed as an Executive Director of the Company in 2010, and was appointed as a member of the Cotai Project Committee of the Board in 2015. He was appointed as a Co-Chairman of the Company in June 2018, and was appointed as a member of the Executive Committee of the Board in July 2018. Mr. Fok has been a director of SJM since 2014.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Deputada Leong On Kei, Angela, aged 58, has been an Executive Director of the Company since 2007. She was appointed as a Co-Chairman of the Company in June 2018. Deputada Leong has been a member of the Remuneration Committee and the Nomination Committee of the Board since 2008, a member of the Executive Committee of the Board since 2009, and a member of Cotai Project Committee of the Board since 2015. She has been the Chairman of the Staff Welfare Consultative Committee of SJM since 2005, a director of SJM since 2007, the Managing Director of SJM in 2010, and Chief Administrative Officer of SJM since 2014. Deputada Leong is also a director of a number of principal subsidiaries of the Company. She has been a director of STDM since 2005 and a shareholder of STDM.

Deputada Leong is actively involved in public and community services in China, Hong Kong and Macau. She is a Standing Committee member of the Jiangxi Provincial Committee of CPPCC, a vice-chairman of Jiangxi Federation of Returned Overseas Chinese, Honorary Citizen of Jinggangshan, Jiangxi Province, Honorary President of Jinggangshan Cadre Training Academy, Jiangxi Province and Honorary Principal of Jinggangshan Experimental Primary School, Jiangxi Province. In 2005, 2009, 2013 and 2017, respectively, Deputada Leong was elected a member of the 3rd, 4th, 5th and 6th Legislative Assemblies of the Macau Special Administrative Region ("Macau SAR") and the chairman of the 6th Administrative Council of the Legislative Assemblies of Macau SAR. She is a member of the 2nd, 3rd and 4th Elective Committee of Chief Executive of Macau SAR, and was appointed as a member of the 5th Elective Committee of Chief Executive of Macau SAR in June 2019. She is an elective committee member of the 10th, 11th, 12th and 13th National People's Congress of Macau SAR, China. She is a member of Tourism Development Committee of Macau SAR since 2018.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Dr. So Shu Fai, aged 68, was appointed a director of the Company in 2006. He is currently the Chief Executive Officer and an Executive Director of the Company, and was appointed as the Vice-Chairman of the Company in June 2018. Dr. So is responsible for execution of the Company's strategy and the overall management of the Company's business. He was the Chairman of the Executive Committee of the Board from 2009 to July 2018 and thereafter a member of the said committee. Dr. So was the Chairman of the Remuneration Committee and the Nomination Committee of the Board from 2008 to 2012 and thereafter a member of the said committees. He was appointed as a member of the Cotai Project Committee of the Board in 2015. Dr. So has been a director of SJM and a member of the senior management of SJM since 2002. He was elected as the chairman of the board of directors of SJM from 2013 to March 2019. Dr. So is a director of a number of principal subsidiaries, an associate and a joint venture of the Company. He joined STDM in 1976 and has over 40 years of experience in the casino business.

Dr. So is an executive director of China Merchants Land Limited, a company listed on HKSE Main Board. He is also a director of Estoril-Sol, SGPS, S.A. which is listed on Euronext Lisbon. Dr. So is the chairman of the board of directors of MACAUPORT – Sociedade de Administração de Portos, S.A. ("MACAUPORT") and was appointed as a member of the Executive Committee of MACAUPORT in March 2019.

Dr. So is presently the Honorary Consul of the Republic of Portugal in Hong Kong SAR and a consultant of the Economic Development Council of 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 10th National Committee of the China Federation of Literary and Art Circles. Dr. So was a member of the 9th, 10th, 11th and 12th National Committee of CPPCC and a member of the Committee of Foreign Affairs of the National Committee of the CPPCC.

Dr. So was awarded the Honorary University Fellowship by The University of Hong Kong in 2005, the Medal of Merit — Culture by the Macau SAR Government in 2009 and the Doctor of Social Sciences *honoris causa* by the University of Macau in 2012. He was conferred as Comendador da Ordem do Mérito by the Portuguese Government in 2014. Dr. So was awarded the Honorary Fellowship by HKU SPACE in 2019.

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Mr. Ng Chi Sing, aged 68, 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 the Chief Operating Officer of SJM since 2002. He is responsible for overseeing SJM's operations. Mr. Ng was a director of SJM from 2002 to March 2019.

Mr. Ng joined STDM in 1978 and has 41 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 was a Standing Committee member of the 12th Shanghai Municipal Committee of CPPCC until January 2018.

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

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

Dr. Chan Un Chan, aged 65, was elected as Executive Director of the Company in June 2018. She has been a director of SJM since 2009. Dr. Chan is a director and a shareholder of STDM. She is the chairman of UNIR (HK) Management Limited, the executive director of Tagus Properties Limited, a director of Hung Choi Land Development Co, Limited, UNIR HOTEL PTY LTD and Wei Hang Shipyard (Zhong Shan) Co., Limited.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Mr. Shum Hong Kuen, David, aged 65, has been an Executive Director of the Company since 2007. He has been a member of the Executive Committee and the Cotai Project Committee of the Board since 2009 and 2015 respectively. Mr. Shum was a member of the Nomination Committee of the Board from 2008 to February 2019. He is also a director of a number of principal subsidiaries of the Company. Mr. Shum has been a director of SJM since 2007 and of Sociedade de Turismo e Desenvolvimento Insular S.A.R.L. since 1998. He is an executive director and a member of the executive committee of the board of directors of Shun Tak (listed on HKSE Main Board). Mr. Shum is also a director of a number of subsidiaries in the Shun Tak Group. He is an appointed representative of Shun Tak, a corporate director of STDM, and a shareholder of STDM.

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

NON-EXECUTIVE DIRECTOR

Mr. Tsang On Yip, Patrick, aged 48, was elected as Non-executive Director of the Company in June 2019. He has been a supervisory committee member of SJM and certain of its subsidiaries since March 2019. Mr. Tsang is the chief executive officer and director of Chow Tai Fook Enterprises Limited. He currently holds directorships in five companies listed on HKSE Main Board, namely, executive director of UMP Healthcare Holdings Limited and Melbourne Enterprises Limited, and non-executive director of Greenheart Group Limited, i-CABLE Communications Limited and Integrated Waste Solutions Group Holdings Limited. Mr. Tsang was a managing director and Head of Asia Fixed Income Capital Markets at Deutsche Bank AG, Hong Kong Branch before joining Chow Tai Fook Enterprises Limited. He has extensive finance and investment expertise acquired over a 20-year career in investment banking.

Mr. Tsang is an appointed representative of Many Town Company Limited, a corporate director of STDM, a director of Cheng Yu Tung Foundation Limited and Chow Tak Fook (Holding) Limited, a member of Hong Kong Chief Executive Election Committee, a General Committee member of Employers' Federation of Hong Kong and a member of the 12th Henan Provincial Committee of CPPCC.

Mr. Tsang holds a Bachelor of Arts degree in Economics from Columbia College of Columbia University.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Tak Hay, aged 77, has been an Independent Non-executive Director of the Company since 2007 and a member of the Audit Committee of the Board since 2008, a member of the Remuneration Committee of the Board since 2010, thereafter appointed as Chairman of the said committee in June 2019, and a member of the Nomination Committee of the Board since 2008, and was the Chairman of the said committee from 2012 to June 2019, and then re-designated from the Chairman to member of the said committee.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Hon. Shek Lai Him, Abraham, aged 74, 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. He was appointed as the Chairman of the Cotai Project Committee of the Board in 2015.

Hon. Shek is the honorary chairman and an independent non-executive director of Chuang's China Investments Limited and the vice-chairman and an independent non-executive director of ITC Properties Group Limited, both companies are listed on HKSE Main Board. He is also an independent non-executive director of a number of companies listed on the HKSE Main Board, namely, China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Cosmopolitan International Holdings Limited, Country Garden Holdings Company Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Goldin Financial Holdings Limited, Hop Hing Group Holdings Limited, Lai Fung Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited and Paliburg Holdings Limited. Hon. Shek is an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust, and Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust, both of the Trusts are listed on the HKSE Main Board. He has been an independent non-executive director of Ping An OneConnect Bank (Hong Kong) Limited (formerly known as "Ping An One Connect Company Limited") and Far East Consortium International Limited, a company listed on the HKSE Main Board since May 2019 and June 2019 respectively.

Hon. Shek was an independent non-executive director of ITC Corporation Limited, Midas International Holdings Limited, TUS International Limited and MTR Corporation Limited, all of which are listed on the HKSE Main Board, until March 2017, January 2018, January 2017 and May 2019 respectively.

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

Hon. Shek is a member of the Legislative Council for Hong Kong SAR representing the real estate and construction functional constituency since 2000. He was appointed a Justice of the Peace in 1995, was awarded Silver Bauhinia Star and Gold Bauhinia Star by Hong Kong SAR Government in 2007 and 2013 respectively, was awarded the Honorary Fellowship of Lingnan University in November 2008, the Honorary Fellowship of Hong Kong University of Science and Technology in June 2014, the Honorary University Fellowship by The University of Hong Kong in September 2016, and Honorary Fellowship by The Education University of Hong Kong in March 2018. Hon. Shek is also the chairman and an independent member of English Schools Foundation, a court member of the Hong Kong University of Science and Technology, a non-executive director of the Mandatory Provident Fund Schemes Authority, a court and council member of The University of Hong Kong and a member of the advisory committee on Corruption of the Independent Commission Against Corruption.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Tse Hau Yin, aged 72, has been an Independent Non-executive Director of the Company since 2007, the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Board since 2008. He was appointed as a member of the Cotai Project Committee of the Board in 2015. Mr. Tse is the chairman of the Supervisory Committee of SJM and a number of its subsidiary companies.

Mr. Tse is an independent non-executive director of China Huarong Asset Management Company, Limited, China Telecom Corporation Limited, CNOOC Limited and Sinofert Holdings Limited, all of which are listed on HKSE Main Board. Mr. Tse is also an independent non-executive director of OCBC Wing Hang Bank Limited, which was listed on the HKSE Main Board until October 2014.

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

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

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Ms. Wong Yu Pok, Marina, aged 71, was elected as Independent Non-executive Director of the Company in June 2019. She has been a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board since June 2019.

Ms. Wong is an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Kerry Logistics Network Limited, Kerry Properties Limited and Luk Fook Holdings (International) Limited, companies listed on HKSE Main Board.

Ms. Wong joined PricewaterhouseCoopers in 1968 and was responsible for the development of the firm's business in Mainland China since 1980. After her retirement as a partner from PricewaterhouseCoopers in July 2004, she joined Tricor Services Limited as a director from September 2004 to February 2006.

Ms. Wong is a member of a number of Government advisory and other bodies in Hong Kong, including The Dental Council of Hong Kong and was the Chairman of The Applied Research Council up to February 2017. She is the Chartered President of Hong Kong Women Professionals & Entrepreneurs Association, Vice-Chairman of the Hong Kong Federation of Women and a director of China Tibetan Children Health & Education Fund. Ms. Wong was appointed as a Justice of the Peace in 2004.

An accountant by training, Ms. Wong is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. She was conferred Honorary Fellow of City University of Hong Kong in 2008.

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 2019 and up to 31 December 2019 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 2019 (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. The Company's other subsidiaries are principally engaged in hotel, catering, retail and related services in Macau.

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

PRINCIPAL SUBSIDIARIES

A list of principal subsidiaries, together with their places of incorporation/establishment and operations and particulars of their issued share capital/quota capital and principal activity, is set out in note 46 to the Financial Statements.

FINANCIAL RESULTS

The profit of the Group for the year ended 31 December 2019, 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 124 to 226.

DIVIDENDS

An interim dividend of HK8 cents per Share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK8 cents per Share) was paid on 27 September 2019.

The Board recommends a final dividend of HK22 cents per Share (2018: HK21 cents per Share) in respect of the year ended 31 December 2019, which is subject to approval at the forthcoming annual general meeting of the Company to be held on 9 June 2020 (the "2020 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 33 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 2019 amounted to \$7,329.0 million (31 December 2018: \$7,490.5 million).

DIRECTORS' REPORT

DONATIONS

Donations made by the Group during the year amounted to \$7.3 million (31 December 2018: \$7.0 million).

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 16 and 17 of this Annual Report, respectively.

The financial risk management objectives and policies of the Group are shown in the section headed "Financial Review" on pages 18 and 19 and note 39 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 105 to 117 of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 72 to 104 of this Annual Report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2019 is set out on page 227 of this Annual Report.

MAJOR SUPPLIERS AND CUSTOMERS

Major Suppliers

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

Major Customers

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

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS FOR 2020 AGM

Book close dates for 2020 AGM	: 3 June 2020 to 9 June 2020 (both days inclusive)
Last share registration date for 2020 AGM	: 2 June 2020
Latest time to lodge transfer documents with the Company's share registrar	: 4:30 p.m. on Tuesday, 2 June 2020
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 2020 AGM	: 2:30 p.m. on Tuesday, 9 June 2020
Deadline and address for submission of proxy form for 2020 AGM	: 2:30 p.m. on Saturday, 6 June 2020 Suites 3001–3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong or via email at comsec@sjmholdings.com

RECORD DATE FOR PROPOSED FINAL DIVIDEND

Record date for proposed final dividend	: 12 June 2020
Latest time to lodge transfer documents with the Company's share registrar	: 4:30 p.m. on Friday, 12 June 2020
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	: 24 June 2020 (if approved at the 2020 AGM)

DIRECTORS' REPORT

FIXED ASSETS

Details of movements in the property and equipment, right-of-use assets and land use rights of the Group during the year are set out in notes 13, 14 and 16, respectively, to the Financial Statements.

MAJOR PROPERTIES

Details of major properties of the Group as at 31 December 2019 are as follows:

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

DIRECTORS' REPORT

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2019 are set out in note 27 to the Financial Statements.

CAPITALISATION OF BORROWING COSTS

Borrowing costs capitalised by the Group during the year amounted to \$614.2 million (2018: \$463.6 million).

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 31 to the Financial Statements.

SHARE OPTION SCHEME

At an annual general meeting of the Company held on 13 May 2009, the Shareholders approved the adoption of the Scheme under which the Directors may grant to any participants of the Scheme Options to subscribe for Shares, subject to the terms and conditions as stipulated therein. The Scheme lapsed on 13 May 2019 and no further Options can be granted thereunder. However, the outstanding Options granted under the Scheme shall continue to be valid and exercisable up to the end of the relevant exercise periods.

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). Since the Scheme lapsed on 13 May 2019, no further Options can be granted thereunder.

SHARE OPTION SCHEME (Continued)

Principal terms of the Scheme (Continued)

Maximum entitlement of each participant	<p>: In any 12-month period (including the proposed grant date):</p> <p>(a) For participants excluding substantial Shareholders, Independent Non-executive Directors or their respective associates:</p> <p>1% of the number of Shares in issue as at the proposed grant date (including the total number of Shares already issued and those which may fall to be issued upon exercise of Options granted and to be granted to him under the Scheme and any other share option scheme(s) of the Company and/or any subsidiary)</p> <p>(b) For substantial Shareholders, Independent Non-executive Directors or their respective associates:</p> <p>(i) 0.1% of the number of Shares in issue as at the proposed grant date (including the total number of Shares already issued and those which may fall to be issued upon exercise of Options granted and to be granted to him under the Scheme and any other share option scheme(s) of the Company and/or any subsidiary); or</p> <p>(ii) not exceeding \$5 million in aggregate value based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on each relevant date on which the grant of Options is made.</p>
Period within which the Shares must be taken up under an Option	: The Board may in its absolute discretion determine, save that such period shall expire on the last day of nine years commencing on the date falling six months after the date of grant.
Minimum period for which an Option must be held before it can be exercised	: Such minimum period under the Scheme is six months from the date of grant. At the time of grant of Options, the Board may specify longer minimum period(s) for which Options must be held before they can be exercised.
Amount payable on acceptance of the Option	: \$1
Period within which payments or calls must or may be made or loans for such purposes must be repaid	: Payable within 28 days from the date of the letter containing the grant, provided that no such grant shall be open for acceptance after the expiry or termination of the Scheme
Basis of determining the exercise price	<p>: The exercise price shall be determined by the Board at the time the grant of the Options is made and shall not be less than the higher of:</p> <p>(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</p> <p>(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.</p>
Remaining life of the Scheme	: The Scheme was in force for a period of 10 years commencing on the adoption date but lapsed on 13 May 2019.

SHARE OPTION SCHEME (Continued)

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

During the year, 4,710,000 Options were exercised, and a total of \$19,366,800 was received by the Company as the proceeds for allotment and issue of 4,710,000 Shares.

As at 31 December 2019, 477,085,000 Options were granted under the Scheme with 282,690,000 Options were exercised, and a total of \$1,878,018,540 was received by the Company as the proceeds for the allotment and issue of 282,690,000 Shares.

Excluding 18,737,000 Options lapsed, there were 175,658,000 Options outstanding as at 31 December 2019 (including 1,000,000 Options not yet vested on that date). If all those outstanding share options were exercised, a total of \$2,173,913,780 would be received by the Company as the proceeds for the allotment and issue of 175,658,000 Shares.

SHARE OPTION SCHEME (Continued)

Movement of Options granted

Details of the movement in Options granted under the Scheme during the year ended 31 December 2019 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 2019
				Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Directors:									
Ho Chiu Fung, Daisy	22 June 2017 (Note 8)	22 December 2017 to 21 December 2026	\$8.33	500,000	—	(500,000)	—	—	—
	22 June 2017 (Note 8)	22 December 2018 to 21 December 2026	\$8.33	1,000,000	—	(500,000)	—	—	500,000
	22 June 2017 (Note 8)	22 December 2019 to 21 December 2026	\$8.33	1,000,000	—	—	—	—	1,000,000
Fok Tsun Ting, Timothy	31 August 2010 (Note 3)	28 February 2011 to 27 February 2020	\$7.48	3,000,000	—	—	—	—	3,000,000
	17 March 2011 (Note 4)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
Leong On Kei, Angela	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	10,000,000	—	—	—	—	10,000,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	10,000,000	—	—	—	—	10,000,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	10,000,000	—	—	—	—	10,000,000
So Shu Fai	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	11,667,000	—	—	—	—	11,667,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	11,667,000	—	—	—	—	11,667,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	11,666,000	—	—	—	—	11,666,000
Chau Tak Hay	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	—	—	—	166,000

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 2019	
				Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year		
Directors: (Continued)										
Shek Lai Him, Abraham	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000	
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000	
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	—	—	—	166,000	
Tse Hau Yin	17 March 2011 (Note 4)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000	
	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000	
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000	
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	—	—	—	166,000	
Ng Chi Sing	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	10,667,000	—	—	—	—	10,667,000	
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	10,667,000	—	—	—	—	10,667,000	
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	10,666,000	—	—	—	—	10,666,000	
Chan Un Chan	21 June 2018 (Note 9)	21 December 2018 to 20 December 2027	\$10.26	1,000,000	—	—	—	—	1,000,000	
	21 June 2018 (Note 9)	21 December 2019 to 20 December 2027	\$10.26	1,000,000	—	—	—	—	1,000,000	
	21 June 2018 (Note 9)	21 December 2020 to 20 December 2027	\$10.26	1,000,000	—	—	—	—	1,000,000	
Shum Hong Kuen, David	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	3,000,000	—	(3,000,000)	—	—	—	
	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000	
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000	
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000	
Sub-total (Directors):				119,500,000	—	(4,000,000)	—	—	115,500,000	

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share	Number of Options					Balance as at 31 December 2019
				Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Retired Director:									
Cheng Kar Shun	8 October 2013 (Notes 5 & 10)	8 April 2014 to 7 April 2023	\$22	1,000,000	—	—	—	(1,000,000)	—
	8 October 2013 (Notes 5 & 10)	8 April 2015 to 7 April 2023	\$22	1,000,000	—	—	—	(1,000,000)	—
	8 October 2013 (Notes 5 & 10)	8 April 2016 to 7 April 2023	\$22	1,000,000	—	—	—	(1,000,000)	—
	15 June 2015 (Notes 6 & 10)	15 December 2015 to 14 December 2024	\$9.826	1,000,000	—	—	—	(1,000,000)	—
	15 June 2015 (Notes 6 & 10)	15 December 2016 to 14 December 2024	\$9.826	1,000,000	—	—	—	(1,000,000)	—
	15 June 2015 (Notes 6 & 10)	15 December 2017 to 14 December 2024	\$9.826	1,000,000	—	—	—	(1,000,000)	—
Sub-total (Retired Director):				6,000,000	—	—	—	(6,000,000)	—
Associates (as defined in the Listing Rules) of Directors (who are also Employees):									
Ho Hung Sun, Stanley	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	1,667,000	—	—	—	—	1,667,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	1,667,000	—	—	—	—	1,667,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	1,666,000	—	—	—	—	1,666,000
Huen Wai Kei	8 October 2013 (Note 5)	8 April 2014 to 7 April 2023	\$22	67,000	—	—	—	—	67,000
	8 October 2013 (Note 5)	8 April 2015 to 7 April 2023	\$22	67,000	—	—	—	—	67,000
	8 October 2013 (Note 5)	8 April 2016 to 7 April 2023	\$22	66,000	—	—	—	—	66,000
	15 June 2015 (Note 6)	15 December 2015 to 14 December 2024	\$9.826	20,000	—	—	—	—	20,000
	15 June 2015 (Note 6)	15 December 2016 to 14 December 2024	\$9.826	20,000	—	—	—	—	20,000
	15 June 2015 (Note 6)	15 December 2017 to 14 December 2024	\$9.826	20,000	—	—	—	—	20,000
Sub-total (Associates of Directors (who are also Employees)):				5,260,000	—	—	—	—	5,260,000

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 2019
				Outstanding as at 1 January 2019	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	450,000	—	(450,000)	—	—	—
Employees	26 May 2010 (Note 2)	26 November 2010 to 25 November 2019	\$5.03	260,000	—	(260,000)	—	—	—
Employees	17 March 2011 (Note 4)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
Employees*	8 October 2013 (Notes 5 & 12)	8 April 2014 to 7 April 2023	\$22	12,531,000	—	—	—	(189,000)	12,342,000
Employees*	8 October 2013 (Notes 5 & 12)	8 April 2015 to 7 April 2023	\$22	12,486,000	—	—	—	(187,000)	12,299,000
Employees*	8 October 2013 (Notes 5 & 12)	8 April 2016 to 7 April 2023	\$22	12,473,000	—	—	—	(186,000)	12,287,000
Employees*	15 June 2015 (Notes 6 & 12)	15 December 2015 to 14 December 2024	\$9.826	3,758,000	—	—	—	(64,000)	3,694,000
Employees*	15 June 2015 (Notes 6 & 12)	15 December 2016 to 14 December 2024	\$9.826	3,758,000	—	—	—	(64,000)	3,694,000
Employees*	15 June 2015 (Notes 6 & 12)	15 December 2017 to 14 December 2024	\$9.826	3,644,000	—	—	—	(62,000)	3,582,000
Employee	11 May 2016 (Note 7)	11 November 2016 to 10 November 2025	\$4.89	1,000,000	—	—	—	—	1,000,000
Employee	11 May 2016 (Note 7)	11 November 2017 to 10 November 2025	\$4.89	1,000,000	—	—	—	—	1,000,000
Employee	11 May 2016 (Note 7)	11 November 2018 to 10 November 2025	\$4.89	1,000,000	—	—	—	—	1,000,000
Sub-total (Employees):				55,360,000	—	(710,000)	—	(752,000)	53,898,000
Other participants	17 March 2011 (Notes 4 & 11)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
Other participants	8 October 2013 (Notes 5 & 12)	8 April 2014 to 7 April 2023	\$22	167,000	—	—	—	(167,000)	—
Other participants	8 October 2013 (Notes 5 & 12)	8 April 2015 to 7 April 2023	\$22	167,000	—	—	—	(167,000)	—
Other participants	8 October 2013 (Notes 5 & 12)	8 April 2016 to 7 April 2023	\$22	166,000	—	—	—	(166,000)	—
Other participants	15 June 2015 (Notes 6, 11 & 12)	15 December 2015 to 14 December 2024	\$9.826	384,000	—	—	—	(217,000)	167,000
Other participants	15 June 2015 (Notes 6, 11 & 12)	15 December 2016 to 14 December 2024	\$9.826	384,000	—	—	—	(217,000)	167,000
Other participants	15 June 2015 (Notes 6, 11 & 12)	15 December 2017 to 14 December 2024	\$9.826	382,000	—	—	—	(216,000)	166,000
Sub-total (Other participants):				2,150,000	—	—	—	(1,150,000)	1,000,000
Total:				188,270,000	—	(4,710,000)	—	(7,902,000)	175,658,000

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Notes:

1. The vesting period for all of the Options granted on 13 July 2009 is six months from the date of grant, except the vesting period for Options in respect of a total of 30,000,000 Shares is one third of vesting on 13 January 2010, then one third of vesting on each of the first and second anniversaries of such vesting date. All the Options granted on that date were exercised before their expiry date of 12 January 2019. The closing price of the Shares immediately before the date of grant was \$2.85. The estimated fair value of each Option granted on that date based on an independent valuation is as follows:

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

2. The vesting period for all of the Options granted on 26 May 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was \$4.83. The estimated fair value of each Option granted on that date based on an independent valuation is \$2.0178. All the Options granted on that date were exercised before their expiry date of 25 November 2019.
3. The vesting period for all of the Options granted on 31 August 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was \$7.49. The estimated fair value of each Option granted on that date based on an independent valuation is \$2.8926.
4. The vesting period for all of the Options granted on 17 March 2011 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was \$12.58. The estimated fair value of each Option granted on that date based on an independent valuation is \$4.5320.
5. The vesting period for 47,460,000 Options granted on 8 October 2013 is approximately 34% vesting on six months from the date of grant, then approximately 33% vesting on each of the first and second anniversaries of such vesting date. The vesting period for 3,000,000 Options granted on 8 October 2013 is approximately 34% vesting on one year from the date of grant, then approximately 16.5% vesting on two, three, four and five years from the date of grant respectively. The closing price of the Shares immediately before the date of grant was \$21.95. The estimated fair value of each Option granted on that date based on an independent valuation is as follows:

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

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Notes: (Continued)

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

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

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

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

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

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

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Notes: (Continued)

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

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

10. On 11 June 2019, Dr. Cheng Kar Shun retired as Non-executive Director of the Company and holds no other position in the Group subsequently.
11. On 11 June 2019, Dr. Lan Hong Tsung, David retired as Independent Non-executive Director of the Company and was appointed as a consultant to the Company on that date. He is re-classified as an other participant and the outstanding number of his share options is re-classified to confirm with current year's presentation.
12. An other participant was re-classified as an employee of the Group during the year. The classification of outstanding number of her share options is re-classified to confirm with current year's presentation.
13. The weighted average closing price of the Shares immediately before the dates on which the Options were exercised is \$7.64.

DIRECTORS

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

Executive Directors:

Ms. Ho Chiu Fung, Daisy
Mr. Fok Tsun Ting, Timothy
Deputada Leong On Kei, Angela
Dr. So Shu Fai
Mr. Ng Chi Sing
Dr. Chan Un Chan
Mr. Shum Hong Kuen, David

Non-executive Directors:

Dr. Cheng Kar Shun (*retired on 11 June 2019*)
Mr. Tsang On Yip, Patrick (*elected on 11 June 2019*)

Independent Non-executive Directors:

Mr. Chau Tak Hay
Dr. Lan Hong Tsung, David (*retired on 11 June 2019*)
Hon. Shek Lai Him, Abraham
Mr. Tse Hau Yin
Ms. Wong Yu Pok, Marina (*elected on 11 June 2019*)

Brief biographical details of Directors are set out on pages 28 to 37 of this Annual Report. Details of their remuneration are set out in note 9 to the Financial Statements.

In accordance with Article 95 of the Company's articles of association, Ms. Ho Chiu Fung, Daisy, Mr. Fok Tsun Ting, Timothy, Deputada Leong On Kei, Angela and Dr. So Shu Fai, each an Executive Director, will retire from the Board by rotation at the 2020 AGM. All of the aforesaid Directors, being eligible, offer themselves for re-election as Directors at the 2020 AGM.

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/her 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:

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2020 AGM has a service contract with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

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

Agreements with STDM and/or its subsidiaries/associates

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

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

Connected relationship:

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

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

Premises Leasing Master Agreement

Parties to the agreements:

STDM and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2019
18 June 2008	18 June 2008 to 31 March 2020 (the Company may terminate the agreement by giving at least three months' prior written notice)	<ul style="list-style-type: none"> For the leasing of premises by STDM Group to the Group for use as casinos, offices, or for other business purposes. Payments for the premises comprised rental, utility charges, air conditioning service charges and building management fees where the relevant rental must be fair and reasonable, and may not be higher than the rental for the same or comparable type of premises provided by independent third parties in the ordinary course of business; the utility charges payable are based on actual utility consumption; and the air conditioning expenses and building management fees are determined in accordance with and not exceeding the relevant market prices. The terms and conditions on which such premises are to be provided should be no less favourable to the Company than those offered by independent third parties. 	See "Annual Caps and Aggregate Amount Table" on page 57 of this Annual Report
23 December 2019 (renewal of the Premises Leasing Master Agreement dated 18 June 2008)	1 April 2020 to 31 December 2022 (the Company may terminate the agreement by giving at least three months' prior written notice)	<ul style="list-style-type: none"> Same as the Premises Leasing Master Agreement dated 18 June 2008 	See "Annual Caps and Aggregate Amount Table" on page 57 of this Annual Report

Further details of the above transactions were set out in the section "Connected Transactions" in the Prospectus of the Company dated 26 June 2008, the announcements of the Company dated 16 June 2009, 11 September 2009, 30 December 2010, 6 January 2014, 26 January 2017 and 23 December 2019.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

Products and Services Master Agreement

Parties to the agreements:

STDM and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2019
26 January 2017	1 January 2017 to 31 December 2019	<ul style="list-style-type: none"> For the provision of the following categories of products and services by the STDM Group to the Group: <ul style="list-style-type: none"> (i) hotel accommodation (ii) entertainment (iii) transportation (including jetfoil tickets supplied by Far East Hydrofoil Company, Limited through STDM) (iv) hotel management and operation (v) maintenance services The provision of each relevant product or service by the STDM Group shall be on normal commercial terms and made with reference to the prevailing market price after arm's length negotiation between the relevant parties or, where there is no relevant market price, on terms negotiated between the relevant parties at arm's length. The price of the products and services to be provided by the STDM Group including the basis of the calculation of the payments to be made shall be set out in the relevant implementation agreements and must be fair and reasonable. 	See "Annual Caps and Aggregate Amount Table" on page 57 of this Annual Report
23 December 2019 (renewal of the Products and Services Master Agreement dated 26 January 2017)	1 January 2020 to 31 December 2022	<ul style="list-style-type: none"> Same as the Products and Services Master Agreement dated 26 January 2017 	See "Annual Caps and Aggregate Amount Table" on page 57 of this Annual Report

Further details of the above transactions were set out in the announcements of the Company dated 26 January 2017 and 23 December 2019.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

Chips Agreement

Parties to the agreement:

STDM and SJM

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2019
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 57 of this Annual Report

Further details of the above transactions were set out in the section "Connected Transactions" in the Prospectus of the Company dated 26 June 2008 and the announcements of the Company dated 30 December 2010, 6 January 2014, 26 January 2017 and 23 December 2019.

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 2019 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' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2019 \$ million (audited)	Annual cap for the year ended 31 December 2019 \$ million	Annual cap for the year ending 31 December 2020 \$ million	Annual cap for the year ending 31 December 2021 \$ million	Annual cap for the year ending 31 December 2022 \$ million
Premises Leasing Master Agreement (Note 1)	242.7	307	790.2	119.5	29.3
Products and Services Master Agreement (Note 2)					
(i) Hotel accommodation	17.9	106	N/A	N/A	N/A
(ii) Entertainment	14.8	79	N/A	N/A	N/A
(iii) Transportation	99.8	236	165	198	238
(iv) Maintenance services	N/A	N/A	N/A	N/A	N/A
(v) Hotel management and operation	N/A	N/A	N/A	N/A	N/A
Chips Agreement (Note 3)	0.1	79	77	77	77

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

Annual Caps and Aggregate Amount Table: (Continued)

Notes:

1. In January 2017, the Board approved the annual caps for this category of continuing connected transactions for the three financial years of 31 December 2017, 2018 and 2019 at \$307 million each year. These annual caps were determined by reference to (i) the existing leases between the Group and the STDM Group; (ii) the expected renewal of certain existing leases during the three years ending 31 December 2019; (iii) the estimated rental adjustments to be made to the renewed leases; and (iv) a buffer for additional and unexpected demand of the Group for the premises owned by the STDM Group for its business operations up to 31 December 2019.

In December 2019, STDM and the Company renewed the Premises Leasing Master Agreement and the Board approved the annual caps for this category of continuing connected transactions for the three financial years of 31 December 2020, 2021 and 2022 at \$790.2 million, \$119.5 million and \$29.3 million respectively. These annual caps were determined by reference to (i) the existing leases entered into between the Group and the STDM Group under the Premises Leasing Master Agreement dated 18 June 2008; (ii) the expected renewals of certain existing leases during period from 1 April 2020 to 31 December 2022; (iii) the estimated rental adjustments to be made to the renewed leases; (iv) the adoption of HKFRS 16 "Lease" for renewed leases; and (v) a buffer for additional and unexpected demand of the Group for the premises owned by the STDM Group for the Group's business operations up to 31 December 2022.

2. In January 2017, STDM and the Company renewed the Products and Services Master Agreement and the Board approved the annual caps for the three categories of continuing connected transactions (i.e., hotel accommodation, entertainment, and transportation) for the three financial years of 31 December 2017, 2018 and 2019. Those annual caps were 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 December 2019, STDM and the Company further renewed the Products and Services Master Agreement and the Board approved the annual caps for a category of continuing connected transactions (i.e., transportation) for the three financial years of 31 December 2020, 2021 and 2022. These annual caps were determined by reference to a number of factors including (i) the historical consumption of the transportation service by the Group; (ii) the projected number of gaming patrons in casinos operated by the Group and, in particular, the expected opening of the Grand Lisboa Palace in 2020; (iii) the business, marketing and promotion plans of the Group; and (iv) the inflation rate in Macau. The other four categories of continuing connected transactions (i.e., hotel accommodation, entertainment, maintenance services, and hotel management and operation) under the Products and Services Master Agreement are de minimis transactions under the Listing Rules and no annual cap has been set.

3. In January 2017, the Board set the annual caps for this category of continuing connected transactions for the three financial years of 31 December 2017, 2018 and 2019 at \$79 million each year. These annual caps for the STDM chips to be redeemed were determined by reference to the outstanding amount of STDM chips in circulation.

In December 2019, the Board set the annual caps for this category of continuing connected transactions for the three financial years of 31 December 2020, 2021 and 2022 at \$77 million each year. These annual caps for the STDM chips to be redeemed were determined by reference to the outstanding amount of STDM chips in circulation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

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

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

Connected relationship:

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

Parties to the agreement:

Tin Hou and SJM

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Aggregate amount of transactions in 2019 \$ million (audited)
19 February 2010	1 October 2009 to 31 March 2020 (original 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. 	950.4

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

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

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

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

Connected relationship:

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

Parties to the agreements:

Deputada Leong On Kei, Angela and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transaction in 2019
14 December 2016	1 January 2017 to 31 December 2019 (the Company shall have the right in its sole discretion to renew the agreement for further three years)	<ul style="list-style-type: none"> Deputada Leong On Kei, Angela agrees to lease and procure her associates to lease certain premises to members of the Group subject to the terms and conditions of the Premises Leasing Master Agreement and the relevant lease implementation agreements. The relevant rental of each premises shall not be higher than the rental for the same or comparable type of premises provided by independent third parties in the ordinary course of business. The terms and conditions on which such premises are to be provided should be no less favourable to the Group than those offered by independent third parties. The costs of maintenance and repair of the premises shall be borne, as set out in the lease implementation agreements, by the relevant member of the Group as tenant/lessee in the case of regular maintenance and repair of usage deterioration and by Deputada Leong On Kei, Angela and/or her relevant associate as landlord/lessor in the case of structural repair required to maintain the integrity of the premises. 	See "Annual Caps and Aggregate Amount Table" on page 61 of this Annual Report

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

Details of the transaction: (Continued)

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transaction in 2019
23 December 2019 (renewal of the Premises Leasing Master Agreement dated 14 December 2016)	1 January 2020 to 31 December 2022 (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"> Same as the Premises Leasing Master Agreement dated 14 December 2016 	See "Annual Caps and Aggregate Amount Table" on page 61 of this Annual Report

Further details of the said transaction were set out in the announcements of the Company dated 14 December 2016 and 23 December 2019.

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2019 \$ million (audited)	Annual cap for the year ended 31 December 2019 \$ million	Annual cap for the year ending 31 December 2020 \$ million	Annual cap for the year ending 31 December 2021 \$ million	Annual cap for the year ending 31 December 2022 \$ million
Annual amount (Note)	118.8	150	278.7	9	9

Note:

The annual caps for 2017 to 2019 were determined by reference to (i) the leases entered into between the Group and Deputada Leong On Kei, Angela and/or her associates under the Premises Leasing Master Agreement dated 22 November 2013; (ii) the expected renewals of the leases under the premises leasing master agreement dated 22 November 2013 during 1 January 2017 to 31 December 2019; (iii) the estimated rental adjustments to be made to the renewed leases; (iv) the estimated premises related fees and charges payable to Deputada Leong On Kei, Angela and/or associates; and (v) a buffer of 10% for any unanticipated fluctuations of market rental (including property management fee, if applicable) and any unexpected fees and charges incidental to the transactions contemplated under the Premises Leasing Master Agreement dated 14 December 2016 as well as any additional leases to be entered pursuant to the said Premises Leasing Master Agreement during 1 January 2017 to 31 December 2019.

The annual caps for 2020 to 2022 were determined by reference to (i) the leases entered into between the Group and Deputada Leong On Kei, Angela and/or her associates under the Premises Leasing Master Agreement dated 14 December 2016; (ii) the expected renewals of certain existing leases under the Premises Leasing Master Agreement dated 14 December 2016 during 1 January 2020 to 31 December 2022; (iii) the estimated rental adjustments to be made to the renewed leases; (iv) the adoption of HKFRS 16 "Lease" for renewed leases; (v) the estimated premises related fees and charges payable to Deputada Leong On Kei, Angela and/or her associates; and (vi) a buffer for any unanticipated fluctuations of market rental (including property management fee, if applicable) and any unexpected fees and charges incidental to the transactions contemplated under the Premises Leasing Master Agreement dated 23 December 2019 as well as any additional leases to be entered pursuant to the said Premises Leasing Master Agreement during 1 January 2020 to 31 December 2022.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Subsequent to 31 December 2019, an agreement was entered into by SJM with a connected person as follows:

Right to Use a Shop Agreement for the Operation of New Yaohan Department Store at the Grand Lisboa Palace

Parties to the agreement:

Owner: SJM

User: NYH Gestão de Vendas a Retalho Limitada ("NYH"), an indirect wholly-owned subsidiary of STDM

Details of the transaction:

Date of agreement	Description of the transaction and its purpose	Annual caps \$ million
21 January 2020	<ul style="list-style-type: none"> SJM granted the rights to use the shop to NYH for the purpose of operating a department store under the brand name or style of "New Yaohan" or any other name as approved by SJM at a shop located on the second floor of the shopping mall, amounting to approximately 166,490 sq.ft, in the Grand Lisboa Palace (the "Premises"). The Right to Use a Shop Agreement ("NYH Agreement") has a term of 12 years and 6 months (the "Term"), which shall begin on the commencement date, which is currently expected to be April 2020 (the "Commencement Date"). Neither SJM nor NYH is entitled to terminate the NYH Agreement within the first 6 years (after the initial 6-month fee-free period) of the Term. Within the remaining 6-year period of the Term, unilateral termination will be applied upon fulfillment of certain terms. The NYH Agreement will be automatically renewed for a period of 18 months upon the expiry of the Term, if neither SJM nor NYH serves a termination notice to the other party 18 months prior to the end of the Term. Grand opening date would be the later date on which: (i) the overall fit-out works related to the shopping mall having been finished, ready for business and open to the public completed to NYH's satisfaction; (ii) no less than 60% of the total gross area of the shopping mall (excluding the area of the Premises) has been opened to the public for business; (iii) the casino on the ground floor in the Grand Lisboa Palace is in operation; (iv) the majority of the hotels and/or rooms in the Grand Lisboa Palace has been opened to the public for business; and (v) all the entrances and escalators in the shopping mall connecting to the Premises are open to public. SJM would confirm the grand opening date of the shopping mall, which shall be at least 6 months after the Commencement Date, with NYH at least 1 month in advance by writing. 	2020: 40.4 2021: 86.6 2022: 91.2 2023: 99.2 2024: 105.5 2025: 109.8 2026: 118.3 2027: 130.2 2028: 134.9 2029: 144.7 2030: 157.4 2031: 161.6 2032: 125.4

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

Right to Use a Shop Agreement for the Operation of New Yaohan Department Store at the Grand Lisboa Palace (Continued)

Details of the transaction: (Continued)

Date of agreement	Description of the transaction and its purpose	Annual caps \$ million
	<ul style="list-style-type: none">Starting from the commencement date, the monthly base fee for the rights of use of the Premises (the "Base Fee") payable by NYH shall be as set out below: <u>Fee-free period</u> Commencing from the Commencement Date, SJM shall give NYH a fee-free period of 6 months. <u>Years 1–3</u> The base fee for each month will be the turnover fee which will be an amount equivalent to 4% of the monthly sales turnover. <u>Years 4–6</u> The base fee for each month will be an amount equivalent to 4% of the monthly sales turnover, subject to the minimum base fee of the average turnover fee of years 2–3 plus 10% increment. <u>Years 7–9</u> The base fee for each month will be an amount equivalent to 4.5% of the monthly sales turnover, subject to minimum base fee of the average turnover fee of years 4–6 plus 10% increment. <u>Years 10–12 (or until the end of the Term, if the NYH Agreement is automatically renewed)</u> The base fee for each month will be an amount equivalent to 5% of the monthly sales turnover, subject to minimum base fee of the average turnover fee of years 7–9 plus 10% increment. <i>Note: Years 1–12 above commence after the end of the 6-month fee-free period.</i>A fixed monthly management fee of approximately HK\$2.1 million (equivalent to HK\$12.66 per sq.ft.) per month for the first 3 years of the Term shall be payable by NYH and it shall be increased by an amount equivalent to 7.5% at the end of each 3-year period.A fixed monthly promotion levy of approximately HK\$333,000 (equivalent to HK\$2.00 per sq.ft.) per month for the first 3 years of the Term shall be payable by NYH and it shall be increased by an amount equivalent to 7.5% at the end of every 3-year period.	

Further details of the above transaction were set out in the announcement of the Company dated 21 January 2020.

REVIEW BY AUDITORS

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

The Company's auditor, Deloitte Touche Tohmatsu (the "Auditor"), was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 53 to 61 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

The Auditor has confirmed that for the year 2019:

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

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

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

At a meeting of the Audit Committee held on 16 March 2020, 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 2019, the net amount received and receivable on reimbursement of STDM chips in circulation amounted to \$0.1 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 41 to the Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards. The related party transactions referred in notes 41(b) to 41(i) and 41(m) constitute continuing connected transactions/connected transaction 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

The Group recognises revenue from customers by conducting the following principal businesses:

- gaming operations
- hotel, catering and retail operations

During the year ended 31 December 2019, the following Directors of the Company had interests in the following businesses (apart from the businesses of the Group) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Group conducted during the year required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Name of Directors	Name of Company/ Partnership/ Sole Proprietorship	Interest in the Competing Business	Nature of Competing Business
Ho Chiu Fung, Daisy	Sociedade de Turismo e Diversões de Macau, S.A. ("STDM")	• Appointed representative of Lanceford Company Limited, a corporate director of STDM	Hospitality, catering and retail business in Macau
	Shun Tak Holdings Limited	• Executive director and deputy managing director	Hospitality, catering and retail business in Macau

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS (Continued)

Name of Directors	Name of Company/ Partnership/ Sole Proprietorship	Interest in the Competing Business	Nature of Competing Business
Leong On Kei, Angela	Sociedade de Turismo e Diversões de Macau, S.A.	• Director	Hospitality, catering and retail business in Macau
	Macau Horse Racing Company Limited	• Director • Substantial shareholder	Catering business in Macau
	Arc of Triumph Development Company Limited	• Director • Substantial shareholder	Hospitality and catering business in Macau
	Macau Hotel Company Limited (Trade name "Regency Art Hotel")	• Director • Substantial shareholder	Hospitality and catering business in Macau
	Macau Theme Park and Resort Limited	• Director • Substantial shareholder	Hospitality, catering and retail business in Macau (to be opened)
	Sociedade Hoteleira e de Turismo S.Tiago, Limitada	• Director • Substantial shareholder	Hospitality and catering business in Macau
	Wise Bro. Dessert (Macau) Limited	• Director	Catering business in Macau
	Angela (Macau) Star Dessert Limited	• Director • Substantial shareholder	Catering business in Macau
	New Mario Bakery Limited	• Director	Catering business in Macau
So Shu Fai	Macau Horse Racing Company Limited	• Director	Catering business in Macau
Ng Chi Sing	Macau Horse Racing Company Limited	• Director	Catering business in Macau
Chan Un Chan	Sociedade de Turismo e Diversões de Macau, S.A.	• Director • Substantial shareholder	Hospitality, catering and retail business in Macau
	Macau Legend Development Limited	• Substantial shareholder	Hospitality, catering and retail business in Macau
Shum Hong Kuen, David	Sociedade de Turismo e Diversões de Macau, S.A. ("STDM")	• Appointed representative of Shun Tak Holdings Limited, a corporate director of STDM	Hospitality, catering and retail business in Macau
	Shun Tak Holdings Limited	• Executive director	Hospitality, catering and retail business in Macau
Tsang On Yip, Patrick	Sociedade de Turismo e Diversões de Macau, S.A. ("STDM")	• Appointed representative of Many Town Company Limited, a corporate director of STDM	Hospitality, catering and retail business in Macau
	Chow Tai Fook Enterprises Limited	• Director and chief executive officer	Hospitality and catering business in Macau

Save as disclosed above, none of the Directors is interested in any businesses apart from the businesses of the Company or its subsidiaries, which competes or is likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries during the year which is required to be disclosed pursuant to the Listing Rules.

DIRECTORS' REPORT

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

As at 31 December 2019, interests and short positions of each Director and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, are as follows:

Interests in Shares, underlying Shares and debentures of the Company

Name of Directors	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued shares
(Note 2)					
Ho Chiu Fung, Daisy	Beneficial owner	Long position	1,500,000	—	0.03%
	Beneficial owner	Long position	—	1,500,000	0.03%
			1,500,000	1,500,000	0.06%
Fok Tsun Ting, Timothy	Beneficial owner	Long position	—	9,000,000	0.16%
				(Note 1)	
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	—	8.09%
	Beneficial owner	Long position	—	30,000,000	0.53%
			457,950,000	30,000,000	8.62%
So Shu Fai	Beneficial owner	Long position	153,327,922	—	2.71%
	Beneficial owner	Long position	—	35,000,000	0.62%
			153,327,922	35,000,000	3.33%
Chau Tak Hay	Beneficial owner	Long position	500,000	—	0.01%
	Beneficial owner	Long position	—	500,000	0.01%
			500,000	500,000	0.02%
Shek Lai Him, Abraham	Beneficial owner	Long position	200,000	—	0.004%
	Beneficial owner	Long position	—	500,000	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	0.02%
			500,000	1,000,000	0.03%
Ng Chi Sing	Beneficial owner	Long position	118,452,922	—	2.09%
	Beneficial owner	Long position	—	32,000,000	0.57%
			118,452,922	32,000,000	2.66%

DIRECTORS' REPORT

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

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

Name of Directors	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued shares
					(Note 2)
Chan Un Chan	Beneficial owner	Long position	2,034,000	—	0.04%
	Beneficial owner	Long position	—	3,000,000	0.05%
				(Note 1)	
			2,034,000	3,000,000	0.09%
Shum Hong Kuen, David	Beneficial owner	Long position	6,000,000	—	0.11%
	Beneficial owner	Long position	—	3,000,000	0.05%
				(Note 1)	
			6,000,000	3,000,000	0.16%

Notes:

- These represent the interests in underlying Shares in respect of share options granted by the Company, the details of which are stated in section "Share Option Scheme" above.
- The percentage has been calculated based on 5,664,369,293 Shares in issue as at 31 December 2019.

Interests in shares, underlying shares and debentures of associated corporations

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

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

Sociedade de Jogos de Macau, S.A.

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

DIRECTORS' REPORT

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, so far as was known to any Director, as of 31 December 2019, none of the Directors or the chief executives of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2019, details of substantial Shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of substantial Shareholders	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued Shares
(Note 2)					
Sociedade de Turismo e Diversões de Macau, S.A.	Beneficial owner and its controlled corporation (Note 1)	Long position	3,062,059,500	—	54.06%
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	30,000,000 (Note 3)	8.62%

Notes:

1. 12,072,000 Shares are directly held by Konrad Investments Limited, as indirect wholly-owned subsidiary of STDM through Bounty Rich Holdings Limited.
2. The percentage has been calculated based on 5,664,369,293 Shares in issue as at 31 December 2019.
3. These represent the interests in underlying Shares in respect of the Options granted by the Company, the details of which are stated in the section "Share Option Scheme" above.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any persons (other than a Director or the chief executives of the Company) of any interest or short position in Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

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

NON-COMPETITION UNDERTAKING BY STD M

Pursuant to the deed of Non-Competition Undertaking dated 18 June 2008, STD M has undertaken with the Company that (i) for the period in which the Shares are listed on the Stock Exchange and STD M remains the controlling Shareholder, STD M will not compete with the operation of casino gaming businesses of SJM in Macau (apart from maintaining their interests in Melco International Development Limited ("Melco") and (ii) it will not increase its interest in Melco. Furthermore, STD M 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.

At a meeting of the Audit Committee held on 16 March 2020, all the Independent Non-executive Directors reviewed the confirmation from STD M in respect of the Non-Competition Undertaking, and confirmed compliance with the Non-Competition Undertaking provided by STD M.

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

At the meeting of the Audit Committee held on 16 March 2020, all the Independent Non-executive Directors reviewed the position regarding the indemnity (the "STD M-I Surety") provided by STD M-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 ("pre-IPO litigation").

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

Since there has been no further proceedings relating to the pre-IPO litigation, the Independent Non-executive Directors have been advised by the Company's legal counsel in Hong Kong and Macau that there can no longer be a claim against STD M in respect of the pre-IPO litigation and there was currently no material claim against STD M 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 2019.

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 2020 AGM.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company.

By order of the Board of Directors
SJM Holdings Limited

Ho Chiu Fung, Daisy
Chairman and Executive Director

Hong Kong, 16 March 2020

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 2019, the Company has complied with code provisions of the CG Code.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

Directors of the Company

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

Having made specific enquiry, the Company confirms that all Directors have complied with the required standards as stated in the Model Code for the year ended 31 December 2019.

Relevant employees of the Company

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

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

BOARD COMPOSITION

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

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

The Board (including corporate governance functions) (Total no. of Directors: 12 (Note 1))		
Executive Directors (also being the senior management of the Company)	Non-executive Directors	Independent Non-executive Directors
Ms. Ho Chiu Fung, Daisy (Chairman) Mr. Fok Tsun Ting, Timothy (Co-Chairman) Deputada Leong On Kei, Angela (Co-Chairman) Dr. So Shu Fai (Vice-Chairman and Chief Executive Officer) Mr. Ng Chi Sing (Chief Operating Officer) Dr. Chan Un Chan Mr. Shum Hong Kuen, David	Dr. Cheng Kar Shun <i>(retired on 11 June 2019)</i> Mr. Tsang On Yip, Patrick <i>(elected on 11 June 2019)</i>	Mr. Chau Tak Hay Dr. Lan Hong Tsung, David <i>(retired on 11 June 2019)</i> Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin (Note 3) Ms. Wong Yu Pok, Marina <i>(elected on 11 June 2019)</i>
Total number: 7 % to total Directors: 58.3%	Average Total number: 1 % to total Directors: 8.3%	Average total number: 4 (Note 2) % to total Directors: 33.4% (Note 4)
Notes:		
1. Maximum number of Directors: 12 (Article 80 of the articles of association of the Company (the "Articles"))		
2. Minimum number of Independent Non-executive Directors: 3 (Listing Rule 3.10(1))		
3. One Independent Non-executive Director having accounting expertise (Listing Rule 3.10(2))		
4. Independent Non-executive Directors represent $\frac{1}{3}$ of the Board (Listing Rule 3.10A)		

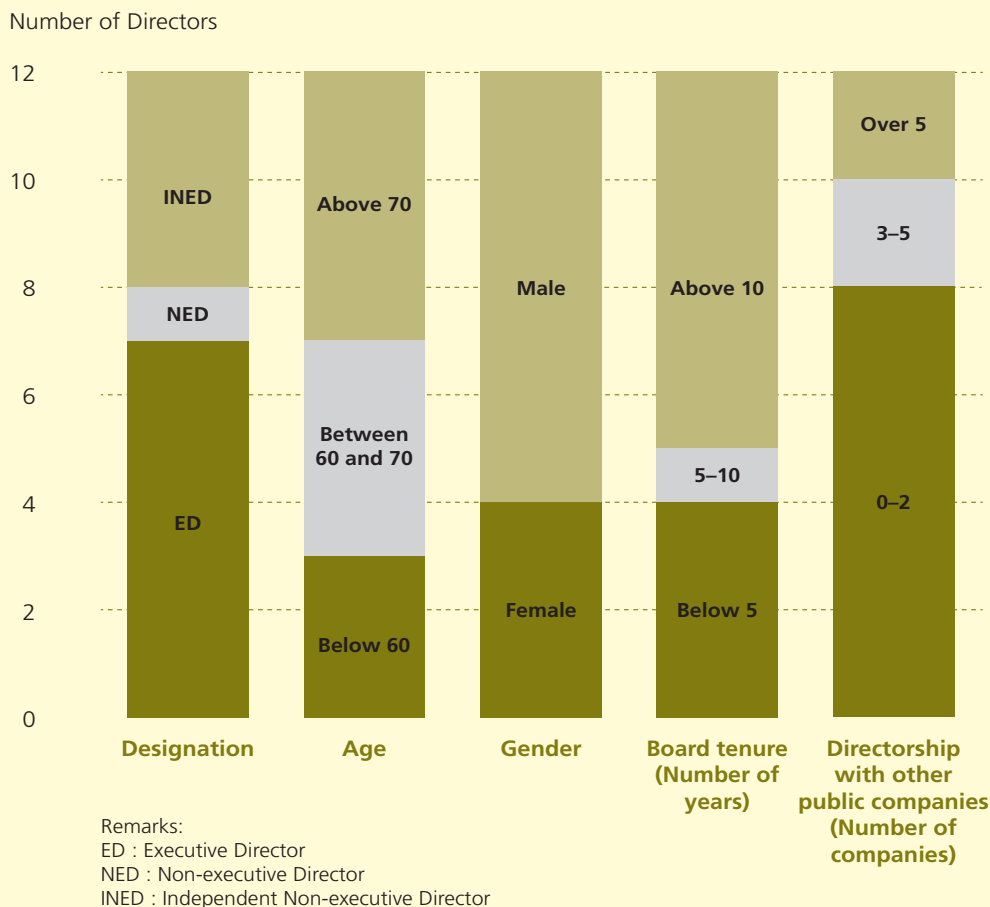
The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) and one-third of the Directors are Independent Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent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

BOARD DIVERSITY

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

The diversity of the Board has been enhanced subsequent to the retirement of Dr. Cheng Kar Shun and the election of Mr. Tsang On Yip, Patrick as Non-executive Directors as well as the retirement of Dr. Lan Hong Tsung, David and the election of Ms. Wong Yu Pok, Marina as Independent Non-executive Directors at annual general meeting of the Company held on 11 June 2019 (the "2019 AGM"). The Board diversity mix as at 31 December 2019 is shown below while their biographical details are set out on pages 28 to 37 of this Annual Report.

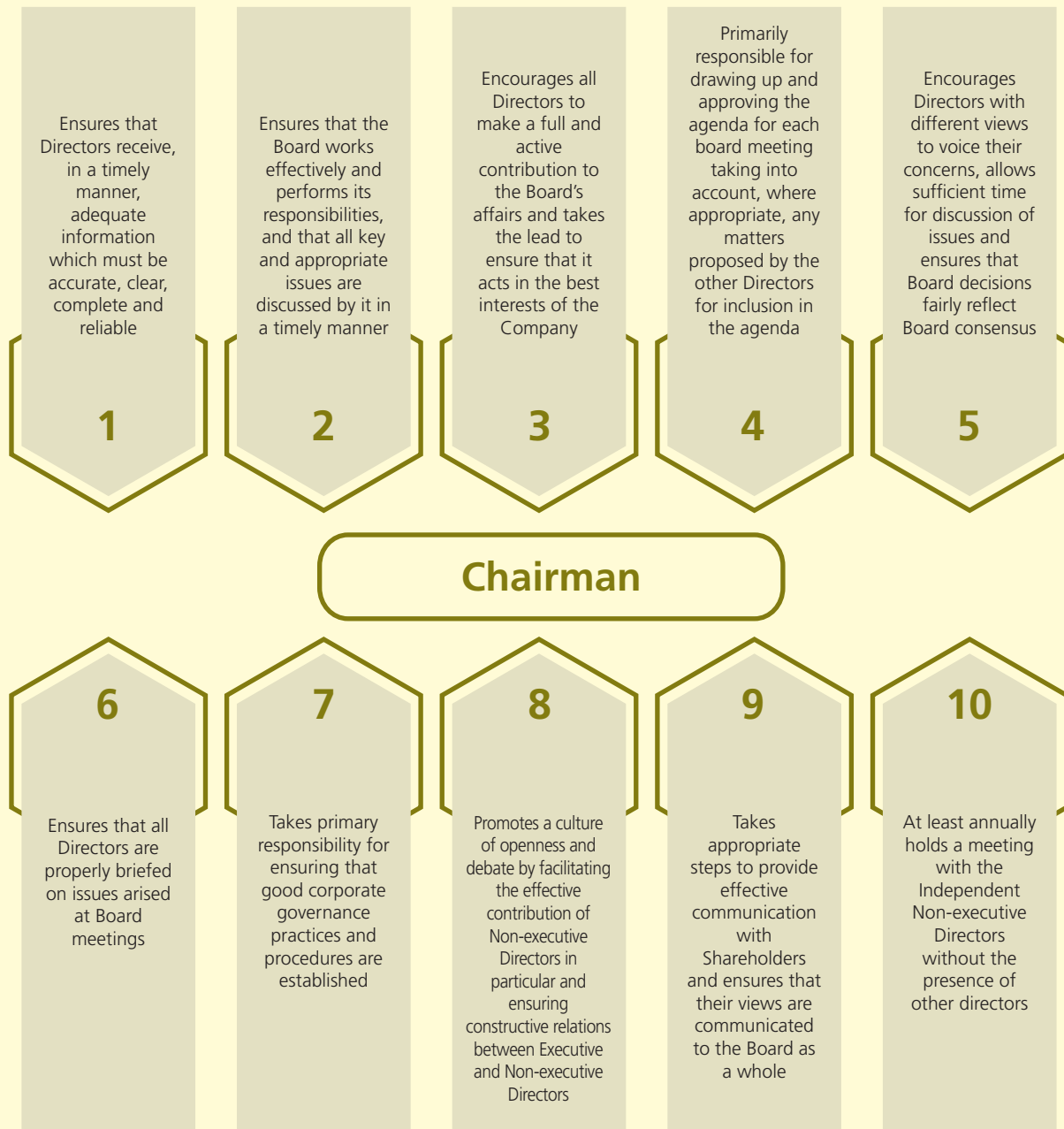
Board Diversity Mix



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

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.



Ms. Ho Chiu Fung, Daisy is responsible for the roles of the Chairman mentioned in items 1 to 10 above. Dr. So Shu Fai is a principal contact person for the Company's investor relations functions.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

The Articles specify that at each annual general meeting of the Company one-third of the Directors shall retire but shall be eligible for re-election. In determining which Directors shall retire, the Board will make sure that every Director, including those appointed for a specific term, should be subject to rotation at least once every three years. At the forthcoming annual general meeting of the Company to be held on Tuesday, 9 June 2020 (the "2020 AGM"), the following Directors will retire from the Board by rotation pursuant to Article 95:

Executive Directors	:	Ms. Ho Chiu Fung, Daisy
		Mr. Fok Tsun Ting, Timothy
		Deputada Leong On Kei, Angela
		Dr. So Shu Fai

All the above Director, being eligible, offer themselves for re-election at the 2020 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 24 April 2020 for despatch to Shareholders.

NON-EXECUTIVE DIRECTORS

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

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

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

Independent Non-executive Directors and other Non-executive Directors have given a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They have given the Board and any Board committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. All Independent Non-executive Directors have attended the 2019 AGM.

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

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

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

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

RESPONSIBILITIES OF DIRECTORS

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

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

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

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 3 days or such other agreed period before the intended date of a Board or Board committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

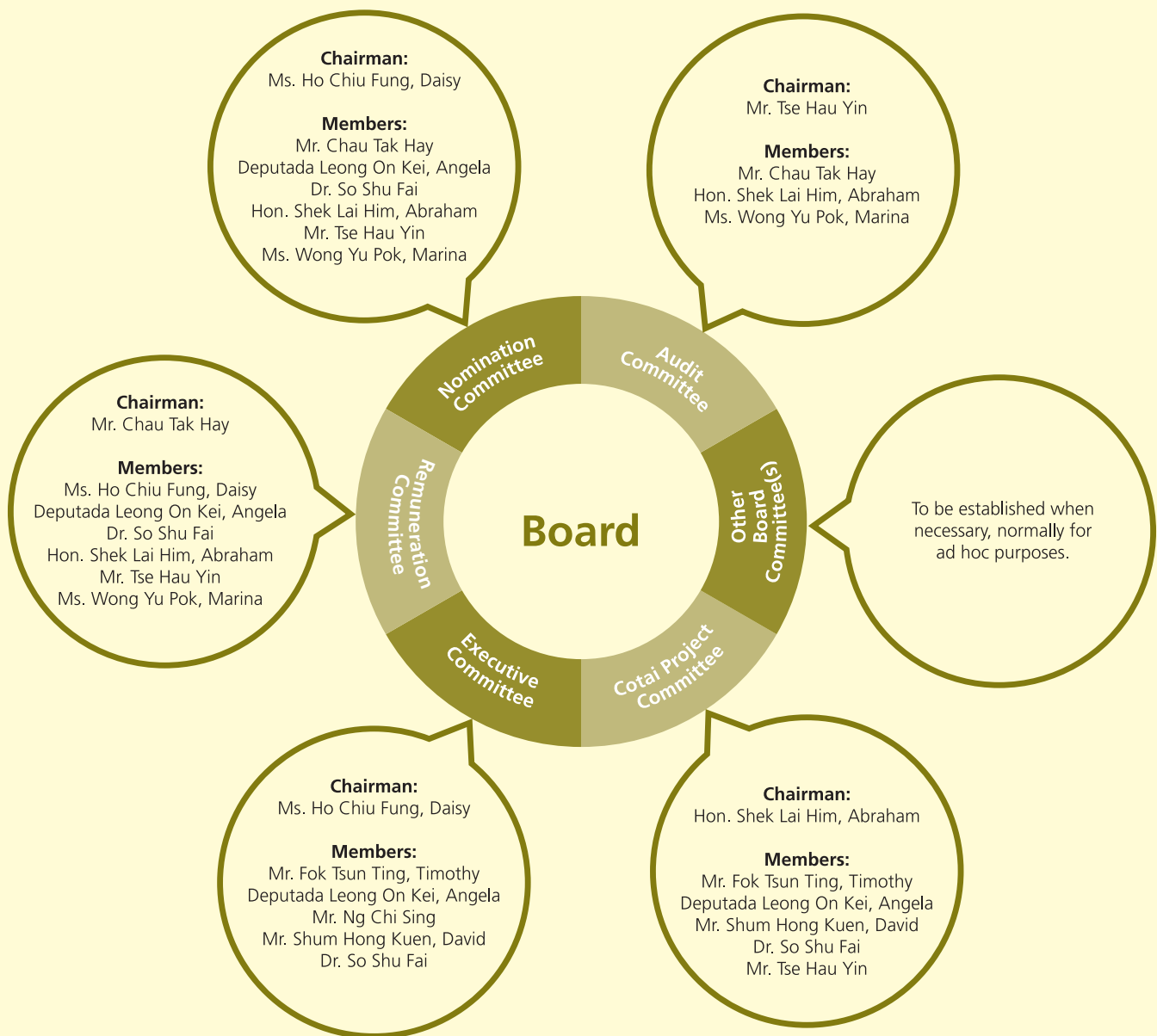
All Directors are entitled to have access to Board papers and related materials, prepared in such form and quality sufficient to enable the Board to make an informed decision on matters placed before it. Queries raised by the Directors will be responded promptly and fully, if possible. All Directors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

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

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

BOARD AND BOARD COMMITTEE MEETINGS

The following sections explain the responsibilities and the work that each Board committee undertook in 2019. The terms of reference and membership of Audit Committee, Remuneration Committee and Nomination Committee are disclosed in full on the websites of the Company and the Stock Exchange. In addition, the Board has set up two other Board committees, namely Executive Committee and Cotai Project Committee, with clear terms of reference.



BOARD AND BOARD COMMITTEE MEETINGS (Continued)

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

During the year ended 31 December 2019, eight Board meetings were held. Details of individual Directors' attendance at the Board meetings, the Board committee meetings and the 2019 AGM held in the year are set out in the following table:

Name of Directors	Board Meetings (including corporate governance functions)	Audit Committee Meetings	Executive Committee Meetings (including one adjourned meeting)	Cotai Project Committee Meetings (including ten adjourned meetings)	Remuneration Committee Meetings	Nomination Committee Meeting	2019 AGM
(Note 6)							
<i>Executive Directors:</i>							
Ms. Ho Chiu Fung, Daisy	8/8(Note 1)	N/A	15/15(Note 5)	N/A	1/1(Note 3)	0/0(Note 2)	1/1
Mr. Fok Tsun Ting, Timothy	6/8	N/A	11/15	13/22	N/A	N/A	1/1
Deputada Leong On Kei, Angela	7/8(Note 1)	N/A	12/15(Note 5)	17/22	2/2	1/1	1/1
Dr. So Shu Fai	8/8	N/A	14/15	18/22	2/2	1/1	1/1
Mr. Ng Chi Sing	7/8	N/A	12/15	N/A	N/A	N/A	1/1
Dr. Chan Un Chan	6/8(Note 1)	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Shum Hong Kuen, David	8/8(Note 1)	N/A	15/15(Note 5)	22/22	N/A	1/1(Note 2)	1/1
<i>Non-executive Directors:</i>							
Dr. Cheng Kar Shun (retired on 11 June 2019)	0/4(Note 1)	N/A	N/A	N/A	N/A	N/A	0/0
Mr. Tsang On Yip, Patrick (elected on 11 June 2019)	4/4(Note 1)	N/A	N/A	N/A	N/A	N/A	N/A
<i>Independent Non-executive Directors:</i>							
Mr. Chau Tak Hay	8/8	5/5	N/A	N/A	2/2(Note 3)	1/1(Note 2)	1/1
Dr. Lan Hong Tsung, David (retired on 11 June 2019)	4/4	2/2(Note 4)	N/A	N/A	2/2(Notes 3 & 4)	1/1(Note 4)	1/1
Hon. Shek Lai Him, Abraham	8/8	5/5	N/A	22/22	2/2	1/1	1/1
Mr. Tse Hau Yin	8/8	5/5	N/A	17/22	2/2	1/1	1/1
Ms. Wong Yu Pok, Marina (elected on 11 June 2019)	3/4	3/3(Note 4)	N/A	N/A	0/0(Note 4)	0/0(Note 4)	N/A

Notes:

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

Ms. Ho Chiu Fung, Daisy, Deputada Leong On Kei, Angela, Dr. Chan Un Chan, Mr. Shum Hong Kuen, David, Dr. Cheng Kar Shun and Mr. Tsang On Yip, Patrick were interested in certain continuing connected transactions. Dr. Cheng Kar Shun and Mr. Tsang On Yip, Patrick had to physically absent themselves from voting on the related Board resolutions at one of the Board meetings whilst the other four Directors had to physically absent themselves from voting on the related Board resolutions at two of the Board meetings.

BOARD AND BOARD COMMITTEE MEETINGS (Continued)

Notes: (Continued)

2. *Mr. Shum Hong Kuen, David resigned and Ms. Ho Chiu Fung, Daisy was appointed as a member of the Nomination Committee on 28 February 2019. Mr. Chau Tak Hay re-designated from the Chairman to a member and Ms. Ho Chiu Fung, Daisy re-designated from a member to the Chairman of the Nomination Committee with effect from 11 June 2019.*
3. *Ms. Ho Chiu Fung, Daisy was appointed as a member of the Remuneration Committee on 28 February 2019. Dr. Lan Hong Tsang, David ceased to be the Chairman of the Remuneration Committee upon his retirement as an Independent Non-executive Director of the Company on 11 June 2019. Mr. Chau Tak Hay re-designated from a member to the Chairman of the Remuneration Committee with effect from 11 June 2019.*
4. *Ms. Wong Yu Pok, Marina was appointed as a member of the Audit Committee, Nomination Committee and Remuneration Committee with effect from 11 June 2019 in place of the said positions held by Dr. Lan Hong Tsang, David upon his retirement on 11 June 2019.*
5. *According to the Terms of Reference, an Executive Committee member 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 Executive Committee members.*

Ms. Ho Chiu Fung, Daisy, Deputada Leong On Kei, Angela and Mr. Shum Hong Kuen, David were interested in certain continuing connected transactions. Ms. Ho Chiu Fung, Daisy and Mr. Shum Hong Kuen, David had to physically absent themselves from voting on the related Executive Committee resolutions at four of the Executive Committee meetings whilst Deputada Leong On Kei, Angela had to physically absent herself from voting on the related Executive Committee resolutions at six of the Executive Committee meetings.
6. *The number of Cotai Project Committee meetings disclosed above is for its regular meetings for the purposes of receiving progress and budget updates for the Cotai Project. In addition to those regular meetings, during the year, there were 12 informal Cotai Project Committee discussion meetings held to consider ad hoc items for the Cotai project, and one site visit was conducted for the Cotai Project.*

DELEGATION BY THE BOARD — BOARD COMMITTEES

The Board has proper delegation of its powers and has established three standing Board committees, namely Audit Committee, Remuneration Committee and Nomination Committee in accordance with the requirements under the Listing Rules, with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Group's affairs. The Board may establish other Board committee(s) when necessary in accordance with the Articles. The Board has established an additional standing Board committee, namely the Executive Committee, whose primary purpose is to oversee the implementation of the Company's strategic objectives and the business operations of the Group as well as an ad hoc Board committee, namely Cotai Project Committee, whose primary purpose is to monitor the progress and the costs for the development of the Group's project in Cotai, Macau. When necessary, the Board will establish ad hoc Board committees with specific terms of reference for the purpose of dealing with transactions or projects 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 <i>Independent Non-executive Directors:</i> Mr. Tse Hau Yin (Committee Chairman) Mr. Chau Tak Hay Dr. Lan Hong Tsung, David <i>(ceased to act on 11 June 2019)</i> Hon. Shek Lai Him, Abraham Ms. Wong Yu Pok, Marina <i>(appointed on 11 June 2019)</i>	Committee secretary Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Audit Committee)
Averaged total number of members: 4 % of total Independent Non-executive Directors: 100%	
Minimum number of meetings per year: 2 In attendance: representatives from auditor, Chairman, Chief Financial Officer, Managers from Finance and Accounts Department, Administrative Manager-Internal Audit, Anti-Money Laundering Compliance Officer, Chief Legal Counsel and Company Secretary and/or other external professionals	

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

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

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

whichever is the later.

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

AUDIT COMMITTEE (Continued)

In 2019, the Audit Committee held five meetings and its principal work performed is set out in the table below. In general, it has reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management and internal controls, and financial reporting matters, including the review of the interim and annual results of the Company. Details of attendance of each Audit Committee member, on a named basis, at each Audit Committee meeting held during the year are set out in the table on page 81.

Principal work performed by the Audit Committee during 2019

Review of annual financial statements of the Group for the year ended 31 December 2018, interim financial statements of the Group for the six months ended 30 June 2019, and quarterly unaudited key performance indicators of the Group for the three months ended 31 March 2019 and 30 September 2019 respectively, with recommendations to the Board for approval

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

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

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

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

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

Review and approval of internal audit work plan for 2020

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

Review of the renewal of non-exempt continuing connected transactions and a new non-exempt continuing connected transactions with recommendations to the Board for approval

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

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

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

Review of the proposed work plan for the Audit Committee in 2019/2020

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

REMUNERATION COMMITTEE

The composition of the Remuneration Committee is as follows:

Remuneration Committee (established in June 2008)	
Committee members <i>Independent Non-executive Directors:</i> Mr. Chau Tak Hay (Committee Chairman) <i>(re-designated from member to Chairman on 11 June 2019)</i> Dr. Lan Hong Tsung, David <i>(ceased to act on 11 June 2019)</i> Hon. Shek Lai Him, Abraham Ms. Wong Yu Pok, Marina <i>(appointed on 11 June 2019)</i> <i>Executive Directors:</i> Ms. Ho Chiu Fung, Daisy <i>(appointed on 28 February 2019)</i> Deputada Leong On Kei, Angela Dr. So Shu Fai	Committee secretary Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Remuneration Committee)
Averaged total number of members: 7 % of total Independent Non-executive Directors: 57%	
Minimum number of meetings per year: 1 In attendance: Chief 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, to review and approve performance-based remuneration, and to assess the performance of the Executive Directors.

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

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

REMUNERATION COMMITTEE (Continued)

In 2019, the Remuneration Committee held two meetings and its principal work performed is set out in the table below:

Principal work performed by the Remuneration Committee during 2019

Review of the remuneration of Executive Directors and senior management for 2019 and the special fees for 2018 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 2019 and the special fees for 2018, with recommendations to the Board for approval

Review of the remuneration of Board committees for 2019 and the special fees for 2018, with recommendations to the Board for approval

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

Review of the Options granted and exercise position

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

Review of 2018 remuneration packages and discretionary bonus/living subsidies for senior executives of the Group and their biographies

Review of the remunerations of Mr. Tsang On Yip, Patrick, who was recommended by the Board for election as a Non-executive Director, and Ms. Wong Yu Pok, Marina, who was recommended by the Board for election as an Independent Non-executive Director at the 2019 AGM, with recommendation to the Board for approval

Review of the existing benefits to Directors, with recommendation of proposed changes to the Board

Review of the letter of appointment to be entered into with the Independent Non-executive Director to retire and be re-elected at the 2019 AGM of the Company, with recommendation to the Board for approval

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

Review of the proposed work plan for the Remuneration Committee in 2018/2019

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 81.

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

REMUNERATION COMMITTEE (Continued)

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 2019 AGM, a resolution was passed to authorise the Board to fix the Directors' remuneration. A resolution will be proposed at the 2020 AGM to obtain Shareholders' authorisation for the Board to fix Directors' remuneration.

The Executive Directors are also the senior management of the Company and their remuneration is disclosed in note 9 to the Financial Statements. Retirement benefits schemes of the Group are set out in note 37 to the Financial Statements.

NOMINATION COMMITTEE

The composition of the Nomination Committee is as follows:

Nomination Committee (established in June 2008)	
Committee members <i>Executive Directors:</i> Ms. Ho Chiu Fung, Daisy (Committee Chairman) <i>(appointed as member on 28 February 2019 and re-designated from member to Chairman on 11 June 2019)</i> Deputada Leong On Kei, Angela Mr. Shum Hong Kuen, David <i>(resigned on 28 February 2019)</i> Dr. So Shu Fai <i>Independent Non-executive Directors:</i> Mr. Chau Tak Hay <i>(re-designated from Chairman to member on 11 June 2019)</i> Dr. Lan Hong Tsung, David <i>(ceased to act on 11 June 2019)</i> Hon. Shek Lai Him, Abraham Ms. Wong Yu Pok, Marina <i>(appointed on 11 June 2019)</i>	Committee secretary Ms. Kwok Shuk Chong (the Company Secretary who is responsible for keeping the minutes of the Nomination Committee)
Averaged total number of members: 7 % of total Independent Non-executive Directors: 57%	
Minimum number of meetings per year: 1 In attendance: Chief Legal Counsel and Company Secretary	

NOMINATION COMMITTEE (Continued)

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

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

In 2019, 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 2019

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

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

Review of the policy concerning diversity of Board members of the Company, the Terms of Reference of the Nomination Committee and the Nomination Policy for the Board 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 2019 AGM, with recommendations to the Board for approval

Consideration of the nomination of Mr. Tsang On Yip, Patrick as Non-executive Director of the Company in place of Dr. Cheng Kar Shun with effect from the conclusion of the 2019 AGM, with recommendations to the Board

Consideration of the nomination of Ms. Wong Yu Pok, Marina as Independent Non-executive Director of the Company in place of Dr. Lan Hong Tsung, David with effect from the conclusion of the 2019 AGM, with recommendations to the Board

Consideration of the nomination of (i) Ms. Ho Chiu Fung, Daisy as a member of Nomination Committee of the Board in place of Mr. Shum Hong Kuen, David, and (ii) Ms. Ho Chiu Fung, Daisy as an additional member of the Remuneration Committee of the Board, with effect from the conclusion of the Board meeting held on 28 February 2019, with recommendations to the Board

Consideration of the nomination of (i) Ms. Wong Yu Pok, Marina as a member of Audit Committee, Nomination Committee and Remuneration Committee upon her election as Independent Non-executive Director at the 2019 AGM, (ii) Mr. Chau Tak Hay to be re-designated from the Chairman to a member of the Nomination Committee, and from a member to the Chairman of the Remuneration Committee, and (iii) Ms. Ho Chiu Fung, Daisy to be re-designated from a member to the Chairman of the Nomination Committee, with effect from the conclusion of the 2019 AGM, with recommendations to the Board

Review of the proposed work plan for the Nomination Committee in 2018/2019

Details of attendance of each Nomination Committee member, on a named basis, at the Nomination Committee meeting held during the year are set out in the table on page 81.

NOMINATION COMMITTEE (Continued)

In February 2019, the Nomination Committee reviewed the biography of Mr. Tsang On Yip, Patrick and made recommendation to the Board for his election as a Non-executive Director at the 2019 AGM in view of his extensive finance and investment experiences acquired over a 20-year career in investment banking and subsequently in Chow Tai Fook Enterprises Limited. The Nomination Committee believes that he will provide valuable contributions to the businesses of the Group and his joining has enhanced the board diversity of the Company by lowering the average age of the Board.

The Nomination Committee also reviewed the biography of Ms. Wong Yu Pok, Marina and made recommendation to the Board for her election as an Independent Non-executive Director at the 2019 AGM in view that she can provide professional analysis and independent advice for the businesses of the Group. Ms. Wong has worked with PricewaterhouseCoopers for over 30 years, specialising in China tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors on the structuring of their business and investment in China. As an independent non-executive director of a listed company which involves in sizeable property, hotel and retail businesses, her knowledge and experience in mixed-use development project and hospitality business can contribute to the future development of the Group. After Ms. Wong's joining, the board diversity of the Company has further enhanced by increasing the ratio of female in the Board.

Both Mr. Tsang and Ms. Wong meet the qualification requirements to serve as director as stipulated in relevant laws, regulations and the Articles. Besides, Ms. Wong meets the requirements of independence under Rule 3.13 of the Listing Rules and holds less than seven listed company directorship.

The reasons why the Board believes Ms. Ho Chiu Fung, Daisy, Mr. Fok Tsun Ting, Timothy, Deputada Leong On Kei, Angela and Dr. So Shu Fai, the retiring Directors, should be re-elected at the 2020 AGM are set out in the circular of the Company to be dated on or around 24 April 2020 accompanying the notice of the 2020 AGM.

Since the Chairman's direct participation in the Nomination Committee can facilitate the nomination process of Directors, the review of the Board and Board committee's structures, size and composition, Board diversity, and succession planning for Directors and senior management more effectively, Ms. Ho Chiu Fung, Daisy was appointed as a member of the Nomination Committee in place of Mr. Shum Hong Kuen, David with effect from 28 February 2019.

NOMINATION POLICY

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

According to the Nomination Policy, the identified candidates shall provide their curriculum vitae to the Nomination Committee for consideration. If appropriate, the Nomination Committee may conduct an interview with the candidates for obtaining further information to determine their suitability for nomination. Once sufficient information is available, a Nomination Committee meeting will be held to consider the nomination, and if appropriate, make recommendations to the Board.

If the number of candidates is more than the vacancies available, the Nomination Committee shall try its best to nominate the same number of suitable candidates for filling the vacancies and recommend them to the Board for consideration. If more candidates are nominated than the vacancies available, the Board shall be responsible for deciding which nominated persons shall be appointed as Directors to fill causal vacancies or recommend to the shareholders for election as Directors. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting or to be appointed as Directors to fill causal vacancies. If more candidates than the vacancies available for election at a general meeting, the “gross-vote” method will be used to determine who shall be elected as Directors.

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

EXECUTIVE COMMITTEE

The composition of the Executive Committee is as follows:

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

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

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

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

EXECUTIVE COMMITTEE (Continued)

In 2019, the Executive Committee held fifteen meetings and its principal work performed is set out in the table below:

Principal work performed by the Executive Committee during 2019

Review of the overall theme and position of Grand Lisboa Palace
Review of the brand strategy and positioning of Grand Lisboa Palace
Review of the marketing and public relations plans for Grand Lisboa Palace
Review of the issues relating to the hospitality and food and beverages outlets of Grand Lisboa Palace
Review of the issues relating to the rights to use shops in the shopping mall to be located at Grand Lisboa Palace
Review of the opening strategy of Grand Lisboa Palace
Review of the pre-opening budget for Grand Lisboa Palace and cash flow position of the Group
Review of the impact to the financial position of the Group due to extension of opening date of Grand Lisboa Palace
Review of the proposed usage of the multi-purpose hall of Grand Lisboa Palace
Review of the new and renewal of non-exempt continuing connected transactions of the Group
Review of potential investments and projects for the Group

Details of attendance of each Executive Committee member, on a named basis, at each Executive Committee meeting held during the year are set out in the table on page 81.

COTAI PROJECT COMMITTEE

The composition of the Cotai Project Committee is as follows:

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

The primary purpose and responsibility of the Cotai Project Committee is to supervise and monitor the development of the Cotai project to ensure the progress are in line with the plan and the terms of the contracts and the costs are in line with the budget, and to report to the Board the status and make any recommendation, if appropriate.

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

COTAI PROJECT COMMITTEE (Continued)

In 2019, the Cotai Project Committee held 22 regular meetings (including adjourned meetings), 12 informal Cotai Project Committee discussion meetings and one site visit, and its principal work performed is set out in the table below:

Principal work performed by the Cotai Project Committee during 2019

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

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

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

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

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

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

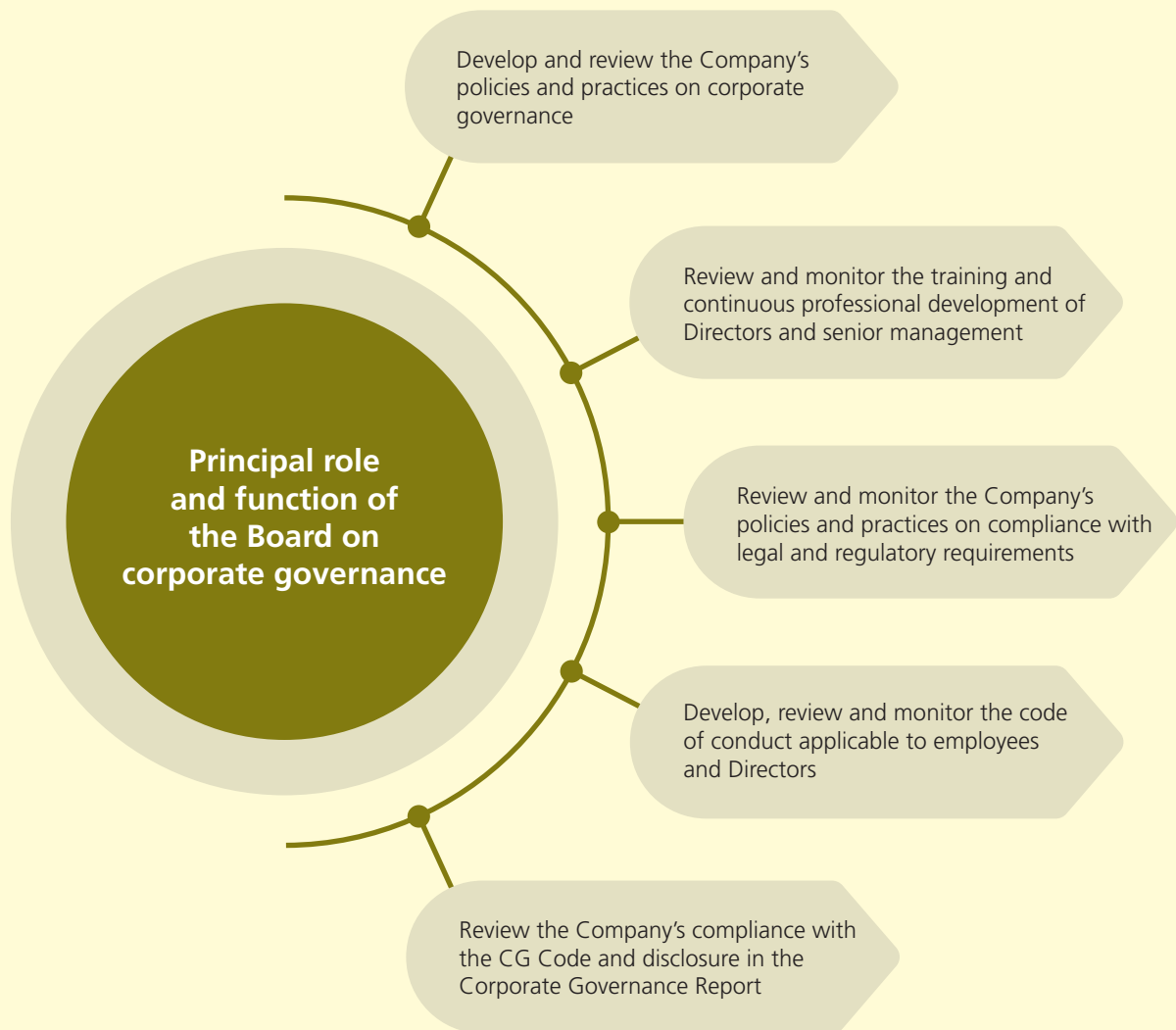
Consideration of design issues on the Cotai Project which may affect the timeline and cost for the Cotai Project

Dealt with other ad hoc issues relating to the Cotai Project

Details of attendance of each Cotai Project Committee member, on a named basis, at each Cotai Project Committee meeting held during the year are set out in the table on page 81.

CORPORATE GOVERNANCE FUNCTIONS

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



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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS (Continued)

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

In 2019, 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 2019

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, if appropriate

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

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Receiving Director's Induction

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

Attending Briefing and Professional Development Training

Arrangements are in place for providing continuing briefing and professional development training to Directors whenever necessary. In October 2019, the Company organised 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.

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 2019 to 31 December 2019:

Directors	Type of training	
	Reading regulatory updates	Attend seminars/briefings
<i>Executive Directors:</i>		
Ms. Ho Chiu Fung, Daisy	✓	✓
Mr. Fok Tsun Ting, Timothy	✓	✓
Deputada Leong On Kei, Angela	✓	✓
Dr. So Shu Fai	✓	✓
Mr. Ng Chi Sing	✓	✓
Dr. Chan Un Chan	✓	✓
Mr. Shum Hong Kuen, David	✓	✓
<i>Non-executive Director:</i>		
Mr. Tsang On Yip, Patrick (elected on 11 June 2019)	✓	✓
<i>Independent Non-executive Directors:</i>		
Mr. Chau Tak Hay	✓	✓
Hon. Shek Lai Him, Abraham	✓	✓
Mr. Tse Hau Yin	✓	✓
Ms. Wong Yu Pok, Marina (elected on 11 June 2019)	✓	✓

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 is 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.

AUDITOR'S RESPONSIBILITY

The Auditor of the Company is Deloitte Touche Tohmatsu. A statement by the Auditor about their reporting responsibilities is included in the Independent Auditor's Report on the Company's Financial Statements on pages 118 to 123.

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.

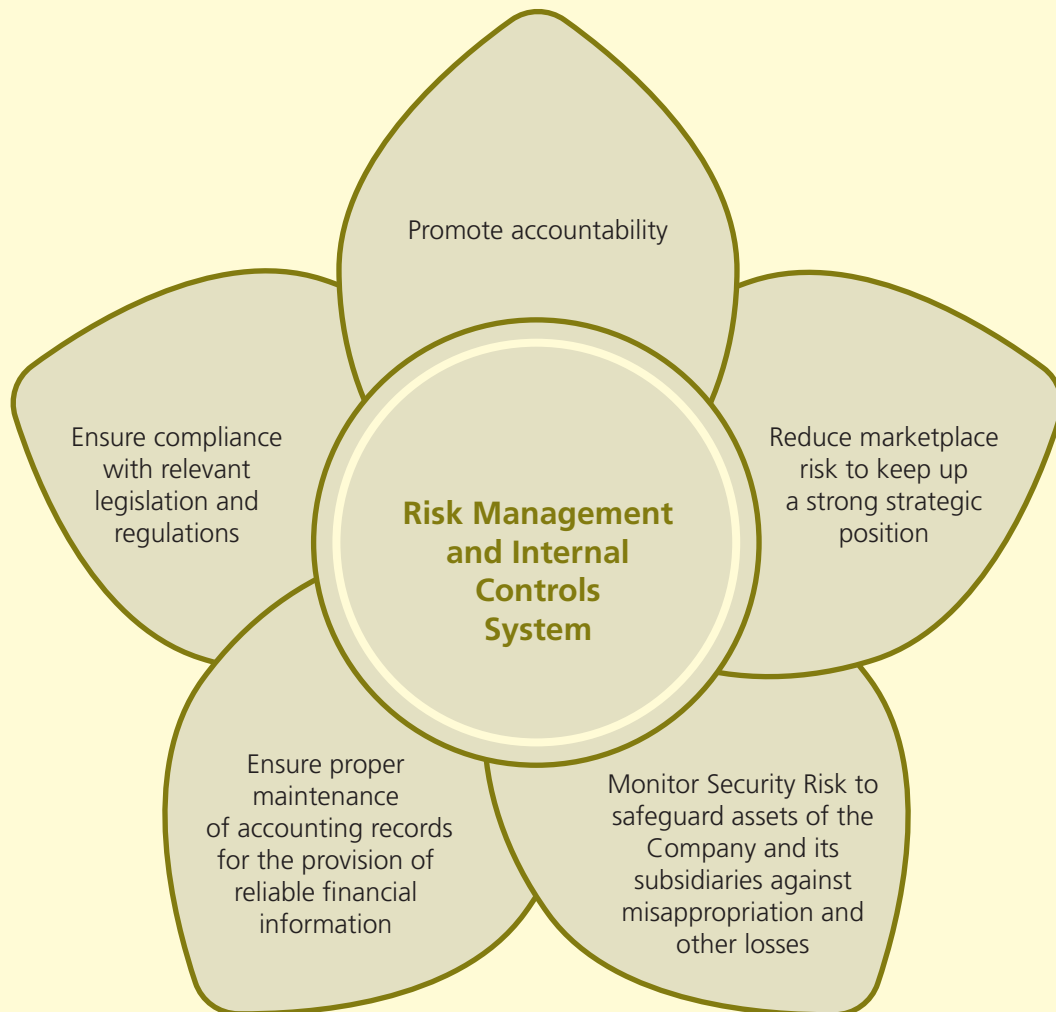
AUDITORS' REMUNERATION

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 2019 and 2018 is set out below:

Audit and Non-audit Services	2019 HK\$ million	2018 HK\$ million
Annual audit	11.7	10.2
Interim review	4.5	4.0
Quarterly results review	0.7	0.7
Test counts of chips	0.1	0.1
Tax consultancy and advisory	0.7	0.8
Consultancy for Cotai Project	3.7	8.4
Total:	21.4	24.2

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 in the framework as set out below:



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

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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

Key procedures for providing effective risk management and internal controls

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

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

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

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

Review work conducted by Risk Management Committee and Audit Committee

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

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

Assessment of risks and internal controls by the Internal Audit Department

Compliance review of gaming regulations by both the Compliance Department and Internal Audit Department

Operational management's assurance of the maintenance of controls

Control issues identified by external auditors during statutory audit

Assessment of inherent and potential risk by Risk Management Committee

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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

During the year ended 31 December 2019, Internal Audit Department performed reviews of the effectiveness of the internal control system of the Group's businesses in respect to business processes, practices and procedures, which covered all material controls, including financial, operational, compliance and risk management functions. In addition, Internal Audit Department conducted AML reviews and submitted its reports to the Audit Committee quarterly with findings and recommendations for improvements. All in all, Internal Audit Department was not aware of any significant defect or weakness of the internal control system that would have an adverse impact on the financial position or operations of the Group. The Audit Committee is satisfied with the internal audit work performed, continuing development and training of the Internal Audit staff, and the adequacy of resources and qualifications of the staff within Internal Audit Department.

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

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

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

COMPANY SECRETARY

Ms. Kwok Shuk Chong is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of Company Secretary of the Company. She is a Chartered Secretary and a Chartered Governance Professional and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as “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 2019.

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.

SHAREHOLDERS' RIGHTS (Continued)

Procedures for putting forward proposals at an annual general meeting

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

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

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

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

DIVIDEND POLICY

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

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

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 maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner. Enquiries and suggestions from Shareholders or investors are welcomed by mail to the Company's registered office at Suites 3001–3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong or by email to ir@sjmholdings.com for the attention of the Investor Relations Department.

The last general meeting of the Company was an annual general meeting which was held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 11 June 2019 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 2018, (ii) declaration of a final dividend, (iii) re-election and election of Directors and authorisation of the Board to fix the Directors' remuneration, (iv) re-appointment of the Auditor and authorisation of the Board to fix their remuneration, (v) approval of the repurchase mandate of the Company, and (vi) approval of the issue and allotment of Shares arising from exercising the Options.

The important dates for the 2020 AGM and the proposed final dividend are set out on page 6 of this Annual Report.

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

LOOKING FORWARD

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

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

Ho Chiu Fung, Daisy
Chairman and Executive Director

Hong Kong, 16 March 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

The table below shows the ESG issues which were determined to be material to the Group, together with the aspects on the ESG Guide to which they relate, based on the assessment performed by the ESG working team. This ESG Report mainly covers the policies, initiatives and performance of the Group as set out below in relation to these issues, for the year from 1 January to 31 December 2019 (the “Reporting Period”):

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

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

A. ENVIRONMENTAL

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

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

The Company works with Macau Government cum Macau Gaming Concessionaires Environment Task Force established by the Macau Environment Bureau (Direccao dos Servicos de Protecção Ambiental) ("DSPA") in June 2019 to promote and enhance environmental protection efforts covering 18 selected programmes in the following 4 specific areas:

- Reduce waste from their original sources;
- Recycling categorization;
- Audit carbon emission and waste; and
- More use of renewable energy.

The Group follows and complies with the environmental protection direction and requirements by DSPA. Of the 18 DSPA programmes set for 2019–2020, five of them have already been completed and are now subject to regular review and the remaining 13 are in action.

In order to meet the new ESG guidelines under the Listing Rules, the subject of sustainability and ESG were raised to the Risk Management Committee in September 2019. A senior executive of SJM was appointed to lead stakeholder departments to work on the DSPA task list. A Sustainability and Environment Protection Working Committee comprising relevant stakeholders was formed and have been taking enhancement action since then in preparation to meet the new ESG guidelines under the Listing Rules.

The Group has also committed to discontinue the use of diesel shuttle buses and will migrate all buses to green energy ones by May 2021.

For Grand Lisboa Casino, the traditional lamps gradually replaced with LED lights at casino and back of house area, the total energy saving after the replacement work is about 219,429 kW per year.

A. ENVIRONMENTAL (Continued)

A1 Emissions

Carbon Emissions

The major source of our carbon emissions is the use of energy. We have deployed various energy-saving initiatives to help reduce our carbon footprint (please refer to the “Use of Energy” section below). For several years, the Company has supported the Carbon Footprint Repository for Hong Kong-listed companies initiated by the Environment Protection Department of the Hong Kong Government (the “EPD”). We submitted a carbon emissions report for our offices in Hong Kong for such purpose in 2018, which is available on the EPD’s website (<http://www.carbon-footprint.hk>).

Waste Management

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

Type of waste	Amount	
	2019	2018
Paper	18,016.20 Kg	16,639.20 Kg
Bottled water (plastic bottle)	762,128.01 Litres	707,307.31 Litres
Water consumption for the whole Grand Lisboa building	740,081 m³	745,863 m ³
Water consumption intensity	5.46 m³/m²	5.51 m ³ /m ²

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

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

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

A. ENVIRONMENTAL (Continued)

A1 Emissions (Continued)

Waste Management (Continued)

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

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

A2 Use of Resources

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

Use of Energy

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

Type	Amount		Greenhouse gas emission ("GHG")	
	2019	2018	2019	2018
Scope 1				
Gasoline	12,736.64 Litres	9,219.01 Litres	34.49 Tonnes CO₂e	24.36 Tonnes CO ₂ e
Diesel	40,642.71 Litres	37,357.24 Litres	107.69 Tonnes CO₂e	98.98 Tonnes CO ₂ e
LPG	958,392.04 Kg	1,027,714.77 Kg	2,891.47 Tonnes CO₂e	3,100.62 Tonnes CO ₂ e
Scope 2				
Purchased Electricity for the whole				
Grand Lisboa building	75,229,200 kWh	75,661,800 kWh	56,606 Tonnes CO₂e	56,932 Tonnes CO ₂ e
Purchased electricity intensity	555.43 kWh/m²	558.63 kWh/m ²	0.418 Tonnes CO₂e	0.420 Tonnes CO ₂ e

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Use of Energy (Continued)

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

	Air emissions by Casino Grand Lisboa and Grand Lisboa Hotel	
	2019	2018
NOx emissions	0.897 Tonne	0.962 Tonne
SOx emissions	0.005 Tonne	0.006 Tonne

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

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

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

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Use of Energy (Continued)

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

In 2019, Grand Lisboa Hotel had participated in the “Macau Energy Saving Activity 2019” organised by Companhia de Electricidade de Macau-CEM, S.A. and Office for Development of Energy Sector of Macau SAR.

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

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

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

Electrical provision for up to 9 nos. charging stations for electric vehicle (shuttle bus) has been provided at Grand Lisboa Palace to help reduce the amount of carbon emissions.

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.

A. ENVIRONMENTAL (Continued)

A2 Use of Resources (Continued)

Use of Water

During the Reporting Period, water consumed by Casino Grand Lisboa and Grand Lisboa Hotel was 740,081 cubic meters (2018: 745,863 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.

Air quality

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

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

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

Climate-related issues

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

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

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

B. SOCIAL

B1 Employment

Labour Practices

To ensure that the Group is able to operate according to professional and ethical labour practices, the Group has developed clear work processes with careful review and inbuilt approval mechanisms, which have been clearly communicated to all employees to ensure that we consistently comply with all regulations, ordinances and employment laws. 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 Group's remuneration policy in relation to relevant market standards and evaluates staff performance. Staff promotion and remuneration are determined by reference to individual working performance professional qualification, industry experience and relevant market standards.

The total workforce of the Group as at 31 December 2019 and 2018 is summarised as follows:

No. of employees			No. of employees		
Gender	2019	2018	Employment Type	2019	2018
Male	9,737	9,498	Full-time (Permanent)	17,314	17,304
Female	11,112	10,997	Part-time (Permanent)	21	15
			Full-time (Contract)	3,454	3,114
Total	20,849	20,495	Part-time (Contract)	60	62
			Total	20,849	20,495
No. of employees			No. of employees		
Age	2019	2018	Geographical Region (by work location)	2019	2018
18–30	2,305	2,858	Hong Kong	64	75
31–40	5,927	5,932	Macau	20,785	20,420
41–50	5,999	5,962	Overseas	—	—
51–60	5,473	5,021			
>=61	1,145	722			
Total	20,849	20,495	Total	20,849	20,495

B. SOCIAL (Continued)

B2 Health and Safety

Workplace health and safety

The Group accords high priority to ensure the health and safety of employees are protected and has taken the following measures:

- Adopt the best practices of occupational health and safety (“OSH”) management standards to build an accident-free workplace;
- Collaborate and comply with the legal requirements and guidelines issued by Direcção dos Serviços para os Assuntos Laborais (“DSAL — Labour Affairs Bureau”) in formulating the Group’s OSH policy, guidelines and measures to ensure the health, safety and well-being of employees at workplace; and
- Established an Occupational Safety and Health Department (“OSH Dept”) in SJM runs by OSH professionals in July 2019 to enhance, monitor, strengthen training, implement improvement and control measures, workplace accidents investigation and prevention.

The Group via OSH Dept has enhanced the followings:

- Implementation of a safety management system to monitor workplace safety;
- Review mechanism for the safety and health procedures and workplace environment;
- Arrange safety and health inspections to check the implementation and effectiveness of work place safety guidelines compliance;
- Launch regular safety promotion programme to enhance and instill a safety awareness work culture;
- Stringent investigation accident reporting, investigation procedure and supervisory accountability;
- Expedite DSAL — Labour Affairs Bureau Hotel & Catering Occupational Safety certification training to qualify employees to perform these duties; and
- Incorporate OSH in the introduction session in the orientation training programme for the new recruits to enhance the awareness of OSH.

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

B. SOCIAL (Continued)

B3 Development and Training

Employee development and training

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

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

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

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

Gender/Employee Category	Percentage of employee trained		Average training hours per employee	
	2019	2018	2019	2018
Male	37.86%	14.98%	10.69	9.92
Female	37.77%	10.83%	6.20	5.58
General employees	38.47%	11.04%	5.43	9.28
Middle management	31.98%	24.38%	5.22	3.17

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

B4 Labour Standards

Anti-child and forced labour

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

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

B. SOCIAL (Continued)

B5 Supply Chain Management

Green procurement

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

The geographical distribution of SJM group suppliers is as follows:

Geographical region	No. of Suppliers	
	2019	2018
Hong Kong	262	443
Macau	1,692	1,720
Others	357	162
Total	2,311	2,325

B6 Product Responsibility

Food safety

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

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

Responsible gaming

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

Intellectual property rights

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

Data privacy

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

B. SOCIAL (Continued)

B7 Anti-corruption

Anti-corruption and money laundering

The Group is bound by the laws and regulations of the places where it or its business operates on anti-bribery and prevention of fraud and money laundering. Employees of the Group are required to act with honesty and integrity when dealing with the business affairs of the Group and must comply with the applicable laws and regulations at all times. The code of conduct adopted by the Group sets out procedures for preventing bribery and corruption towards which the Group has a zero tolerance. A policy on bribery and corruption was issued to all employees of the Group to prohibit them from dealing in transactions for the Group in all forms involving bribes or corrupt practices. A number of policies are also in place addressing acceptance of gifts and conflicts of interest to provide guidance to employees in these areas. Violation of the policy will be treated severely and could result in criminal prosecution or civil penalties besides internal disciplinary action.

SJM has also set up a special team and has established policies and procedures to deal with anti-money laundering issues in gaming operations. Training on anti-money laundering has been provided to employees of all operations levels, in order to raise their awareness of the code of conduct as well as related procedures and guidelines. Those procedures and guidelines have been duly communicated to employees by initial training and by making available to them the policies and operation manuals. On a regular basis as a form of continuous training, employees will be randomly selected annually for testing of their knowledge and understanding of the policies and procedures. Our Internal Audit Department and regulatory authority “DICJ” carry out regular audit reviews to ensure compliance with the anti-money laundering laws, regulations and the internal policies and procedures. Reports are made on a periodical basis to the Audit Committee.

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

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

B. SOCIAL (Continued)

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 on pages 20 to 23 of this Annual Report for the details of our community programs, employee volunteering and donations.

For and on behalf of the Board of Directors

SJM Holdings Limited

Ho Chiu Fung, Daisy

Chairman and Executive Director

Hong Kong, 16 March 2020

INDEPENDENT AUDITOR'S REPORT



**TO THE MEMBERS OF
SJM HOLDINGS LIMITED**
澳門博彩控股有限公司

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of SJM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 124 to 226, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matters

How our audit addressed the key audit matters

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

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

As disclosed in note 4 to the consolidated financial statements, the Group's advances to gaming promoters and other receivables from gaming promoters and service providers, net of related loss allowance of HK\$379.5 million, amounted to HK\$815.5 million as at 31 December 2019. Any adverse changes in the business environment and financial performance of those gaming promoters and service providers may impact the recoverability of those advances and other receivables.

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

- Obtaining an understanding and evaluating the relevant control procedures over the management's process in respect of reviewing the financial performance of gaming promoters and service providers;
- Evaluating the appropriateness of the credit assessment policy and sufficiency of the related loss allowance by reviewing information in respect of:
 - (i) the financial performance of gaming promoters and service providers;
 - (ii) expected growth rate and future development of gaming industry; and
 - (iii) relevant commissions and service fee payables for assessing exposure to credit losses; and
- Checking the repayment history and the subsequent settlements in respect of those advances and other receivables on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Key audit matters

How our audit addressed the key audit matters

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

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

As disclosed in note 13 to the consolidated financial statements, additions to CIP of GLP Project amounted to HK\$4,633.7 million during the year ended 31 December 2019 and the carrying values of CIP of GLP Project amounted to approximately HK\$29,407.7 million as at 31 December 2019 which accounted for 51.0% of the Group's total assets as at 31 December 2019. The relevant accounting policies in relation to capitalisation of additions to CIP are set out in note 3.6 "Property and equipment" and note 3.9 "Borrowing costs" to the consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matters

How our audit addressed the key audit matters

Accuracy and completeness of disclosure of related party transactions

We identified the accuracy and completeness of disclosure of related party transactions as set out in respective notes to the consolidated financial statements as a key audit matter due to the high volume of business transactions with related parties during the year ended 31 December 2019.

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

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

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Au Mei Yin.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK\$ million	2018 HK\$ million
Gaming, hotel, catering, retail and related services revenues	5(a)	33,875.0	34,410.1
Gaming revenue	6	33,158.5	33,677.1
Special gaming tax, special levy and gaming premium		(15,530.6)	(17,004.5)
		17,627.9	16,672.6
Hotel, catering, retail and related services income		716.5	733.0
Cost of sales and services on hotel, catering, retail and related services		(377.3)	(387.1)
Other income, gains and losses		333.0	377.3
Impairment loss on financial assets		(200.0)	(47.0)
Marketing and promotional expenses		(6,219.9)	(5,831.0)
Operating and administrative expenses		(8,496.5)	(8,566.2)
Finance costs	7	(33.7)	(27.5)
Share of profits of an associate	18	11.8	8.9
Share of profits of a joint venture	19	7.3	6.6
Profit before taxation	8	3,369.1	2,939.6
Taxation	10	(51.6)	(27.4)
Profit for the year		3,317.5	2,912.2
Other comprehensive (expense) income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income		(48.2)	266.4
Total comprehensive income for the year		3,269.3	3,178.6
Profit for the year attributable to:			
owners of the Company		3,207.3	2,850.1
non-controlling interests		110.2	62.1
		3,317.5	2,912.2

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK\$ million	2018 HK\$ million
Total comprehensive income for the year attributable to:			
owners of the Company		3,159.1	3,116.5
non-controlling interests		110.2	62.1
		3,269.3	3,178.6
Earnings per share:			
Basic	12	HK56.6 cents	HK50.4 cents
Diluted	12	HK56.6 cents	HK50.3 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK\$ million	2018 HK\$ million
Non-current assets			
Property and equipment	13	35,159.8	30,378.6
Right-of-use assets	14	2,864.3	—
Intangible asset	15	197.6	—
Land use rights	16	—	2,264.0
Art works and diamonds	17	281.3	281.3
Interest in an associate	18	336.4	306.5
Interest in a joint venture	19	135.0	127.7
Investments in equity instruments designated at fair value through other comprehensive income	20	868.1	916.3
Other assets	21	840.8	1,346.2
Pledged bank deposit	22	—	145.6
		40,683.3	35,766.2
Current assets			
Inventories		103.3	90.8
Trade and other receivables	23	1,314.1	1,848.9
Pledged bank deposits	22	1,020.7	1.3
Short-term bank deposits	24	5,766.2	12,368.7
Bank balances and cash	24	8,738.1	6,322.7
		16,942.4	20,632.4
Current liabilities			
Trade and other payables	25	12,044.3	11,957.6
Taxation payable		123.7	116.8
Long-term bank loans	27	217.0	200.0
Lease liabilities	28	177.6	—
		12,562.6	12,274.4
Net current assets		4,379.8	8,358.0
Total assets less current liabilities		45,063.1	44,124.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK\$ million	2018 HK\$ million
Non-current liabilities			
Other payables	25	—	882.9
Long-term bank loans	27	15,063.7	15,244.8
Lease liabilities	28	547.7	—
Amount due to non-controlling interests of a subsidiary	29	203.8	287.1
Deferred taxation	30	11.8	22.8
		15,827.0	16,437.6
Net assets		29,236.1	27,686.6
Capital and reserves			
Share capital	31	11,281.4	11,254.1
Reserves		17,717.0	16,298.0
Equity attributable to owners of the Company		28,998.4	27,552.1
Non-controlling interests		237.7	134.5
Total equity		29,236.1	27,686.6

The consolidated financial statements on pages 124 to 226 were approved and authorised for issue by the Board of Directors on 16 March 2020 and are signed on its behalf by:

Ho Chiu Fung, Daisy
Director

So Shu Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital HK\$ million	Share options reserve HK\$ million	Investment revaluation reserve HK\$ million	Retained profits HK\$ million	Attributable to owners of the Company HK\$ million	Non- controlling interests HK\$ million	Total HK\$ million
At 1 January 2018	11,241.5	892.1	59.5	13,524.7	25,717.8	72.4	25,790.2
Profit for the year	—	—	—	2,850.1	2,850.1	62.1	2,912.2
Other comprehensive income for the year	—	—	266.4	—	266.4	—	266.4
Total comprehensive income for the year	—	—	266.4	2,850.1	3,116.5	62.1	3,178.6
Exercise of share options	12.6	(3.5)	—	—	9.1	—	9.1
Recognition of equity-settled share-based payments	—	10.2	—	—	10.2	—	10.2
Release of lapsed equity-settled share-based payments	—	(49.8)	—	49.8	—	—	—
Dividends paid (note 11)	—	—	—	(1,301.5)	(1,301.5)	—	(1,301.5)
	12.6	(43.1)	—	(1,251.7)	(1,282.2)	—	(1,282.2)
At 31 December 2018 (audited)	11,254.1	849.0	325.9	15,123.1	27,552.1	134.5	27,686.6
Adjustments (note 2)	—	—	—	(94.8)	(94.8)	—	(94.8)
At 1 January 2019 (restated)	11,254.1	849.0	325.9	15,028.3	27,457.3	134.5	27,591.8
Profit for the year	—	—	—	3,207.3	3,207.3	110.2	3,317.5
Other comprehensive expense for the year	—	—	(48.2)	—	(48.2)	—	(48.2)
Total comprehensive (expense) income for the year	—	—	(48.2)	3,207.3	3,159.1	110.2	3,269.3
Exercise of share options	27.3	(8.0)	—	—	19.3	—	19.3
Recognition of equity-settled share-based payments	—	5.5	—	—	5.5	—	5.5
Release of lapsed equity-settled share-based payments	—	(48.3)	—	48.3	—	—	—
Arising from changes in cash flow estimates on an amount due to non-controlling interests of a subsidiary	—	—	—	—	—	(7.2)	(7.2)
Arising from changes in shareholding of a subsidiary	—	—	—	(0.2)	(0.2)	0.2	—
Dividends paid (note 11)	—	—	—	(1,642.6)	(1,642.6)	—	(1,642.6)
	27.3	(50.8)	—	(1,594.5)	(1,618.0)	(7.0)	(1,625.0)
At 31 December 2019	11,281.4	798.2	277.7	16,641.1	28,998.4	237.7	29,236.1

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK\$ million	2018 HK\$ million
Operating activities		
Profit before taxation	3,369.1	2,939.6
Adjustments for:		
Interest income	(304.8)	(299.1)
Interest expenses	26.2	20.4
Imputed interest on an amount due to non-controlling interests of a subsidiary	7.5	7.1
Dividend income	(3.8)	(20.7)
Share of profits of an associate	(11.8)	(8.9)
Share of profits of a joint venture	(7.3)	(6.6)
Depreciation of property and equipment	827.6	1,162.8
Depreciation of right-of-use assets	227.7	—
Loss on disposal/write-off of property and equipment	2.1	0.9
Impairment loss on financial assets	200.0	47.0
Operating lease rentals in respect of land use rights	—	42.8
Share-based payments	5.5	10.2
Reversal of impairment loss on property and equipment	—	(5.4)
Loss on modification of long-term bank loans	9.8	12.9
Operating cash flows before movements in working capital	4,347.8	3,903.0
Increase in inventories	(12.5)	(8.1)
Decrease (increase) in trade and other receivables	103.9	(26.8)
Increase in trade and other payables	39.9	190.7
Cash from operations	4,479.1	4,058.8
Income tax paid	(55.7)	(22.6)
Net cash from operating activities	4,423.4	4,036.2

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK\$ million	2018 HK\$ million
Investing activities		
Interest received	331.4	269.5
Dividends received	3.8	22.0
Purchase of property and equipment	(5,501.6)	(5,777.3)
Proceeds from disposal of property and equipment	2.7	1.6
Deposits paid for purchase of property and equipment	(311.2)	(595.5)
Payments for rental deposits	(0.2)	—
Proceeds of rental deposits refunded	1.6	—
Acquisition of an intangible asset	(197.6)	—
Repayment from an investee company	8.0	7.4
Repayments from (advances to) contractors	668.5	(668.5)
Withdrawal of short-term bank deposits	22,112.4	25,429.2
Placement of short-term bank deposits	(15,509.9)	(28,078.8)
Placement of pledged bank deposits	(873.8)	—
Net cash from (used in) investing activities	734.1	(9,390.4)
Financing activities		
Interest paid	(541.3)	(451.7)
Dividends paid	(1,642.6)	(1,301.5)
Proceeds on issue of shares	19.3	9.1
New long-term bank loans raised	—	7,450.0
Payment of long-term bank loans arrangement fee	(25.0)	—
Repayment of long-term bank loans	(200.0)	(200.0)
Repayments of lease liabilities	(254.5)	—
Repayment to non-controlling interests of a subsidiary	(98.0)	—
Net cash (used in) from financing activities	(2,742.1)	5,505.9
Net increase in cash and cash equivalents	2,415.4	151.7
Cash and cash equivalents at 1 January	6,322.7	6,171.0
Cash and cash equivalents at 31 December	8,738.1	6,322.7
Analysis of the balances of cash and cash equivalents, representing bank balances and cash	8,738.1	6,322.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

SECTION A

THE COMPANY'S STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Notes	2019 HK\$ million	2018 HK\$ million
Non-current assets			
Property and equipment		0.1	0.2
Investments in subsidiaries	43	4,359.3	4,359.3
		4,359.4	4,359.5
Current assets			
Other receivables, deposits and prepayments		25.2	39.5
Amounts due from subsidiaries	44	10,251.5	9,859.9
Short-term bank deposits		3,319.8	5,610.0
Bank balances and cash		1,759.5	24.4
		15,356.0	15,533.8
Current liabilities			
Other payables and accruals		15.3	8.2
Amount due to a subsidiary	44	291.5	291.5
		306.8	299.7
Net current assets		15,049.2	15,234.1
Net assets		19,408.6	19,593.6
Capital and reserves			
Share capital	31	11,281.4	11,254.1
Reserves	33	8,127.2	8,339.5
Total equity		19,408.6	19,593.6

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 16 March 2020 and is signed on its behalf by:

Ho Chiu Fung, Daisy
Director

So Shu Fai
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 operations of casinos and related facilities, and hotel, catering, retail and related services in Macau Special Administrative Region, the People’s Republic of China (“Macau SAR”). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”), a company established in Macau SAR. The address of registered office and principal place of business of the Company is disclosed in Corporate Information of this report.

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

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

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

HKFRS 16 Leases (Continued)

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong SAR”) and Macau SAR and land leases and motor vehicles in Macau SAR was determined on a portfolio basis; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term of certain leases of properties and land leases in Macau SAR with extension and termination options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 2.43%.

	At 1 January 2019
	HK\$ million
Operating lease commitments disclosed as at 31 December 2018:	
land use rights	204.7
rented premises and other assets	528.4
	733.1
Add: Termination options reasonably certain not to be exercised	40.4
Extension options reasonably certain to be exercised	617.3
Less: Recognition exemption — short-term leases	(155.8)
	1,235.0
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	865.3
Analysed as	
Current	220.8
Non-current	644.5
	865.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	HK\$ million
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	770.5
Reclassified from land use rights (Note)	2,264.0
	3,034.5
By class:	
Leasehold lands	2,685.5
Leasehold land and buildings	310.0
Motor vehicles	39.0
	3,034.5

Note: Upfront payments for leasehold lands in Macau SAR for own use were classified as land use rights as at 31 December 2018. Upon application of HKFRS 16, land use rights amounting to HK\$2,264.0 million were reclassified to right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$ million	Adjustments HK\$ million	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$ million
Non-current assets			
Land use rights (<i>Note</i>)	2,264.0	(2,264.0)	—
Right-of-use assets	—	3,034.5	3,034.5
Current liability			
Lease liabilities	—	(220.8)	(220.8)
Non-current liability			
Lease liabilities	—	(644.5)	(644.5)
Capital and reserves			
Reserves	(16,298.0)	94.8	(16,203.2)

Note: For the purpose of reporting cash flows for the year ended 31 December 2019, movements have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

⁴ Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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 (“Listing Rules”) on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

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

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 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below:

3.1 Basis of consolidation

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

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

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

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

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

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

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

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

3.2 Investments in subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When an objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

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

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When an objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset that 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 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue from contracts with customers (Continued)

Principal versus agent

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

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

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

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

Revenue recognition

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue from contracts with customers (Continued)

Revenue recognition (Continued)

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

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

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

3.6 Property and equipment

Property and equipment are tangible assets that are 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 right-of-use assets (upon application of HKFRS 16) or land use rights (before application of HKFRS 16) 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 and Hong Kong SAR, where the cost of right-of-use assets (upon application of HKFRS 16) or land use rights (before application of HKFRS 16) cannot be reliably separated from the cost of land and buildings, the entire cost of land and buildings is treated as finance lease and depreciated and amortised on a straight line basis over the estimated useful life of the buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property and equipment (Continued)

The cost of other buildings in Macau SAR is depreciated over 25 years to 50 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 their respective estimated useful lives.

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

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

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

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

3.7 Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” (upon application of HKFRS 16) or “land use rights” (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

3.8 Land use rights (prior to 1 January 2019)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3.10 Intangible asset

Intangible asset with finite useful life that is acquired separately is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful life is recognised 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. Intangible asset with indefinite useful life that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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

3.11 Art works and diamonds

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

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

3.12 Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

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

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Definition of default

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

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

Credit-impaired financial assets

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

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

Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of ECL

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivables is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a subsidiary, amount due to non-controlling interests of a subsidiary and long-term bank loans are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

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

Financial guarantee contract liabilities are initially measured at their fair values. It is subsequently measured at the higher of:

- (i) the amount of the loss allowance determined in accordance with HKFRS 9; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition/Substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.14 Impairment losses on property and equipment, right-of-use assets and intangible asset

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, and intangible asset with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property and equipment, right-of-use assets, and intangible asset are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or the cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) 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 (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in a joint venture and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Taxation (Continued)

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.16 Foreign currencies

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

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

3.17 Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of leasehold land and buildings and motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessee (prior to 1 January 2019)

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.

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

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expenses on a straight line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Equity-settled share-based payment transactions

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

Equity-settled share based payments to directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(b) *Share options granted to other participants*

Equity-settled share-based payment transactions with parties other than directors and employees are measured at the fair values of the goods or services received, unless that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the goods or the counterparty renders service. The fair values of the goods or services received are recognised as expenses, unless the goods or services qualify for recognition as assets.

3.19 Retirement benefits costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Useful lives of property and equipment

The Group depreciates property and equipment on a straight-line basis over their estimated useful lives with no residual value assumed. The estimated useful lives are based on the nature of the assets, as well as current operating strategy and legal considerations, such as contractual life. Future events, such as property expansions, property developments, new competition or new regulations, could result in a change in the manner in which the Group uses certain assets and could have an impact on the estimated useful lives of such assets. During the year ended 31 December 2019, the Group changed the estimated useful lives of certain of its property and equipment based on a combination of factors accumulating over time that provided the Group with updated information to make a better estimate on the economic lives of these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

Useful lives of property and equipment (Continued)

These factors included (1) the stabilisation of the operating, regulatory and competitive environment in Macau SAR, which includes meeting the final land concession deadlines imposed by Macau SAR Government for the Group's properties situated at Macau Peninsula and Cotai and (2) consideration of the estimated useful lives assigned to buildings of the Group's peers in the gaming and hospitality industry. Based on these factors, as well as the anticipated use and condition of the assets evaluated, the Group determined that changes to the useful lives of certain property and equipment were appropriate. As a result, the Group revised the estimated useful lives of the property and equipment to a range of 25 to 50 years to better reflect the estimated periods during which these assets are expected to remain in service.

These changes in estimated useful lives of property and equipment were accounted for as changes in accounting estimates effective 1 January 2019. The impact of these changes for the year ended 31 December 2019 was a decrease in depreciation expense and an increase in profit for the year of HK\$167.3 million for certain property and equipment with carrying amounts of HK\$2,435.0 million as at 31 December 2019.

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to leasehold lands.

The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

As at 31 December 2019, the carrying amounts of right-of-use assets and lease liabilities for the lease contracts which the Group is reasonably certain to exercise the renewal option are HK\$2,548.1 million and HK\$468.7 million respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

Determination on incremental borrowing rates of lease contracts

In determining incremental borrowing rates of lease contracts, the Group applies judgement to determine the applicable rates, taking into account the nature of the underlying assets and the terms and condition of the leases at both the commencement date and the effective date of the modification to calculate the present value of lease payments. The incremental borrowing rates of the Group applied significantly affect the amounts of lease liabilities and right-of-use assets recognised.

Key sources of estimation uncertainty

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

Loss allowance on advances to gaming promoters and other receivables from gaming promoters and service providers

The Group grants pre-approved revolving credit lines and short-term temporary advances to its gaming promoters with good credit histories and financial track records. For the outstanding balances from credit-impaired gaming promoters and service providers, an estimated loss allowance is maintained to reduce the Group's receivables to their recoverable amounts. The allowances are estimated based on credit reviews of gaming promoters or service providers with outstanding balance and an evaluation of the amounts expected to be recovered with reference to relevant commissions and service fees accrued to, and deposits received from, the relevant gaming promoters or service providers at the end of the reporting period, the continuous business relationship, the commissions and service fees payable to the relevant gaming promoters or service providers, the cheques, and guarantees obtained and the financial background of the relevant gaming promoters or service providers. The management has also assessed all available forward looking information, including but not limited to expected growth rate and future development of gaming industry. When the actual future cash flows from the settlement of the outstanding balances from gaming promoters or service providers are less than expected, a material impairment loss may arise and affect profit or loss in the period of change. As at 31 December 2019, the carrying amount of advances to gaming promoters and other receivables from gaming promoters and service providers are HK\$815.5 million (2018: HK\$1,049.5 million), net of related loss allowance of HK\$379.5 million (2018: HK\$179.5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

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

Save as disclosed in note 29, the amount due to non-controlling interests of a subsidiary as at 31 December 2019 of HK\$203.8 million (2018: HK\$287.1 million) is repayable only when the subsidiary has surplus funds which require significant estimates. Surplus fund represents cash available in the subsidiary after estimated payments of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest. As such, the carrying amount of such 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 such amount due to non-controlling interests of a subsidiary.

5. OPERATING SEGMENTS

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

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

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the “CODM”). CODM, who is responsible for allocating resources and assessing performance of the reportable segments, has been identified as a group of senior management that makes strategic decisions.

The CODM regularly analyses gaming operations in terms of VIP gaming operations, mass market table gaming operations, slot machine and other gaming operations, and the relevant revenues and operating result are reviewed as a whole for resources allocation and performance assessment. For hotel, catering and retail operations, the CODM regularly reviews the performance on the basis of the individual hotel. For segment reporting under HKFRS 8, financial information of the Group’s hotels with similar economic characteristics has been aggregated into a single reportable segment named “hotel, catering and retail operations”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. OPERATING SEGMENTS (Continued)

Segment information about these businesses is presented below:

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

	Segment revenue		Segment results	
	2019 HK\$ million	2018 HK\$ million	2019 HK\$ million	2018 HK\$ million
Gaming operations: recognised at a point in time	33,158.5	33,677.1	3,570.9	3,331.6
Hotel, catering and retail operations: External sales:				
Catering and retail operations: recognised at a point in time	433.3	441.8		
Hotel operations: recognised over time	283.2	291.2		
	716.5	733.0		
Inter-segment sales:				
Catering and retail operations: recognised at a point in time	52.1	33.5		
Hotel operations: recognised over time	128.6	123.5		
	180.7	157.0		
Eliminations	897.2 (180.7)	890.0 (157.0)	(195.7)	(456.6)
	716.5	733.0		
Total:				
recognised at a point in time	33,591.8	34,118.9		
recognised over time	283.2	291.2		
	33,875.0	34,410.1		
Reconciliation from segment results to profit before taxation:			3,375.2	2,875.0
Unallocated corporate income			163.4	205.1
Unallocated corporate expenses			(188.6)	(156.0)
Share of profits of an associate			11.8	8.9
Share of profits of a joint venture			7.3	6.6
Profit before taxation			3,369.1	2,939.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. OPERATING SEGMENTS (Continued)

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before taxation earned by each segment without allocation of corporate income and expenses, and share of profits of an associate/a joint venture. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at a price mutually agreed by both parties.

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

	2019 HK\$ million	2018 HK\$ million
ASSETS		
Segment assets:		
gaming operations	13,584.4	16,494.0
hotel, catering and retail operations	4,425.1	4,662.4
	18,009.5	21,156.4
Interest in an associate	336.4	306.5
Interest in a joint venture	135.0	127.7
Unallocated bank deposits, bank balances and cash	5,227.0	5,669.2
Other unallocated assets	33,917.8	29,138.8
Group's total	57,625.7	56,398.6
LIABILITIES		
Long-term bank loans:		
gaming operations	15,082.5	15,078.0
hotel, catering and retail operations	70.3	130.1
unallocated corporate bank loans	127.9	236.7
	15,280.7	15,444.8
Other segment liabilities:		
gaming operations	10,689.8	10,338.4
hotel, catering and retail operations	364.8	261.1
	11,054.6	10,599.5
Total segment liabilities	26,335.3	26,044.3
Unallocated liabilities	2,054.3	2,667.7
Group's total	28,389.6	28,712.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. OPERATING SEGMENTS (Continued)

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

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

- (i) other unallocated assets include mainly certain property and equipment, certain right-of-use assets (2018: land use rights), art works and diamonds, amounts due from an associate/a joint venture/an investee company and investments in equity instruments designated at FVTOCI.
- (ii) unallocated liabilities include mainly certain construction payables and amount due to non-controlling interests of a subsidiary.
- (iii) all assets are allocated to reportable segments, other than interest in an associate/a joint venture, unallocated bank deposits, bank balances and cash and those mentioned in above (i).
- (iv) all liabilities are allocated to reportable segments, other than liabilities not attributable to respective segments as mentioned in above (ii).

(c) Other segment information of the Group

	2019 HK\$ million	2018 HK\$ million
Additions to non-current assets (other than financial instruments):		
gaming operations	496.0	325.3
hotel, catering and retail operations	47.0	56.0
corporate level*	5,355.8	6,903.0
	5,898.8	7,284.3

* Amount includes certain right-of-use assets (2018: land use rights), property and equipment, intangible asset and art works and diamonds where the directors of the Company consider it impracticable to divide into individual segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. OPERATING SEGMENTS (Continued)

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

	2019 HK\$ million	2018 HK\$ million
Depreciation:		
gaming operations	731.4	620.1
hotel, catering and retail operations	293.6	536.7
corporate level	30.3	6.0
	1,055.3	1,162.8
Loss (gain) on disposal/write-off of property and equipment:		
gaming operations	2.2	0.5
hotel, catering and retail operations	0.1	0.4
corporate level	(0.2)	—
	2.1	0.9
Share-based payments:		
gaming operations	4.3	6.9
corporate level	1.2	3.3
	5.5	10.2
Finance costs:		
gaming operations	8.6	3.2
hotel, catering and retail operations	7.0	6.1
corporate level	18.1	18.2
	33.7	27.5
Interest income:		
gaming operations	157.2	119.8
hotel, catering and retail operations	6.3	3.2
corporate level	141.3	176.1
	304.8	299.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. OPERATING SEGMENTS (Continued)

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

	2019 HK\$ million	2018 HK\$ million
Impairment loss on financial assets: gaming operations	200.0	47.0
Reversal of impairment loss on property and equipment: gaming operations	—	(4.8)
hotel, catering and retail operations	—	(0.6)
	—	(5.4)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. GAMING REVENUE

	2019 HK\$ million	2018 HK\$ million
Gaming revenue from:		
VIP gaming operations	13,687.3	19,663.2
mass market table gaming operations	25,127.0	23,080.3
slot machine and other gaming operations	1,185.8	1,156.5
	40,000.1	43,900.0
Less: commissions and incentives	(6,841.6)	(10,222.9)
	33,158.5	33,677.1

7. FINANCE COSTS

	2019 HK\$ million	2018 HK\$ million
Interests on:		
long-term bank loans	620.2	484.0
lease liabilities	20.2	—
Imputed interest on an amount due to non-controlling interests of a subsidiary	7.5	7.1
	647.9	491.1
Less: Amount capitalised	(614.2)	(463.6)
	33.7	27.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. PROFIT BEFORE TAXATION

	2019 HK\$ million	2018 HK\$ million
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration (note 9)	95.5	100.3
Less: Amount capitalised	(12.3)	(11.2)
	83.2	89.1
Retirement benefits scheme contributions for other staff	217.1	212.1
Less: Forfeited contributions	(23.1)	(28.6)
	194.0	183.5
Other staff costs	5,722.0	5,660.1
Share-based payments to other staff	—	0.6
Total other staff costs	5,722.0	5,660.7
Total employee benefit expenses	5,999.2	5,933.3
Operating lease rentals in respect of:		
land use rights	—	45.5
rented premises	—	440.4
	—	485.9
Auditor's remuneration	17.0	15.0
Depreciation of property and equipment	827.6	1,162.8
Depreciation of right-of-use assets	227.7	—
Loss on modification of long-term bank loans	9.8	12.9
Loss on disposal/write-off of property and equipment	2.1	0.9
<i>and after crediting:</i>		
Bank interest income	304.8	299.1
Dividend income	3.8	20.7
Reversal of impairment loss on property and equipment	—	5.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2019					2018				
	Base fees HK\$ million (Note a)	Special fees HK\$ million (Note b)	Other fees HK\$ million (Note c)	Share- based payments HK\$ million	Total HK\$ million	Base fees HK\$ million (Note a)	Special fees HK\$ million (Note b)	Other fees HK\$ million (Note c)	Share- based payments HK\$ million	Total HK\$ million
THE COMPANY										
Executive directors:										
Dr. Ho Hung Sun, Stanley (Note d)	—	—	—	—	—	0.4	—	—	—	0.4
Ms. Ho Chiu Fung, Daisy	1.2	0.4	0.4	1.2	3.2	0.8	0.3	0.9	3.3	5.3
Mr. Fok Tsun Ting, Timothy	1.8	0.6	0.1	—	2.5	1.4	0.5	0.1	—	2.0
Deputada Leong On Kei, Angela	1.9	0.6	0.1	—	2.6	1.5	0.5	0.1	—	2.1
Dr. So Shu Fai (Chief Executive Officer)	1.9	0.6	0.1	—	2.6	1.7	0.5	0.1	—	2.3
Mr. Ng Chi Sing	0.5	0.2	0.1	—	0.8	0.5	0.2	0.1	—	0.8
Mr. Shum Hong Kuen, David	1.3	0.4	0.1	—	1.8	1.2	0.4	0.1	—	1.7
Dr. Chan Un Chan (Note e)	0.6	0.2	0.1	—	0.9	0.3	0.1	0.1	—	0.5
Non-executive directors:										
Dr. Cheng Kar Shun (Note f)	0.2	—	—	—	0.2	0.5	0.2	0.1	—	0.8
Mr. Tsang On Yip, Patrick (Note g)	0.3	0.1	0.1	—	0.5	—	—	—	—	—
Independent non-executive directors:										
Mr. Chau Tak Hay	0.8	0.3	0.1	—	1.2	0.7	0.2	0.1	—	1.0
Dr. Lan Hong Tsung, David (Note h)	0.4	—	—	—	0.4	0.7	0.2	0.1	—	1.0
Hon. Shek Lai Him, Abraham	1.6	0.6	0.1	—	2.3	1.5	0.5	0.1	—	2.1
Mr. Tse Hau Yin	1.6	0.5	0.1	—	2.2	1.4	0.5	0.1	—	2.0
Ms. Wong Yu Pok, Marina (Note i)	0.4	0.1	0.1	—	0.6	—	—	—	—	—
	14.5	4.6	1.5	1.2	21.8	12.6	4.1	2.0	3.3	22.0
SUBSIDIARIES										
Executive directors:										
Dr. Ho Hung Sun, Stanley (Note d)	—	—	—	—	—	10.6	3.5	1.1	—	15.2
Ms. Ho Chiu Fung, Daisy	9.2	3.0	0.9	—	13.1	—	—	—	—	—
Mr. Fok Tsun Ting, Timothy	1.2	0.4	1.2	—	2.8	1.1	0.4	0.8	—	2.3
Deputada Leong On Kei, Angela	9.8	3.6	2.2	—	15.6	9.5	3.5	2.2	—	15.2
Dr. So Shu Fai (Chief Executive Officer)	12.7	4.2	1.2	—	18.1	12.3	4.2	1.2	—	17.7
Mr. Ng Chi Sing	2.5	0.9	9.6	—	13.0	10.6	3.5	1.2	—	15.3
Mr. Shum Hong Kuen, David	1.1	0.4	0.4	—	1.9	1.1	0.4	0.3	—	1.8
Dr. Chan Un Chan (Note e)	0.3	0.2	0.4	4.3	5.2	0.2	—	0.2	6.3	6.7
Non-executive directors:										
Dr. Cheng Kar Shun (Note f)	0.1	—	0.1	—	0.2	0.4	0.1	0.4	—	0.9
Mr. Tsang On Yip, Patrick (Note g)	—	—	0.4	—	0.4	—	—	—	—	—
Independent non-executive directors:										
Mr. Chau Tak Hay	—	—	—	—	—	—	—	—	—	—
Dr. Lan Hong Tsung, David (Note h)	—	—	—	—	—	—	—	—	—	—
Hon. Shek Lai Him, Abraham	0.9	0.3	—	—	1.2	0.8	0.3	—	—	1.1
Mr. Tse Hau Yin	0.8	0.3	1.1	—	2.2	0.8	0.2	1.1	—	2.1
Ms. Wong Yu Pok, Marina (Note i)	—	—	—	—	—	—	—	—	—	—
	38.6	13.3	17.5	4.3	73.7	47.4	16.1	8.5	6.3	78.3

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For the year ended 31 December 2019

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

	2019					2018				
	Base fees HK\$ million (Note a)	Special fees HK\$ million (Note b)	Other fees HK\$ million (Note c)	Share-based payments HK\$ million	Total HK\$ million	Base fees HK\$ million (Note a)	Special fees HK\$ million (Note b)	Other fees HK\$ million (Note c)	Share-based payments HK\$ million	Total HK\$ million
THE GROUP										
Executive directors:										
Dr. Ho Hung Sun, Stanley (Note d)	—	—	—	—	—	11.0	3.5	1.1	—	15.6
Ms. Ho Chiu Fung, Daisy	10.4	3.4	1.3	1.2	16.3	0.8	0.3	0.9	3.3	5.3
Mr. Fok Tsun Ting, Timothy	3.0	1.0	1.3	—	5.3	2.5	0.9	0.9	—	4.3
Deputada Leong On Kei, Angela	11.7	4.2	2.3	—	18.2	11.0	4.0	2.3	—	17.3
Dr. So Shu Fai (Chief Executive Officer)	14.6	4.8	1.3	—	20.7	14.0	4.7	1.3	—	20.0
Mr. Ng Chi Sing	3.0	1.1	9.7	—	13.8	11.1	3.7	1.3	—	16.1
Mr. Shum Hong Kuen, David	2.4	0.8	0.5	—	3.7	2.3	0.8	0.4	—	3.5
Dr. Chan Un Chan (Note e)	0.9	0.4	0.5	4.3	6.1	0.5	0.1	0.3	6.3	7.2
Non-executive directors:										
Dr. Cheng Kar Shun (Note f)	0.3	—	0.1	—	0.4	0.9	0.3	0.5	—	1.7
Mr. Tsang On Yip, Patrick (Note g)	0.3	0.1	0.5	—	0.9	—	—	—	—	—
Independent non-executive directors:										
Mr. Chau Tak Hay	0.8	0.3	0.1	—	1.2	0.7	0.2	0.1	—	1.0
Dr. Lan Hong Tsung, David (Note h)	0.4	—	—	—	0.4	0.7	0.2	0.1	—	1.0
Hon. Shek Lai Him, Abraham	2.5	0.9	0.1	—	3.5	2.3	0.8	0.1	—	3.2
Mr. Tse Hau Yin	2.4	0.8	1.2	—	4.4	2.2	0.7	1.2	—	4.1
Ms. Wong Yu Pok, Marina (Note i)	0.4	0.1	0.1	—	0.6	—	—	—	—	—
	53.1	17.9	19.0	5.5	95.5	60.0	20.2	10.5	9.6	100.3

Notes:

- (a) Base fee represents a fixed fee paid for the holding of an office as a director and, where appropriate, a board committee member.
- (b) Special fee represents a performance-based discretionary payment.
- (c) Other fees paid to Deputada Leong On Kei, Angela include the fee (including performance-based discretionary payment) acting as the chairman of the Staff Welfare Consultative Committee of Sociedade de Jogos de Macau, S.A. ("SJM"), a subsidiary of the Company. Other fees paid to Mr. Tse Hau Yin represent the fee (including performance-based discretionary payment) acting as supervisory committee chairman of SJM and its certain subsidiaries. Other fees paid to Mr. Tsang On Yip, Patrick represent the fee acting as supervisory committee member of SJM and its certain subsidiaries. Other fees paid to all directors also include various allowances.
- (d) Retired as executive director with effect from 12 June 2018.
- (e) Elected as executive director with effect from 12 June 2018.
- (f) Retired as non-executive director on 11 June 2019.
- (g) Elected as non-executive director on 11 June 2019.
- (h) Retired as independent non-executive director on 11 June 2019.
- (i) Elected as independent non-executive director on 11 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Executive directors are also senior management of the Group.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The five highest paid individuals of the Group for the year ended 31 December 2019 included four (2018: five) directors of the Company, whose emoluments are disclosed above and the remaining one (2018: nil) is an employee of the Group, details of whose emolument are as follows:

	2019 HK\$ million	2018 HK\$ million
Employee: salaries and allowances	14.9	—

No emoluments were paid by the Group to the directors and the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office in both years. None of the directors and the five highest paid individuals has waived any emoluments during both years.

10. TAXATION

	2019 HK\$ million	2018 HK\$ million
Macau SAR Complementary Tax ("CT"):		
current tax	61.5	54.6
underprovision in prior year	1.1	0.1
	62.6	54.7
Deferred taxation credit (note 30)	(11.0)	(27.3)
	51.6	27.4

No provision for CT on gaming related income is made for a subsidiary of the Company, SJM. Pursuant to the approval notice issued by the Macau SAR government dated 27 September 2016, SJM has been exempted from CT for income generated from gaming operations for the period from 1 January 2017 to 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. TAXATION (Continued)

In addition, pursuant to the approval letter dated 27 February 2018 issued by the Financial Services Bureau of the Macau SAR government on dividend distributed by SJM (the "Special Complementary Tax") for the period from 1 January 2017 to 31 March 2020, SJM's shareholders were obligated to pay the Special Complementary Tax of Macau Pataca ("MOP") 23.2 million (equivalent to HK\$22.5 million) for each of the years ended 31 December 2017 to 2019 and MOP5.8 million (equivalent to HK\$5.6 million) for the three months ending 31 March 2020.

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

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

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

	2019 HK\$ million	2018 HK\$ million
Profit before taxation	3,369.1	2,939.6
Tax at the applicable income tax rate of 12%	404.3	352.7
Effect of tax exemption granted to the Group	(425.6)	(409.3)
Effect of share of results of an associate and a joint venture	(2.3)	(1.9)
Effect of income not taxable for tax purpose	(16.3)	(25.4)
Effect of expenses not deductible for tax purpose	23.7	48.3
Effect of tax losses not recognised	123.7	96.0
Effect of deductible temporary difference not recognised	(72.2)	(55.6)
Underprovision in respect of prior year	1.1	0.1
Utilisation of deductible temporary difference previously not recognised	(6.0)	—
Utilisation of tax losses previously not recognised	(1.3)	—
Special Complementary Tax	22.5	22.5
Tax charge for the year	51.6	27.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. DIVIDENDS

	2019 HK\$ million	2018 HK\$ million
Interim dividend per ordinary share paid:		
HK8 cents for 2019	453.1	—
HK8 cents for 2018	—	452.7
Final dividend per ordinary share paid:		
HK21 cents for 2018	1,189.5	—
HK15 cents for 2017	—	848.8
	1,642.6	1,301.5

A final dividend of HK22 cents per ordinary share, totalling HK\$1,246.8 million, is proposed by the directors of the Company at a board meeting held on 16 March 2020, which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting and is calculated on the basis of 5,667,369,293 ordinary shares in issue at the date of this report.

12. EARNINGS PER SHARE

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

Earnings

	2019 HK\$ million	2018 HK\$ million
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	3,207.3	2,850.1

Number of shares

	2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,663,681,403	5,658,874,526
Effect of dilutive potential ordinary shares on share options	1,772,634	4,128,152
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,665,454,037	5,663,002,678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Chips	Furniture, fixtures and equipment	Gaming equipment	Leasehold improvements	Motor vehicles	Vessels	Construction in progress	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
COST									
At 1 January 2018	4,942.7	459.1	6,859.8	610.9	4,185.2	48.3	286.1	18,171.6	35,563.7
Additions	0.8	1.2	98.7	40.4	56.3	4.7	—	6,647.4	6,849.5
Disposals/write-off	—	—	(48.5)	(69.9)	(4.4)	(0.2)	—	—	(123.0)
Transfers	—	—	28.9	—	16.1	—	—	(45.0)	—
At 31 December 2018	4,943.5	460.3	6,938.9	581.4	4,253.2	52.8	286.1	24,774.0	42,290.2
Additions	739.0	0.3	173.4	38.8	29.4	8.2	—	4,633.7	5,622.8
Disposals/write-off	—	—	(157.8)	(77.7)	(23.2)	(5.6)	—	—	(264.3)
At 31 December 2019	5,682.5	460.6	6,954.5	542.5	4,259.4	55.4	286.1	29,407.7	47,648.7
DEPRECIATION AND IMPAIRMENT									
At 1 January 2018	2,212.9	457.6	4,889.9	446.2	2,764.3	36.3	66.1	—	10,873.3
Provided for the year	236.0	1.7	548.9	80.0	279.0	5.4	13.2	—	1,164.2
Impairment loss reversed in profit or loss	—	—	(0.6)	—	(4.8)	—	—	—	(5.4)
Eliminated on disposals/write-off	—	—	(47.1)	(69.2)	(4.0)	(0.2)	—	—	(120.5)
At 31 December 2018	2,448.9	459.3	5,391.1	457.0	3,034.5	41.5	79.3	—	11,911.6
Provided for the year	68.8	0.5	529.5	68.8	151.1	5.0	13.1	—	836.8
Eliminated on disposals/write-off	—	—	(154.5)	(77.4)	(22.8)	(4.8)	—	—	(259.5)
At 31 December 2019	2,517.7	459.8	5,766.1	448.4	3,162.8	41.7	92.4	—	12,488.9
CARRYING VALUES									
At 31 December 2019	3,164.8	0.8	1,188.4	94.1	1,096.6	13.7	193.7	29,407.7	35,159.8
At 31 December 2018	2,494.6	1.0	1,547.8	124.4	1,218.7	11.3	206.8	24,774.0	30,378.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. PROPERTY AND EQUIPMENT (Continued)

At 31 December 2019, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate carrying value of HK\$1,119.7 million (2018: HK\$1,494.8 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 2022 (2018: 2020).

At 31 December 2019, the carrying values of the construction in progress of HK\$29,407.7 million (2018: HK\$24,774.0 million) represented the construction in progress of development and operation of a casino, hotel and entertainment complex on a parcel of land in Macau SAR government ("Grand Lisboa Palace Project").

Other staff costs of HK\$499.2 million (2018: HK\$355.8 million), operating lease rentals in respect of rented premises of HK\$11.3 million (2018: HK\$17.4 million), depreciation expenses of right-of-use assets of HK\$52.7 million (2018: operating lease rentals in respect of land use rights of HK\$92.1 million), depreciation expenses of property and equipment of HK\$9.2 million (2018: HK\$1.4 million) and interest expenses of HK\$614.2 million (2018: HK\$463.6 million) have been capitalised in construction in progress for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. RIGHT-OF-USE ASSETS

	Leasehold lands HK\$ million	Leasehold land and buildings HK\$ million	Motor vehicles HK\$ million	Total HK\$ million
COST				
At 1 January 2019 (note 2)	2,685.5	310.0	39.0	3,034.5
Additions	—	57.1	53.1	110.2
At 31 December 2019	2,685.5	367.1	92.1	3,144.7
DEPRECIATION				
At 1 January 2019	—	—	—	—
Charge for the year	63.4	169.2	47.8	280.4
At 31 December 2019	63.4	169.2	47.8	280.4
CARRYING VALUES				
At 31 December 2019	2,622.1	197.9	44.3	2,864.3
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16				208.2
Total cash outflow for leases				474.8

For both years, the Group leases certain leasehold lands, commercial properties, carparks, and motor vehicles for its operations. Lease contract are entered into for fixed term from 1 to 25 years. Certain leases of leasehold lands in Macau SAR are negotiated for an initial term of 25 years with extension options exercisable by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns casino and commercial properties. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are not presented separately as the payments made cannot be allocated reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. INTANGIBLE ASSET

During the year, the Group accepted a gaming concession extension contract with Macau SAR government in respect of the gaming concession of SJM, which was originally due to expire on 31 March 2020, for a further period up to 26 June 2022. The cost of extension premium for the gaming concession contract of MOP200.0 million (equivalent to HK\$194.2 million) and related costs will be amortised on a straight line basis over the extended term of the gaming concession starting from 1 April 2020.

16. LAND USE RIGHTS

	2018 HK\$ million
CARRYING VALUE	
At 1 January	2,396.8
Released to profit or loss during the year	(42.8)
Released and capitalised to construction in progress during the year	(90.0)
At 31 December	2,264.0

The amounts represent prepayment of rentals for land use rights situated in Macau SAR.

Such land use rights were reclassified as right-of-use assets upon the initial application of HKFRS 16 (note 2).

17. 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 2019

18. INTEREST IN AN ASSOCIATE

	2019 HK\$ million	2018 HK\$ million
Cost of unlisted investment	25.0	25.0
Discount on acquisition	6.8	6.8
Share of post-acquisition profits	304.6	274.7
	336.4	306.5

The cost of investment in an associate represents the Group's 49% quota capital in an entity, Zhen Hwa Harbour Construction Company Limited, which is established in Macau SAR and engaged in the provision of construction services in Macau SAR and investment holding business.

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

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

	2019 HK\$ million	2018 HK\$ million
Current assets	1,402.6	1,420.0
Non-current assets	104.5	98.6
Current liabilities	(1,377.5)	(1,480.2)
Revenue	867.6	865.8
Profit for the year	90.4	71.9

The unrecognised share of results of an associate*:

	2019 HK\$ million	2018 HK\$ million
At 1 January	578.7	551.2
Unrecognised share of results for the year	(29.3)	27.5
At 31 December	549.4	578.7

* The Group's share of accumulated losses on a construction project is limited to a fixed amount of HK\$97.1 million as agreed with the holding company of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. 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 an associate

	2019 HK\$ million	2018 HK\$ million
Net assets of an associate	129.6	38.4
Unrecognised share of loss of an associate	549.4	578.7
Adjusted net assets of an associate	679.0	617.1
Proportion of the Group's ownership interest in an associate	49%	49%
	332.7	302.4
Effect of fair value adjustments at acquisition	3.7	4.1
Carrying amount of the Group's interest in an associate	336.4	306.5

Reconciliation of share of profits of an associate

	2019 HK\$ million	2018 HK\$ million
Results for the year of an associate	90.4	71.9
Unrecognised share of results for the year	(29.3)	27.5
Unrealised profits for the year	(37.0)	(81.2)
Adjusted profits for the year of an associate	24.1	18.2
Proportion of the Group's ownership interest in an associate	49%	49%
Share of profits of an associate	11.8	8.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. INTEREST IN A JOINT VENTURE

	2019 HK\$ million	2018 HK\$ million
Cost of unlisted investment	39.7	39.7
Share of post-acquisition profits	95.3	88.0
	135.0	127.7

The cost of investment in a joint venture represents the Group's 49% quota capital in an entity, Chong Fung Real Estate Investment Limited, which is established in Macau SAR and engaged in property investment business 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 (2018: HK\$34.3 million) arising on acquisition of the joint venture.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. INTEREST IN A JOINT VENTURE (Continued)

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

	2019 HK\$ million	2018 HK\$ million
Current assets	211.5	195.6
Non-current assets	26.2	27.1
Current liabilities	(32.1)	(32.1)
Revenue	14.4	14.4
Profit for the year	15.0	13.5
The above profit for the year includes the following:		
Depreciation	0.9	0.9
Interest income	4.4	3.1

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

	2019 HK\$ million	2018 HK\$ million
Net assets of a joint venture	205.6	190.6
Proportion of the Group's ownership interest in a joint venture	49%	49%
	100.7	93.4
Goodwill	34.3	34.3
Carrying amount of the Group's interest in a joint venture	135.0	127.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

At 31 December 2019, the amounts comprise equity shares listed in Hong Kong of HK\$296.5 million (2018: HK\$352.3 million) and unlisted equity shares in a private entity established in the British Virgin Islands of HK\$571.6 million (2018: HK\$564.0 million) that are carried at fair value. These investments are not held for trading, instead, they are held for long-term strategic purposes. The management has elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

21. OTHER ASSETS

	2019 HK\$ million	2018 HK\$ million
Deposits made on acquisitions of property and equipment	691.5	723.3
Rental deposits (<i>note 23</i>)	5.5	25.2
Other receivables from gaming promoters and service providers (<i>note 23</i>)	—	445.9
Amount due from an associate	88.4	88.4
Amount due from a joint venture	14.4	14.4
Amount due from an investee company	41.0	49.0
	840.8	1,346.2

The amounts due from an associate/a joint venture/an investee company and other receivables from gaming promoters and service providers are unsecured, interest-free and have no fixed repayment terms. 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

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22. PLEDGED BANK DEPOSITS

	2019 HK\$ million	2018 HK\$ million
Non-current portion		
Bank deposit pledged: to secure a bank facility (Note (a))	—	145.6
Current portion		
Bank deposits pledged:		
to secure a bank facility (Note (a))	145.6	—
to secure a bank facility (Note (b))	873.8	—
others	1.3	1.3
	1,020.7	1.3

Notes:

- (a) The amount represents a deposit pledged to secure the bank facility granted to a subsidiary of the Company. The bank facility represents a guarantee amounting to HK\$291.3 million from 1 April 2007 to 180 days after 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.
- (b) The amount represents a temporary deposit pledged to secure a bank facility granted to SJM for the period from 27 May 2019 to 27 March 2020. The banking facility represents a guarantee amounting to MOP3,500 million (equivalent to HK\$3,398.1 million) which is in favour of the Macau SAR government against obligations that would arise to SJM as an employer in connection with the termination of employment agreements potentially caused by expiration of the gaming concession contract.

At 31 December 2019, the pledged bank deposits carry fixed interest rates ranging from 2.20% to 2.40% (2018: 1.00% to 1.75%) per annum.

Details of impairment assessment of pledged bank deposits for the year ended 31 December 2019 are set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. TRADE AND OTHER RECEIVABLES

	2019 HK\$ million	2018 HK\$ million
Advances to gaming promoters, net	189.6	210.4
Other receivables from gaming promoters and service providers, net	625.9	839.1
Prepayments	197.8	291.4
Other sundry receivables	306.3	310.6
Advances to contractors	—	668.5
	1,319.6	2,320.0
Less: Non-current portion (<i>note 21</i>)	(5.5)	(471.1)
Current portion	1,314.1	1,848.9

Advances to gaming promoters mainly include pre-approved interest-free revolving credit lines and short-term temporary interest-free advances. All advances to gaming promoters are unsecured, repayable on demand at discretion of the Group and generally require cheques and guarantees. At 31 December 2019, all of the advances to gaming promoters (net of allowances) are neither past due nor impaired.

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

Other receivables from gaming promoters and service providers represent certain costs to be reimbursed from gaming promoters and service providers. With the consent of gaming promoters and service providers, the Group can offset the outstanding balances against commission and service fee payables to or deposits from relevant gaming promoters and service providers. In the event that a gaming promoter or service provider fails to repay, the Group has the right, pursuant to the relevant gaming promoter agreement or service provider agreement, to offset or withhold the payables to that gaming promoter or service provider, realise cheques and execute guarantees, if any.

At 31 December 2019, the management expects that rental deposits of HK\$5.5 million (2018: HK\$25.2 million) will not be realised or released within 12 months from the end of the reporting period. Hence, such amounts are classified as non-current assets.

At 31 December 2018, the management expected that other receivables from gaming promoters and service providers of HK\$445.9 million would not be realised or released within 12 months from the end of the reporting period (2019: nil). Hence, such amounts were classified as non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. TRADE AND OTHER RECEIVABLES (Continued)

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

	2019 HK\$ million	2018 HK\$ million
Age		
0 to 30 days	189.6	210.4

Details of impairment assessment of trade and other receivables for the year ended 31 December 2019 are set out in note 39.

At 31 December 2018, advances to contractors represented construction costs of Grand Lisboa Palace Project advanced to contractors. The amounts were unsecured, interest-free and the management expected the amounts would be realised within 12 months from the end of the reporting period. Hence, such amounts were classified as current assets.

Other sundry receivables mainly include deposits paid for rentals and operating supplies, interest receivables 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:

	2019 HK\$ million	2018 HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group	29.4	237.7
An associate of the Group	7.8	5.2
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	164.2	150.9
	201.4	393.8

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

At 31 December 2019, the short-term bank deposits carry fixed interest rates ranging from 1.45% to 3.00% (2018: 1.00% to 3.00%) per annum with original maturity ranging over 3 months to 6 months (2018: 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 2019, bank balances carry effective interest rates ranging from 0.13% to 2.90% (2018: 0.13% to 2.55%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25. TRADE AND OTHER PAYABLES

	2019 HK\$ million	2018 HK\$ million
Trade payables	1,047.2	1,389.1
Special gaming tax payable	1,209.6	1,451.2
Chips in circulation	5,062.4	4,480.7
Chips in custody and deposits received from gaming patrons and gaming promoters	520.3	597.9
Payables for acquisition of property and equipment	38.0	38.0
Construction payables	1,670.2	2,550.0
Accrued staff costs	1,706.9	1,678.9
Accrued operating expenses	191.2	171.1
Withholding tax payable for gaming promoters and employees	24.9	21.1
Other sundry payables and accruals	573.6	462.5
	12,044.3	12,840.5
Less: Non-current portion	—	(882.9)
Current portion	12,044.3	11,957.6

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

	2019 HK\$ million	2018 HK\$ million
Age		
0 to 30 days	1,030.6	1,373.2
31 to 60 days	10.4	10.4
61 to 90 days	2.0	2.3
Over 90 days	4.2	3.2
	1,047.2	1,389.1

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 2019

25. TRADE AND OTHER PAYABLES (Continued)

The Group provides numerous products and services to its customers. There is often a timing difference between the cash payment by the customers and recognition of revenue for each of the associated performance obligations. The Group has the following main types of liabilities associated with contracts with customers including in other sundry payables and accruals: (1) liabilities in relation to loyalty points under customer relationship programs and (2) other deferred revenue.

The liabilities in relation to loyalty points under customer relationship programs represent a deferral of revenue for future goods and services to be provided by the Group until gaming patrons redeem points earned. The loyalty points are expected to be redeemed and recognised as revenue within one year of being earned.

The other deferred revenue represents accrued goods or services provided on a complimentary basis to gaming patrons and gaming promoters for future goods and services provided by the Group. The majority of these goods or services are expected to be recognised as revenue within one year of being granted.

The following table summarises the liability activity related to contracts with customers:

	Liabilities in relation to loyalty points under customer relationship programs		Other deferred revenue	
	2019 HK\$ million	2018 HK\$ million	2019 HK\$ million	2018 HK\$ million
Balance at 1 January	21.8	26.7	6.4	6.4
Balance at 31 December	21.3	21.8	5.3	6.4
Decrease	(0.5)	(4.9)	(1.1)	—

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

	2019 HK\$ million	2018 HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group	66.1	77.5
An associate of the Group	153.5	167.8
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	282.2	341.3
	501.8	586.6

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For the year ended 31 December 2019

26. FINANCIAL GUARANTEE OBLIGATIONS

The fair value of financial guarantee obligations set out in note 42 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 2019 and 31 December 2018 as the default risk is low.

27. LONG-TERM BANK LOANS

	2019 HK\$ million	2018 HK\$ million
The syndicated secured long-term bank loans are repayable:		
Within one year	217.0	200.0
Within a period of more than one year but not more than two years	5,060.5	2,451.5
Within a period of more than two years but not more than five years	10,003.2	12,793.3
	15,280.7	15,444.8
Less: Amounts due within one year shown under current liabilities	(217.0)	(200.0)
Amounts shown under non-current liabilities	15,063.7	15,244.8

Variable-rate bank loans comprise:

	Carrying amounts	
	2019 HK\$ million	2018 HK\$ million
Secured bank loans for Grand Lisboa Palace Project ("GLP Bank Loans")		
HK\$ bank loan at 3-months		
Hong Kong Interbank Offered Rate		
("HIBOR") + 1.50% per annum (2018: HIBOR + 1.50% per annum)	12,478.9	12,449.1
United State dollars ("US\$") bank loan at 3-months		
London Interbank Offered Rate		
("LIBOR") + 1.50% per annum (2018: LIBOR + 1.50% per annum)	1,220.5	1,217.6
MOP bank loan at 3-months		
Macau Interbank Offered Rate		
("MAIBOR") + 1.50% per annum (2018: MAIBOR + 1.50% per annum)	1,346.3	1,343.1
	15,045.7	15,009.8
Secured bank loans for Ponte 16 ("P16 Bank Loans")		
HK\$ bank loan at 3-months HIBOR + 2.13% per annum		
(2018: HIBOR + 2.13% per annum)	235.0	435.0
Total bank loans	15,280.7	15,444.8

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27. LONG-TERM BANK LOANS (Continued)

GLP Bank Loans

During the year ended 31 December 2019, the Group recorded a loss of HK\$9.8 million (2018: HK\$12.9 million) on modification of the GLP Bank Loans facilities because of entering into an agreement to modify certain financial covenants and repayment schedule of the GLP Bank Loans facilities.

At 31 December 2019, the range of effective interest rates of the secured bank loans is 3.41% to 3.87% (2018: 3.89% to 4.32%) per annum. The purpose of the secured syndicated loan facilities is for financing the Grand Lisboa Palace Project.

At 31 December 2019, the GLP Bank Loans are secured by certain property and equipment and right-of-use assets (2018: certain property and equipment and land use rights) of the Group with carrying values of HK\$31,436.0 million (2018: HK\$27,215.9 million) and HK\$1,827.0 million (2018: HK\$1,740.3 million) respectively. In addition, the other key terms and securities for such long-term bank loans pledged are set out as follows:

- (i) an assignment of all material project documents, receivables and related receivables generated from gaming and hotel operation of SJM and its certain subsidiaries, if default;
- (ii) floating charges over all assets (except immovable property) and legal charges over certain bank accounts of SJM and its certain subsidiaries;
- (iii) an unconditional and irrevocable funding and completion undertaking for the Grand Lisboa Palace Project;
- (iv) assignments of all the rights and benefits of insurance and reinsurance policies and construction contracts relating to certain properties held by the Group, if default;
- (v) share pledges over the shares of certain subsidiaries; and
- (vi) a legal promissory note (i.e. notarised livranca) for HK\$27,500 million (2018: HK\$27,500 million) issued by SJM and endorsed by the Company and certain subsidiaries of SJM.

P16 Bank Loans

At 31 December 2019, the effective interest rates of the secured bank loans are 4.48% (2018: 4.45%) per annum. The main purpose of the loans is to finance the payment of the land premium and the related cost for any land concession modification in respect of the phase 3 development project at Ponte 16 and settle certain loans from non-controlling shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. LONG-TERM BANK LOANS (Continued)

P16 Bank Loans (Continued)

At 31 December 2019, the P16 Bank Loans are secured by certain property and equipment and right-of-use assets (2018: certain property and equipment and land use rights) of the Group with carrying values of HK\$464.5 million (2018: HK\$503.1 million) and HK\$59.8 million (2018: HK\$56.6 million), respectively. In addition, the other key terms and securities for such long-term bank loans pledged are set out as follows:

- (i) financial guarantees with promissory notes given by certain subsidiaries and the non-controlling shareholders amounting to approximately HK\$1,000 million (2018: HK\$1,000 million) and HK\$490 million (2018: HK\$490 million), respectively;
- (ii) an assignment of all receivables and income from gaming and hotel operation of Pier 16 – Property Development Limited (“Pier 16 – Property”) and its subsidiaries, if default;
- (iii) floating charges over all assets (except immovable property) and legal charges over certain bank accounts of certain subsidiaries;
- (iv) assignments of all the rights and benefits of insurance policies relating to certain properties held by the Group, if default; and
- (v) share pledges over the shares of certain subsidiaries.

28. LEASE LIABILITIES

	2019 HK\$ million
Lease liabilities payable:	
Within one year	177.6
Within a period of more than one year but not more than two years	35.2
Within a period of more than two years but not more than five years	35.1
Within a period of more than five years	477.4
	725.3
Less: Amount due for settlement with 12 months shown under current liabilities	(177.6)
Amount due for settlement after 12 months shown under non-current liabilities	547.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. LEASE LIABILITIES (Continued)

Restrictions or covenants on leases

Lease liabilities of HK\$725.3 million are recognised with related right-of-use assets of HK\$2,864.3 million as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The related leased assets may not be used as security for borrowing purposes.

As at 31 December 2019, the amounts are secured by rental deposits with carrying values of HK\$29.5 million.

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

At the end of reporting period, the amount 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 2019, imputed interest of HK\$7.5 million (2018: HK\$7.1 million) on the amount due to the non-controlling interests of the subsidiary of HK\$203.8 million (2018: HK\$287.1 million) has been recognised at a weighted average original interest rate of approximately 2.47% (2018: 2.51%) per annum. At 31 December 2019, the principal amount was HK\$219.4 million (2018: HK\$317.4 million).

The relevant bank facilities allow 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 facilities agreement. During the year ended 31 December 2019, these carrying amounts have been adjusted by HK\$7.2 million (2018: nil) because of changes in cash flow estimates, computed based on the present value of future cash outflows discounted at the original effective interest rate.

At 31 December 2019 and 31 December 2018, the total carrying amounts are classified as non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. 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 2018	(65.3)	15.2	(50.1)
Credit to profit or loss (<i>note 10</i>)	0.9	26.4	27.3
At 31 December 2018	(64.4)	41.6	(22.8)
Credit (charge) to profit or loss (<i>note 10</i>)	18.2	(7.2)	11.0
At 31 December 2019	(46.2)	34.4	(11.8)

At 31 December 2019, the Group has unrecognised tax losses of HK\$2,213.2 million (2018: HK\$1,452.5 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. These unrecognised tax losses will expire in three years from the year of assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. SHARE CAPITAL

	Issued and fully paid Number of shares	Amount HK\$ million
Ordinary shares with no par value		
At 1 January 2018	5,658,129,293	11,241.5
Exercise of share options	1,530,000	12.6
At 31 December 2018	5,659,659,293	11,254.1
Exercise of share options	4,710,000	27.3
At 31 December 2019	5,664,369,293	11,281.4

During the year ended 31 December 2019, 4,710,000 (2018: 1,530,000) share options were exercised, resulting in the issue of 3,450,000, 1,000,000 and 260,000 (2018: 740,000, 500,000 and 290,000) ordinary shares in the Company at a price of HK\$2.82, HK\$8.33 and HK\$5.03 (2018: HK\$2.82, HK\$8.33 and HK\$9.826) per share respectively.

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

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32. 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 lapsed automatically on 13 May 2019 upon the expiry of 10-year period, 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 might 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 might determine in their absolute discretion, are regarded as valuable human resources of the Group. Following the expiry of the Scheme, no further share options can be granted thereunder but the outstanding share options granted under the Scheme shall continue to be valid and exercisable.

One-third of the options granted are exercisable for a period of nine years commencing on the date each falling six months, 1.5 years and 2.5 years after the date of grant. All options granted are expiring on the last day of the said nine years period; where the acceptance date should not be later than 28 days after the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed in nominal amount of 10% of the issued share capital of the Company at the date of adoption of the Scheme. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time.

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

On 21 June 2018, a total of 3,000,000 share options with the estimated fair value of approximately HK\$12.1 million at the date of grant to a director, were granted at an exercise price of HK\$10.26 per share under the terms of the Scheme. Total consideration received from the Participant for taking up the options granted amounted to HK\$1.

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For the year ended 31 December 2019

32. SHARE OPTION SCHEME (Continued)

A summary of the movements of the outstanding options during the year ended 31 December 2019 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 1.1.2018	Granted in 2018	Exercised in 2018	Lapsed in 2018	Outstanding at 31.12.2018	Reclassified in 2019	Exercised in 2019	Lapsed in 2019	Outstanding at 31.12.2019
Directors	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	3,000,000	—	—	—	3,000,000	—	(3,000,000)	—	—
	31.8.2010	31.8.2010 to 27.2.2011	28.2.2011 to 27.2.2020	7.48	3,000,000	—	—	—	3,000,000	—	—	—	3,000,000
	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	4,000,000	—	—	—	4,000,000	(500,000)	—	—	3,500,000
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	1,000,000	—	—	—	1,000,000	—	—	(1,000,000)	—
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	1,000,000	—	—	—	1,000,000	—	—	(1,000,000)	—
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	1,000,000	—	—	—	1,000,000	—	—	(1,000,000)	—
	15.6.2015	15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	36,002,000	—	—	—	36,002,000	(167,000)	—	(1,000,000)	34,835,000
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	36,002,000	—	—	—	36,002,000	(167,000)	—	(1,000,000)	34,835,000
	15.6.2015	15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	35,996,000	—	—	—	35,996,000	(166,000)	—	(1,000,000)	34,830,000
	22.6.2017	22.6.2017 to 21.12.2017	22.12.2017 to 21.12.2026	8.33	1,000,000	—	(500,000)	—	500,000	—	(500,000)	—	—
	22.6.2017	22.6.2017 to 21.12.2018	22.12.2018 to 21.12.2026	8.33	1,000,000	—	—	—	1,000,000	—	(500,000)	—	500,000
	22.6.2017	22.6.2017 to 21.12.2019	22.12.2019 to 21.12.2026	8.33	1,000,000	—	—	—	1,000,000	—	—	—	1,000,000
	21.6.2018	21.6.2018 to 20.12.2018	21.12.2018 to 20.12.2027	10.26	—	1,000,000	—	—	1,000,000	—	—	—	1,000,000
	21.6.2018	21.6.2018 to 20.12.2019	21.12.2019 to 20.12.2027	10.26	—	1,000,000	—	—	1,000,000	—	—	—	1,000,000
	21.6.2018	21.6.2018 to 20.12.2020	21.12.2020 to 20.12.2027	10.26	—	1,000,000	—	—	1,000,000	—	—	—	1,000,000

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32. SHARE OPTION SCHEME (Continued)

Type of participants	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options								
					Outstanding at 1.1.2018	Granted in 2018	Exercised in 2018	Lapsed in 2018	Outstanding at 31.12.2018	Reclassified in 2019	Exercised in 2019	Lapsed in 2019	Outstanding at 31.12.2019
Employees	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	890,000	—	(440,000)	—	450,000	—	(450,000)	—	—
	26.5.2010	26.5.2010 to 25.11.2010	26.11.2010 to 25.11.2019	5.03	260,000	—	—	—	260,000	—	(260,000)	—	—
	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	3,000,000	—	—	—	3,000,000	—	—	—	3,000,000
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	13,235,000	—	—	(837,000)	12,398,000	200,000	—	(189,000)	12,409,000
	8.10.2013	8.10.2013 to 7.10.2014	8.10.2014 to 7.4.2023	22	1,000,000	—	—	(1,000,000)	—	—	—	—	—
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	13,185,000	—	—	(832,000)	12,353,000	200,000	—	(187,000)	12,366,000
	8.10.2013	8.10.2013 to 7.10.2015	8.10.2015 to 7.4.2023	22	500,000	—	—	(500,000)	—	—	—	—	—
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	13,170,000	—	—	(831,000)	12,339,000	200,000	—	(186,000)	12,353,000
	8.10.2013	8.10.2013 to 7.10.2016	8.10.2016 to 7.4.2023	22	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)	—	—	—	—	—
	8.10.2013	8.10.2013 to 7.10.2018	8.10.2018 to 7.4.2023	22	500,000	—	—	(500,000)	—	—	—	—	—
	15.6.2015	15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	5,750,000	—	(97,000)	(268,000)	5,385,000	60,000	—	(64,000)	5,381,000
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	5,750,000	—	(97,000)	(268,000)	5,385,000	60,000	—	(64,000)	5,381,000
	15.6.2015	15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	5,599,000	—	(96,000)	(233,000)	5,270,000	60,000	—	(62,000)	5,268,000
	11.5.2016	11.5.2016 to 10.11.2016	11.11.2016 to 10.11.2025	4.89	1,000,000	—	—	—	1,000,000	—	—	—	1,000,000
	11.5.2016	11.5.2016 to 10.11.2017	11.11.2017 to 10.11.2025	4.89	1,000,000	—	—	—	1,000,000	—	—	—	1,000,000
	11.5.2016	11.5.2016 to 10.11.2018	11.11.2018 to 10.11.2025	4.89	1,000,000	—	—	—	1,000,000	—	—	—	1,000,000
Others participants	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	300,000	—	(300,000)	—	—	—	—	—	—
	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	—	—	—	—	—	500,000	—	—	500,000
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	367,000	—	—	—	367,000	(200,000)	—	(167,000)	—
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	367,000	—	—	—	367,000	(200,000)	—	(167,000)	—
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	366,000	—	—	—	366,000	(200,000)	—	(166,000)	—
	15.6.2015	15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	277,000	—	—	—	277,000	107,000	—	(217,000)	167,000
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	277,000	—	—	—	277,000	107,000	—	(217,000)	167,000
	15.6.2015	15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	276,000	—	—	—	276,000	106,000	—	(216,000)	166,000
					193,069,000	3,000,000	(1,530,000)	(6,269,000)	188,270,000	—	(4,710,000)	(7,902,000)	175,658,000
Weighted average exercise price per share					HK\$12.57	HK\$10.26	HK\$5.95	HK\$20.51	HK\$12.32	—	HK\$4.11	HK\$16.08	HK\$12.38

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32. SHARE OPTION SCHEME (Continued)

On 1 February 2019, one of the other participants of the Group has been employed as an employee of the Group. The classification of outstanding number of such other participant's share options is reclassified to employees' section.

On 11 June 2019, a director of the Company retired. The classification of outstanding number of such ex-director's share options is reclassified to other participants' section.

On 12 June 2018, a director of the Company retired and has continued as an employee of the Group. The classification of outstanding number of such ex-director's share option is reclassified to employees' section.

In respect of the above options exercised during the year, the weighted average closing price per share at the dates of exercise was HK\$7.50 (2018: HK\$8.73). At the end of the reporting period, 174,658,000 share options are exercisable (2018: 185,270,000).

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

Date of grant	13 July 2009	26 May 2010	31 August 2010	17 March 2011	8 October 2013	15 June 2015	11 May 2016	22 June 2017	21 June 2018
Model	Black-Scholes	Binomial	Binomial	Black-Scholes	Binomial	Binomial	Binomial	Binomial	Binomial
Number of share options	166,700,000	500,000	5,000,000	116,000,000	50,460,000	126,725,000	3,000,000	3,000,000	3,000,000
Vesting period	6 to 30 months from the date of grant	6 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	6 to 30 months from the date of grant	6 to 30 months from the date of grant	6 to 30 months from the date of grant
Closing share price at date of grant	HK\$2.82	HK\$5.03	HK\$7.48	HK\$12.14	HK\$22	HK\$9.83	HK\$4.76	HK\$8.33	HK\$10.26
Expected/contractual life	5–6 years	9.5 years	9.5 years	5 years	9.5 years	9.5 years	9.5 years	9.5 years	9.5 years
Exercise price per share	HK\$2.82	HK\$5.03	HK\$7.48	HK\$12.496	HK\$22	HK\$9.826	HK\$4.89	HK\$8.33	HK\$10.26
Exercise multiple (Directors)	N/A	1.79 times	1.81 times	N/A	2 times	2.8 times	N/A	2.8 times	2.8 times
Exercise multiple (Employees and other participants)	N/A	1.79 times	1.81 times	N/A	2 times	2.2 times	2.2 times	N/A	N/A
Expected volatility	66.46%	56.16%	49.56%	54.83%	47.55%	47.00%	47.13%	42.02%	38.17%
Risk-free interest rate	1.74–1.94 %	2.35%	1.89%	2.49%	2.03%	1.74%	1.67%	1.25%	2.27%
Expected dividend yield	3.26%	1.79%	1.87%	3.33%	3.182%	5.5%	5.25%	2.88%	1.95%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32. SHARE OPTION SCHEME (Continued)

The contractual life used in the Binominal model is the full life of share options from date of grant to expiry date provided by the Company. For estimation of the early exercise behaviour of a director, the management assumed an exercise multiple of 2.8 times for options granted in 2018 based on the historical exercise behaviour of the Company's director.

The Company's share options granted to other participates are by reference to the fair values of the share options granted to employees for providing similar management services.

During the year ended 31 December 2019, the Group recognised total expenses of HK\$5.5 million (2018: HK\$10.2 million), in relation to share options granted by the Company.

33. RESERVES

	Share options reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
THE COMPANY			
At 1 January 2018	892.1	7,255.4	8,147.5
Exercise of share options	(3.5)	—	(3.5)
Recognition of equity-settled share-based payments	10.2	—	10.2
Release of lapsed equity-settled share-based payments	(49.8)	49.8	—
Dividends paid (note 11)	—	(1,301.5)	(1,301.5)
Profit and total comprehensive income for the year (Note)	—	1,486.8	1,486.8
At 31 December 2018	849.0	7,490.5	8,339.5
Exercise of share options	(8.0)	—	(8.0)
Recognition of equity-settled share-based payments	5.5	—	5.5
Release of lapsed equity-settled share-based payments	(48.3)	48.3	—
Dividends paid (note 11)	—	(1,642.6)	(1,642.6)
Profit and total comprehensive income for the year (Note)	—	1,432.8	1,432.8
At 31 December 2019	798.2	7,329.0	8,127.2

Note: Amount included dividend income from SJM of HK\$1,456.3 million (2018: HK\$1,456.3 million).

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For the year ended 31 December 2019

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, property and equipment totalling HK\$343.0 million (2018: HK\$160.6 million) were settled by utilising deposits made on acquisitions of property and equipment.

35. OPERATING LEASE COMMITMENTS

At 31 December 2018, 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 2018	Rented premises and other assets 2018
	HK\$ million	HK\$ million
Within one year	11.2	361.2
In the second to fifth year inclusive	44.9	160.3
After five years	148.6	6.9
	204.7	528.4

Note: The above disclosure commitment also included payment of HK\$26.6 million which are related to arrangements that contain lease and non-lease elements.

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

Lease term of land use rights in Macau SAR are negotiated for an initial term of 25 years at a fixed rental, which is subject to renewal at the Group's option in the future.

At 31 December 2018, operating lease rentals committed to related parties amounted to HK\$360.8 million which fall due as follows:

	Rented premises 2018
	HK\$ million
Within one year	289.2
In the second to fifth year inclusive	71.6
	360.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. CAPITAL COMMITMENTS

	2019 HK\$ million	2018 HK\$ million
Capital expenditure in respect of acquisitions of property and equipment:		
Authorised but not contracted for:		
Grand Lisboa Palace Project	3,875.8	4,098.5
Others	107.0	93.4
	3,982.8	4,191.9
Contracted for but not provided in the consolidated financial statements:		
Grand Lisboa Palace Project	2,909.3	4,632.5
Others	158.1	715.6
	3,067.4	5,348.1

At the end of the reporting period, capital expenditure in respect of acquisitions of property and equipment committed to acquire from related parties amounted to HK\$149.2 million (2018: HK\$829.2 million).

At 31 December 2019, the estimated total project costs for the Grand Lisboa Palace Project by the Group's management is approximately HK\$39,000 million (2018: HK\$36,000 million).

37. RETIREMENT BENEFITS SCHEMES

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

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of a trustee. The Group contributes 5% of the relevant payroll costs to the MPF Scheme, which is matched with mandatory contribution of all employees. For certain employees, the maximum monthly contribution was limited to HK\$1,500 per employee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

37. RETIREMENT BENEFITS SCHEMES (Continued)

The Group operates a defined contribution retirement scheme for all qualifying employees since 1 July 2003. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees. The retirement scheme cost recognised in profit or loss represents contributions payable to the funds by the Group at rates specified in the rules of the scheme.

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

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of long-term bank loans, lease liabilities, amount due to non-controlling interests of a subsidiary, and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in these consolidated financial statements.

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

39. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

Financial instruments are fundamental to the Group's daily operations. The risks associated with financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS (Continued)

(b) Categories of financial instruments

	2019 HK\$ million	2018 HK\$ million
Financial assets		
Investments in equity instruments designated at FVTOCI	868.1	916.3
Amortised cost	16,790.6	21,020.0
	17,658.7	21,936.3
Financial liabilities		
Amortised cost	23,875.9	24,652.2

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3.

(c) Credit risk management and impairment assessment

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

- the carrying amount of the respective recognised financial assets as stated in the Group's statements of financial position; and
- the amount of financial guarantee obligations and contingent liabilities disclosed in notes 26 and 42 respectively.

The Group has concentration of credit risk as 100% (2018: 100%) of the advances and receivables are due from the Group's five largest gaming promoters. Other than concentration of credit risk on advances to and receivables from gaming promoters, amounts due from an associate/a joint venture/ an investee company and liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk management and impairment assessment (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating for the gaming promoters and service providers. The Group assessed the ECL for advances to gaming promoters and other receivables from gaming promoters and service providers individually as at 31 December 2019 and 31 December 2018.

Movement in the loss allowance

	2019 HK\$ million	2018 HK\$ million
At 1 January	179.5	132.5
Impairment loss recognised	200.0	47.0
At 31 December	379.5	179.5

During the year ended 31 December 2019, the Group provided impairment allowance of HK\$200.0 million (2018: HK\$47.0 million) for other receivable from gaming promoters and service providers as the management considered a service provider is credit-impaired. As at 31 December 2019, loss allowance with an aggregate balance of HK\$379.5 million (2018: HK\$179.5 million) represents individually credit-impaired advances to gaming promoters and other receivables from gaming promoters and service providers as the management considered the outstanding balances from these gaming promoters and service providers were uncollectible given that one or more events of default occurred.

No impairment allowance is recognised for the remaining advances to gaming promoters and other receivables from gaming promoters and service providers since the loss given default and exposure at default are significantly reduced as those advances to gaming promoters and other receivables from gaming promoters and service providers are subject to certain offsetting and enforceable netting agreements as well as due to the low probability of default of the gaming promoters and service providers based on historical credit loss experience. The management has also assessed all available forward looking information, including but not limited to expected growth rate and future development of gaming industry, and concluded that there is no significant increase in credit risk.

For the interest receivables and credit card receivables included in other sundry receivables, bank deposits and bank balances, no allowance for impairment was made since the management considers the probability of default is negligible as such amounts are receivable from or placed in banks in Macau SAR and Hong Kong having good reputation and are considered to have low credit risk.

For the amounts due from ultimate holding company/an associate/a joint venture/an investee company, other amounts in other sundry receivables and advances to contractors, no allowance for impairment was made since the management considers the probability of default is minimal after assessing the counterparties' financial background and creditability and/or exposure at default is minimal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk management and impairment assessment (Continued)

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was HK\$87.3 million (2018: HK\$87.3 million) as at 31 December 2019. Details of the financial guarantee contracts are set out in note 42. At the end of the reporting period, the management assessed that no credit facilities were utilised under guarantee and financial positions of that associate and that investee company, and concluded that there has been no significant credit risk arising from the financial guarantee contracts. Accordingly, there was no loss allowance for financial guarantee contracts issued by the Group.

(d) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to its bank balances and long-term 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 lease liabilities. The Group currently does not have a policy on hedging of interest rate risks. However, the management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The Group's exposure to interest rate risk on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR/LIBOR/MAIBOR arising from long-term bank loans.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank balances and long-term bank loans. The analyses were prepared assuming these balances outstanding at the end of the reporting period were outstanding for the whole year. 5 basis points and 50 basis points (2018: 5 basis points and 50 basis points) increase, respectively, represent management's assessment of the reasonably possible change in interest rates.

Except for bank balances using 5 basis points (2018: 5 basis points), if interest rates on long-term bank loans had been 50 basis points (2018: 50 basis points) higher and all other variables were held constant, the potential effect on profit for the year:

	2019 HK\$ million	2018 HK\$ million
Decrease in profit for the year	(73.2)	(75.1)

If interest rates had been lower in an opposite magnitude and all other variables held constant, the potential effect on the results would be equal and opposite.

(e) Price risk management

The Group is exposed to equity price risk on the investments in listed equity securities measured at FVTOCI, operating in gaming, entertainment and hotel industry sector. The Group currently does not have a policy to hedge such risk. In addition, the Group also invested in certain unquoted equity securities for investees operating in gaming, entertainment and hotel industry sector for long term strategic purposes which were designated at FVTOCI. The Group has designated a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS (Continued)

(e) Price risk management (Continued)

The sensitivity analyses below have been determined base on the exposure to equity price risk on the equity securities in investments in equity securities designated at FVTOCI at the end of the reporting period. If the market bid price on such equity securities had been 10% (2018: 10%) higher/lower, the potential effect on the investment revaluation reserve is as follows:

The Group's investment revaluation reserve would increase/decrease by HK\$86.8 million (2018: HK\$91.6 million) arising from the listed equity securities and unlisted equity shares in investments in equity instruments designated at FVTOCI.

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

(f) Liquidity risk management

The management considers that the Group's holding of bank balances and cash, bank deposits, together with net cash flow from operating activities and committed credit facilities, can provide adequate sources of funding to enable the Group to meet in full its financial obligations due in the foreseeable future and manage its liquidity position. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants. In addition, the management of the Group expects to fund the remaining estimated construction costs and commitments of its development projects in Macau SAR through a proper balance between internal generated funds and credit facilities secured by the projects' assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS (Continued)

(f) Liquidity risk management (Continued)

	Weighted average effective interest rate	On demand HK\$ million	Not more than 3 months HK\$ million	Over 3 months but not more than 6 months HK\$ million	Over 6 months but not more than 1 year HK\$ million	Over 1 year HK\$ million	Total undiscounted cash flow HK\$ million	Carrying amount HK\$ million
At 31 December 2019								
Trade payables	—	—	1,045.7	1.0	0.5	—	1,047.2	1,047.2
Chips in circulation	—	5,062.4	—	—	—	—	5,062.4	5,062.4
Other payables	—	—	1,963.9	75.6	242.3	—	2,281.8	2,281.8
Amount due to non-controlling interests of a subsidiary	2.47%	—	—	—	—	219.4	219.4	203.8
Long-term bank loans (Note (i))	3.81%	—	193.7	199.2	405.0	15,632.1	16,430.0	15,280.7
Financial guarantee obligations (Note (iii))	—	87.3	—	—	—	—	87.3	—
Lease liabilities	2.45%	—	73.0	43.0	77.1	884.6	1,077.7	725.3
		5,149.7	3,276.3	318.8	724.9	16,736.1	26,205.8	24,601.2
At 31 December 2018								
Trade payables	—	—	1,387.0	2.1	—	—	1,389.1	1,389.1
Chips in circulation	—	4,480.7	—	—	—	—	4,480.7	4,480.7
Other payables	—	—	2,706.7	35.2	215.9	92.7	3,050.5	3,050.5
Amount due to non-controlling interests of a subsidiary	2.51%	—	—	—	—	317.4	317.4	287.1
Long-term bank loans (Note (i))	4.12%	—	207.0	208.2	418.3	16,321.9	17,155.4	15,444.8
Financial guarantee obligations (Note (iii))	—	87.3	—	—	—	—	87.3	—
		4,568.0	4,300.7	245.5	634.2	16,732.0	26,480.4	24,652.2

Notes:

- (i) The amounts included above for variable-rate long-term 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.

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39. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement of financial instruments

The Group's investments in equity instruments designated at FVTOCI are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2019 HK\$ million	31 December 2018 HK\$ million		
Investments in equity instruments designated at FVTOCI				
Listed equity securities	296.5	352.3	Level 1	Quoted bid prices in an active market
Unlisted equity securities	571.6	564.0	Level 2	Market approach: estimated normalised trailing twelve months net profits with main multiple being Price-to-Earnings multiples of comparable companies (2018: recent transaction price of the investments)

There were no transfers between Level 1 and 2 during the current year.

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39. FINANCIAL INSTRUMENTS (Continued)

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

In estimating the fair value of unlisted equity securities, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages qualified third party valuers to perform the valuation. The management of the Group works closely with the qualified third party valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports the findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the unlisted equity securities.

Information about the valuation techniques and inputs used in determining the fair value of unlisted equity securities are disclosed above.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

All gains and losses included in other comprehensive income relate to the unlisted equity instruments designated at FVTOCI held at the end of the reporting period and are reported as changes of investment revaluation reserve.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS (Continued)

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

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

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

Please refer to note 23 for detail offsetting arrangements.

Financial assets subject to offsetting and enforceable netting agreements

	Gross amounts of recognised financial assets HK\$ million	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$ million	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million	Related amounts of financial instruments not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
Advances to gaming promoters at 31 December 2019	236.9	(47.3)	189.6	(85.1)	104.5
at 31 December 2018	338.3	(127.9)	210.4	(125.6)	84.8

Financial liabilities subject to offsetting and enforceable netting agreements

	Gross amounts of recognised financial liabilities HK\$ million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$ million	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million	Related amounts of financial instruments not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
Trade payables at 31 December 2019	240.6	(47.3)	193.3	(85.1)	108.2
at 31 December 2018	449.0	(127.9)	321.1	(125.6)	195.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS (Continued)

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

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

The Group currently has a legally enforceable right to set off the advances to gaming promoters and the trade payables to these counterparties that are due to be settled on the same date and the Group intends to settle these balances on a net basis. Details of the arrangements are set out in note 23.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Long-term bank loans HK\$ million (note 27)	Amount due to non- controlling interests of subsidiaries HK\$ million (note 29)	Interest payables HK\$ million (Note)	Lease liabilities HK\$ million (note 28)	Dividend payables HK\$ million	Total HK\$ million
At 1 January 2018	8,135.0	280.0	22.8	—	—	8,437.8
Net financing cash flows	7,250.0	—	(451.7)	—	(1,301.5)	5,496.8
Loss on modification of long-term bank loans	12.9	—	—	—	—	12.9
Interest expenses	46.9	7.1	437.1	—	—	491.1
Dividend recognised	—	—	—	—	1,301.5	1,301.5
At 31 December 2018	15,444.8	287.1	8.2	—	—	15,740.1
Adjustment upon application of HKFRS 16 (note 2)	—	—	—	865.3	—	865.3
At 1 January 2019 (restated)	15,444.8	287.1	8.2	865.3	—	16,605.4
Net financing cash flows	(225.0)	(98.0)	(525.4)	(270.4)	(1,642.6)	(2,761.4)
Loss on modification of long-term bank loans	9.8	—	—	—	—	9.8
New leases entered	—	—	—	110.2	—	110.2
Interest expenses	51.1	7.5	569.1	20.2	—	647.9
Dividend recognised	—	—	—	—	1,642.6	1,642.6
Changes in cash flow estimates	—	7.2	—	—	—	7.2
At 31 December 2019	15,280.7	203.8	51.9	725.3	—	16,261.7

Note: The amount is included in trade and other payables as set out in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41. RELATED PARTY TRANSACTIONS

- (a) Other than the transactions and balances with related parties disclosed in respective notes in the consolidated financial statements, during the year, the Group had the following significant transactions with related parties and/or connected parties (as defined under Chapter 14A of the Listing Rules):

Relationship	Nature of transactions	2019 HK\$ million	2018 HK\$ million
STDM and its associates, excluding the Group ("STDM Group") (as defined under Chapter 14A of the Listing Rules)	<i>Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>		
	Property rentals (note 41(c))	242.7	263.6
	Transportation (note 41(d))	99.8	130.2
	Hotel accommodation (note 41(d))	17.9	22.2
	Entertainment and staff messing (note 41(d))	14.8	18.0
	<i>Exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>		
	Share of administrative expenses (notes 41(e) and (f))	1.5	1.7
	Cleaning services (note 41(f))	28.3	27.6
	Hotel management and operation (notes 41(d) and (f))	16.2	21.1
	Promotional and advertising services (notes 41(d) and (f))	6.5	13.7
	Maintenance services (notes 41(d) and (f))	13.2	15.0
	Others (note 41(f))	17.1	17.4
	<i>Non-exempt connected transactions under Chapter 14A of the Listing Rules</i>		
	Purchase of a property (note 41(m))	680.0	—
Certain directors of the Company and of its subsidiaries and their associates (as defined under Chapter 14A of the Listing Rules)	<i>Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>		
	Service fees in relation to the promotion of a casino (note 41(g))	950.4	979.4
	Property rentals (note 41(i))	118.8	118.5
	<i>Exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>		
	Transportation (notes 41(f) and (h))	20.3	18.4
	Others (note 41(f))	65.0	66.1
Entities other than above in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/ significant influence/ beneficial interests	Service fees in relation to the promotion of a casino (note 41(j))	739.8	710.4
	Insurance expenses	168.8	108.4
	Promotion and advertising expenses	0.6	0.7
	Service fee in relation to foreign currencies exchange	11.5	11.5
	Construction costs	2.5	3.4
	Others	9.3	8.9
An associate	Construction costs and management fee paid	278.2	356.9
A joint venture	Property rentals (note 41(n))	14.4	14.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41. 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 2019, the net amount received or receivable on reimbursement of STDM chips in circulation amounted to HK\$0.1 million (2018: HK\$1.1 million).
- (c) The Company entered into an agreement dated 18 June 2008 with STDM for the leasing of properties by STDM or the members of the STDM group to the Group. The term of each implementing lease will be for a term commencing on a date specified in the relevant implementing lease and ending on a date not later than 31 March 2020.

During the years ended 31 December 2018 and 2019, the amount disclosed in note 41(a) represents the payment amount for property rentals with related parties and/or connected parties.

Upon the application of HKFRS 16 for the year ended 31 December 2019, the property rentals with related parties incurred interest expenses of HK\$3.7 million on the relevant lease liabilities with carrying amount of HK\$69.7 million as at 31 December 2019, and expenses of HK\$95.5 million relating to the relevant short-term leases.

- (d) The Company entered into an agreement dated 18 June 2008 with STDM for the provision of products and services by STDM and its associates (the "Products and Services Master Agreement"). The types of products and services include hotel accommodation, hotel management and operation, entertainment and staff messing, dredging services, transportation, promotional and advertising services, travel agency services and maintenance services. On 19 June 2011, the Company entered into a renewed products and services master agreement with STDM ("Renewed Master Agreement") for the provision of products and services as described in the Products and Services Master Agreement, except for hotel management and operations, promotional and advertising services, and travel agency services, which are regarded as de minimis transactions as described in note 41(f). The Renewed Master Agreement expired on 31 December 2013, and was renewed on 6 January 2014 for a term of three years from 1 January 2014 and was further renewed on 26 January 2017 for a term of three years from 1 January 2017 with similar terms for the provision of products and services for five categories: hotel accommodation, entertainment, transportation, hotel management and operation and maintenance services. The transaction amounts for the hotel management and operations and maintenance services during the year were de minimis as described in note 41(f).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41. RELATED PARTY TRANSACTIONS (Continued)

- (e) The Company entered into an agreement with STDM dated 18 June 2008 (the “Administrative Cost Sharing Agreement”) whereby STDM and its associates have agreed to continue to share certain administrative services.

Starting from 2014, these transactions were exempted as continuing connected transactions under Rule 14A.98 of the Listing Rules. The amount of transactions during the year was disclosed in note 41(a) above.

- (f) These are individually de minimis transactions as defined under Rule 14A.76 of the Listing Rules, which are continuing connected transactions on normal commercial terms, exempt from reporting, annual review, announcement and independent shareholders’ approval requirements as defined under Rule 14A.76(1) of the Listing Rules.
- (g) SJM entered into an agreement with Tin Hou Limited (“Tin Hou”) dated 19 February 2010 regarding the provision of management services and promotion service to SJM in the gaming area of Grand Emperor Hotel in Macau SAR for the period from 1 October 2009 to 31 March 2020 or any earlier termination with 21 days’ notice to the other party who is in default of the agreement. Tin Hou is a company controlled over 50% by a half-brother of a director of subsidiaries of the Company and is a connected person of the Company pursuant to Rule 14A.07(4) and 14A.12(2)(a) of the Listing Rules.
- (h) On 24 June 2011, SJM, a subsidiary of the Company, and Shun Tak & CITS Coach (Macao) Limited (“ST – CITS”) entered into a master service agreement to formalise business arrangements between the Group and ST – CITS together with its subsidiaries in relation to the provision of transportation services within Macau locally as well as operating cross border routes to mainland cities of China.

Such agreement was renewed on 31 December 2016 for a term of three years from 1 January 2017 with similar terms as the previous agreement. The transaction amount for transportation during the year was de minimis as described in note 41(f).

- (i) The Company entered into an agreement dated 22 November 2013 with a director of the Company for the leasing of properties by the director and/or her associates to the Group effective from 1 January 2014. The term of each implementing lease was for a term commencing on a date specified in the relevant implementing lease and ended on a date not later than 31 December 2016. Such agreement was renewed on 14 December 2016 for a term of three years from 1 January 2017 with similar terms as the previous agreement. The amounts of transactions during the year were disclosed in note 41(a) above.

During the years ended 31 December 2018 and 2019, the amount disclosed in note 41(a) represents the payment amount for property rentals with related parties and/or connected parties.

Upon the application of HKFRS 16 for the year ended 31 December 2019, the property rentals with related parties recognised an addition of right-of-use assets amounted to HK\$9.3 million and incurred interest expenses of HK\$0.1 million on the relevant lease liabilities with carrying amount of HK\$7.8 million as at 31 December 2019, and expenses of HK\$117.2 million relating to the relevant short-term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41. RELATED PARTY TRANSACTIONS (Continued)

- (j) Service fees in relation to the promotion of a casino were paid to an entity in which certain directors of the Group are the directors and/or key management personnel of the entity.
- (k) Save as disclosed in note 27, in addition to the securities provided by the Group to the relevant banks, the non-controlling interests of a subsidiary also provided securities to secure the syndicate secured bank loans of the Group. At the end of the reporting period, the key terms and securities pledged are set out as follows:
 - (i) financial guarantee with promissory note of HK\$490 million (2018: HK\$490 million); and
 - (ii) share pledges over all shares in Pier 16 – Property and its subsidiaries.
- (l) In November 2007, the immediate holding company, STDM-Investments Limited (“STDM-I”), has provided a surety (the “STDM-I-Surety”) in favour of the Company for the due and punctual payment of obligations the Company may incur in relation to:
 - (i) penalties incurred by the Company for any non-criminal violations of relevant laws or regulations pertaining to anti-money laundering, where such violations occurred prior to the listing of the ordinary shares of the Company on the Stock Exchange; and
 - (ii) losses or contingency provisions incurred by the Company in connection with any judgement of any lawsuit, as set out in the paragraph headed “Litigation” in Appendix VII to the Company’s prospectus dated 26 June 2008, to which the Company is a party and which is pending at the time of listing of the ordinary shares of the Company on the Stock Exchange.

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

- (m) A property was acquired at a consideration of HK\$680 million during the year ended 31 December 2019. The seller in the acquisition was a connected person of the Company, and hence the acquisition constituted a connected transaction pursuant to Chapter 14A of the Listing Rules.
- (n) During the years ended 31 December 2018 and 2019, the amount disclosed in note 41(a) represents the payment amount for property rentals with related parties and/or connected parties.

Upon the application of HKFRS 16 for the year ended 31 December 2019, the property rentals with related parties incurred interest expenses of HK\$0.3 million on the relevant lease liabilities with carrying amount of HK\$3.6 million as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

42. CONTINGENT LIABILITIES AND GUARANTEES

	2019		2018	
	Maximum guarantees given HK\$ million	Credit facilities utilised HK\$ million	Maximum guarantees given HK\$ million	Credit facilities utilised HK\$ million
Guarantees given to banks in respect of credit facilities granted to:				
an associate	67.3	—	67.3	—
an investee company	20.0	—	20.0	—
	87.3	—	87.3	—

43. INVESTMENTS IN SUBSIDIARIES

	2019 HK\$ million	2018 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 46.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

45. EVENT AFTER REPORTING PERIOD

Due to an outbreak of a respiratory illness caused by a novel coronavirus identified in China, on 4 February 2020, the Macau SAR government announced the suspension of casino operations from 5 February 2020. On 17 February 2020, the Macau SAR government announced the resumption of Macau casino operations, including the Group's casino operations, from 20 February 2020. The Group's casino operations resumed on 20 February 2020, except for the casino operations at Casino Oceanus at Jai Alai, Casino Eastern and Casino Taipa which resumed on 27 February 2020, 28 February 2020 and 6 March 2020, respectively. The Group's casino operation at Casino Macau Jockey Club is currently yet to resume at the date of this report. Additionally, there are travel restrictions such as those related to the China Individual Visit Scheme, the Hong Kong Macau Ferry Terminal closure and other countries restricting inbound travel from mainland China. The duration and intensity of this global health emergency and related disruptions is uncertain, including potential broader impacts outside of China if travel and visitation continues to be restricted and there is a resulting decline in Chinese tourist spending in Macau SAR. Given the dynamic nature of these circumstances, the related impact on the Group's operating segments in Macau SAR and the consolidated results of operations, cash flows and financial condition will be material but cannot be reasonably estimated at this time.

46. PRINCIPAL SUBSIDIARIES

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

(a) General information of subsidiaries

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ quota capital	Attributable proportion of nominal value of issued share capital/ quota capital held by the Group		Principal activity
			2019	2018	
Bondwell Limited	Hong Kong	Ordinary shares: HK\$1	100%	100%	Property holding
Brilliant Sky International Limited	Macau SAR	Quota capital: MOP25,000	100%	100%	Provision of marketing and promotion services
Brilliant Sky Investments Limited	British Virgin Islands/Macau SAR	Share — US\$1	100%	100%	Investment holding
Brilliant Talent Hospitality Services Limited	Macau SAR	Quota capital: MOP25,000	100%	100%	Provision of hospitality services
Cotai Magnific View-Property Development Company Limited	Macau SAR	Ordinary shares: MOP1,000,000	100%	100%	Preparation for property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. PRINCIPAL SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ quota capital	Attributable proportion of nominal value of issued share capital/ quota capital held by		Principal activity
			the Group	2018	
			2019		
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/Hong Kong	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	— (Note (e))	51%	Provision of gaming promotion services
Pier 16 – Management Limited	Macau SAR	Quota capital: MOP25,000	51%	51%	Hotel operations
Pier 16 – Property Development Limited	Macau SAR	Ordinary shares: MOP10,000,000	51%	51%	Property holding
SJM – Customer Services (HK) Limited	Hong Kong	Ordinary share: HK\$1	100%	100%	Provision of customer services
SJM – F&B Services Limited	Macau SAR	Quota capital: MOP25,000	100%	100%	Provision of food and beverage services
SJM Holdings Management Services Limited	Hong Kong	Ordinary shares: HK\$2	100%	100%	Provision of management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. PRINCIPAL SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ quota capital	Attributable proportion of nominal value of issued share capital/ quota capital held by		Principal activity
			the Group		
			2019	2018	
SJM – Investment Limited	Macau SAR	Quota capital: MOP1,000,000	100%	100%	Investment holding
SJM Retail Services Private Limited	Macau SAR	Quota capital: MOP 25,000	100%	100%	Provision of retail services
SJM – Project Management Services (HK) Limited	Hong Kong	Ordinary shares: HK\$1	100%	100%	Provision of human resources and project management services
Sociedade de Jogos de Macau, S.A.	Macau SAR	Ordinary shares: Type A shares MOP270,000,000 Type B shares: MOP30,000,000	100% (Note (a))	100% (Note (a))	Casino operations and investment holding
Vast Field Investments Limited	British Virgin Islands/ Hong Kong	Ordinary shares: US\$1	100%	100%	Investment holding

Notes:

- (a) Pursuant to the relevant requirements under Macau SAR law, SJM's ordinary shares are divided into two categories, namely, Type A shares and Type B shares representing 90% and 10% equity interests in SJM respectively. Holders of Type A shares have voting control of SJM in its shareholders' meeting. Except for one Type A share directly held by a wholly-owned subsidiary of the Company, the Company holds all the remaining Type A shares, whilst Type B shares are held by the managing director of SJM, pursuant to the relevant requirements under Macau SAR law. As Type B shares have restricted rights and only entitle the holder of Type B shares to an aggregate amount of MOP1 of dividend payable, the Company is effectively entitled to a 100% economic interest in SJM.
- (b) Except for SJM Holdings Management Services Limited and SJM, all other principal subsidiaries listed above are indirectly held by the Company.
- (c) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (d) None of the subsidiaries had any debt securities outstanding at the end of both reporting periods.
- (e) The subsidiary of the Company was deregistered on 1 November 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. PRINCIPAL SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

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

Principal activities	Place of incorporation or establishment/operations	Number of subsidiaries	
		2019	2018
Gaming related operations	Macau SAR	2	2
	Hong Kong	3	2
		5	4
Hotel, catering and retail related operations	Macau SAR	1	1
	Hong Kong	1	—
		2	1
Investment holdings/Inactive	British Virgin Islands/Macau SAR	15	15
	British Virgin Islands/Hong Kong	5	5
	Hong Kong	4	2
	Macau SAR	6	6
	Samoa	1	1
		31	29
		38	34

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. PRINCIPAL SUBSIDIARIES (Continued)

(b) Details of a non-wholly-owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019 HK\$ million	2018 HK\$ million	2019 HK\$ million	2018 HK\$ million
Pier 16 – Property Development Limited	Macau SAR	49%	49%	110.2	62.1	237.7	134.7

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

Pier 16 – Property Development Limited

	2019 HK\$ million	2018 HK\$ million
Current assets	372.9	461.9
Non-current assets	680.0	729.5
Current liabilities	(480.6)	(463.3)
Non-current liabilities	(463.9)	(829.0)
Equity attributable to owners of the company	108.4	(100.9)
	2019 HK\$ million	2018 HK\$ million
Revenue	795.1	732.5
Cost of sales and expenses	(555.1)	(637.6)
Profit for the year	224.9	126.7
Profit attributable to owners of the company	224.9	126.7
Net cash inflow from operating activities	371.4	363.1
Net cash outflow from investing activities	(24.1)	(20.1)
Net cash outflow from financing activities	(427.6)	(220.5)
Net cash (outflow) inflow	(80.3)	122.5

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2015 HK\$ million	2016 HK\$ million	2017 HK\$ million	2018 HK\$ million	2019 HK\$ million
RESULTS					
Gaming, hotel, catering, retail and related services revenues	36,724.8	31,819.5	31,770.7	34,410.1	33,875.0
Gaming revenue	36,040.9	31,201.0	31,094.8	33,677.1	33,158.5
Profit before taxation	2,490.2	2,348.3	1,946.8	2,939.6	3,369.1
Taxation	(38.3)	(33.8)	(11.9)	(27.4)	(51.6)
Profit for the year	2,451.9	2,314.5	1,934.9	2,912.2	3,317.5
Profit (loss) attributable to:					
owners of the Company	2,465.0	2,326.5	1,963.4	2,850.1	3,207.3
non-controlling interests	(13.1)	(12.0)	(28.5)	62.1	110.2
	2,451.9	2,314.5	1,934.9	2,912.2	3,317.5
	As at 31 December				
	2015 HK\$ million	2016 HK\$ million	2017 HK\$ million	2018 HK\$ million	2019 HK\$ million
ASSETS AND LIABILITIES					
Total assets	36,854.7	38,755.0	46,287.0	56,398.6	57,625.7
Total liabilities	(13,375.3)	(13,913.8)	(20,817.8)	(28,712.0)	(28,389.6)
Net assets	23,479.4	24,841.2	25,469.2	27,686.6	29,236.1

CORPORATE INFORMATION

CHAIRMAN EMERITUS

Dr. Ho Hung Sun, Stanley

BOARD OF DIRECTORS

Chairman and Executive Director

Ms. Ho Chiu Fung, Daisy

Co-Chairmen and Executive Directors

Mr. Fok Tsun Ting, Timothy

Deputada Leong On Kei, Angela

Vice-Chairman, Executive Director and Chief Executive Officer

Dr. So Shu Fai

Executive Director and Chief Operating Officer

Mr. Ng Chi Sing

Executive Directors

Dr. Chan Un Chan

Mr. Shum Hong Kuen, David

Non-executive Director

Mr. Tsang On Yip, Patrick (*elected on 11 June 2019*)

Independent Non-executive Directors

Mr. Chau Tak Hay

Hon. Shek Lai Him, Abraham

Mr. Tse Hau Yin

Ms. Wong Yu Pok, Marina (*elected on 11 June 2019*)

AUDIT COMMITTEE

Mr. Tse Hau Yin (*Committee Chairman*)

Mr. Chau Tak Hay

Hon. Shek Lai Him, Abraham

Ms. Wong Yu Pok, Marina (*appointed on 11 June 2019*)

NOMINATION COMMITTEE

Ms. Ho Chiu Fung, Daisy (*Committee Chairman*)
(*appointed as a member on 28 February 2019 and re-designated as the Committee Chairman on 11 June 2019*)

Mr. Chau Tak Hay

(*re-designated from the Committee Chairman to a member on 11 June 2019*)

Deputada Leong On Kei, Angela

Hon. Shek Lai Him, Abraham

Dr. So Shu Fai

Mr. Tse Hau Yin

Ms. Wong Yu Pok, Marina (*appointed on 11 June 2019*)

REMUNERATION COMMITTEE

Mr. Chau Tak Hay (*Committee Chairman*)
(*re-designated from a member to the Committee Chairman on 11 June 2019*)

Ms. Ho Chiu Fung, Daisy

(*appointed on 28 February 2019*)

Deputada Leong On Kei, Angela

Hon. Shek Lai Him, Abraham

Dr. So Shu Fai

Mr. Tse Hau Yin

Ms. Wong Yu Pok, Marina (*appointed on 11 June 2019*)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3001–3006, 30th Floor

One International Finance Centre

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Hong Kong

Tel: (852) 3960 8000

Fax: (852) 3960 8111

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

Email (Investor Relations): ir@sjmholdings.com

LISTING INFORMATION

Share listing: Hong Kong Stock Exchange (Main Board)

Listing date: 16 July 2008

Stock short name: SJM Holdings

Stock code: 880 (Hong Kong Stock Exchange)

0880.HK (Reuters)

880:HK (Bloomberg)

Board lot: 1,000 shares

Designated Securities Eligible for Short Selling

Constituent of Hang Seng HK35 Index,

Hang Seng Shenzhen Hong Kong Index and

Hang Seng Shenzhen Hong Kong Consumption Index

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

Southbound Trading of Shanghai-Hong Kong Stock

Connect and Shenzhen-Hong Kong Stock Connect

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen’s Road East, Wanchai

Hong Kong

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Fax: (852) 2865 0990

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

Email: hkinfo@computershare.com.hk

CHIEF FINANCIAL OFFICER

Mr. McBain, Robert Earle

CHIEF LEGAL COUNSEL

Mr. Pyne, Jonathan Charles

COMPANY SECRETARY

Ms. Kwok Shuk Chong

LEGAL ADVISORS

On Hong Kong Law: Linklaters

On Macau Law: C&C Advogados

FINANCIAL ADVISOR

Somerley Capital Limited

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Macau) Limited

Bank of China Limited

BNP Paribas

Industrial and Commercial Bank of China (Asia) Limited

Chong Hing Bank Limited

DEFINITIONS

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

"Adjusted EBITDA"	: earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, gain/loss on disposal of property and equipment, share-based payments, loss on modification of long-term bank loans, impairment loss (including reversal) on property and equipment and project feasibility study cost
"Adjusted EBITDA Margin"	: the Adjusted EBITDA divided by total net revenue
"Adjusted Grand Lisboa EBITDA"	: earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, gain/loss on disposal of property and equipment, share-based payments, loss on modification of long-term bank loans, impairment loss (including reversal) on property and equipment, project feasibility study cost and before elimination of inter-company consumption
"Adjusted Grand Lisboa EBITDA Margin"	: the Adjusted Grand Lisboa EBITDA over gross gaming revenue of Casino Grand Lisboa
"Administrative Cost Sharing Agreement"	: the agreement dated 18 June 2008 entered into between the Company and STDM by which STDM and/or its associates (as defined in the Listing Rules) and the Group have agreed to share the costs of certain administrative services, which was renewed on 19 June 2011 and expired on 31 December 2013
"Board"	: the board of Directors of the Company
"CG Code"	: Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Chips Agreement"	: the agreement dated 18 June 2008 entered into between STDM and SJM to regulate the honouring, borrowing and use of the casino chips of STDM for the purposes of SJM's gaming operations
"CODM"	: the chief operation decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as a group of senior management that makes strategic decisions
"Company" or "SJM Holdings"	: SJM Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Stock Exchange

DEFINITIONS

"Concession Extension Contract"	: the addendum to the Gaming Concession Contract between the Macau Government and SJM executed on 15 March 2019 for extension of the Gaming Concession Contract from 31 March 2020 to 26 June 2022
"connected person(s)"	: has the meaning ascribed to it under the Listing Rules
"CT"	: the Complementary Tax of the Macau SAR
"DICJ"	: Direcção de Inspecção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
"Director(s)"	: the director(s) of the Company
"Gaming Concession Contract"	: the gaming concession contract for the operation of casino games dated 28 March 2002 between the Macau Government and SJM, as amended and supplemented by supplemental agreements between the same parties dated 19 April 2005, 26 September 2013, 23 January 2017 and 15 March 2019
"GLP Bank Loans"	: secured bank loans for Grand Lisboa Palace Project
"Grand Lisboa Palace Project"	: the development and operation of a casino, hotel and entertainment complex on a parcel of land in Cotai, Macau SAR leased by Macau SAR Government to SJM for 25 years starting from 15 May 2013
"Group"	: the Company and its subsidiaries
"Hong Kong" or "Hong Kong SAR"	: the Hong Kong Special Administrative Region of the People's Republic of China
"HKAS"	: Hong Kong Accounting Standard
"HKFRSs"	: Hong Kong Financial Reporting Standards
"HKICPA"	: Hong Kong Institute of Certified Public Accountants
"HKSE Main Board"	: the Main Board of the Stock Exchange
"Listing Rules"	: The Rules Governing the Listing of Securities on the Stock Exchange
"Macau" or "Macau SAR"	: 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

DEFINITIONS

“Options”	: share options which the Directors may grant to any participants of the Scheme
“Other Self-promoted Casinos”	: Casino Lisboa, Casino Oceanus at Jai Alai (including the casino area in the Jai Alai building) and Casino Taipa
“P16 Bank Loans”	: secured bank loans for Ponte 16
“Pier 16 – Property”	: Pier 16 – Property Development Limited, a 51% subsidiary of the Company
“Products and Services Master Agreement”	: the agreement entered into between the Company and STDM on 18 June 2008 for the provision of products and services by STDM and/or its associates (as defined in the Listing Rules) to the Group
“Renewed Master Agreement”	: the products and services master agreement dated 19 June 2011 entered into between the Company and STDM in relation to the renewal of the Products and Services Master Agreement which was renewed on 6 January 2014 and was further renewed on 26 January 2017 and thereafter on 23 December 2019 for a term of three years from 1 January 2020
“Scheme”	: the share option scheme of the Company adopted on 13 May 2009 which has lapsed on 13 May 2019
“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 the shareholders are obligated to pay to Macau SAR government for dividend distribution
“ST-CITS”	: Shun Tak & CITS Coach (Macao) Limited, a company incorporated in Macau with limited liability
“STDM”	: Sociedade de Turismo e Diversões de Macau, S.A., a controlling Shareholder
“STDM-I”	: STDM-Investment Limited, a subsidiary of STDM liquidated on 15 August 2011

DEFINITIONS

"STDM-I Surety"	: a surety provided by STDM-I in favour of the Company for the due and punctual payment of certain obligations of the Company may incur
"STDM Group"	: STDM and its associates (as defined in the Listing Rules), excluding the Group
"Stock Exchange"	: The Stock Exchange of Hong Kong Limited
"the Reporting Period"	: the period for the year ended 31 December 2019
"Tin Hou"	: Tin Hou Limited, 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
"HK\$"	: Hong Kong dollar(s), the lawful currency of Hong Kong
"MOP"	: Macau Pataca(s), the lawful currency of Macau
"US\$"	: United State dollar(s), the lawful currency of the United States of America
"%"	: per cent



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