



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 股份代號：880
incorporated in Hong Kong with limited liability Stock Code：880

2020 年報 ANNUAL REPORT



ABOUT US

SJM Holdings Limited (HKEx: 880) is a leading owner, operator and developer of casinos and integrated entertainment resorts in Macau. Our subsidiary Sociedade de Jogos de Macau, S.A. (“SJM”) is one of the three original concessionaires in Macau, authorised by the Government of the Macau Special Administrative Region to operate casinos and gaming areas.

SJM owns and operates the Grand Lisboa hotel and casino, as well as 18 other casinos located in prime locations on the Macau Peninsula and Taipa. The Company’s operations cater to a wide spectrum of patrons, with mass market and VIP gaming tables, slot machines and hospitality services including fine and casual dining and luxury accommodation.

SJM has recently completed construction of the Grand Lisboa Palace, our integrated resort on Cotai, which is undergoing final inspections. The Grand Lisboa Palace will feature a total of approximately 1,900 hotel rooms and suites in three hotel towers — the Grand Lisboa Palace, the Palazzo Versace and the Karl Lagerfeld — as well as facilities for meetings and conferences, shopping, dining, gaming and entertainment.





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笑 語 帷 幟



Chairman Emeritus

The late Dr. Ho Hung Sun, Stanley

Former Standing Committee Member of the National Committee of
the Chinese People's Political Consultative Conference

GBM, Medalha de Honra Grande Lótus

1921-2020

The Chinese calligraphy describes Dr. Stanley Ho as a charismatic general in full command.

CHAIRMAN'S STATEMENT



In the long history of our Group, 2020 was an extraordinary year, globally and locally. In Macau, where all of our operations are located, we experienced the mandatory shutdown of entertainment facilities during the first quarter and the suspension of practically all tourist arrivals for the second and third quarters. A cautious, limited recovery began to take hold in the fourth quarter. Thanks to our financial and human resources, SJM continued to be a strong company throughout the year, employing over 20,000 and engaging in useful planning and building for the future.

We salute the unceasing support given to Macau by the Central Government and the excellent work done by the Macau SAR Government, which has kept the public informed with timely and accurate information, while adopting prudent health measures. Policies concerning social distancing, quarantining and testing, among others, have kept Macau residents among the healthiest in the world, with a low level of COVID-19 cases overall and no local transmission in more than 300 days. The local government also deserves praise for injecting funds into the local economy, including programmes aiding struggling families and smaller businesses.

I am proud that SJM has enhanced its community engagement during this period. In 2020, we supported numerous local charities, made donations to needy individuals and provided hotel capacity to the government for quarantine. Our community relations activities continued to focus on education, as our support included the Macau Special Olympics' SEN Learning Programme and the community activity "Calling Macau Students to Fight Virus with Art," and we donated temperature screening systems to the University of Macau. During the year we also endeavoured to reduce our operating costs in a responsible way, and in January 2021 we paid annual living subsidies to eligible staff members.

On a sombre note, the year 2020 was also marked by the passing of our Founder and Chairman Emeritus, my father Dr. Stanley Ho. Dr. Ho was always the guiding spirit of the SJM Group, and we pledge to maintain his commitment to community responsibility and to honour his patriotic heart. His career is an inspiration to many in Macau, Hong Kong, Mainland China and abroad, his generosity continues to touch the lives of thousands, and he is personally missed by all who were fortunate to know him.

Entering 2021, we see some green shoots of recovery. As of this date of publication, vaccines have arrived, and in our part of the world we have confidence in the provision of an adequate supply plus the continuation of responsible behaviour of the population until the virus is finally defeated. 2021 will also be the year in which SJM opens our new flagship, the Grand Lisboa Palace. Our entry into the Cotai sector of the Macau market is a major milestone in our history, and we will be opening its doors to welcome a market that will be experiencing a rebirth.

I would like to thank our staff members for their loyalty and diligent work over the past year, 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, 23 February 2021

FINANCIAL HIGHLIGHTS AND OPERATING HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Year Ended 31 December 2020 (HK\$ million)	Year Ended 31 December 2019 (HK\$ million)
Net Gaming Revenue	7,304	33,159
Hotel, Catering, Retail and Other Income	359	1,050
Adjusted EBITDA*	(2,089)	4,213
(Loss) Profit attributable to owners of the Company	(3,025)	3,207
(Loss) Earnings per share		
— basic	HK(53.3) cents	HK56.6 cents
— diluted	HK(53.3) cents	HK56.6 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 disposals/write-off of property and equipment, share-based payments, gain/loss on modification of long-term bank loans, project feasibility study cost, sub-concession fee income and pre-opening expenses.

OPERATING HIGHLIGHTS

- The Group was severely impacted by the COVID-19 outbreak, which led to closure of Macau casinos for 15 days in February, as well as ongoing restrictions on entry from the Mainland, Hong Kong and other locations, curtailment of transportation channels and quarantine requirements. Net gaming revenue earned by Sociedade de Jogos de Macau, S.A. ("SJM"), a subsidiary of the Company, was HK\$7,304 million in 2020, a decrease of 78.0% from the previous year.
- Adjusted EBITDA of the Group was negative HK\$2,089 million, a decrease of 149.6% from the previous year.
- Loss attributable to owners of the Company was HK\$3,025 million, a decrease of 194.3% from profit in previous year.
- SJM had a 14.1% share of Macau's gross gaming revenue, including 19.7% of mass market table gaming revenue and 8.0% of VIP gaming revenue.
- The Group's flagship Casino Grand Lisboa had a decrease in gross gaming revenue for the year of 84.0%, and decreases in Adjusted Grand Lisboa EBITDA and attributable profit for the year of 137.1% and 146.0%, respectively.
- Grand Lisboa Hotel's occupancy rate decreased by 76.0% to 17.9% for the full year, whilst the average room rate decreased by 2.9% to HK\$1,465.
- The Group maintained its strong balance sheet, with cash, bank balances, short-term bank deposits and pledged bank deposits totaling HK\$6,273 million as at 31 December 2020.
- Construction of the Grand Lisboa Palace, the Group's integrated resort on Cotai, has been completed and the project is undergoing final inspections by local government authorities. The Group anticipates opening the Grand Lisboa Palace during the first half of 2021.

CHIEF EXECUTIVE OFFICER'S STATEMENT

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

Macau's tourism and leisure market in 2020 was substantially affected by the global pandemic. Although the SAR avoided a major local outbreak of COVID-19, travel throughout the region was severely reduced for almost the entire year. Visitation to Macau declined by 85% from 2019, and Macau's gross gaming revenue dropped by 79%. Spending by high-rollers, impacted additionally by regulatory factors, was particularly restrained, so that VIP gaming revenue fell by 81%.

SJM's performance in gaming was in line with the Macau market in 2020, and our market share of gross gaming revenue was steady at 14.1%. Our market share figures for mass market table gaming and VIP gaming showed divergence, at 19.7% and 8.0%, respectively.

SJM's operations towards the end of 2020 responded to the gradual recovery that began with the resumption in the third quarter, on a limited scale, of Individual Visas from the Mainland. SJM's gaming revenue increased from 10.0% of the 2019 level in the third quarter to 24.2% in the fourth quarter. Though not enough to achieve break-even on an Adjusted EBITDA basis, our total revenue increased by 153%, quarter-to-quarter.

SJM embarked on a major cost-reduction program beginning in the first quarter of 2020, which has resulted in a reduction of our daily run-rate of operating costs by approximately 18%, mainly through controls on non-staff operating and administrative expenses. Our efforts to control costs are reflected in the number of gaming tables that we have in operation: the total number of gaming tables in service during the year averaged 1,095, a reduction of 38% from the average of 1,766 tables operated in 2019. Likewise, the average number of slot machines in operation during the year was 1,247, a 51% reduction from the average of 2,562 in the previous year.

At Grand Lisboa Palace, we have passed several of the final government inspections, and we expect to receive our operating permit soon. The subsequent opening of the Grand Lisboa Palace will relieve some of the cost pressures on our existing operation, as we will be able to transfer a large number of current employees to the new property.

SJM continues to be financially strong, as we weather the effects of the pandemic. We finished the year with cash holdings of HK\$6.1 billion and available credit lines of HK\$6.5 billion. Supplementing this, in January 2021 we successfully raised US\$1 billion via our first debt issue in the international market — five and seven year Notes rated Ba2/BB+ — which was several times oversubscribed.

In view of the pandemic situation, the Board of Directors is not recommending a final dividend for 2020.

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, 23 February 2021

BUSINESS REVIEW

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

MARKET ENVIRONMENT

The Macau gaming market in 2020 was impacted severely by the COVID-19 outbreak, which led to closure of Macau casinos for 15 days in February, as well as ongoing restrictions on entry from the Mainland, Hong Kong and other countries. Macau's casino gross gaming revenue declined by 79.3% in 2020, as per figures reported by the Macau Gaming Inspection and Coordination Bureau ("DICJ"). Gross revenue of VIP gaming, mass market gaming and slot machines declined by 80.6%, 78.4% and 77.0% in 2020.

According to the Macau Government Statistics and Census Service, visitation to Macau decreased strongly in 2020 by 85% over 2019 to 5.9 million visitors. Visitors from the Mainland decreased by 83% to 4.8 million. Moderate improvement in visitation to Macau was seen in the fourth quarter of 2020 as a result of resumption of the Individual Visit Scheme for residents of Guangdong from August, and for the rest of the Mainland from September. Visitation to Macau in the fourth quarter of 2020 increased by 150.3% from the third quarter to 1.9 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 sustainable long-term growth.

BUSINESS REVIEW

GROUP OPERATING RESULTS

The Group's results, Adjusted EBITDA and Adjusted EBITDA Margin for the year ended 31 December 2020 and for the earlier year are shown below:

Group operating results	For the year ended 31 December		(Decrease)
	2020 HK\$ million	2019 HK\$ million	
Total net revenue	7,507	33,875	(77.8%)
Net gaming revenue	7,304	33,159	(78.0%)
(Loss) profit attributable to owners of the Company	(3,025)	3,207	(194.3%)
Adjusted EBITDA ¹	(2,089)	4,213	(149.6%)
Adjusted EBITDA Margin ²	(27.8%)	12.4%	(40.2%)

¹ Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, gain/loss on disposals/write-off of property and equipment, share-based payments, gain/loss on modification of long-term bank loans, project feasibility study cost, sub-concession fee income and pre-opening expenses.

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

VIP gross gaming revenue of the Group decreased by 85.1% in 2020 while mass market table gross gaming revenue decreased by 76.7%. According to statistics from the MSAR government, gaming revenue of Macau decreased by 79.3% in 2020, comprising a 80.6% decrease in VIP gross gaming revenue, a 78.4% decrease in mass market table gross gaming revenue and a 77.0% decrease in slot machine gross gaming revenue.

During 2020, the Group accounted for 14.1% of Macau's casino gaming revenue of \$58,681 million which represented the same in market share for 14.1% for the full year 2019.

The Group's Adjusted EBITDA Margin for the year was negative 27.8%, a decrease from 12.4% in 2019.

Attributable loss in the Reporting Period was affected mainly by the decreased revenue during the year caused by the COVID-19 pandemic. Depreciation and amortisation in 2020 were \$1,000 million compared with \$1,055 million in 2019, and interest expense was \$32 million, compared with \$34 million in 2019.

BUSINESS REVIEW

OPERATING RESULTS — VIP GAMING

VIP operations	For the year ended 31 December		(Decrease)
	2020	2019	
Gross gaming revenue (HK\$ million)	2,037	13,687	(85.1%)
Average daily net-win per VIP gaming table (HK\$)	30,228	132,040	(77.1%)
VIP chips sales (HK\$ million)	58,304	420,164	(86.1%)
Average number of VIP gaming tables (Average of month-end numbers)	192	284	(32.4%)

VIP gaming operations accounted for 24.6% of the Group's total gross gaming revenue in 2020, as compared with 34.2% in 2019. As at 31 December 2020, SJM had 174 VIP gaming tables in operation with 12 VIP promoters, as compared with 275 VIP gaming tables and 15 VIP promoters as at 31 December 2019. As at 31 December 2020, SJM operated VIP gaming in 10 of its casinos as compared with 13 of its casinos as at 31 December 2019.

The Group's gross gaming revenue from VIP gaming operations amounted to approximately 8.0% of total VIP gaming revenue in Macau, compared to 10.4% in the previous year, according to figures from DICJ. The hold rate for SJM's VIP operations was 3.49% in 2020 as compared with 3.26% in 2019.

OPERATING RESULTS — MASS MARKET TABLE GAMING

Mass market operations	For the year ended 31 December		(Decrease)
	2020	2019	
Gross gaming revenue (HK\$ million)	5,859	25,127	(76.7%)
Average daily net-win per mass market gaming table (HK\$)	18,485	46,451	(60.2%)
Average number of mass market gaming tables (Average of month-end numbers)	903	1,482	(39.1%)

Gross gaming revenue from mass market table gaming operations comprised 70.8% of the Group's total gross gaming revenue in 2020, as compared with 62.8% in 2019. SJM had 1,049 mass market gaming tables in operation as at 31 December 2020, as compared with 1,511 mass market gaming tables as at 31 December 2019.

BUSINESS REVIEW

OPERATING RESULTS — SLOT MACHINES AND OTHER GAMING OPERATIONS

Slot machine operations	For the year ended 31 December		(Decrease)
	2020	2019	
Gross gaming revenue (HK\$ million)	379	1,186	(68.0%)
Average daily net-win per slot machine (HK\$)	866	1,268	(31.7%)
Average number of slot machines (Average of month-end numbers)	1,247	2,562	(51.3%)

Gross gaming revenue from slot machine operations comprised 4.6% of the Group's total gross gaming revenue in 2020, compared with 3.0% in 2019. SJM had 1,196 slot machines in service as at 31 December 2020 as compared with 2,439 slot machines as at 31 December 2019.

As at 31 December 2020, SJM operated slot machines in 10 of its casinos as compared with 12 of its casinos as at 31 December 2019.

OPERATING RESULTS — CASINO GRAND LISBOA

SJM's flagship Casino Grand Lisboa showed a decrease in gross gaming revenue of 84.0%, a decrease in Adjusted Grand Lisboa EBITDA and attributable profit of 137.1% and 146.0% respectively.

Casino Grand Lisboa	For the year ended 31 December		(Decrease)
	2020	2019	
Gross gaming revenue (HK\$ million)	2,067	12,910	(84.0%)
(Loss) profit attributable to the Group (HK\$ million)	(1,014)	2,203	(146.0%)
Adjusted Grand Lisboa EBITDA ³ (HK\$ million)	(872)	2,349	(137.1%)
Adjusted Grand Lisboa EBITDA Margin (over gross gaming revenue)	(42.2%)	18.2%	(60.4%)

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 disposals/write-off of property and equipment, share-based payments and sub-concession fee income, 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		(Decrease)
	2020	2019	
VIP operations			
Gross gaming revenue (HK\$ million)	1,101	6,966	(84.2%)
Average daily net-win per VIP gaming table (HK\$)	30,442	157,717	(80.7%)
VIP chips sales (HK\$ million)	31,811	212,151	(85.0%)
Average number of VIP gaming tables (Average of month-end numbers)	103	121	(14.9%)
Mass market operations			
Gross gaming revenue (HK\$ million)	857	5,475	(84.3%)
Average daily net-win per mass market gaming table (HK\$)	16,386	52,633	(68.9%)
Average number of mass market gaming tables (Average of month-end numbers)	149	285	(47.7%)
Slot machine operations			
Gross gaming revenue (HK\$ million)	109	469	(76.7%)
Average daily net-win per slot machine (HK\$)	802	1,558	(48.5%)
Average number of slot machines (Average of month-end numbers)	389	825	(52.8%)

Casino Grand Lisboa operated 210 mass market gaming tables and 103 VIP gaming tables as at 31 December 2020, compared with 292 and 123, respectively as at 31 December 2019.

As at 31 December 2020, Casino Grand Lisboa operated a total of 403 slot machines as compared with 780 slot machines as at 31 December 2019. During 2020, Casino Grand Lisboa attracted a total of over 1.8 million visitors as compared with over 12 million visitors during 2019.

BUSINESS REVIEW

OPERATING RESULTS — OTHER SELF-PROMOTED CASINOS

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

Other self-promoted casinos	For the year ended 31 December		(Decrease)
	2020	2019	
Gross gaming revenue (HK\$ million)	1,354	6,308	(78.5%)
(Loss) profit attributable to the Group (HK\$ million)	(1,103)	908	(221.5%)
Adjusted EBITDA (HK\$ million)	(666)	1,223	(154.4%)
Adjusted EBITDA Margin (over gross gaming revenue)	(49.2%)	19.4%	(68.6%)

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

Other self-promoted casinos	For the year ended 31 December		(Decrease)
	2020	2019	
VIP operations			
Gross gaming revenue (HK\$ million)	91	1,284	(92.9%)
Average daily net-win per VIP gaming table (HK\$)	23,589	159,850	(85.2%)
VIP chips sales (HK\$ million)	2,257	34,240	(93.4%)
Average number of VIP gaming tables (Average of month-end numbers)	11	22	(50.0%)
Mass market operations			
Gross gaming revenue (HK\$ million)	1,150	4,704	(75.6%)
Average daily net-win per mass market gaming table (HK\$)	13,879	32,880	(57.8%)
Average number of mass market gaming tables (Average of month-end numbers)	236	392	(39.8%)
Slot machine operations			
Gross gaming revenue (HK\$ million)	113	320	(64.7%)
Average daily net-win per slot machine (HK\$)	1,075	1,321	(18.7%)
Average number of slot machines (Average of month-end numbers)	299	663	(54.9%)

As at 31 December 2020, Casino Lisboa operated 63 mass market gaming tables, and Casino Oceanus at Jai Alai operated a total of 147 mass market gaming tables and 240 slot machines, plus 40 mass market gaming tables and 37 slot machines in the gaming area of the Jai Alai building. Casino Eastern operated 16 mass market gaming tables. Casino Taipa was temporarily closed.

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.

BUSINESS REVIEW

OPERATING RESULTS — SATELLITE CASINOS

As at 31 December 2020, SJM operated 14 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Kam Pek Paradise, Casino L'Arc Macau, Casino Landmark, Casino Legend Palace, Casino Million Dragon, Casino Ponte 16 and Casino Royal Dragon. Casino Macau Jockey Club was temporarily closed. As at 31 December 2019, SJM operated 16 satellite casinos.

Thirteen (2019: fourteen) of SJM's satellite casinos are located on the Macau Peninsula whilst one (2019: two) satellite casino is located on the island of Taipa. Satellite casinos comprised a total of 71 VIP gaming tables, 573 mass market gaming tables and 516 slot machines, as at 31 December 2020 as compared with 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		
	2020	2019	(Decrease)
Gross gaming revenue (HK\$ million)	4,854	20,782	(76.6%)
(Loss) profit attributable to the Group (HK\$ million)	(225)	525	(142.9%)
Adjusted EBITDA (HK\$ million)	(152)	522	(129.2%)
Adjusted EBITDA Margin (over gross gaming revenue)	(3.1%)	2.5%	(5.6%)

Operating results of satellite casinos are as follows:

Satellite casinos	For the year ended 31 December		
	2020	2019	(Decrease)
VIP operations			
Gross gaming revenue (HK\$ million)	845	5,438	(84.5%)
Average daily net-win per VIP gaming table (HK\$)	30,492	105,665	(71.1%)
VIP chips sales (HK\$ million)	24,236	173,773	(86.1%)
Average number of VIP gaming tables (Average of month-end numbers)	79	141	(44.0%)
Mass market operations			
Gross gaming revenue (HK\$ million)	3,852	14,947	(74.2%)
Average daily net-win per mass market gaming table (HK\$)	21,187	50,872	(58.4%)
Average number of mass market gaming tables (Average of month-end numbers)	518	805	(35.7%)
Slot machine operations			
Gross gaming revenue (HK\$ million)	157	397	(60.5%)
Average daily net-win per slot machine (HK\$)	799	1,012	(21.0%)
Average number of slot machines (Average of month-end numbers)	559	1,074	(48.0%)

BUSINESS REVIEW

NON-GAMING OPERATIONS

For the year ended 31 December 2020, the Grand Lisboa Hotel contributed \$156 million in revenue and loss of \$176 million in Adjusted Grand Lisboa EBITDA to the Group as compared with \$514 million in revenue and \$16 million in Adjusted Grand Lisboa EBITDA for the previous year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 17.9% for the full year, as compared with 93.8% for the previous year, and the average room rate for the full year 2020 was approximately \$1,465 as compared with \$1,508 in 2019.

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 2021. 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 \$47 million in revenue to the Group in 2020, compared with a contribution of \$212 million in 2019. The occupancy rate of the 408-room hotel averaged 17.8% for the full year 2020 as compared with 91.2% in 2019, whilst average room rate decreased by 26.2% to \$845. The Sofitel at Ponte 16 received numerous travel industry awards in 2020, in both business and luxury categories.

Income from all hotel, catering, retail and related services, after inter-company elimination, totaled \$203 million in 2020, a decrease of 71.7% from \$717 million in 2019, 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)

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 outbreak that spread around the world since January 2020 had a materially adverse effect on our operating results throughout 2020. According to the Macau Government Statistics and Census Service, visitation to Macau decreased by 85% for the year, compared to 2019, whilst visitation from Mainland China decreased by 83%. According to the DICJ, gross gaming revenue in Macau decreased by 79.3% for the year.

All casinos in Macau were closed from February 5 to February 20 and, since reopening, patrons are subject to a number of measures, including mandatory wearing of masks, completion of health declarations, temperature checks and spacing of seats at table games and slot machines. Group and individual tourist visas from the Mainland were suspended by the Chinese government and most transportation channels to Macau were curtailed or reduced.

Since August, the Individual Visa Scheme exit visa program was resumed for residents of Guangdong Province, and since September for the rest of the Mainland, subject to health declarations and testing requirements. Visitors from Hong Kong and Taiwan can enter Macau subject to quarantine whilst visitors from the rest of the world are not permitted entry, with the exceptions of returning residents and certain categories deemed essential.

At the present time, given the evolving conditions created by and in response to the COVID-19 pandemic, it is not possible to determine when travel restrictions will be lifted or whether they could be reintroduced if there are adverse developments in the pandemic situation.

CURRENT AND RECENT INITIATIVES

Grand Lisboa Palace

Construction work on the Grand Lisboa Palace, the Group's integrated resort on Cotai, has been completed and application has been made for the relevant licenses to begin operation in the first half of 2021.

The Grand Lisboa Palace comprises 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 three hotel towers — "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 January 2020, the Company announced the signing of an agreement between SJM and NYH Gestão de Vendas a Retalho Limitada ("NYH") for NYH to operate 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 2020, SJM had entered into capital commitments in connection with the Grand Lisboa Palace project with a total value of approximately \$2.5 billion.

PROSPECTS AND RECENT DEVELOPMENTS

Senior Notes

On 27 January 2021, a wholly-owned subsidiary of the Group, Champion Path Holdings Limited, issued 4.5% Senior Notes with an aggregate principal amount of US\$500 million (equivalent to HK\$3,875.05 million) and a final maturity date of 27 January 2026, and 4.85% Senior Notes with an aggregate principal amount of US\$500 million (equivalent to HK\$3,875.05 million) and a final maturity date of 27 January 2028. The issue was rated Ba2 by Moody's and BB+ by Fitch. Approximately 90% of the net proceeds will be used to repay a portion of amounts outstanding under its long-term bank loans facility agreement and the balance for general corporate purposes.

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 \$6,126 million (not including \$147 million pledged bank deposits) as at 31 December 2020. This represented a decrease of 57.8% as compared with the position as at 31 December 2019 of \$14,504 million. The decrease was mainly attributable to cash outflows for operating activities 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 2020 amounted to \$18,787 million (as at 31 December 2019: \$15,281 million). The maturity of the Group's borrowings as at 31 December 2020 is as follows:

Maturity Profile			
Within 1 year	1 – 2 years	2 – 5 years	Total
28%	72%	—	100%

GEARING RATIO

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less pledged bank deposits, short-term bank deposits, bank balances and cash to total assets (excluding pledged bank deposits, short-term bank deposits, bank balances and cash)) was 26.9% at the end of 2020 (as at 31 December 2019: not applicable).

CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments by the Group amounted to \$2.8 billion as at 31 December 2020 (as at 31 December 2019: \$7.1 billion), of which \$2.5 billion were for the Grand Lisboa Palace project. As at 31 December 2020, 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 2020, certain of the Group's property and equipment and right-of-use assets with carrying values of \$36,477 million and \$1,847 million, respectively (as at 31 December 2019: \$31,901 million and \$1,887 million, respectively), were pledged to banks for loan facilities. In addition, the Group had pledged bank deposits of \$147 million as at 31 December 2020 (2019: \$1,021 million).

FINANCIAL REVIEW

FINANCIAL GUARANTEE OBLIGATIONS

As at 31 December 2020, the total amount of guarantees of the Group given to banks of \$87 million (2019: \$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 2020.

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 2020.

HUMAN RESOURCES

As at 31 December 2020, the Group had approximately 19,700 full-time employees. The Group's employee turnover rate was minimal in 2020.

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.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND EXECUTIVE DIRECTOR

Ms. Ho Chiu Fung, Daisy, aged 56, 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 of Po Leung Kuk, Chairman of Hong Kong Ballet, Chairman cum Director of University of Toronto (Hong Kong) Foundation Limited and Chairman of its Scholarship Selection Committee, Chair of International Dean’s Advisory Board of Joseph L. Rotman School of Management – University of Toronto, World Fellow of The Duke of Edinburgh’s Award World Fellowship, Honorary Vice President of the Hong Kong Girl Guides Association, Honorary President of Hong Kong Federation of Women and Member of Advisory Council of the Canadian International School of Hong Kong.

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

CO-CHAIRMEN AND EXECUTIVE DIRECTORS

Mr. Fok Tsun Ting, Timothy, aged 75, 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 of the Company 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

CO-CHAIRMEN AND EXECUTIVE DIRECTORS (Continued)

Deputada Leong On Kei, Angela, aged 59, 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 and the Managing Director of SJM since 2010. 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 and of Guangzhou, Guangdong 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, 4th and 5th Elective Committee of Chief Executive of Macau SAR. 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 Trustees 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 and a director of Stanley Ho Astronautics Training Foundation. 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

VICE-CHAIRMAN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Dr. So Shu Fai, aged 69, 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 in the United Kingdom. He is a fellow member of The Hong Kong Institute of Directors.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Chan Un Chan, aged 66, 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 UNIR HOTELS 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.



Mr. Shum Hong Kuen, David, aged 66, 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 the 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.



DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Ng Chi Sing, aged 69, was appointed as Executive Director of the Company in 2006 and has been re-designated to Non-executive Director since June 2020. He was the Chief Operating Officer of the Company until June 2020. Mr. Ng was a member of the Executive Committee of the Board from 2009 to June 2020. He was the Chief Operating Officer of SJM from 2002 to June 2020 and a director of SJM from 2002 to March 2019. Mr. Ng has been appointed as an adviser of SJM since June 2020.

Mr. Ng has over 40 years of experience in casino business. He 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 is a fellow member of The Hong Kong Institute of Directors.

Mr. Tsang On Yip, Patrick, aged 49, was elected as a 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. He is the chief executive officer and a director of Chow Tai Fook Enterprises Limited. Mr. Tsang currently holds directorships in five companies listed on the 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. He 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. Mr. Tsang 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 Chow Tai Fook (Holding) Limited, a governor of Chow Tai Fook Charity Foundation Limited, a member of Hong Kong Chief Executive Election Committee, a General Committee member of the 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 78, 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 the HKSE Main Board) since 2009. He also had been an independent non-executive director of Wheelock and Company Limited (listed on the HKSE Main Board) since 2012, and ceased to be its independent non-executive director after its delisting in July 2020. Mr. Chau has also been an independent non-executive director of Wharf Real Estate Investment Company Limited (listed on HKSE Main Board) since January 2021.

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 75, 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 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 the HKSE Main Board. He is also an independent non-executive director of a number of companies listed on the HKSE Main Board, namely, China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Cosmopolitan International Holdings Limited, Country Garden Holdings Company Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Goldin Financial 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 was appointed as independent non-executive director of Landing International Development Limited in August 2020 and was appointed as independent non-executive director of Hao Tian International Construction Investment Group Limited in October 2020, both companies are listed on HKSE Main Board. Hon. Shek is an independent non-executive director of Ping An OneConnect Bank (Hong Kong) Limited.

Hon. Shek was an independent non-executive director of ITC Corporation Limited, Midas International Holdings Limited, TUS International Limited, MTR Corporation Limited and Hop Hing Group Holdings Limited, all of which are listed on the HKSE Main Board, until March 2017, January 2018, January 2017, May 2019 and June 2020 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 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. He was appointed as honorary member of the court of the Hong Kong University of Science and Technology in August 2020.



DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Tse Hau Yin, aged 73, has been an Independent Non-executive Director of the Company since 2007, the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Board since 2008. He 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 the 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 72, 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 the 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 and Vice-Chairman of the Hong Kong Federation of Women. 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.

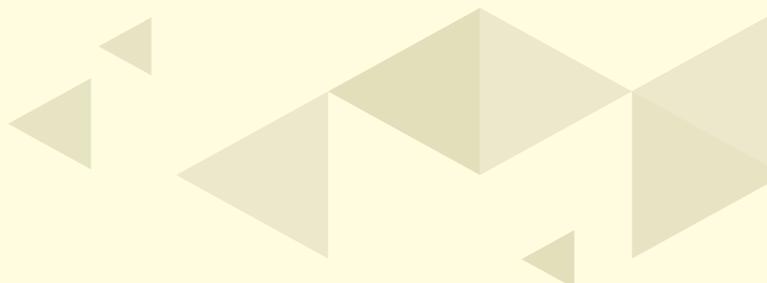


DIRECTORS' BIOGRAPHICAL DETAILS UPDATE

The Directors' biographical details update, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since 1 July 2020 and up to 31 December 2020 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 2020 (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 43 to the Financial Statements.

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 6 to 13 and pages 14 and 15 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 16 and 17 and note 36 to the Financial Statements.

FINANCIAL RESULTS

The loss of the Group for the year ended 31 December 2020, 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 98 to 198.

DIVIDENDS

No interim dividend for the six months ended 30 June 2020 was declared during the year (six months ended 30 June 2019: HK8 cents per Share).

The Board does not recommend any payment of final dividend for the year ended 31 December 2020 (2019: HK22 cents per Share).

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS FOR 2021 AGM

(as amended according to the announcement of the Company dated 14 April 2021)

The forthcoming annual general meeting of the Company is scheduled to be held on Friday, 28 May 2021 (the "2021 AGM"). The register of members of the Company will be closed as set out below for ascertaining Shareholders entitled to attend the 2021 AGM:

Book close dates for 2021 AGM	: 24 May 2021 to 28 May 2021 (both days inclusive)
Last share registration date for 2021 AGM	: 21 May 2021
Latest time to lodge transfer documents with the Company's share registrar	: 4:30 p.m. on Friday, 21 May 2021
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 2021 AGM	: 2:30 p.m. on Friday, 28 May 2021
Deadline and address for submission of proxy form for 2021 AGM	: 2:30 p.m. on Wednesday, 26 May 2021 18th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168 – 200 Connaught Road Central, Hong Kong or via email at comsec@sjmholdings.com

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 31 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 2020 amounted to \$7,526.3 million (31 December 2019: \$7,329.0 million).

DONATIONS

Donations made by the Group during the year amounted to \$4.3 million (31 December 2019: \$7.3 million).

FIXED ASSETS

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

DIRECTORS' REPORT

MAJOR PROPERTIES

Details of major properties of the Group as at 31 December 2020 are as follows:

Property	Location	Use	Site area (sq.m.)	Gross floor area/ saleable area (sq.m.)	Group interest
Grand Lisboa Palace	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	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 2020 are set out in note 25 to the Financial Statements.

CAPITALISATION OF BORROWING COSTS

Borrowing costs capitalised by the Group during the year amounted to \$513.0 million (2019 : \$614.2 million).

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 29 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.

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Principal terms of the Scheme (Continued)

Maximum entitlement of each participant	: In any 12-month period (including the proposed grant date): <ul style="list-style-type: none">(a) For participants excluding substantial Shareholders, Independent Non-executive Directors or their respective associates:<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>(b) For substantial Shareholders, Independent Non-executive Directors or their respective associates:<ul style="list-style-type: none">(i) 0.1% of the number of Shares in issue as at the proposed grant date (including the total number of Shares already issued and those which may fall to be issued upon exercise of Options granted and to be granted to him under the Scheme and any other share option scheme(s) of the Company and/or any subsidiary); or(ii) not exceeding \$5 million in aggregate value based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on each relevant date on which the grant of Options is made.
Period within which the Shares must be taken up under an Option	: The Board may in its absolute discretion determine, save that such period shall expire on the last day of nine years commencing on the date falling six months after the date of grant.
Minimum period for which an Option must be held before it can be exercised	: Such minimum period under the Scheme is six months from the date of grant. At the time of grant of Options, the Board may specify longer minimum period(s) for which Options must be held before they can be exercised.
Amount payable on acceptance of the Option	: \$1
Period within which payments or calls must or may be made or loans for such purposes must be repaid	: Payable within 28 days from the date of the letter containing the grant, provided that no such grant shall be open for acceptance after the expiry or termination of the Scheme
Basis of determining the exercise price	: The exercise price shall be determined by the Board at the time the grant of the Options is made and shall not be less than the higher of: <ul style="list-style-type: none">(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the grant date, which must be a business day; and(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date.
Remaining life of the Scheme	: The Scheme was in force for a period of 10 years commencing on the adoption date and lapsed on 13 May 2019.

DIRECTORS' REPORT

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, 13,775,000 Options were exercised, and a total of \$113,507,150 was received by the Company as the proceeds for allotment and issue of 13,775,000 Shares.

As at 31 December 2020, 477,085,000 Options were granted under the Scheme with 296,465,000 Options were exercised, and a total of \$1,991,525,690 was received by the Company as the proceeds for the allotment and issue of 296,465,000 Shares.

Excluding 26,547,000 Options lapsed, there were 154,073,000 Options outstanding as at 31 December 2020. If all those outstanding share options were exercised, a total of \$1,958,279,870 would be received by the Company as the proceeds for the allotment and issue of 154,073,000 Shares.

Movement of Options granted

Details of the movement in Options granted under the Scheme during the year ended 31 December 2020 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 2020
				Outstanding as at 1 January 2020	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 6)	22 December 2018 to 21 December 2026	\$8.33	500,000	—	—	—	—	500,000
	22 June 2017 (Note 6)	22 December 2019 to 21 December 2026	\$8.33	1,000,000	—	—	—	—	1,000,000
Fok Tsun Ting, Timothy	31 August 2010 (Note 1)	28 February 2011 to 27 February 2020	\$7.48	3,000,000	—	(3,000,000)	—	—	—
	17 March 2011 (Note 2)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	(3,000,000)	—
	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
Leong On Kei, Angela	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	10,000,000	—	—	—	—	10,000,000
	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	10,000,000	—	—	—	—	10,000,000
	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	10,000,000	—	—	—	—	10,000,000
So Shu Fai	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	11,667,000	—	—	—	—	11,667,000
	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	11,667,000	—	—	—	—	11,667,000
	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	11,666,000	—	—	—	—	11,666,000

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 2020
				Outstanding as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Directors: (Continued)									
Chau Tak Hay	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	—	—	—	166,000
Shek Lai Him, Abraham	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	—	—	—	166,000
Tse Hau Yin	17 March 2011 (Note 2)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	(500,000)	—
	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	—	—	—	167,000
	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	—	—	—	166,000
Ng Chi Sing	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	10,667,000	—	(7,000,000)	—	—	3,667,000
	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	10,667,000	—	—	—	—	10,667,000
	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	10,666,000	—	—	—	—	10,666,000
Chan Un Chan	21 June 2018 (Note 7)	21 December 2018 to 20 December 2027	\$10.26	1,000,000	—	—	—	—	1,000,000
	21 June 2018 (Note 7)	21 December 2019 to 20 December 2027	\$10.26	1,000,000	—	—	—	—	1,000,000
	21 June 2018 (Note 7)	21 December 2020 to 20 December 2027	\$10.26	1,000,000	—	—	—	—	1,000,000
Shum Hong Kuen, David	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	1,000,000	—	—	—	—	1,000,000
Sub-total (Directors):				115,500,000	—	(10,000,000)	—	(3,500,000)	102,000,000

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Name or category of participants	Date of grant	Exercise period	Exercise price per Share	Number of Options					Balance as at 31 December 2020
				Outstanding as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Associates (as defined in the Listing Rules) of Directors (who are also Employee/former Employee):									
Ho Hung Sun Stanley (Deceased)	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	1,667,000	—	—	—	—	1,667,000
	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	1,667,000	—	—	—	—	1,667,000
	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	1,666,000	—	—	—	—	1,666,000
Huen Wai Kei	8 October 2013 (Note 3)	8 April 2014 to 7 April 2023	\$22	67,000	—	—	—	—	67,000
	8 October 2013 (Note 3)	8 April 2015 to 7 April 2023	\$22	67,000	—	—	—	—	67,000
	8 October 2013 (Note 3)	8 April 2016 to 7 April 2023	\$22	66,000	—	—	—	—	66,000
	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	20,000	—	—	—	—	20,000
	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	20,000	—	—	—	—	20,000
	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	20,000	—	—	—	—	20,000
Sub-total (Associates of Directors (who are also Employee/former Employee)):				5,260,000	—	—	—	—	5,260,000

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 2020
				Outstanding as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
Employee	17 March 2011 (Note 2)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	(3,000,000)	—
Employees*	8 October 2013 (Note 3)	8 April 2014 to 7 April 2023	\$22	12,342,000	—	—	—	(184,000)	12,158,000
Employees*	8 October 2013 (Note 3)	8 April 2015 to 7 April 2023	\$22	12,299,000	—	—	—	(183,000)	12,116,000
Employees*	8 October 2013 (Note 3)	8 April 2016 to 7 April 2023	\$22	12,287,000	—	—	—	(183,000)	12,104,000
Employees*	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	3,694,000	—	(99,000)	—	(88,000)	3,507,000
Employees*	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	3,694,000	—	(95,000)	—	(88,000)	3,511,000
Employees*	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	3,582,000	—	(81,000)	—	(84,000)	3,417,000
Employees	11 May 2016 (Note 5)	11 November 2016 to 10 November 2025	\$4.89	1,000,000	—	(1,000,000)	—	—	—
Employees	11 May 2016 (Note 5)	11 November 2017 to 10 November 2025	\$4.89	1,000,000	—	(1,000,000)	—	—	—
Employees	11 May 2016 (Note 5)	11 November 2018 to 10 November 2025	\$4.89	1,000,000	—	(1,000,000)	—	—	—
Sub-total (Employees):				53,898,000	—	(3,275,000)	—	(3,810,000)	46,813,000
Other participant	17 March 2011 (Note 2)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	(500,000)	—
Other participant	15 June 2015 (Note 4)	15 December 2015 to 14 December 2024	\$9.826	167,000	—	(167,000)	—	—	—
Other participant	15 June 2015 (Note 4)	15 December 2016 to 14 December 2024	\$9.826	167,000	—	(167,000)	—	—	—
Other participant	15 June 2015 (Note 4)	15 December 2017 to 14 December 2024	\$9.826	166,000	—	(166,000)	—	—	—
Sub-total (Other participants):				1,000,000	—	(500,000)	—	(500,000)	—
Total:				175,658,000	—	(13,775,000)	—	(7,810,000)	154,073,000

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Notes:

1. 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.
2. 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.
3. 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

4. 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

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

Movement of Options granted (Continued)

Notes: (Continued)

5. 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

6. 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

7. 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

8. The weighted average closing price of the Shares immediately before the dates on which the Options were exercised is \$9.98.

DIRECTORS' REPORT

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
Dr. Chan Un Chan
Mr. Shum Hong Kuen, David

Non-executive Directors:

Mr. Ng Chi Sing
(re-designated from Executive Director to Non-executive Director on 10 June 2020)
Mr. Tsang On Yip, Patrick

Independent Non-executive Directors:

Mr. Chau Tak Hay
Hon. Shek Lai Him, Abraham
Mr. Tse Hau Yin
Ms. Wong Yu Pok, Marina

Brief biographical details of Directors are set out on pages 18 to 27 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, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David, Executive Directors, and Hon. Shek Lai Him, Abraham and Mr. Tse Hau Yin, Independent Non-executive Directors, will retire from the Board by rotation at the 2021 AGM. Except Hon. Shek Lai Him, Abraham who does not offer for re-election, other retiring Directors Dr. Chan Un Chan, Mr. Shum Hong Kuen, David and Mr. Tse Hau Yin, all being eligible, offer themselves for re-election as Directors at the 2021 AGM.

The Nomination Committee will nominate a candidate to the Board for election as Independent Non-executive Director at the 2021 AGM. Subject to election of that Independent Non-executive Director at the 2021 AGM, Independent Non-executive Directors will continue to represent one-third of the Board. Besides, if the nominated Independent Non-executive Director is elected at the 2021 AGM, he/she will be proposed to immediately be appointed as a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Board.

DIRECTORS' REPORT

DIRECTORS (Continued)

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 Board believes that Mr. Tse Hau Yin is still independent even though he has over nine-year tenure as an Independent Non-executive Director of the Company since he has met all of the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Board has also considered whether there is other suitable Independent Non-executive Director who can usher in refreshment to the Board and for succession planning. The Board notes that Mr. Tse is a fellow of the Institute of Chartered Accountants in England and Wales, a fellow member of the Hong Kong Institute of Certified Public Accountants and a registered auditor in Macau. He can provide valuable advice from accounting perspective to the Board, both for Hong Kong and Macau group companies. In consideration of the aforesaid, the Board proposes that Mr. Tse Hau Yin be re-elected as an Independent Non-executive Director of the Company at the 2021 AGM.

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. Chung Kin Pong
Mr. Fok Chun Wan, Ian
Ms. Ho Chiu Ha, Maisy
Mr. Ho Yau Heng, Arnaldo
Ms. Kwok Shuk Chong
Mr. 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' REPORT

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2021 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 (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' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

Premises Leasing Master Agreement

Parties to the agreement:

STDM and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2020
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 45 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 45 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 2020
23 December 2019	1 January 2020 to 31 December 2022	<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 servicesThe provision of each relevant product or service by the STDM Group shall be on normal commercial terms and made with reference to the prevailing market price after arm's length negotiation between the relevant parties or, where there is no relevant market price, on terms negotiated between the relevant parties at arm's length.The price of the products and services to be provided by the STDM Group including the basis of the calculation of the payments to be made shall be set out in the relevant implementation agreements and must be fair and reasonable.	See "Annual Caps and Aggregate Amount Table" on page 45 of this Annual Report.

Further details of the above transactions were set out in the announcement of the Company dated 23 December 2019.

DIRECTORS' REPORT

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 2020
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 45 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 2020 has declined substantially from the historical levels seen in earlier years. Furthermore, all casino chips of STDM have been withdrawn from circulation and procedures were put in place for those holding such chips to redeem them for cash or for casino chips of SJM.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Continued)

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

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2020 \$ million (audited)	Annual cap for the year ended 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 <i>(Note 1)</i>	573.0	790.2	119.5	29.3
• Products and Services Master Agreement <i>(Note 2)</i>				
(i) Hotel accommodation	N/A	N/A	N/A	N/A
(ii) Entertainment	N/A	N/A	N/A	N/A
(iii) Transportation	9.1	165	198	238
(iv) Maintenance services	N/A	N/A	N/A	N/A
(v) Hotel management and operation	N/A	N/A	N/A	N/A
• Chips Agreement <i>(Note 3)</i>	0.2	77	77	77

DIRECTORS' REPORT

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 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 HK\$790.2 million, HK\$119.5 million and HK\$29.3 million respectively. These annual caps have been 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 December 2019, STDM and the Company 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 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 HK\$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' 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

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.

Since the department store of NYH has not commenced business during the year ended 31 December 2020, there was no aggregate amount of transactions under the NYH Agreement in 2020.

DIRECTORS' REPORT

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 agreement:

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 transactions in 2020
23 December 2019	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">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 50 of this Annual Report.

Further details of the said transaction were set out in the announcement of the Company dated 23 December 2019.

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)

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2020 \$ million (audited)	Annual cap for the year ended 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 rentals (Note)	248.9	278.7	9	9

Notes:

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 the Relevant Period;
- (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 as well as any additional leases to be entered pursuant to the Premises Leasing Master Agreement during in the Relevant Period.

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 41 to 50 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.

DIRECTORS' REPORT

REVIEW BY AUDITORS (Continued)

The Auditor has confirmed that for the year 2020:

- (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 23 December 2019 and 21 January 2021 made by the Company in respect of each of the disclosed continuing connected transactions.

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

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

At a meeting of the Audit Committee held on 23 February 2021, 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 2020, the net amount received and receivable on reimbursement of STDM chips in circulation amounted to \$0.2 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 38 to the Financial Statements prepared in accordance with Hong Kong Financial Reporting Standards. The related party transactions referred in notes 38(b) to 38(i) and 38(m) constitute continuing connected transactions/connected transactions as defined under Chapter 14A of the Listing Rules, and all such related party transactions comply with the requirement under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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 2020, 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
	L'Arc Entertainment Group Company Limited	• Director • Substantial shareholder	Provision of gaming services
	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
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	• Provision of gaming services • 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
Ng Chi Sing	Macau Horse Racing Company Limited	• Director	Catering 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 2020, 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	3,000,000	—	0.05%
	Beneficial owner	Long position	—	3,000,000	0.05%
			3,000,000	3,000,000	0.10%
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	—	8.07%
	Beneficial owner	Long position	—	30,000,000	0.52%
			457,950,000	30,000,000	8.59%
So Shu Fai	Beneficial owner	Long position	153,327,922	—	2.70%
	Beneficial owner	Long position	—	35,000,000	0.62%
			153,327,922	35,000,000	3.32%
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	—	500,000	0.01%
			500,000	500,000	0.02%
Chan Un Chan	Beneficial owner	Long position	2,034,000	—	0.04%
	Beneficial owner	Long position	—	3,000,000	0.05%
			2,034,000	3,000,000	0.09%

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)
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%
Ng Chi Sing	Beneficial owner	Long position	83,452,922	—	1.47%
	Beneficial owner	Long position	—	25,000,000	0.44%
				(Note 1)	
			83,452,922	25,000,000	1.91%

Notes:

- These represent the interests in underlying Shares in respect of Options granted by the Company, the details of which are stated in section "Share Option Scheme" above.
- The percentage has been calculated based on 5,678,144,293 Shares in issue as at 31 December 2020.

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 2020, 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.

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.

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

As at 31 December 2020, 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
Sociedade de Turismo e Diversões de Macau, S.A.	Beneficial owner and its controlled corporation (Note 1)	Long position	3,062,059,500	—	(Note 2) 53.93%
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	30,000,000 (Note 3)	8.59%

Notes:

- 12,072,000 Shares are directly held by Konrad Investments Limited, as indirect wholly-owned subsidiary of STDM through Bounty Rich Holdings Limited.
- The percentage has been calculated based on 5,678,144,293 Shares in issue as at 31 December 2020.
- 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 2020, 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

NON-COMPETITION UNDERTAKING BY STDM

Pursuant to the deed of Non-Competition Undertaking dated 18 June 2008, STDM has undertaken with the Company that (i) for the period in which the Shares are listed on the Stock Exchange and STDM remains the controlling Shareholder, STDM will not compete with the operation of casino gaming businesses of SJM in Macau (apart from maintaining their interests in Melco) and (ii) it will not increase its interest in Melco. Furthermore, STDM has also undertaken with SJM that if it becomes aware of any venue in Macau that is suitable for casino or slot machine operations, it will notify the Company of such opportunity.

At a meeting of the Audit Committee held on 23 February 2021, all the Independent Non-executive Directors reviewed the confirmation from STDM in respect of the Non-Competition Undertaking, and confirmed compliance with the Non-Competition Undertaking provided by STDM.

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 2020.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 61 to 92 of this Annual Report.

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.

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

KEY RELATIONSHIPS OF THE GROUP

The Group's success is dependent on its relationships with employees and customers, and to a lesser extent with principal suppliers. The Group strives to maintain harmonious and ethical relationships with each category, as reflected in the Company's Code of Conduct.

During the Reporting Period, there was no significant change in or adverse impact on key relationships with employees, customers and suppliers of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company believes that sound environmental policies and performance are critically important to the sustainable development of our business and to our community.

The Board is responsible for our environmental policy, as part of the Group's overall strategy and reporting of Environmental, Social and Governance ("ESG") activities. The Group is committed to minimizing any adverse impact that its operations may have on the environment. The Group has implemented environment-friendly measures such as installation of LED lighting and adoption of electronic processes to reduce the use of paper. We prioritize the 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. The Group is also phasing out the use of diesel shuttle buses and will migrate all buses to green energy in 2021.

For the hotel portions of the Grand Lisboa Palace, we target to achieve U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) Silver Certification. Hotel room control units at Grand Lisboa Palace will be enabled for automatic control of lighting, room air conditioning and window curtains for energy saving.

We have deployed various energy-saving and clean-air initiatives to help reduce our carbon footprint. 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 2019, which is available on the EPD's website (<http://www.carbon-footprint.hk>).

To enhance the policies and performance in environmental aspects of the Group, an external consultant was engaged during the year to review and make recommendations on the sustainability governance structure, strategy and policies of the Group. A Sustainability Steering Committee chaired by the Chief Executive Officer, consisting of senior executives of the Group as a majority of members, considers sustainability issues. The Sustainability Steering Committee is also responsible for compliance with the environmental protection policies required by the Environmental Protection Bureau of the Macau government.

Further disclosures relating to ESG issues identified for the financial year ended 31 December 2020 will be included in the Group's ESG Report to be published pursuant to the requirements of Appendix 27 of the Listing Rules by May 2021.

DIRECTORS' REPORT

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Numerous laws and regulations can have significant impact on the Group, including laws and regulations in Macau related to Anti-Money Laundering and Terrorism Financing, Control of Cross Border Transportation of Cash, Access to Casinos and Gaming Areas, Cybersecurity, Personal Data, Foreign Exchange, Smoking and other areas. In addition to corporate legal teams in Macau and Hong Kong, the Group has a Compliance Department in Macau headed by a Chief Compliance Officer, to ensure that the Group is up-to-date and in compliance with laws and regulations.

During the Reporting Period, the Group did not experience any cases of non-compliance with relevant laws and regulations that had a material impact on the Group's business and operations.

EVENT AFTER REPORTING PERIOD

Subsequent to the Reporting Period, Champion Path Holdings Limited ("Champion Path"), a wholly-owned subsidiary of the Company, issued the following Notes which are listed on the HKSE Main Board:

Principal Terms of the Senior Notes due 2026

Issuer	: Champion Path
Guarantor	: The Company
Aggregate principal amount	: US\$500,000,000
Offering price	: 100.00% of the principal amount of the Notes
Issue date	: 27 January 2021
Interest rate	: 4.50% per annum payable semi-annually in arrears on 27 January and 27 July of each year. Interest will accrue from 27 January 2021
Maturity date	: 27 January 2026, unless earlier redeemed in accordance with terms thereof

Principal Terms of the Senior Notes due 2028

Issuer	: Champion Path
Guarantor	: The Company
Aggregate principal amount	: US\$500,000,000
Offering price	: 100.00% of the principal amount of the Notes
Issue date	: 27 January 2021
Interest rate	: 4.85% per annum payable semi-annually in arrears on 27 January and 27 July of each year. Interest will accrue from 27 January 2021
Maturity date	: 27 January 2028, unless earlier redeemed in accordance with terms thereof

The Company intends to use approximately 90% of the net proceeds from the proposed offering for refinancing a syndicated credit facilities and the balance for general corporate purposes.

Further details of the above Notes were set out in the announcements of the Company dated 21 and 27 January 2021 and the announcements of Champion Path dated 27 and 28 January 2021.

DIRECTORS' 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 2020 is set out on page 199 of this Annual Report.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company.

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 2021 AGM.

By order of the Board of Directors
SJM Holdings Limited

Ho Chiu Fung, Daisy

Chairman and Executive Director

Hong Kong, 23 February 2021

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 2020, 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 2020.

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.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

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

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

The Board (including corporate governance functions) (Total no. of Directors: 12 (Note 1))		
Executive Directors (also being the senior management of the Company) Ms. Ho Chiu Fung, Daisy <i>(Chairman)</i> Mr. Fok Tsun Ting, Timothy <i>(Co-Chairman)</i> Deputada Leong On Kei, Angela <i>(Co-Chairman)</i> Dr. So Shu Fai <i>(Vice-Chairman and Chief Executive Officer)</i> Dr. Chan Un Chan Mr. Shum Hong Kuen, David	Non-executive Directors Mr. Ng Chi Sing <i>(ceased to act as Chief Operating Officer and re-designated from Executive Director to Non-executive Director on 10 June 2020)</i> Mr. Tsang On Yip, Patrick	Independent Non-executive Directors Mr. Chau Tak Hay Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin (Note 3) Ms. Wong Yu Pok, Marina
Total number: 6 % to total Directors: 50%	Averaged Total number: 2 % to total Directors: 16.7%	Averaged total number: 4 (Note 2) % to total Directors: 33.3% (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.

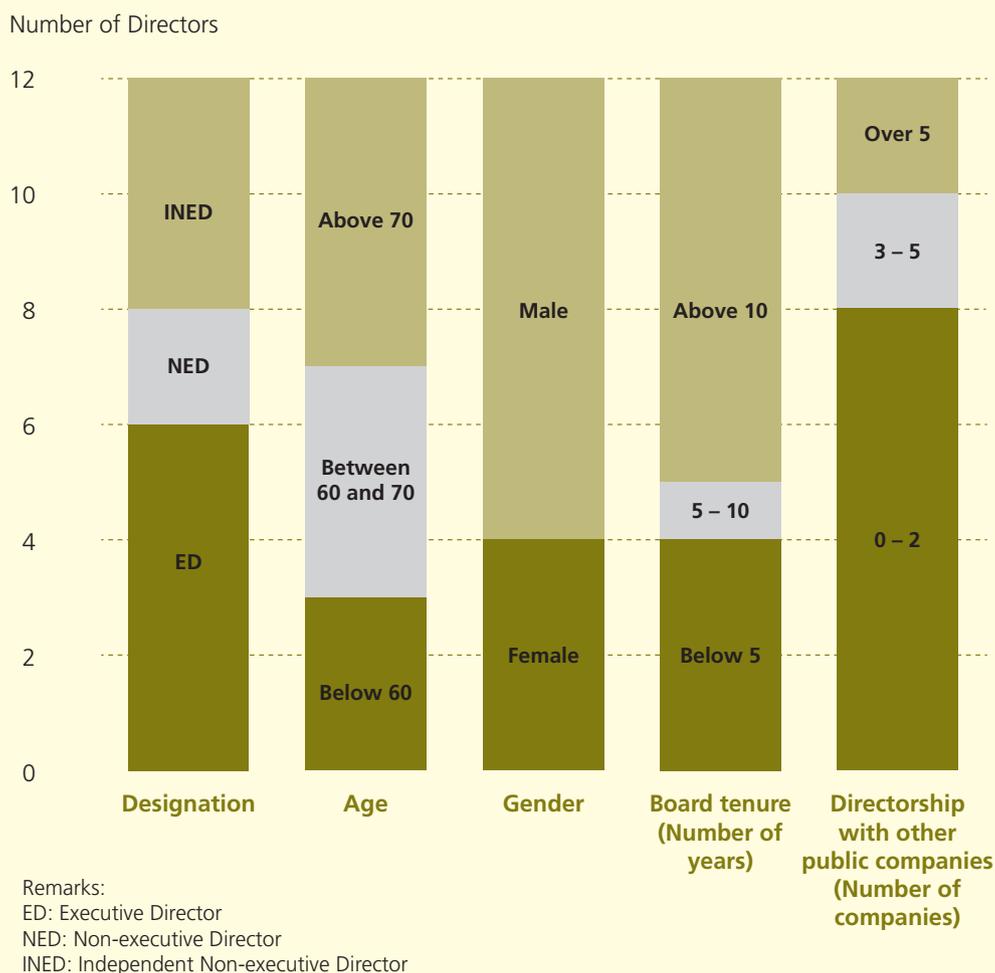
CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY

The Board adopted a board diversity policy for the Company in 2013 which stipulates that for identifying individuals suitably qualified to become Directors, the Nomination Committee should consider the benefits of all aspects of diversity including, but not limited to, a number of factors, such as gender, age, race, cultural and educational background, professional experience and industry and business-related experience, in order to maintain an appropriate range of balance of skills, experience and background on the Board. All appointments of Directors should have taken into account the aforesaid factors as a whole for the 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 Board diversity mix as at 31 December 2020 is shown below while their biographical details are set out on pages 18 to 27 of this Annual Report.

Board Diversity Mix

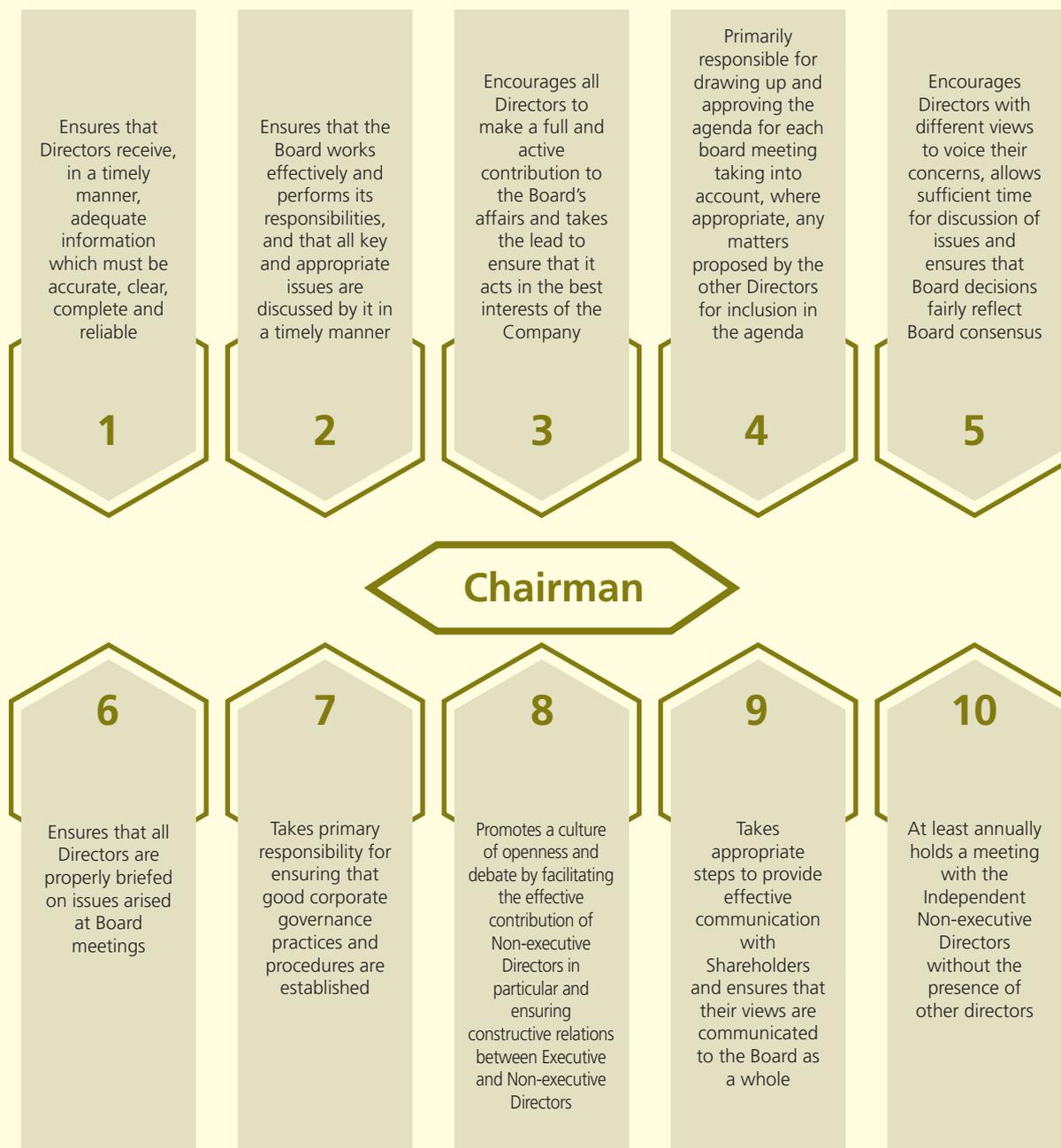


To support the raise of awareness of gender mainstreaming in the community, the Company joined the Gender Focal Point Network for listed companies set up by the Labour and Welfare Bureau and the Women's Commission in Hong Kong in 2016.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are segregated and not performed by the same individual. Ms. Ho Chiu Fung, Daisy is the Chairman of the Board and Dr. So Shu Fai is the Chief Executive Officer of the Company. 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.

CORPORATE GOVERNANCE REPORT

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/she 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 Friday, 28 May 2021 (the "2021 AGM"), the following Directors will retire from the Board by rotation pursuant to Article 95:

Executive Directors : Dr. Chan Un Chan
Mr. Shum Hong Kuen, David

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

Except Hon. Shek Lai Him, Abraham who does not offer for re-election, other retiring Directors Dr. Chan Un Chan, Mr. Shum Hong Kuen, David and Mr. Tse Hau Yin, all being eligible, offer themselves for re-election as Directors at the 2021 AGM.

The biographical details of the retiring Directors who offered themselves for re-election and the recommendation of the Board for their re-election will be set out in a circular to be dated on or around 23 April 2021 for despatch to Shareholders.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

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

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

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

Independent Non-executive Directors and other Non-executive Directors have given a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They have given the Board and any Board committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. All Independent Non-executive Directors have attended the annual general meeting of the Company held on 9 June 2020 (the "2020 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/her independence and considers each of them to be independent.

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

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

PRACTICE AND CONDUCT OF MEETINGS

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

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

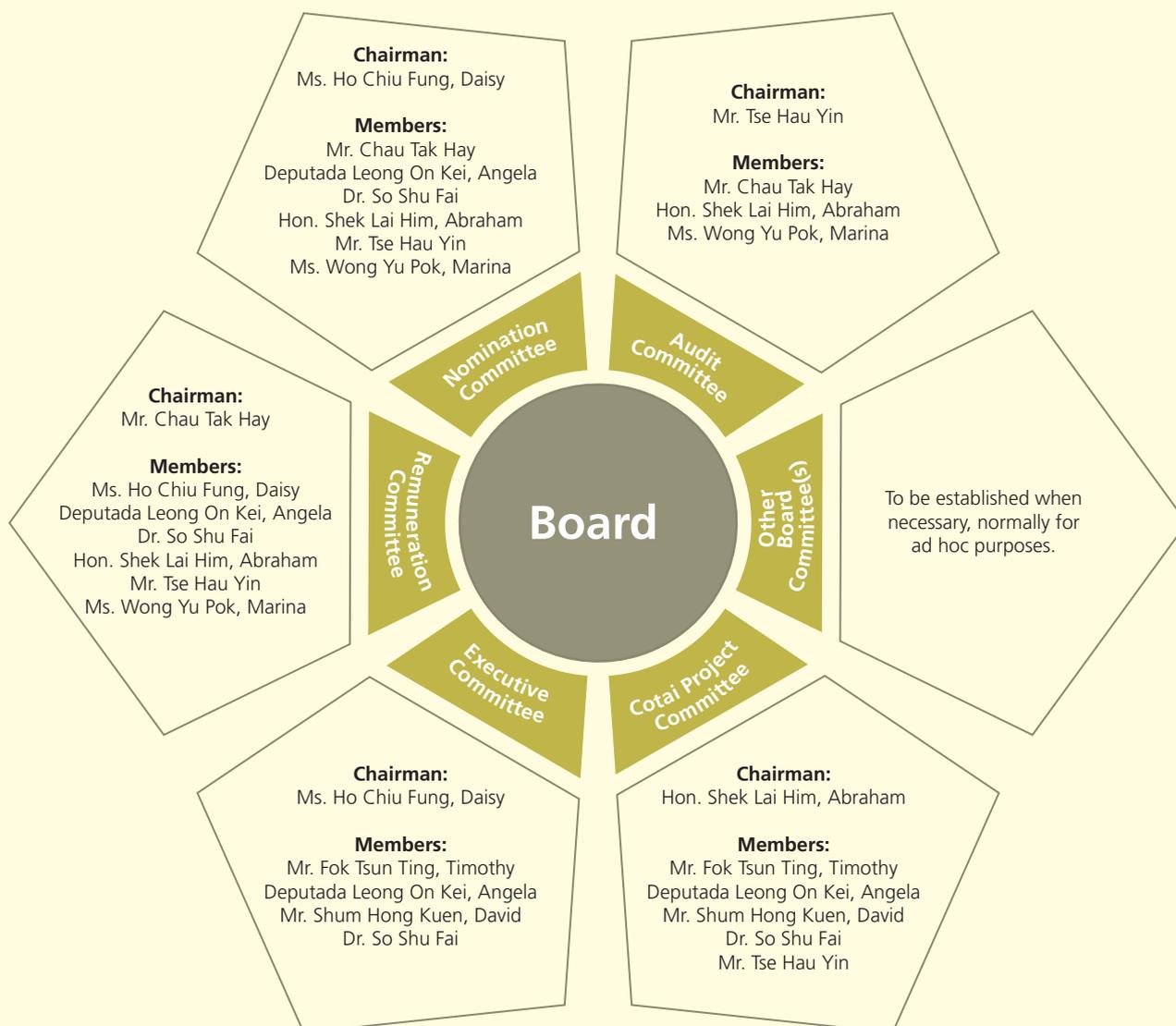
The Company Secretary is responsible for keeping minutes of all Board meetings and Board committee meetings which record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed, if any. Draft minutes are circulated to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

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/she 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.

CORPORATE GOVERNANCE REPORT

BOARD AND BOARD COMMITTEE MEETINGS

The following sections explain the responsibilities and the work that each Board committee undertook in 2020. 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.



CORPORATE GOVERNANCE REPORT

BOARD AND BOARD COMMITTEE MEETINGS (Continued)

The Board schedules regular Board meetings in advance, at least four times a year at approximately quarterly intervals, to give Directors the opportunity to participate actively, either in person or through electronic means of communication. Directors are consulted for their views regarding inclusion of specific matters in the agenda for regular Board meetings and the draft agenda is circulated to Directors for their comments. Special Board meetings are convened as and when needed. Together with the Audit Committee, 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, the 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 2020, five Board meetings were held. Details of individual Directors' attendance at the Board meetings, the Board committee meetings and the 2020 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 Meeting (including one adjourned meeting)	Cotai Project Committee Meeting (Note 4)	Remuneration Committee Meetings	Nomination Committee Meeting	2020 AGM
Executive Directors:							
Ho Chiu Fung, Daisy	5/5 (Note 1)	N/A	13/13	N/A	2/2	1/1	1/1
Fok Tsun Ting, Timothy	5/5	N/A	13/13	11/12	N/A	N/A	1/1
Leong On Kei, Angela	5/5 (Note 1)	N/A	13/13 (Note 3)	9/12	2/2	1/1	1/1
So Shu Fai	5/5	N/A	13/13	11/12	2/2	1/1	1/1
Chan Un Chan	4/5 (Note 1)	N/A	N/A	N/A	N/A	N/A	0/1
Shum Hong Kuen, David	5/5 (Note 1)	N/A	13/13	12/12	N/A	N/A	1/1
Non-executive Directors:							
Ng Chi Sing (Note 2)	5/5	N/A	1/4	N/A	N/A	N/A	1/1
Tsang On Yip, Patrick	5/5 (Note 1)	N/A	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors:							
Chau Tak Hay	5/5	4/4	N/A	N/A	2/2	1/1	1/1
Shek Lai Him, Abraham	5/5	4/4	N/A	12/12	2/2	1/1	1/1
Tse Hau Yin	5/5	4/4	N/A	12/12	2/2	1/1	1/1
Wong Yu Pok, Marina	5/5	4/4	N/A	N/A	2/2	1/1	1/1

CORPORATE GOVERNANCE REPORT

BOARD AND BOARD COMMITTEE MEETINGS (Continued)

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 and Mr. Tsang On Yip, Patrick were interested in certain continuing connected transactions. All of them had to physically absent themselves from voting on the related Board resolutions at one of the Board meetings.
2. Mr. Ng Chi Sing was re-designated from Executive Director to Non-executive Director and ceased to act as Executive Committee member and Chief Operating Officer of the Company with effect from 10 June 2020.
3. According to Term of Reference 2.1, 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.

Deputada Leong On Kei, Angela was interested in a potential continuing connected transaction. She had to physically absent herself from voting on the related Executive Committee resolutions at one of the Executive Committee meetings.
4. The number of Cotai Project Committee meetings disclosed above is for its regular meetings for the purposes of receiving progress and budget update for the Cotai Project. In addition to those regular meetings, during the year, there were five informal Cotai Project Committee discussion meetings held to consider ad hoc items 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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

Audit Committee (established in June 2008)	
Committee members	Committee secretary
<i>Independent Non-executive Directors:</i> Mr. Tse Hau Yin (<i>Committee Chairman</i>) Mr. Chau Tak Hay Hon. Shek Lai Him, Abraham Ms. Wong Yu Pok, Marina	Ms. Kwok Shuk Chong <i>(the Company Secretary who is responsible for keeping the minutes of the Audit Committee)</i>
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, Administrative Manager – Accounts and Finance 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:

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

whichever is the later.

The Audit Committee 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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (Continued)

In 2020, the Audit Committee held four meetings and its principal work performed is set out in the table below. In general, it has reviewed the accounting principles and practices adopted by the Company and discussed auditing, 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 70.

Principal work performed by the Audit Committee during 2020

Review of annual audited financial statements of the Group for the year ended 31 December 2019, interim unaudited financial statements of the Group for the six months ended 30 June 2020, and quarterly unaudited key performance indicators of the Group for the three months ended 31 March 2020 and 30 September 2020 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 2021

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

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

Review of the arrangements for the Company's employees to 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 2021

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

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The composition of the Remuneration Committee is as follows:

Remuneration Committee (established in June 2008)	
Committee members	
<i>Independent Non-executive Directors:</i> Mr. Chau Tak Hay (<i>Committee Chairman</i>) Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin Ms. Wong Yu Pok, Marina	
<i>Executive Directors:</i> Ms. Ho Chiu Fung, Daisy Deputada Leong On Kei, Angela Dr. So Shu Fai	
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	
	Committee secretary Ms. Kwok Shuk Chong <i>(the Company Secretary who is responsible for keeping the minutes of the Remuneration Committee)</i>

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.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE (Continued)

In 2020, 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 2020

Review of the remuneration of Executive Directors and senior management for 2020 and the special fees for 2019 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 2020 and the special fees for 2019, with recommendations to the Board for approval

Review of the remuneration of Board committees for 2020 and the special fees for 2019, with recommendations to the Board for approval

Consideration of the remuneration package of Mr. Ng Chi Sing after his re-designation from Executive Director to Non-executive Director, with recommendation to the Board for approval

Review of the existing benefits to Directors, with recommendation of proposed changes (if any) to the Board

Review of 2019 remuneration packages and discretionary bonus/living subsidies for senior executives of the Group and their biographies

Review of the remuneration packages of newly appointed senior executives of the Group

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 the proposed work plan for the Remuneration Committee in 2020/2021

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. 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 if applicable, the share option proposals to Directors more effectively.

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 70.

No individual Director has taken part in setting his or her own remuneration. The emoluments of Directors, including base fee and special fee, are based on each Director's individual skill, work performed and involvement in the Group's affairs, the Company's performance and profitability, remuneration benchmarking in the industry and prevailing market conditions. At the 2020 AGM, a resolution was passed to authorise the Board to fix the Directors' remuneration. A resolution will be proposed at the 2021 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 34 to the Financial Statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The composition of the Nomination Committee is as follows:

Nomination Committee (established in June 2008)	
Committee members	
<i>Executive Directors:</i> Ms. Ho Chiu Fung, Daisy (<i>Committee Chairman</i>) Deputada Leong On Kei, Angela	
<i>Independent Non-executive Directors:</i> Mr. Chau Tak Hay Hon. Shek Lai Him, Abraham Mr. Tse Hau Yin Ms. Wong Yu Pok, Marina	
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	
	Committee secretary Ms. Kwok Shuk Chong (<i>the Company Secretary who is responsible for keeping the minutes of the Nomination Committee</i>)

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.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (Continued)

In 2020, 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 2020

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 (three of them having served on 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 2021 AGM, with recommendations to the Board for approval

Consideration of the re-designation of Mr. Ng Chi Sing from Executive Director to Non-executive Director

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

Review the proposed work plan for the Nomination Committee in 2020/2021

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.

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 70.

The reasons why the Board believes Dr. Chan Un Chan, Mr. Shum Hong Kuen, David and Mr. Tse Hau Yin, the retiring Directors, should be re-elected at the 2021 AGM will be set out in the circular of the Company to be dated on or around 23 April 2021 accompanying the notice of the 2021 AGM.

CORPORATE GOVERNANCE REPORT

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 standing 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 nine years, and if he would still be able to devote sufficient time to the Board if he holds seven or more listed company directorships.

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.

CORPORATE GOVERNANCE REPORT

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 (<i>Committee Chairman</i>) Mr. Fok Tsun Ting, Timothy Deputada Leong On Kei, Angela Mr. Ng Chi Sing <i>(ceased to be a member on 10 June 2020)</i> Mr. Shum Hong Kuen, David Dr. So Shu Fai	
Total number of members: 5 % of total Executive Directors: 100%	
	Committee secretary
	Ms. Kwok Shuk Chong <i>(the Company Secretary who is responsible for keeping the minutes of the Executive Committee)</i>
Minimum number of meetings per year: meet as often as it determines is 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:

- (i) to oversee the implementation of the Company's strategic objectives and risk management policies;
- (ii) to oversee the business and operations of all of the business units of the Group;
- (iii) to put in place programs for management development and succession of management personnel;
- (iv) to oversee the realization by the Company of the strategic objectives set by the Board; and
- (v) 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.

CORPORATE GOVERNANCE REPORT

EXECUTIVE COMMITTEE (Continued)

In 2020, the Executive Committee held thirteen meetings (including one adjourned meeting) and its principal work performed is set out in the table below:

Principal work performed by the Executive Committee during 2020

Review of the unaudited financial information of the Group for the fourth quarter of 2019 and the first, second and third quarter of 2020
Review of the 2020 projections and 2020 – 2022 cash flow forecast
Review of the extension of agreements for the satellite casinos of the Group
Consideration of the issuance of notes by the Group
Consideration of the sustainability structure for the Group
Consideration of cost savings measures for the Group
Consideration of the opening timeline and opening event for Grand Lisboa Palace
Review of the marketing and promotion plan, food and beverages plan, and human resources hiring plan for Grand Lisboa Palace
Review of the retail status of the shopping mall in Grand Lisboa Palace
Review of potential 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 70.

CORPORATE GOVERNANCE REPORT

COTAI PROJECT COMMITTEE

The composition of the Cotai Project Committee is as follows:

Cotai Project Committee (established in January 2015)	
Committee members	
<i>Independent Non-executive Directors:</i> Hon. Shek Lai Him, Abraham (<i>Committee Chairman</i>) Mr. Tse Hau Yin	
<i>Executive Directors:</i> Mr. Fok Tsun Ting, Timothy Deputada Leong On Kei, Angela Mr. Shum Hong Kuen, David Dr. So Shu Fai	
Total number of members: 6 % of total Independent Non-executive Directors: 33%	
	Committee secretary
	Ms. Kwok Shuk Chong <i>(the Company Secretary who is responsible for keeping the minutes of the Cotai Project Committee)</i>
Minimum number of meetings per year: approximately once every month	
In attendance: Chairman and other directors, Project Director, Chief Operating Officer – Gaming and Hospitality, 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, contractors and consultants	

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.

CORPORATE GOVERNANCE REPORT

COTAI PROJECT COMMITTEE (Continued)

In 2020, the Cotai Project Committee held twelve regular meetings and five informal Cotai Project Committee discussion meetings, and its principal work performed is set out in the table below:

Principal work performed by the Cotai Project Committee during 2020

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 70.

CORPORATE GOVERNANCE REPORT

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 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 2020, 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 2020

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, Nomination Committee, Executive Committee and Cotai Project 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 August 2020, the Company arranged a training session for Directors in relation to the update on Environmental, Social and Governance Reporting Guide and Related Listed Rules implemented by the Stock Exchange.

Continuous Professional/Business Development Plan for Directors

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

The Directors informed the Company that they had received the following training and continuous professional development during the period from 1 January 2020 to 31 December 2020:

Name of Directors	Type of training	
	Reading regulatory updates	Attend seminars/briefings
Executive Directors:		
Ho Chiu Fung, Daisy	✓	✓
Fok Tsun Ting, Timothy	✓	✓
Deputada Leong On Kei, Angela	✓	✓
So Shu Fai	✓	✓
Chan Un Chan	✓	✓
Shum Hong Kuen, David	✓	✓
Non-executive Directors:		
Ng Chi Sing (re-designated from Executive Director to Non-executive Director on 10 June 2020)	✓	✓
Tsang On Yip, Patrick	✓	✓
Independent Non-executive Directors:		
Chau Tak Hay	✓	✓
Shek Lai Him, Abraham	✓	✓
Tse Hau Yin	✓	✓
Wong Yu Pok, Marina	✓	✓

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 6 to 13 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.

CORPORATE GOVERNANCE REPORT

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 93 to 97.

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 will be available at the annual general meeting of the Company to answer questions which Shareholders may have.

AUDITORS' REMUNERATION

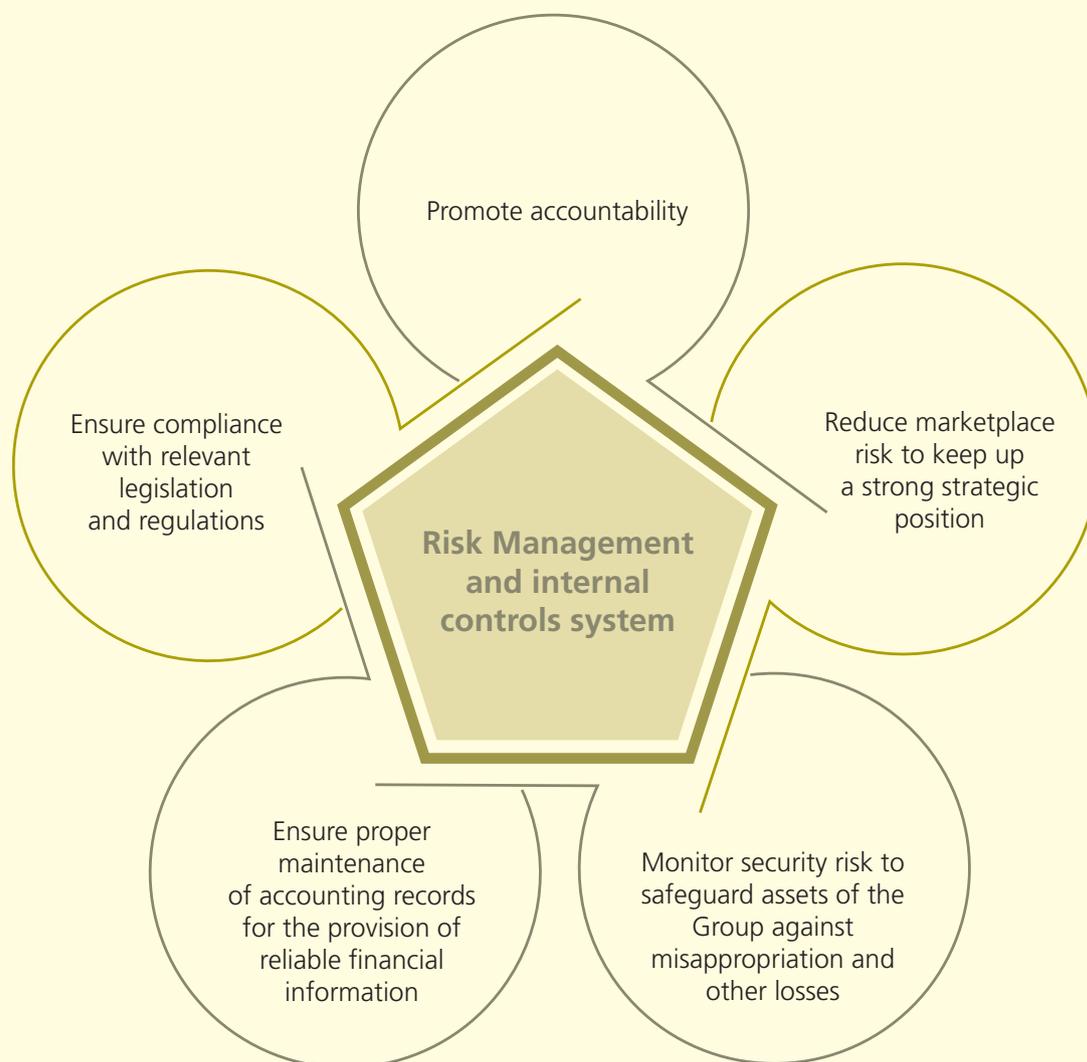
The remunerations paid and payable to Deloitte Touche Tohmatsu, the Auditor of the Company and their respective associates in respect of statutory audit and non-audit services (with each significant non-audit service assignment listed out separately) provided to the Group in 2020 and 2019 is set out below:

Audit and Non-audit Services	2020 HK\$ million	2019 HK\$ million
Annual audit	11.7	11.7
Interim review	4.5	4.5
Quarterly results review	0.7	0.7
Test counts of chips	0.1	0.1
Tax consultancy and advisory	1.0	0.7
Consultancy for Cotai Project	—	3.7
Total:	18.0	21.4

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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 professionals and on average have relevant internal audit experience of five years or more. The Internal Audit Department carries out the 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 2020, Internal Audit Department performed reviews of the effectiveness of the internal control system of the Group's businesses in respect to business operations, 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. During each quarter the Risk Management Committee reviews specific areas of risk that are of concern to the Audit Committee or management, and discusses their findings with the relevant risk owners. On a semi-annual basis the Risk Management Committee reports to the Audit Committee on the status of risk management controls including an evaluation of the major risks identified by the Group.

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.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Kwok Shuk Chong is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of Company Secretary of the Company. She is a Chartered Secretary and a Chartered Governance Professional and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute 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 2020.

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 18th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168 – 200 Connaught Road Central, Hong Kong or via email to ir@sjmholdings.com for the attention of the Investor Relations Department. For putting forward proposals at any Shareholders' meeting of the Company, Shareholders are invited to send their proposals by mail to the Company's registered office as aforesaid or via email to comsec@sjmholdings.com.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (Continued)

Procedures for putting forward proposals at an annual general meeting

The rights of Shareholders and the procedures for demanding a poll on resolutions at 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 2018, 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.

CORPORATE GOVERNANCE REPORT

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 18th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168 – 200 Connaught Road 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, 9 June 2020 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 2019, (ii) declaration of a final dividend, (iii) re-election of Directors and authorisation of the Board to fix the Directors' remuneration, (iv) re-appointment of the Auditor and authorisation of the Board to fix their remuneration, (v) approval of the repurchase mandate of the Company, and (vi) approval of the issue and allotment of Shares arising from exercising the Options under the Scheme of the Company.

LOOKING FORWARD

We will continue to review and enhance our corporate governance practices taking into account 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, 23 February 2021

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

**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 98 to 198, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 ("HKSA") 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 MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of construction in progress ("CIP") and right-of-use assets related to Grand Lisboa Palace Project ("GLP Project")

We identified the impairment assessment of CIP and right-of-use assets related to GLP Project as a key audit matter because the estimation of the recoverable amount of the CIP and right-of-use assets related to GLP Project involved significant management judgement and estimation with respect to the assumptions used.

At 31 December 2020, the carrying amounts of CIP and right-of-use assets related to GLP Project amounted to approximately HK\$34,023.0 million and HK\$1,970.0 million, respectively as set out in note 4 to the consolidated financial statements. In the opinion of the directors of the Company, no impairment loss was recognised on the CIP and right-of-use assets related to GLP Project as at 31 December 2020.

As disclosed in note 4 to the consolidated financial statements, the management of the Group considered there was indication for impairment for the CIP and right-of-use assets related to GLP Project due to the changes in market conditions after the outbreak of coronavirus disease ("COVID-19"). The management of the Group prepared discounted cash flow projections for GLP Project based on the financial budget approved by the management of the Group and engaged an independent professional valuer (the "Valuer") to conduct impairment assessment on the recoverable amounts of CIP and right-of-use assets related to GLP Project as at 31 December 2020. The key assumptions adopted by the management of the Group are the pre-tax discount rate, terminal growth rate and expected changes in revenues and costs of approved financial budget in the discounted cash flow projections.

Our procedures in relation to evaluating the appropriateness of the impairment assessment of CIP and right-of-use assets related to GLP Project included:

- Understanding the impairment assessment process of the Group with the involvement of the Valuer engaged by the management of the Group to estimate the recoverable amounts of the CIP and right-of-use assets related to GLP Project;
- Evaluating the competence, capabilities and objectivity of the Valuer;
- Assessing the reasonableness of the key assumptions adopted by the management of the Group in determining the recoverable amounts of CIP and right-of-use assets related to GLP Project including terminal growth rate and expected changes in revenues and costs of approved financial budget by comparing the management's expectations for the market development to relevant industry growth forecasts and with reference to market information based on our knowledge of the business;
- Assessing the reasonableness of discount rate applied in the discounted cash flow projections by developing independent expectations for the discount rate based on market data and certain company specific input data, as well as evaluating the reasonableness of input data applied by the Valuer, with the involvement of our valuation specialists; and
- Performing sensitivity test on reasonably possible changes of pre-tax discount rate and terminal growth rate to assess the potential impact on the recoverable amounts.

INDEPENDENT AUDITOR'S REPORT

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.

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 HKSAs 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.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSA's, 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.
- 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, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

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

23 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$ million	2019 HK\$ million
Gaming, hotel, catering, retail and related services revenues	5(a)	7,506.7	33,875.0
Gaming revenue	6	7,304.2	33,158.5
Special gaming tax, special levy and gaming premium		(3,368.2)	(15,530.6)
		3,936.0	17,627.9
Hotel, catering, retail and related services income		202.5	716.5
Cost of sales and services on hotel, catering, retail and related services		(204.1)	(377.3)
Other income, gains and losses		156.9	333.0
Impairment loss on financial assets		—	(200.0)
Marketing and promotional expenses		(124.7)	(6,219.9)
Operating and administrative expenses		(7,103.8)	(8,496.5)
Finance costs	7	(31.7)	(33.7)
Share of profits of an associate	17	11.7	11.8
Share of profits of a joint venture	18	4.8	7.3
(Loss) profit before taxation	8	(3,152.4)	3,369.1
Taxation	10	(22.5)	(51.6)
(Loss) profit for the year		(3,174.9)	3,317.5
Other comprehensive expense:			
<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		(313.7)	(48.2)
Total comprehensive (expense) income for the year		(3,488.6)	3,269.3
(Loss) profit for the year attributable to:			
owners of the Company		(3,024.9)	3,207.3
non-controlling interests		(150.0)	110.2
		(3,174.9)	3,317.5

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$ million	2019 HK\$ million
Total comprehensive (expense) income for the year attributable to:			
owners of the Company		(3,338.6)	3,159.1
non-controlling interests		(150.0)	110.2
		(3,488.6)	3,269.3
(Loss) earnings per share:			
Basic	12	HK(53.3) cents	HK56.6 cents
Diluted	12	HK(53.3) cents	HK56.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK\$ million	2019 HK\$ million
Non-current assets			
Property and equipment	13	39,559.0	35,159.8
Right-of-use assets	14	3,353.4	2,864.3
Intangible asset	15	131.7	197.6
Art works and diamonds	16	281.3	281.3
Interest in an associate	17	347.7	336.4
Interest in a joint venture	18	139.8	135.0
Investments in equity instruments designated at fair value through other comprehensive income	19	554.4	868.1
Other assets	20	1,161.7	840.8
Pledged bank deposit	21	145.6	—
		45,674.6	40,683.3
Current assets			
Inventories		121.7	103.3
Trade and other receivables	22	798.0	1,314.1
Pledged bank deposits	21	1.4	1,020.7
Short-term bank deposits	23	818.2	5,766.2
Bank balances and cash	23	5,307.6	8,738.1
		7,046.9	16,942.4
Current liabilities			
Trade and other payables	24	7,730.8	12,044.3
Taxation payable		37.2	123.7
Long-term bank loans	25	5,272.2	217.0
Lease liabilities	26	256.4	177.6
		13,296.6	12,562.6
Net current (liabilities) assets		(6,249.7)	4,379.8
Total assets less current liabilities		39,424.9	45,063.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK\$ million	2019 HK\$ million
Non-current liabilities			
Other payables	24	66.7	—
Long-term bank loans	25	13,514.9	15,063.7
Lease liabilities	26	929.6	547.7
Amount due to non-controlling interests of a subsidiary	27	263.3	203.8
Deferred taxation	28	10.5	11.8
		14,785.0	15,827.0
Net assets		24,639.9	29,236.1
Capital and reserves			
Share capital	29	11,435.5	11,281.4
Reserves		13,092.6	17,717.0
Equity attributable to owners of the Company		24,528.1	28,998.4
Non-controlling interests		111.8	237.7
Total equity		24,639.9	29,236.1

The consolidated financial statements on pages 98 to 198 were approved and authorised for issue by the Board of Directors on 23 February 2021 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 2020

	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 2019	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 (note 27)	—	—	—	—	—	(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
Loss for the year	—	—	—	(3,024.9)	(3,024.9)	(150.0)	(3,174.9)
Other comprehensive expense for the year	—	—	(313.7)	—	(313.7)	—	(313.7)
Total comprehensive expense for the year	—	—	(313.7)	(3,024.9)	(3,338.6)	(150.0)	(3,488.6)
Exercise of share options	154.1	(40.6)	—	—	113.5	—	113.5
Recognition of equity-settled share-based payments	—	1.6	—	—	1.6	—	1.6
Release of lapsed equity-settled share-based payments	—	(37.4)	—	37.4	—	—	—
Arising from changes in cash flow estimates on an amount due to non-controlling interests of a subsidiary (note 27)	—	—	—	—	—	17.1	17.1
Deemed capital contribution from non-controlling interests of a subsidiary (note 27)	—	—	—	—	—	7.0	7.0
Dividends paid (note 11)	—	—	—	(1,246.8)	(1,246.8)	—	(1,246.8)
	154.1	(76.4)	—	(1,209.4)	(1,131.7)	24.1	(1,107.6)
At 31 December 2020	11,435.5	721.8	(36.0)	12,406.8	24,528.1	111.8	24,639.9

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK\$ million	2019 HK\$ million
Operating activities		
(Loss) profit before taxation	(3,152.4)	3,369.1
Adjustments for:		
Interest income	(116.3)	(304.8)
Interest expenses	26.5	26.2
Imputed interest on an amount due to non-controlling interests of a subsidiary	5.2	7.5
Dividend income	(2.0)	(3.8)
Share of profits of an associate	(11.7)	(11.8)
Share of profits of a joint venture	(4.8)	(7.3)
(Gain) loss on modification of long-term bank loans	(2.0)	9.8
Depreciation of property and equipment	547.0	827.6
Depreciation of right-of-use assets	387.3	227.7
Amortisation of intangible assets	65.9	—
Loss on disposal/write-off of property and equipment	1.3	2.1
Share-based payments	1.6	5.5
COVID-19-related rent concessions	(148.1)	—
Impairment loss on financial assets	—	200.0
Operating cash flows before movements in working capital	(2,402.5)	4,347.8
Increase in inventories	(18.4)	(12.5)
Decrease in trade and other receivables	455.2	103.9
(Decrease) increase in trade and other payables	(5,416.8)	39.9
Cash (used in) from operations	(7,382.5)	4,479.1
Income tax paid	(110.3)	(55.7)
Net cash (used in) from operating activities	(7,492.8)	4,423.4

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK\$ million	2019 HK\$ million
Investing activities		
Interest received	157.0	331.4
Dividends received	1.5	3.8
Purchase of property and equipment	(3,045.8)	(5,501.6)
Proceeds from disposal of property and equipment	0.2	2.7
Deposits paid for purchase of property and equipment	(401.8)	(311.2)
Purchase of right-of-use assets	(0.2)	—
Payments for rental deposits	(3.4)	(0.2)
Proceeds of rental deposits refunded	7.8	1.6
Repayment from an investee company	2.0	8.0
Withdrawal of short-term bank deposits	9,961.6	22,112.4
Placement of short-term bank deposits	(5,013.6)	(15,509.9)
Withdrawal of pledged bank deposits	873.8	—
Placement of pledged bank deposits	(0.1)	(873.8)
Acquisition of an intangible asset	—	(197.6)
Repayments from contractors	—	668.5
Net cash from investing activities	2,539.0	734.1
Financing activities		
Interest paid	(506.9)	(541.3)
Dividends paid	(1,246.8)	(1,642.6)
Proceeds on issue of shares	113.5	19.3
New long-term bank loans raised	3,500.0	—
Payment of long-term bank loans arrangement fee	(20.5)	(25.0)
Repayment of long-term bank loans	(50.0)	(200.0)
Repayments of lease liabilities	(344.4)	(254.5)
Advance from (repayment to) non-controlling interests of a subsidiary	78.4	(98.0)
Net cash from (used in) financing activities	1,523.3	(2,742.1)
Net (decrease) increase in cash and cash equivalents	(3,430.5)	2,415.4
Cash and cash equivalents at 1 January	8,738.1	6,322.7
Cash and cash equivalents at 31 December	5,307.6	8,738.1
Analysis of the balances of cash and cash equivalents, representing bank balances and cash	5,307.6	8,738.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

SECTION A

THE COMPANY'S STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	Notes	2020 HK\$ million	2019 HK\$ million
Non-current assets			
Property and equipment		—	0.1
Investments in subsidiaries	40	4,067.8	4,359.3
		4,067.8	4,359.4
Current assets			
Other receivables, deposits and prepayments		4.4	25.2
Amounts due from subsidiaries	41	13,627.7	10,251.5
Short-term bank deposits		792.0	3,319.8
Bank balances and cash		1,204.0	1,759.5
		15,628.1	15,356.0
Current liabilities			
Other payables and accruals		12.3	15.3
Amount due to a subsidiary	41	—	291.5
		12.3	306.8
Net current assets		15,615.8	15,049.2
Net assets		19,683.6	19,408.6
Capital and reserves			
Share capital	29	11,435.5	11,281.4
Reserves	31	8,248.1	8,127.2
Total equity		19,683.6	19,408.6

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 23 February 2021 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 2020

SECTION B

1. GENERAL INFORMATION

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 the annual report.

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

COVID-19 Pandemic

Due to the outbreak of the coronavirus disease (“COVID-19”), there are travel restrictions such as those related to the China Individual Visit Scheme (“China IVS”), the Hong Kong Macau Ferry Terminal closure and other countries restricting inbound travel from mainland China. The Group suspended its casino operations from 5 February 2020 to 19 February 2020 following the measures from Macau SAR government in an effort to contain the spread of the pandemic. Starting from 20 February 2020, the Group resumed the casino operations gradually. Since reopening, patrons are subject to a number of measures, including mandatory wearing of masks, completion of health declarations, temperature checks and spacing of seats at table games and slot machines. Visitations to Macau SAR decreased substantially in 2020 due to various government policies on travel restrictions and quarantine requirements. Starting from 26 August 2020 onwards, the China IVS resumed for residents of Guangdong Province and the rest of mainland China afterwards. These visitors, under certain health declarations and testing requirements, are exempted from quarantine requirements. However, many overseas countries are still facing unprecedented health crisis with the rapid spread of infections. Currently, certain measures, including stringent travel restrictions, quarantine and testing requirements are imposed to visitors from Hong Kong, Taiwan and the rest of the world.

At the present time, given the evolving conditions created by and in response to the COVID-19 pandemic, it is not possible to determine when travel restrictions will be lifted or whether they could be reintroduced if there are adverse developments in the pandemic situation. The disruptions arising from the COVID-19 pandemic had a significant adverse impact on the Group’s financial condition, operations and cash flows during the year ended 31 December 2020. Given the uncertainty about the future course of COVID-19, the regulatory and economic responses, the impact on the Group’s future operating results cannot be reasonably estimated at this stage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 COVID-19-Related Rent Concessions.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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.

2.1 Impacts on early application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from one to eleven months waiver of lease payments on several leases in casino properties, commercial properties and motor vehicles. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK\$148.1 million, which has been recognised as variable lease payments in profit or loss for the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁴
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

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 2021.

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 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (Continued)

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

As at 31 December 2020, the Group’s right to defer settlement for borrowings of HK\$13,514.9 million are subject to compliance with covenants within 12 months from the reporting date. Such borrowings were classified as non-current as the Group obtained consent from banks for waiver of the financial covenant tests and expected to meet such covenants when the financial covenant tests resume. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess whether application of the amendments will have an impact on the classification of these borrowings. The impacts on application, if any, will be disclosed in the Group’s future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group’s other liabilities as at 31 December 2020.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

Going concern assessment

In preparing the Group’s consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by approximately HK\$6,249.7 million as at 31 December 2020. The directors of the Company reviewed the Group’s cash flow projections which cover a period of not less than twelve months from 31 December 2020 and are of the opinion that the Group will have sufficient liquidity to meet its financial obligations that will be due in the coming twelve months from 31 December 2020 on the basis that:

- (i) The Group has undrawn unconditional facility from the long-term bank loans facility agreement amounting to HK\$6,500.0 million as at 31 December 2020; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

Going concern assessment (Continued)

- (ii) On 27 January 2021, a wholly-owned subsidiary of the Company, Champion Path Holdings Limited, issued 4.5% senior notes with an aggregate principal amount of US\$500 million (equivalent to HK\$3,875.05 million) and a final maturity date of 27 January 2026, and 4.85% senior notes with an aggregate principal amount of US\$500 million (equivalent to HK\$3,875.05 million) and a final maturity date of 27 January 2028. The net proceeds from the issuance will be used to repay a portion of amounts outstanding under its long-term bank loans facility agreement and for general corporate purposes.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases ("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 ("HKAS 36").

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

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.

3.2 Significant accounting policies

3.2.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.1 Basis of consolidation (Continued)

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.

3.2.2 Investments in subsidiaries

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

3.2.3 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.3 Interest in an associate (Continued)

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 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.

3.2.4 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.4 Interest in a joint venture (Continued)

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 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.

3.2.5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.5 Revenue from contracts with customers (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.5 Revenue from contracts with customers (Continued)

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 gaming operations that the Group provides complimentary goods and services to gaming customers to incentivise gaming, the Group allocates a portion of the gaming revenue to the respective type of revenue from complimentary goods or services based on its relative stand-alone selling price. Discretionary complimentary services supplied by third parties are recorded as payables to third parties. The Group accounts for complimentary services on a portfolio basis given the similar characteristics of the incentives.

For gaming operations that the Group provides award points to customers under loyalty programs, the Group allocates a portion of the gaming revenue to the loyalty programs liabilities based on its relative stand-alone selling price of such award points (less estimated breakage). Such allocated amount is deferred revenue and recognised as loyalty programs liabilities 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 recorded as payables to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.6 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 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. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of buildings commences when they are ready for their intended use.

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	5.9% – 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.7 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 is presented as “right-of-use assets” in the consolidated statement of financial position.

For the leasehold land and buildings in Macau SAR and Hong Kong SAR, where the cost of right-of-use assets cannot be reliably separated from the cost of land and buildings, the entire cost of land and buildings is treated as property and equipment and depreciated and amortised on a straight line basis over the estimated useful life of the buildings.

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.

3.2.8 Borrowing costs

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.9 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.

3.2.10 Art works and diamonds

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

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

3.2.11 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.

3.2.12 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.12 Financial instruments (Continued)

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 Revenue from Contracts with Customers. 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 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.12 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 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 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.12 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, rental deposits, pledged bank deposits, short-term bank deposits, bank balances, amounts due from an associate/a joint venture/an investee company) and financial guarantees contracts which are subject to impairment assessment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.12 Financial instruments (Continued)

Financial assets (Continued)

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

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 there has been a significant increase in credit risk since initial recognition, in which case 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.12 Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.12 Financial instruments (Continued)

Financial assets (Continued)

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.

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 and 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.12 Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of ECL (Continued)

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 ECL 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.

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

12m ECL for other sundry receivables, rental deposits, pledged bank deposits, short-term bank deposits, bank balances and amounts due from an associate/a joint venture/an investee company are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

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 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.12 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 investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

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 recognised at 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 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.12 Financial instruments (Continued)

Financial liabilities and equity (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/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.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, 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 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.

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 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.12 Financial instruments (Continued)

Financial liabilities and equity (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.

3.2.13 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.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.13 Impairment losses on property and equipment, right-of-use assets and intangible asset (Continued)

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated 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.

3.2.14 Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss/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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.14 Taxation (Continued)

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.

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.

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 the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.15 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded 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.

3.2.16 Leases

Definition of a lease

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 on or after the date of initial application or arising from business combinations, 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

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 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 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.16 Leases (Continued)

The Group as a lessee (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 other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

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 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 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.16 Leases (Continued)

The Group as a lessee (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 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 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.16 Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, 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, less any lease incentive receivable, 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 accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.17 Equity-settled share-based payment transactions

- (a) *Share options granted to directors, employees and other participants of the Group*
Equity-settled share based payments to directors, employees and other participants 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, except where 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

3.2.18 Employee benefits

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.

Short-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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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.

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 2020, 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\$2,486.8 million and HK\$469.2 million (2019: HK\$2,548.1 million and HK\$468.7 million) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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.

Impairment assessment of the construction in progress ("CIP") and right-of-use assets related to Grand Lisboa Palace Project ("GLP Project")

In determining whether CIP and right-of-use assets related to GLP Project are impaired, the management of the Group has to exercise significant judgement and make estimation on the recoverable amounts of the CIP and right-of-use assets related to GLP Project. Changes in the key assumptions, including the pre-tax discount rate, terminal growth rate and expected changes in revenues and costs of approved financial budget in the discounted cash flow projections, could materially affect the recoverable amounts. These key assumptions are subject to greater uncertainties in the current year for how the COVID-19 pandemic may progress and evolve.

The management of the Group considered there was indication for impairment for the CIP and right-of-use assets related to GLP Project due to the changes in market conditions after the outbreak of COVID-19. The management of the Group prepared discounted cash flow projections for GLP Project based on the financial budget approved by the management of the Group and engaged an independent professional valuer to conduct impairment assessment on the recoverable amounts of the CIP and right-of-use assets related to GLP Project.

At 31 December 2020, the carrying amounts of the CIP and right-of-use assets related to GLP Project amounted to approximately HK\$34,023.0 million and HK\$1,970.0 million, respectively. In the opinion of the directors of the Company, no impairment loss was recognised on the CIP and right-of-use assets related to GLP Project as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Key sources of estimation uncertainty (Continued)

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

Save as disclosed in note 27, the amount due to non-controlling interests of a subsidiary as at 31 December 2020 of HK\$263.3 million (2019: HK\$203.8 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 results 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 2020

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	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Gaming operations: recognised at a point in time	7,304.2	33,158.5	(2,608.8)	3,570.9
Hotel, catering and retail operations: External sales: Catering and retail operations: recognised at a point in time	164.5	433.3		
Hotel operations: recognised over time	38.0	283.2		
	202.5	716.5		
Inter-segment sales: Catering and retail operations: recognised at a point in time	28.0	52.1		
Hotel operations: recognised over time	32.2	128.6		
	60.2	180.7		
	262.7	897.2	(475.7)	(195.7)
Eliminations	(60.2)	(180.7)		
	202.5	716.5		
Total: recognised at a point in time	7,468.7	33,591.8		
recognised over time	38.0	283.2		
	7,506.7	33,875.0		
Reconciliation from segment results to (loss) profit before taxation:			(3,084.5)	3,375.2
Unallocated corporate income			73.9	163.4
Unallocated corporate expenses			(158.3)	(188.6)
Share of profits of an associate			11.7	11.8
Share of profits of a joint venture			4.8	7.3
(Loss) profit before taxation			(3,152.4)	3,369.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 (loss) profit before taxation from/earned by each segment without allocation of corporate income and expenses and share of profits of an associate and 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:

	2020 HK\$ million	2019 HK\$ million
ASSETS		
Segment assets:		
gaming operations	7,611.4	13,584.4
hotel, catering and retail operations	4,118.5	4,425.1
	11,729.9	18,009.5
Interest in an associate	347.7	336.4
Interest in a joint venture	139.8	135.0
Unallocated bank deposits, bank balances and cash	2,051.7	5,227.0
Other unallocated assets	38,452.4	33,917.8
Group's total	52,721.5	57,625.7
LIABILITIES		
Long-term bank loans:		
gaming operations	18,632.0	15,082.5
hotel, catering and retail operations	55.0	70.3
unallocated corporate bank loans	100.1	127.9
	18,787.1	15,280.7
Other segment liabilities:		
gaming operations	5,427.4	10,689.8
hotel, catering and retail operations	441.3	364.8
	5,868.7	11,054.6
Total segment liabilities	24,655.8	26,335.3
Unallocated liabilities	3,425.8	2,054.3
Group's total	28,081.6	28,389.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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, certain deposits made on acquisitions of property and equipment, 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

	2020 HK\$ million	2019 HK\$ million
Additions to non-current assets (other than financial instruments):		
gaming operations	1,272.7	496.0
hotel, catering and retail operations	12.8	47.0
corporate level*	4,933.7	5,355.8
	6,219.2	5,898.8

* Amount includes certain property and equipment, certain right-of-use assets and certain deposits made on acquisitions of property and equipment 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 2020

5. OPERATING SEGMENTS (Continued)

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

	2020 HK\$ million	2019 HK\$ million
Depreciation:		
gaming operations	734.7	731.4
hotel, catering and retail operations	224.7	293.6
corporate level	40.8	30.3
	1,000.2	1,055.3
Loss (gain) on disposal/write-off of property and equipment:		
gaming operations	1.0	2.2
hotel, catering and retail operations	0.2	0.1
corporate level	0.1	(0.2)
	1.3	2.1
Share-based payments:		
gaming operations	1.6	4.3
corporate level	—	1.2
	1.6	5.5
Finance costs:		
gaming operations	16.3	8.6
hotel, catering and retail operations	4.7	7.0
corporate level	10.7	18.1
	31.7	33.7
Interest income:		
gaming operations	48.1	157.2
hotel, catering and retail operations	1.2	6.3
corporate level	67.0	141.3
	116.3	304.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. OPERATING SEGMENTS (Continued)

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

	2020 HK\$ million	2019 HK\$ million
Impairment loss on financial assets: gaming operations	—	200.0

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 the reporting period.

6. GAMING REVENUE

	2020 HK\$ million	2019 HK\$ million
Gaming revenue from:		
VIP gaming operations	2,037.1	13,687.3
mass market table gaming operations	5,858.8	25,127.0
slot machine and other gaming operations	379.3	1,185.8
	8,275.2	40,000.1
Less: commissions and incentives	(971.0)	(6,841.6)
	7,304.2	33,158.5

7. FINANCE COSTS

	2020 HK\$ million	2019 HK\$ million
Interests on:		
long-term bank loans	509.4	620.2
lease liabilities	30.1	20.2
Imputed interest on an amount due to non-controlling interests of a subsidiary	5.2	7.5
	544.7	647.9
Less: Amount capitalised	(513.0)	(614.2)
	31.7	33.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. (LOSS) PROFIT BEFORE TAXATION

	2020 HK\$ million	2019 HK\$ million
<i>(Loss) profit before taxation has been arrived at after charging:</i>		
Directors' remuneration (note 9)	83.1	95.5
Less: Amount capitalised	(11.1)	(12.3)
	72.0	83.2
Retirement benefits scheme contributions for other staff	204.2	217.1
Less: Forfeited contributions	(9.8)	(23.1)
	194.4	194.0
Other staff costs	5,202.3	5,722.0
Total employee benefit expenses	5,468.7	5,999.2
Auditor's remuneration	17.0	17.0
Amortisation of intangible asset (including in operating and administrative expenses)	65.9	—
Depreciation of property and equipment	547.0	827.6
Depreciation of right-of-use assets	387.3	227.7
Loss on modification of long-term bank loans	—	9.8
Loss on disposal/write-off of property and equipment	1.3	2.1
<i>and after crediting:</i>		
Bank interest income	116.3	304.8
COVID-19-related rent concessions (note 14)	148.1	—
Dividend income	2.0	3.8
Gain on modification of long-term bank loans	2.0	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2020					2019				
	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:										
Ms. Ho Chiu Fung, Daisy	1.2	0.3	0.1	—	1.6	1.2	0.4	0.4	1.2	3.2
Mr. Fok Tsun Ting, Timothy	1.8	0.4	0.1	—	2.3	1.8	0.6	0.1	—	2.5
Deputada Leong On Kei, Angela	1.9	0.4	0.1	—	2.4	1.9	0.6	0.1	—	2.6
Dr. So Shu Fai (Chief Executive Officer)	1.9	0.4	0.1	—	2.4	1.9	0.6	0.1	—	2.6
Mr. Ng Chi Sing (Note (d))	—	—	—	—	—	0.5	0.2	0.1	—	0.8
Mr. Shum Hong Kuen, David	1.2	0.3	0.1	—	1.6	1.3	0.4	0.1	—	1.8
Dr. Chan Un Chan	0.5	0.1	0.1	—	0.7	0.6	0.2	0.1	—	0.9
Non-executive directors:										
Mr. Ng Chi Sing (Note (d))	0.5	0.1	0.1	—	0.7	—	—	—	—	—
Dr. Cheng Kar Shun (Note (e))	—	—	—	—	—	0.2	—	—	—	0.2
Mr. Tsang On Yip, Patrick (Note (f))	0.5	0.1	0.1	—	0.7	0.3	0.1	0.1	—	0.5
Independent non-executive directors:										
Mr. Chau Tak Hay	0.8	0.2	0.1	—	1.1	0.8	0.3	0.1	—	1.2
Dr. Lan Hong Tsung, David (Note (g))	—	—	—	—	—	0.4	—	—	—	0.4
Hon. Shek Lai Him, Abraham	1.6	0.4	0.1	—	2.1	1.6	0.6	0.1	—	2.3
Mr. Tse Hau Yin	1.6	0.3	0.1	—	2.0	1.6	0.5	0.1	—	2.2
Ms. Wong Yu Pok, Marina (Note (h))	0.8	0.1	0.1	—	1.0	0.4	0.1	0.1	—	0.6
	14.3	3.1	1.2	—	18.6	14.5	4.6	1.5	1.2	21.8
SUBSIDIARIES										
Executive directors:										
Ms. Ho Chiu Fung, Daisy	11.4	2.5	1.2	—	15.1	9.2	3.0	0.9	—	13.1
Mr. Fok Tsun Ting, Timothy	1.2	0.2	1.2	—	2.6	1.2	0.4	1.2	—	2.8
Deputada Leong On Kei, Angela	9.3	2.0	2.4	—	13.7	9.8	3.6	2.2	—	15.6
Dr. So Shu Fai (Chief Executive Officer)	12.1	2.7	1.2	—	16.0	12.7	4.2	1.2	—	18.1
Mr. Ng Chi Sing (Note (d))	—	—	—	—	—	2.5	0.9	9.6	—	13.0
Mr. Shum Hong Kuen, David	1.2	0.2	0.4	—	1.8	1.1	0.4	0.4	—	1.9
Dr. Chan Un Chan	0.4	0.1	0.4	1.6	2.5	0.3	0.2	0.4	4.3	5.2
Non-executive directors:										
Mr. Ng Chi Sing (Note (d))	—	—	8.9	—	8.9	—	—	—	—	—
Dr. Cheng Kar Shun (Note (e))	—	—	—	—	—	0.1	—	0.1	—	0.2
Mr. Tsang On Yip, Patrick (Note (f))	—	—	0.9	—	0.9	—	—	0.4	—	0.4
Independent non-executive directors:										
Mr. Chau Tak Hay	—	—	—	—	—	—	—	—	—	—
Dr. Lan Hong Tsung, David (Note (g))	—	—	—	—	—	—	—	—	—	—
Hon. Shek Lai Him, Abraham	0.9	0.1	—	—	1.0	0.9	0.3	—	—	1.2
Mr. Tse Hau Yin	0.8	0.2	1.0	—	2.0	0.8	0.3	1.1	—	2.2
Ms. Wong Yu Pok, Marina (Note (h))	—	—	—	—	—	—	—	—	—	—
	37.3	8.0	17.6	1.6	64.5	38.6	13.3	17.5	4.3	73.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

	2020					2019				
	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:										
Ms. Ho Chiu Fung, Daisy	12.6	2.8	1.3	—	16.7	10.4	3.4	1.3	1.2	16.3
Mr. Fok Tsun Ting, Timothy	3.0	0.6	1.3	—	4.9	3.0	1.0	1.3	—	5.3
Deputada Leong On Kei, Angela	11.2	2.4	2.5	—	16.1	11.7	4.2	2.3	—	18.2
Dr. So Shu Fai (Chief Executive Officer)	14.0	3.1	1.3	—	18.4	14.6	4.8	1.3	—	20.7
Mr. Ng Chi Sing (Note (d))	—	—	—	—	—	3.0	1.1	9.7	—	13.8
Mr. Shum Hong Kuen, David	2.4	0.5	0.5	—	3.4	2.4	0.8	0.5	—	3.7
Dr. Chan Un Chan	0.9	0.2	0.5	1.6	3.2	0.9	0.4	0.5	4.3	6.1
Non-executive directors:										
Mr. Ng Chi Sing (Note (d))	0.5	0.1	9.0	—	9.6	—	—	—	—	—
Dr. Cheng Kar Shun (Note (e))	—	—	—	—	—	0.3	—	0.1	—	0.4
Mr. Tsang On Yip, Patrick (Note (f))	0.5	0.1	1.0	—	1.6	0.3	0.1	0.5	—	0.9
Independent non-executive directors:										
Mr. Chau Tak Hay	0.8	0.2	0.1	—	1.1	0.8	0.3	0.1	—	1.2
Dr. Lan Hong Tsung, David (Note (g))	—	—	—	—	—	0.4	—	—	—	0.4
Hon. Shek Lai Him, Abraham	2.5	0.5	0.1	—	3.1	2.5	0.9	0.1	—	3.5
Mr. Tse Hau Yin	2.4	0.5	1.1	—	4.0	2.4	0.8	1.2	—	4.4
Ms. Wong Yu Pok, Marina (Note (h))	0.8	0.1	0.1	—	1.0	0.4	0.1	0.1	—	0.6
	51.6	11.1	18.8	1.6	83.1	53.1	17.9	19.0	5.5	95.5

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) Re-designated from executive director to non-executive director on 10 June 2020.
- (e) Retired as non-executive director on 11 June 2019.
- (f) Elected as non-executive director on 11 June 2019.
- (g) Retired as independent non-executive director on 11 June 2019.
- (h) Elected as independent non-executive director on 11 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 2020 included four (2019: four) directors of the Company, whose emoluments are disclosed above, and the remaining one (2019: one) is an employee of the Group, details of whose emolument are as follows:

	2020 HK\$ million	2019 HK\$ million
Employee:		
Salaries and allowances	12.5	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. TAXATION

	2020 HK\$ million	2019 HK\$ million
Macau SAR Complementary Tax ("CT"):		
current tax	22.5	61.5
underprovision in prior years	1.3	1.1
	23.8	62.6
Deferred taxation credit (<i>note 28</i>)	(1.3)	(11.0)
	22.5	51.6

No provision for CT on gaming related income is made for a subsidiary of the Company, SJM. Pursuant to the approval notices issued by the Macau SAR government dated 27 September 2016 and 17 April 2020, SJM has been exempted from CT for income generated from gaming operations for the periods from 1 January 2017 to 31 March 2020 and 1 April 2020 to 26 June 2022, respectively.

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. SJM has applied for extension of approval from Financial Services Bureau of the Macau SAR government but the amount of the Special Complementary Tax for the period from 1 April 2020 to 26 June 2022 has not been determined by the Financial Services Bureau of the Macau SAR government up to the date of this report. During the year, the Company, as a shareholder of SJM, provided an amount of MOP23.2 million (equivalent to HK\$22.5 million) (2019: MOP23.2 million (equivalent to HK\$22.5 million)) for the Special Complementary Tax based on their best estimate.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. TAXATION (Continued)

Tax charge for the year is reconciled to (loss) profit before taxation as follows:

	2020 HK\$ million	2019 HK\$ million
(Loss) profit before taxation	(3,152.4)	3,369.1
Tax (credit) charge at the applicable income tax rate of 12%	(378.3)	404.3
Effect of tax exemption granted to the Group	261.6	(425.6)
Effect of share of results of an associate and a joint venture	(2.0)	(2.3)
Effect of income not taxable for tax purpose	(8.5)	(16.3)
Effect of expenses not deductible for tax purpose	16.1	23.7
Effect of tax losses not recognised	182.3	123.7
Effect of deductible temporary difference not recognised	(58.7)	(72.2)
Underprovision in respect of prior years	1.3	1.1
Utilisation of deductible temporary difference previously not recognised	(13.8)	(6.0)
Utilisation of tax losses previously not recognised	—	(1.3)
Special Complementary Tax	22.5	22.5
Tax charge for the year	22.5	51.6

11. DIVIDENDS

	2020 HK\$ million	2019 HK\$ million
Interim dividend per ordinary share paid:		
HK8 cents for 2019	—	453.1
Final dividend per ordinary share paid:		
HK22 cents for 2019	1,246.8	—
HK21 cents for 2018	—	1,189.5
	1,246.8	1,642.6

On 23 February 2021, the board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK22 cents per ordinary share).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2020 HK\$ million	2019 HK\$ million
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	(3,024.9)	3,207.3

Number of shares

	2020	2019
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	5,670,017,886	5,663,681,403
Effect of dilutive potential ordinary shares on share options (Note)	—	1,772,634
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	5,670,017,886	5,665,454,037

Note: For the year ended 31 December 2020, the diluted loss per share was the same as the basic loss per share as the computation of the diluted loss per share does not assume the exercise of the Company's share options because the assumed exercise would result in a decrease in loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 2019	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
Additions	1.3	—	129.2	180.1	37.4	—	—	4,615.3	4,963.3
Disposals/write-off	—	—	(49.7)	(62.1)	(26.9)	—	—	—	(138.7)
At 31 December 2020	5,683.8	460.6	7,034.0	660.5	4,269.9	55.4	286.1	34,023.0	52,473.3
DEPRECIATION									
At 1 January 2019	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
Provided for the year	77.6	0.4	294.5	54.2	119.0	4.4	12.5	—	562.6
Eliminated on disposals/write-off	—	—	(48.4)	(62.1)	(26.7)	—	—	—	(137.2)
At 31 December 2020	2,595.3	460.2	6,012.2	440.5	3,255.1	46.1	104.9	—	12,914.3
CARRYING VALUES									
At 31 December 2020	3,088.5	0.4	1,021.8	220.0	1,014.8	9.3	181.2	34,023.0	39,559.0
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 2020, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate carrying value of HK\$1,074.8 million (2019: HK\$1,119.7 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.

At 31 December 2020, the carrying values of the construction in progress of HK\$34,023.0 million (2019: HK\$29,407.7 million) represented the construction in progress of GLP Project.

Other staff costs of HK\$552.6 million (2019: HK\$499.2 million), operating lease rentals in respect of rented premises of HK\$14.9 million (2019: HK\$11.3 million), depreciation expenses of right-of-use asset of HK\$72.6 million (2019: HK\$52.7 million), depreciation expenses of property and equipment of HK\$15.6 million (2019: HK\$9.2 million) and interest expenses of HK\$513.0 million (2019: HK\$614.2 million) have been capitalised in construction in progress for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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	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
Additions	0.2	949.1	—	949.3
Early termination/end of lease contracts	—	(233.1)	(85.4)	(318.5)
At 31 December 2020	2,685.7	1,083.1	6.7	3,775.5
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
Charge for the year	63.9	353.9	42.1	459.9
Early termination/end of lease contracts	—	(232.8)	(85.4)	(318.2)
At 31 December 2020	127.3	290.3	4.5	422.1
CARRYING VALUES				
At 31 December 2020	2,558.4	792.8	2.2	3,353.4
At 31 December 2019	2,622.1	197.9	44.3	2,864.3
			2020 HK\$ million	2019 HK\$ million
Expense relating to short-term leases			39.9	208.2
Total cash outflow for leases			410.0	474.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. RIGHT-OF-USE ASSETS (Continued)

For both years, the Group leases certain leasehold lands, commercial properties, carparks and motor vehicles for its operations. Lease contracts are entered into for fixed terms 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 and fixed payments are paid annually. The leasehold land components of these owned properties are not presented separately as the payments made cannot be allocated reliably.

Rent concessions

During the year ended 31 December 2020, lessors of various casino properties, commercial properties and motor vehicles provided rent concessions to the Group through rent reductions ranging from 24% to 83% over one to eleven months.

These were rent concessions occurred as a direct consequence of COVID-19 pandemic, which met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$148.1 million were recognised as negative variable lease payments.

15. INTANGIBLE ASSET

During the year ended 31 December 2019, 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 have been amortised on a straight line basis over the extended term of the gaming concession starting from 1 April 2020.

16. 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 2020

17. INTEREST IN AN ASSOCIATE

	2020 HK\$ million	2019 HK\$ million
Cost of unlisted investment	25.0	25.0
Discount on acquisition	6.8	6.8
Share of post-acquisition profits	315.9	304.6
	347.7	336.4

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.

	2020 HK\$ million	2019 HK\$ million
Current assets	1,358.1	1,402.6
Non-current assets	102.3	104.5
Current liabilities	(1,379.8)	(1,374.9)
Non-current liability	(1.2)	(2.6)
Revenue	856.1	867.6
(Loss) profit for the year	(51.1)	90.4

The unrecognised share of results of an associate*:

	2020 HK\$ million	2019 HK\$ million
At 1 January	549.4	578.7
Unrecognised share of results for the year	74.1	(29.3)
At 31 December	623.5	549.4

* The Group's share of accumulated losses on a construction project is limited to a fixed amount of MOP100.0 million (equivalent to 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 2020

17. 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

	2020 HK\$ million	2019 HK\$ million
Net assets of an associate	79.4	129.6
Unrecognised share of loss of an associate	623.5	549.4
Adjusted net assets of an associate	702.9	679.0
Proportion of the Group's ownership interest in an associate	49%	49%
Effect of fair value adjustments at acquisition	344.4 3.3	332.7 3.7
Carrying amount of the Group's interest in an associate	347.7	336.4

Reconciliation of share of profits of an associate

	2020 HK\$ million	2019 HK\$ million
Results for the year of an associate	(51.1)	90.4
Unrecognised share of results for the year	74.1	(29.3)
Unrealised losses (profits) for the year	0.9	(37.0)
Adjusted profits for the year of an associate	23.9	24.1
Proportion of the Group's ownership interest in an associate	49%	49%
Share of profits of an associate	11.7	11.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. INTEREST IN A JOINT VENTURE

	2020 HK\$ million	2019 HK\$ million
Cost of unlisted investment	39.7	39.7
Share of post-acquisition profits	100.1	95.3
	139.8	135.0

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 (2019: 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 2020

18. 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.

	2020 HK\$ million	2019 HK\$ million
Current assets	223.3	211.5
Non-current assets	25.3	26.2
Current liabilities	(33.3)	(32.1)
Revenue	9.1	14.4
Profit for the year	9.7	15.0
The above profit for the year includes the following:		
Depreciation	0.9	0.9
Interest income	3.9	4.4

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

	2020 HK\$ million	2019 HK\$ million
Net assets of a joint venture	215.3	205.6
Proportion of the Group's ownership interest in a joint venture	49%	49%
Goodwill	105.5 34.3	100.7 34.3
Carrying amount of the Group's interest in a joint venture	139.8	135.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

At 31 December 2020, the amounts comprise equity shares listed in Hong Kong of HK\$249.0 million (2019: HK\$296.5 million) and unlisted equity shares in a private entity established in the British Virgin Islands of HK\$305.4 million (2019: HK\$571.6 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.

20. OTHER ASSETS

	2020 HK\$ million	2019 HK\$ million
Deposits made on acquisitions of property and equipment	998.1	691.5
Rental deposits	21.8	5.5
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	39.0	41.0
	1,161.7	840.8

The amounts due from an associate/a joint venture/an investee company 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

For the year ended 31 December 2020

21. PLEDGED BANK DEPOSITS

	2020 HK\$ million	2019 HK\$ million
Non-current portion		
Bank deposits 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
in favor of the Macau SAR court against any future legal proceedings of labour disputes	1.0	1.0
others	0.4	0.3
	1.4	1,020.7

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 22 June 2022 (2019: 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 represented 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. However, the bank no longer required the pledge of the temporary deposit in relation to the bank facility after 27 March 2020, therefore the deposit has been released during the year ended 31 December 2020.

At 31 December 2020, the pledged bank deposits carry fixed interest rates at 1.00% (2019: ranging from 2.20% to 2.40%) per annum.

Details of impairment assessment of pledged bank deposits for the year ended 31 December 2020 are set out in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. TRADE AND OTHER RECEIVABLES

	2020 HK\$ million	2019 HK\$ million
Advances to gaming promoters, net	112.5	189.6
Other receivables from gaming promoters and service providers, net	337.5	625.9
Prepayments	172.9	197.8
Other sundry receivables	175.1	300.8
	798.0	1,314.1

As at 1 January 2019, the carrying amount of advances to gaming promoters was HK\$210.4 million.

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.

Advances are only granted to gaming promoters with good credit histories and financial track records. The Group has enforceable right and intends to offset the advances against commission payables to or deposits from relevant gaming promoters. In addition, 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. 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:

	2020 HK\$ million	2019 HK\$ million
Age		
0 to 30 days	7.8	189.6
61 to 90 days	104.7	—
	112.5	189.6

Details of impairment assessment of trade and other receivables for the year ended 31 December 2020 are set out in note 36.

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:

	2020 HK\$ million	2019 HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group	41.6	29.4
An associate of the Group	74.4	7.8
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	90.4	164.2
	206.4	201.4

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

At 31 December 2020, the short-term bank deposits carry fixed interest rates ranging from 0.45% to 1.42% (2019: 1.45% to 3.00%) per annum with original maturity ranging over 4 months to 6 months (2019: 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 2020, bank balances carry effective interest rates ranging from 0.16% to 1.75% (2019: 0.13% to 2.90%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

24. TRADE AND OTHER PAYABLES

	2020 HK\$ million	2019 HK\$ million
Trade payables	307.6	1,047.2
Special gaming tax payable	354.5	1,209.6
Chips in circulation	1,504.8	5,062.4
Chips in custody and deposits received from gaming patrons and gaming promoters	1,399.4	520.3
Payables for acquisition of property and equipment	76.5	38.0
Construction payables	2,852.4	1,670.2
Accrued staff costs	794.9	1,706.9
Accrued operating expenses	21.6	191.2
Withholding tax payable	14.6	24.9
Other sundry payables and accruals	471.2	573.6
	7,797.5	12,044.3
Less: Non-current portion of construction payables	(66.7)	—
	7,730.8	12,044.3

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

	2020 HK\$ million	2019 HK\$ million
Age		
0 to 30 days	294.1	1,030.6
31 to 60 days	8.2	10.4
61 to 90 days	2.1	2.0
Over 90 days	3.2	4.2
	307.6	1,047.2

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

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For the year ended 31 December 2020

24. TRADE AND OTHER PAYABLES (Continued)

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

	2020 HK\$ million	2019 HK\$ million
STDM and its associates (as defined under Chapter 14A of the Listing Rules), excluding the Group	44.2	66.1
An associate of the Group	209.7	153.5
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	181.9	282.2
	435.8	501.8

25. LONG-TERM BANK LOANS

	2020 HK\$ million	2019 HK\$ million
The syndicated secured long-term bank loans are repayable:		
Within one year	5,272.2	217.0
Within a period of more than one year but not exceeding two years	13,514.9	5,060.5
Within a period of more than two years but not exceeding five years	—	10,003.2
	18,787.1	15,280.7
Less: Amounts due within one year shown under current liabilities	(5,272.2)	(217.0)
Amounts shown under non-current liabilities	13,514.9	15,063.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25. LONG-TERM BANK LOANS (Continued)

Variable-rate bank loans comprise:

	Carrying amounts	
	2020 HK\$ million	2019 HK\$ million
Secured bank loans for GLP Project ("GLP Bank Loans")		
HK\$ bank loan at 3-months Hong Kong Interbank Offered Rate ("HIBOR") + 2.25% per annum (2019: HIBOR + 1.50% per annum)	15,429.5	12,478.9
United State dollars ("US\$") bank loan at 3-months London Interbank Offered Rate ("LIBOR") + 2.25% per annum (2019: LIBOR + 1.50% per annum)	1,509.1	1,220.5
MOP bank loan at 3-months Macau Interbank Offered Rate ("MAIBOR") + 2.25% per annum (2019: MAIBOR + 1.50% per annum)	1,664.6	1,346.3
	18,603.2	15,045.7
Secured bank loans for Ponte 16 ("P16 Bank Loans") HK\$ bank loan at 3-months HIBOR + 2.25% per annum (2019: HIBOR + 2.13% per annum)	183.9	235.0
Total bank loans	18,787.1	15,280.7

GLP Bank Loans

Due to the outbreak of COVID-19, the Group obtained consent from the banks on 23 June 2020 for waiver of the financial covenant tests on consolidated interest coverage ratio and consolidated leverage ratio during the year ended 31 December 2020.

At 31 December 2020, the range of effective interest rates of the secured bank loans is 2.40% to 2.46% (2019: 3.41% to 3.87%) per annum. The purpose of the secured syndicated loan facilities is for financing the GLP Project.

During the year ended 31 December 2019, the Group recorded a loss of HK\$9.8 million (2020: nil) 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.

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For the year ended 31 December 2020

25. LONG-TERM BANK LOANS (Continued)

GLP Bank Loans (Continued)

At 31 December 2020, the GLP Bank Loans are secured by certain property and equipment and right-of-use assets of the Group with carrying values of HK\$36,038.5 million (2019: HK\$31,436.0 million) and HK\$1,789.0 million (2019: HK\$1,827.0 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 GLP 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 (2019: HK\$27,500 million) issued by SJM and endorsed by the Company and certain subsidiaries of SJM.

P16 Bank Loans

During the year ended 31 December 2020, the Group recorded a gain of HK\$2.0 million (2019: nil) on modification of the P16 Bank Loans facilities because of entering into an agreement to modify the repayment schedule of the P16 Bank Loans facilities. Due to the outbreak of COVID-19, the Group obtained consent from the banks on 23 June 2020 for waiver of the financial covenant tests on consolidated interest coverage ratio and consolidated leverage ratio during the year ended 31 December 2020.

At 31 December 2020, the effective interest rate of the secured bank loans is 2.43% (2019: 4.48%) 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.

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For the year ended 31 December 2020

25. LONG-TERM BANK LOANS (Continued)

P16 Bank Loans (Continued)

At 31 December 2020, the P16 Bank Loans are secured by certain property and equipment and right-of-use assets of the Group with carrying values of HK\$438.5 million (2019: HK\$464.5 million) and HK\$58.1 million (2019: HK\$59.8 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 (2019: HK\$1,000 million) and HK\$490 million (2019: 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.

26. LEASE LIABILITIES

	2020 HK\$ million	2019 HK\$ million
Lease liabilities payable:		
Within one year	256.4	177.6
Within a period of more than one year but not exceeding two years	309.7	35.2
Within a period of more than two years but not exceeding five years	78.5	35.1
Within a period of more than five years	541.4	477.4
	1,186.0	725.3
Less: Amount due for settlement with 12 months shown under current liabilities	(256.4)	(177.6)
Amount due for settlement after 12 months shown under non-current liabilities	929.6	547.7

The weighted average incremental borrowing rates applied to lease liabilities is 2.45% (2019: 2.45%).

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26. LEASE LIABILITIES (Continued)

Restrictions or covenants on leases

Lease liabilities of HK\$1,186.0 million are recognised with related right-of-use assets of HK\$3,353.4 million as at 31 December 2020 (2019: lease liabilities of HK\$725.3 million and related right-of-use assets of HK\$2,864.3 million). 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 2020, the amounts are secured by rental deposits with carrying values of HK\$52.7 million (2019: HK\$29.5 million).

27. 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 2020, imputed interest of HK\$5.2 million (2019: HK\$7.5 million) on the amount due to the non-controlling interests of the subsidiary of HK\$263.3 million (2019: HK\$203.8 million) has been recognised at a weighted average original interest rate of approximately 2.47% (2019: 2.47%) per annum. At 31 December 2020, the principal amount was HK\$297.8 million (2019: HK\$219.4 million). During the year ended 31 December 2020, the principal amount has been adjusted by HK\$7.0 million (2019: nil) as the deemed capital contribution arising from future cash flow estimates on amount due to non-controlling interests of a subsidiary.

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 2020, these carrying amounts have been adjusted by HK\$17.1 million (2019: HK\$7.2 million) because of changes in cash flow estimates, computed based on the present value of future cash outflows discounted at the original effective interest rate.

At 31 December 2020 and 31 December 2019, the total carrying amounts are classified as non-current liabilities.

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28. 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 2019	(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)
Credit (charge) to profit or loss (<i>note 10</i>)	(3.4)	4.7	1.3
At 31 December 2020	(49.6)	39.1	(10.5)

At 31 December 2020, the Group has unrecognised tax losses of HK\$3,216.9 million (2019: HK\$2,274.3 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.

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For the year ended 31 December 2020

29. SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amount HK\$ million
Ordinary shares with no par value		
At 1 January 2019	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
Exercise of share options	13,775,000	154.1
At 31 December 2020	5,678,144,293	11,435.5

During the year ended 31 December 2020, 13,775,000 (2019: 4,710,000) share options were exercised, resulting in the issue of 3,000,000, 7,775,000 and 3,000,000 (2019: 3,450,000, 1,000,000 and 260,000) ordinary shares in the Company at a price of HK\$7.48, HK\$9.826 and HK\$4.89 (2019: HK\$2.82, HK\$8.33 and HK\$5.03) 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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30. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. SHARE OPTION SCHEME (Continued)

A summary of the movements of the outstanding options during the year ended 31 December 2020 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 31.12.2019	Reclassified in 2019	Exercised in 2019	Lapsed in 2019	Outstanding at 31.12.2019	Exercised in 2020	Lapsed in 2020	Outstanding at 31.12.2020
					Outstanding at 1.1.2019	Reclassified in 2019	Exercised in 2019	Lapsed in 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)	—	—	—	—	—	—	—	—	—
	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	(500,000)	—	—	—	—	—	3,500,000	—	(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)	—	—	—	—	—	—	—	—
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	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)	—	—	—	—	—	—	—	—
	15.6.2015	15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	36,002,000	(167,000)	—	(1,000,000)	—	—	—	34,835,000	(7,000,000)	—	—	27,835,000
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	36,002,000	(167,000)	—	(1,000,000)	—	—	—	34,835,000	—	—	—	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	(166,000)	—	(1,000,000)	—	—	—	34,830,000	—	—	—	34,830,000
	22.6.2017	22.6.2017 to 21.12.2017	22.12.2017 to 21.12.2026	8.33	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	—	(500,000)	—	—	—	—	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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30. 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 31.12.2019	Exercised in 2020	Lapsed in 2020	Outstanding at 31.12.2020
					Outstanding at 1.1.2019	Reclassified in 2019	Exercised in 2019	Lapsed in 2019				
Employees	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	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)	—	—	—	—	
	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	12,398,000	200,000	—	(189,000)	12,409,000	—	(184,000)	12,225,000
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	12,353,000	200,000	—	(187,000)	12,366,000	—	(183,000)	12,183,000
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	12,339,000	200,000	—	(186,000)	12,353,000	—	(183,000)	12,170,000
	15.6.2015	15.6.2015 to 14.12.2015	15.12.2015 to 14.12.2024	9.826	5,385,000	60,000	—	(64,000)	5,381,000	(99,000)	(88,000)	5,194,000
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	5,385,000	60,000	—	(64,000)	5,381,000	(95,000)	(88,000)	5,198,000
	15.6.2015	15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	5,270,000	60,000	—	(62,000)	5,268,000	(81,000)	(84,000)	5,103,000
	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)	—	—
Other participants	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	—	500,000	—	—	500,000	—	(500,000)	—
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	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	(200,000)	—	(167,000)	—	—	—	—
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	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	107,000	—	(217,000)	167,000	(167,000)	—	—
	15.6.2015	15.6.2015 to 14.12.2016	15.12.2016 to 14.12.2024	9.826	277,000	107,000	—	(217,000)	167,000	(167,000)	—	—
	15.6.2015	15.6.2015 to 14.12.2017	15.12.2017 to 14.12.2024	9.826	276,000	106,000	—	(216,000)	166,000	(166,000)	—	—
					188,270,000	—	(4,710,000)	(7,902,000)	175,658,000	(13,775,000)	(7,810,000)	154,073,000
Weighted average exercise price per share					HK\$12.32	—	HK\$4.11	HK\$16.08	HK\$12.38	HK\$8.24	HK\$13.08	HK\$12.71

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For the year ended 31 December 2020

30. 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.

In respect of the above options exercised during the year, the weighted average closing price per share at the dates of exercise was HK\$10.02 (2019: HK\$7.50). At the end of the reporting period, 154,073,000 (2019: 174,658,000) share options are exercisable.

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 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.

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For the year ended 31 December 2020

30. 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.

The Company's share options granted to other participants 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 2020, the Group recognised total expenses of HK\$1.6 million (2019: HK\$5.5 million), in relation to share options granted by the Company.

31. RESERVES

	Share options reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
THE COMPANY			
At 1 January 2019	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 (<i>note 11</i>)	—	(1,642.6)	(1,642.6)
Profit and total comprehensive income for the year (<i>Note</i>)	—	1,432.8	1,432.8
At 31 December 2019	798.2	7,329.0	8,127.2
Exercise of share options	(40.6)	—	(40.6)
Recognition of equity-settled share-based payments	1.6	—	1.6
Release of lapsed equity-settled share-based payments	(37.4)	37.4	—
Dividends paid (<i>note 11</i>)	—	(1,246.8)	(1,246.8)
Profit and total comprehensive income for the year (<i>Note</i>)	—	1,406.7	1,406.7
At 31 December 2020	721.8	7,526.3	8,248.1

Note: Amount included dividend income from SJM of HK\$1,456.3 million (2019: HK\$1,456.3 million).

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For the year ended 31 December 2020

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, property and equipment totalling HK\$95.2 million (2019: HK\$343.0 million) were settled by utilising deposits made on acquisitions of property and equipment.

33. CAPITAL COMMITMENTS

	2020 HK\$ million	2019 HK\$ million
Capital expenditure in respect of acquisitions of property and equipment:		
Authorised but not contracted for:		
GLP Project	1,641.2	3,875.8
Others	62.2	107.0
	1,703.4	3,982.8
Contracted for but not provided in the consolidated financial statements:		
GLP Project	865.6	2,909.3
Others	185.5	158.1
	1,051.1	3,067.4

At 31 December 2020, capital expenditure in respect of acquisitions of property and equipment committed to acquire from related parties amounted to HK\$59.1 million (2019: HK\$149.2 million).

At 31 December 2020, the estimated total project costs for the GLP Project by the Group's management is approximately HK\$39,000 million (2019: HK\$39,000 million).

34. 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 2020

34. RETIREMENT BENEFITS SCHEMES (Continued)

The Group operates a defined contribution retirement scheme for all qualifying employees since 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.

The Group operates a Non-mandatory Central Provident Fund (the "CPF") for all qualifying employees since 2019. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees. The Group contributes 5% of the relevant payroll costs to the CPF, which is matched with contribution of all relevant employees.

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.

35. 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.

36. 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 in a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. FINANCIAL INSTRUMENTS (Continued)

(b) Categories of financial instruments

	2020 HK\$ million	2019 HK\$ million
Financial assets		
Investments in equity instruments designated at FVTOCI	554.4	868.1
Amortised cost	7,061.5	16,790.6
	7,615.9	17,658.7
Financial liabilities		
Amortised cost	24,262.9	23,875.9

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 will 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 statement of financial position; and
- the amount of financial guarantee obligations disclosed in note 39.

The Group has concentration of credit risk as 100% (2019: 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 gaming promoters, other receivables from gaming promoters and service providers, 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 2020

36. 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 may at its discretion extend credit periods for certain gaming promoters and service providers with long-term relationship and good repayment patterns. The Group assessed the ECL for advances to gaming promoters and other receivables from gaming promoters and service providers individually as at 31 December 2020 and 31 December 2019.

Movement in the loss allowance

	2020 HK\$ million	2019 HK\$ million
At 1 January	379.5	179.5
Impairment loss recognised	—	200.0
At 31 December	379.5	379.5

During the year ended 31 December 2019, the Group provided impairment allowance of HK\$200.0 million (2020: nil) for other receivable from gaming promoters and service providers as the management considered a service provider is credit-impaired. As at 31 December 2020, loss allowance with an aggregate balance of HK\$379.5 million (2019: HK\$379.5 million) represents individually credit-impaired advances to gaming promoters and other receivables from gaming promoters and service providers which are fully impaired 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 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, pledged bank deposits, short-term 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 rental deposits, the management considered the historical experience and forward-looking information and assessed the risk of default as low, no impairment allowance is made during the year.

For the amounts due from an associate/a joint venture/an investee company and other amounts in other sundry receivables, 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 2020

36. 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 (2019: HK\$87.3 million) as at 31 December 2020. Details of the financial guarantee contracts are set out in note 39. 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 (2019: 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 (2019: 5 basis points), if interest rates on long-term bank loans had been 50 basis points (2019: 50 basis points) higher and all other variables were held constant, the potential effect on loss/profit for the year without adjusting for any amount to be capitalised:

	2020 HK\$ million	2019 HK\$ million
Increase in loss for the year (2019: decrease in profit for the year)	(92.2)	(73.2)

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.

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36. FINANCIAL INSTRUMENTS (Continued)

(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.

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 fair value on such equity securities had been 10% (2019: 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\$55.4 million (2019: HK\$86.8 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 consideration of going concern assessment prepared by the directors of the Company is set out in note 3.1, as the Group's current liabilities exceeded its current assets by approximately HK\$6,249.7 million at 31 December 2020.

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 and financial guarantee contracts 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.

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36. 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 2020								
Trade payables	—	—	304.4	0.5	2.7	—	307.6	307.6
Chips in circulation	—	1,504.8	—	—	—	—	1,504.8	1,504.8
Other payables	—	—	1,062.7	733.9	1,536.8	66.7	3,400.1	3,400.1
Amount due to non-controlling interests of a subsidiary	2.47%	—	—	—	—	297.8	297.8	263.3
Long-term bank loans (Note (i))	2.58%	—	1,124.9	1,579.8	3,006.0	13,571.0	19,281.7	18,787.1
Financial guarantee obligations (Note (ii))	—	87.3	—	—	—	—	87.3	—
Lease liabilities	2.45%	—	55.5	54.4	173.9	1,270.4	1,554.2	1,186.0
		1,592.1	2,547.5	2,368.6	4,719.4	15,205.9	26,433.5	25,448.9
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 (ii))	—	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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. 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 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 2020 HK\$ million	31 December 2019 HK\$ million		
Investments in equity instruments designated at FVTOCI				
Listed equity securities	249.0	296.5	Level 1	Quoted bid prices in an active market
Unlisted equity securities	305.4	571.6	Level 2	Market approach: Net asset value with main multiple being Price-to-Book multiples of comparable companies (2019: estimated normalised trailing twelve months net profits with main multiple being Price-to-Earnings multiples of comparable companies) (Note)

Note: Due to the outbreak of COVID-19, there is increased uncertainty associated with the valuation technique with key inputs adopted as at 31 December 2019 (estimated normalised trailing twelve months net profits with main multiple being Price-to-Earnings multiples of comparable companies). Therefore, the valuation technique and key inputs adopted as at 31 December 2020 changed to be net asset value and Price-to-Book multiples of comparable companies as more appropriate under current market environment.

There were no transfers between Level 1 and 2 during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. 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.

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 2020

36. 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 22 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 2020	112.8	(0.3)	112.5	(11.6)	100.9
— at 31 December 2019	236.9	(47.3)	189.6	(85.1)	104.5

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 2020	11.9	(0.3)	11.6	(11.6)	—
— at 31 December 2019	240.6	(47.3)	193.3	(85.1)	108.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. 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 amounts set off have been disclosed in the above table and details of the arrangements are set out in note 22.

37. 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	Amount due to non- controlling interests of a subsidiary	Interest payables	Lease liabilities	Dividend payables	Total
	HK\$ million (note 25)	HK\$ million (note 27)	HK\$ million (Note)	HK\$ million (note 26)	HK\$ million	HK\$ million
At 1 January 2019	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
Net financing cash flows	3,429.5	78.4	(481.2)	(370.1)	(1,246.8)	1,409.8
Gain on modification of long-term bank loans	(2.0)	—	—	—	—	(2.0)
Gain arising from early termination of lease contracts	—	—	—	(0.3)	—	(0.3)
New leases entered	—	—	—	949.1	—	949.1
COVID-19-related rent concessions	—	—	—	(148.1)	—	(148.1)
Interest expenses	78.9	5.2	430.5	30.1	—	544.7
Dividend recognised	—	—	—	—	1,246.8	1,246.8
Changes in cash flow estimates	—	(17.1)	—	—	—	(17.1)
Deemed capital contribution	—	(7.0)	—	—	—	(7.0)
At 31 December 2020	18,787.1	263.3	1.2	1,186.0	—	20,237.6

Note: The amount is included in trade and other payables as set out in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. 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	2020 HK\$ million	2019 HK\$ million	
STDM and its associates, excluding the Group ("STDM Group") (as defined under Chapter 14A of the Listing Rules)	Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules			
	Property rentals (note 38(c))	8.7	242.7	
	Transportation (note 38(d))	9.1	99.8	
	Hotel accommodation (note 38(d))	—	17.9	
	Entertainment and staff messing (note 38(d))	—	14.8	
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules			
	Share of administrative expenses (note 38(e) and (f))	1.7	1.5	
	Hotel accommodation (38(d))	2.8	—	
	Entertainment (note 38(d))	10.7	—	
	Cleaning services (note 38(f))	15.0	28.3	
	Hotel management and operation (note 38(d) and (f))	5.6	16.2	
	Promotional and advertising services (note 38(d) and (f))	3.2	6.5	
	Maintenance services (note 38(d) and (f))	14.1	13.2	
	Others (note 38(f))	8.2	17.1	
	Non-exempt connected transactions under Chapter 14A of the Listing Rules			
	Right-of-use assets — HKFRS 16 (note 38(c))	564.3	—	
	Purchase of a property (note 38(m))	—	680.0	
	Certain directors of the Company and of its subsidiaries and their associates (as defined under Chapter 14A of the Listing Rules)	Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules		
		Service fees paid to a service provider in relation to the promotion of a casino (note 38(g))	2.2	950.4
		Property rentals (note 38(i))	20.3	118.8
Non-exempt connected transactions under Chapter 14A of the Listing Rules				
Right-of-use assets — HKFRS 16 (note 38(i))		228.6	—	
Exempt continuing connected transactions under Chapter 14A of the Listing Rules				
Transportation (note 38(f) and (h))		4.4	20.3	
Others (note 38(f))		58.8	65.0	
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 (reimbursed from) paid to a service provider in relation to the promotion of a casino (note 38(j))	(253.6)	739.8
		Insurance expenses	189.0	168.8
	Sub-concession fee income	6.5	—	
	Promotion and advertising expenses	—	0.6	
	Service fee in relation to foreign currencies exchange	3.9	11.5	
	Construction costs	28.9	2.5	
	Others	6.6	9.3	
An associate	Construction costs and management fee paid	207.3	278.2	
A joint venture	Property rentals (note 38(n))	6.1	14.4	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. 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 2020, the net amount received or receivable on reimbursement of STDM chips in circulation amounted to HK\$0.2 million (2019: HK\$0.1 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 "Premises Leasing Master Agreement with STDM"). The term of each implementing lease will be for a term commencing on a date specified in the relevant implementing lease and ending on a date not later than 31 March 2020. The Premises Leasing Master Agreement with STDM and was renewed on 23 December 2019 for a term of period from 1 April 2020 to 31 December 2022 with similar terms as the previous agreement. The amounts of transactions during the period were disclosed in note 38(a) above.

During the year ended 31 December 2019, the amount disclosed in note 38(a) represented the payment amount for property rentals with related parties and/or connected parties.

During the year ended 31 December 2020, the amount disclosed in note 38(a) represents the property rentals with related parties and/or connected parties for the addition of right-of-use assets and expenses relating to the relevant short-term leases.

During the year ended 31 December 2020, the lease transactions with related parties represent additions of right-of-use assets of HK\$564.3 million (2019: nil), incurred expenses relating to the relevant short-term leases of HK\$8.7 million (2019: HK\$95.5 million) and interest expenses of HK\$10.2 million (2019: HK\$3.7 million) on the relevant lease liabilities with carrying amount of HK\$323.2 million as at 31 December 2020 (2019: HK\$69.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. RELATED PARTY TRANSACTIONS (Continued)

- (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 38(f). The Renewed Master Agreement expired on 31 December 2013, and was renewed on 6 January 2014, 26 January 2017 and 23 December 2019, each for a term of three years starting from 1 January 2014, 1 January 2017 and 1 January 2020, respectively, 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 38(f).
- (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 38(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 (the "Service Agreement") for the period from 1 October 2009 to 31 March 2020 or any earlier termination with 21 days' notice to other party who is in default of the agreement. On 4 May 2020, SJM entered into an addendum to the Service Agreement with Tin Hou Limited for extending the provision of services as specified in the Service Agreement to SJM until 26 June 2022. Tin Hou is a company controlled over 50% by a half-brother of a director of certain subsidiaries of the Company and was a connected person of the Company pursuant to Rules 14A.07(4) and 14A.12(2)(a) of the Listing Rules. From the effective date of the addendum to the Service Agreement, such subsidiaries of the Company are categorised as insignificant subsidiaries of the Group according to Rule 14A.09 of the Listing Rules. In this regard, the director is not considered as a connected person of the Company and the transactions between SJM and Tin Hou under the Service Agreement are no longer continuing connected transactions for the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. RELATED PARTY TRANSACTIONS (Continued)

- (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 with ST-CITS and on 31 December 2019 with a subsidiary of ST-CITS, each for a term of three years starting from 1 January 2017 and 1 January 2020, respectively, with similar terms as the previous agreement. The transaction amounts for transportation during the years ended 31 December 2019 and 2020 were de minimis as described in note 38(f). From 16 July 2020, ST-CITS was no longer a connected party of the Company due to restructuring related to ST-CITS. Hence, the transactions between SJM and ST-CITS were no longer treated as continuing connected transactions.

- (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 (the “Premises Leasing Master Agreement”) 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. On 14 December 2016, the Company entered into a renewed Premises Leasing Master Agreement with the director and/or her associates to the Group (the “Renewed Premises Leasing Master Agreement”). The Renewed Premises Leasing Master Agreement expired on 31 December 2019, and was further renewed on 23 December 2019 for a term of three years from 1 January 2020 with similar terms as the previous agreement. The amounts of transactions during the period were disclosed in note 38(a) above.

During the year ended 31 December 2019, the amount disclosed in note 38(a) represented the payment amount for property rentals with related parties and/or connected parties.

During the year ended 31 December 2020, the amount disclosed in note 38(a) represents the property rentals with related parties and/or connected parties for the additions of right-of-use assets and expenses relating to the relevant short-term leases.

During the year ended 31 December 2020, the lease transactions with related parties represent additions of right-of-use assets of HK\$228.6 million (2019: HK\$9.3 million), incurred expenses relating to the relevant short-term leases of HK\$20.3 million (2019: HK\$117.2 million) and interest expenses of HK\$3.9 million (2019: HK\$0.1 million) on the relevant lease liabilities with carrying amount of HK\$166.9 million as at 31 December 2020 (2019: HK\$7.8 million).

- (j) Service fees in relation to the promotion of a casino were reimbursed from/paid to an entity in which certain directors of the Group are the directors and/or key management personnel of the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. RELATED PARTY TRANSACTIONS (Continued)

- (k) Save as disclosed in note 25, 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 (2019: 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 year ended 31 December 2019, the amount disclosed in note 38(a) represented the payment amount for property rentals with related parties and/or connected parties.

During the year ended 31 December 2020, the amount disclosed in note 38(a) represents the property rentals with related parties and/or connected parties for the expenses relating to the relevant short-term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

39. FINANCIAL GUARANTEE OBLIGATIONS

	2020		2019	
	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	—

The fair value of financial guarantee obligations 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 2020 and 31 December 2019 as the default risk is low.

40. INVESTMENTS IN SUBSIDIARIES

	2020 HK\$ million	2019 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 (<i>Note</i>)	95.5	387.0
	4,067.8	4,359.3

Note: For the year ended 31 December 2020, a subsidiary of the Company has returned capital by way of an interim dividend of HK\$291.5 million to the Company.

Details of the Company's principal subsidiaries at the end of the reporting period are set out in note 43.

41. 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.

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For the year ended 31 December 2020

42. EVENT AFTER REPORTING PERIOD

On 27 January 2021, a wholly-owned subsidiary of the Company, Champion Path Holdings Limited, issued 4.5% senior notes with an aggregate principal amount of US\$500 million (equivalent to HK\$3,875.05 million) and a final maturity date of 27 January 2026, and 4.85% senior notes with an aggregate principal amount of US\$500 million (equivalent to HK\$3,875.05 million) and a final maturity date of 27 January 2028. The net proceeds from the issuance will be used to repay a portion of amounts outstanding under its long-term bank loans facility agreement and for general corporate purposes.

43. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period is 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
			2020	2019	
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

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For the year ended 31 December 2020

43. 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 the Group		Principal activity
			2020	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 – 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

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43. 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		
			2020	2019	
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. 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	
		2020	2019
Gaming related operations	Macau SAR	1	2
	Hong Kong	3	3
		4	5
Hotel, catering and retail related operations	Macau SAR	1	1
	Hong Kong	1	1
		2	2
Investment holdings/Inactive	British Virgin Islands/Macau SAR	15	15
	British Virgin Islands/Hong Kong	5	5
	Hong Kong	6	4
	Macau SAR	5	6
	Samoa	1	1
		32	31
		38	38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. PRINCIPAL SUBSIDIARIES (Continued)

(b) Details of non-wholly-owned subsidiaries that have 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		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020	2019	2020	2019
				HK\$ million	HK\$ million	HK\$ million	HK\$ million
Pier 16 – Property Development Limited	Macau SAR	49%	49%	(150.0)	110.2	111.8	237.7

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

	2020 HK\$ million	2019 HK\$ million
Current assets	65.0	372.9
Non-current assets	643.6	680.0
Current liabilities	(307.7)	(480.6)
Non-current liabilities	(549.3)	(463.9)
Equity attributable to owners of the company	(148.4)	108.4
	2020 HK\$ million	2019 HK\$ million
Revenue	46.7	795.1
Cost of sales and expenses	(366.0)	(555.1)
(Loss) profit for the year	(306.1)	224.9
(Loss) profit attributable to owners of the company	(306.1)	224.9
Net cash (outflow) inflow from operating activities	(338.6)	371.4
Net cash outflow from investing activities	(16.6)	(24.1)
Net cash inflow (outflow) from financing activities	97.3	(427.6)
Net cash outflow	(257.9)	(80.3)

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				2020 HK\$ million
	2016 HK\$ million	2017 HK\$ million	2018 HK\$ million	2019 HK\$ million	
RESULTS					
Gaming, hotel, catering, retail and related services revenues	31,819.5	31,770.7	34,410.1	33,875.0	7,506.7
Gaming revenue	31,201.0	31,094.8	33,677.1	33,158.5	7,304.2
Profit (loss) before taxation	2,348.3	1,946.8	2,939.6	3,369.1	(3,152.4)
Taxation	(33.8)	(11.9)	(27.4)	(51.6)	(22.5)
Profit (loss) for the year	2,314.5	1,934.9	2,912.2	3,317.5	(3,174.9)
Profit (loss) attributable to:					
owners of the Company	2,326.5	1,963.4	2,850.1	3,207.3	(3,024.9)
non-controlling interests	(12.0)	(28.5)	62.1	110.2	(150.0)
	2,314.5	1,934.9	2,912.2	3,317.5	(3,174.9)
As at 31 December					
	2016 HK\$ million	2017 HK\$ million	2018 HK\$ million	2019 HK\$ million	2020 HK\$ million
ASSETS AND LIABILITIES					
Total assets	38,755.0	46,287.0	56,398.6	57,625.7	52,721.5
Total liabilities	(13,913.8)	(20,817.8)	(28,712.0)	(28,389.6)	(28,081.6)
Net assets	24,841.2	25,469.2	27,686.6	29,236.1	24,639.9

CORPORATE INFORMATION

CHAIRMAN EMERITUS

The late 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 Directors

Dr. Chan Un Chan
Mr. Shum Hong Kuen, David

Non-executive Directors

Mr. Ng Chi Sing (*ceased to act as Chief Operating Officer and re-designated from Executive Director to Non-executive Director on 10 June 2020*)
Mr. Tsang On Yip, Patrick

Independent Non-executive Directors

Mr. Chau Tak Hay
Hon. Shek Lai Him, Abraham
Mr. Tse Hau Yin
Ms. Wong Yu Pok, Marina

AUDIT COMMITTEE

Mr. Tse Hau Yin (*Committee Chairman*)
Mr. Chau Tak Hay
Hon. Shek Lai Him, Abraham
Ms. Wong Yu Pok, Marina

NOMINATION COMMITTEE

Ms. Ho Chiu Fung, Daisy (*Committee Chairman*)
Mr. Chau Tak Hay
Deputada Leong On Kei, Angela
Hon. Shek Lai Him, Abraham
Dr. So Shu Fai
Mr. Tse Hau Yin
Ms. Wong Yu Pok, Marina

REMUNERATION COMMITTEE

Mr. Chau Tak Hay (*Committee Chairman*)
Ms. Ho Chiu Fung, Daisy
Deputada Leong On Kei, Angela
Hon. Shek Lai Him, Abraham
Dr. So Shu Fai
Mr. Tse Hau Yin
Ms. Wong Yu Pok, Marina

CHIEF FINANCIAL OFFICER

Mr. McBain, Robert Earle (*retired on 1 January 2021*)
Mr. Toh Hup Hock (*appointed on 1 January 2021*)

CHIEF LEGAL COUNSEL

Mr. Pyne, Jonathan Charles

COMPANY SECRETARY

Ms. Kwok Shuk Chong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

18th Floor, China Merchants Tower
Shun Tak Centre
Nos. 168 – 200 Connaught Road Central
Hong Kong
Tel: (852) 3960 8000
Fax: (852) 3960 8111
Website: <http://www.sjmholdings.com>
Email (Investor Relations): ir@sjmholdings.com

LISTING INFORMATION

Share listing: Hong Kong Stock Exchange (Main Board)
Listing date: 16 July 2008
Stock short name: SJM Holdings
Stock code: 880 (Hong Kong Stock Exchange)
0880.HK (Reuters)
880:HK (Bloomberg)
Board lot: 1,000 shares
Designated Securities Eligible for Short Selling
Constituent of Hang Seng HK35 Index,
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
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Website: <http://www.computershare.com.hk>
Email: hkinfo@computershare.com.hk

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISORS

On Hong Kong Law: Linklaters
On Macau Law: C&C Advogados

FINANCIAL ADVISOR

Somerley Capital Limited

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 disposals/write-off of property and equipment, share-based payments, gain/loss on modification of long-term bank loans, project feasibility study cost, sub-concession fee income and pre-opening expenses
“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 disposals/write-off of property and equipment, share-based payments and sub-concession fee income, 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 reportable 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, ordinary shares of which are listed on the Stock Exchange
“connected person(s)”	: has the meaning ascribed to it under the Listing Rules
“CT”	: the Complementary Tax of the Macau SAR

DEFINITIONS

“DICJ”	: Direcção de Inspeção e Coordenação de Jogos, the Gaming Inspection and Coordination Bureau in Macau
“Director(s)”	: the director(s) of the Company
“GLP Bank Loans”	: secured bank loans for GLP Project
“GLP 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
“NYH”	NYH Gestão de Vendas a Retalho Limitada, an indirect wholly-owned subsidiary of STDM
“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 gaming area in the Jai Alai building), Casino Eastern 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

DEFINITIONS

“Premises Leasing Master Agreement”	:	the premises leasing master agreement entered into between the Company and Deputada Leong On Kei, Angela, a Director, dated 22 November 2013 for the leasing of properties by her and/or her associates to the Group effective from 1 January 2014 for a term of not later than 31 December 2016
“Premises Leasing Master Agreement with STDM”	:	the premises leasing master agreement entered into between the Company and STDM dated 18 June 2008 for the leasing of properties by STDM or the members of the STDM Group to the Group for a term not later than 31 March 2020, and renewed on 23 December 2019 for a term of period from 1 April 2020 to 31 December 2022
“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
“Renewed Premises Leasing Master Agreement”	:	the renewed Premises Leasing Master Agreement entered into between the Company and Deputada Leong On Kei, Angela, a Director, dated 14 December 2016 for three-year term from 1 January 2017 to 31 December 2019, and further renewed on 23 December 2019 for three-year term from 1 January 2020 to 31 December 2022
“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)”	:	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

DEFINITIONS

“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-Investments Limited, a subsidiary of STDM liquidated on 15 August 2011
“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 2020
“Tin Hou”	: Tin Hou Limited, a company controlled over 50% by a half-brother of a director of subsidiaries 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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