

# SJM debut dips in line with expectations

Macao tycoon Stanley Ho's gaming flagship finally made its stock market debut on Wednesday, dipping below its offering price in Hong Kong trade after overcoming a last-minute legal challenge.

The debut for SJM Holdings, which raised USD 494 million in a scaled-back share sale amid a poor market, comes as the casino operator struggles to compete with aggressive US operators led by Las Vegas Sands and Wynn Resorts.

Ho's Sociedade de Jogos de Macau has seen its market share of Macau's USD 15 billion gaming market, the world's largest, shrink to 40 per cent from 75 per cent three years ago, with more competition on the way and costs for labour and construction materials on the rise.

The stock ended the morning session down 1.6 per cent at HKD 3.03, below its HKD 3.08 IPO price, which was at the bottom of an indicated range. The lacklustre performance was in line with market expectations.

Hong Kong's Court of Appeal dismissed an application for a judicial review launched by Winnie Ho, Mr Ho's estranged sister, that sought to derail the USD 494m listing of Sociedade de Jogos de Macau (SJM) by the casino tycoon.

"In my judgment, none of the challenges sought . . . in the judicial review proceedings could be reasonably arguable," Chief Justice Ma said on Tuesday.

Ms Ho's lawsuit had previously prompted SJM to delay its initial public offering by a week and to give retail investors until last Friday to return shares they had bought in return for a full refund.

SJM said about 55 per cent of individual investors had withdrawn applications, which accounted for 146.99m shares. The retail tranche accounts for 15 per cent of the global offering.

Even some SJM employees withdrew their share allocations, representing about 3.2 per cent of the shares they had sought.

All the unwanted shares have been reallocated to the institutional portion of the offering. The withdrawal left the initial public offering undersubscribed by 102.87m shares.

Deutsche Bank, the IPO's bookrunner, has stepped in to make up the USD 40.7m shortfall. The bank has entered into derivatives transactions with a number of investors who will take on the economic benefits and exposure to the shares.

SJM is selling 25 per cent of its shares for \$ 494m, less than half the USD 1bn it had originally planned to raise in January. That attempt had to be postponed after the Securities and Futures Commission, Hong Kong's market regulator, sought more information about Ms Ho's long-running dispute with her brother – which has given rise to more than 30 lawsuits in Macao and Hong Kong courts.

Undeterred by Tuesday's failure, Ms Ho said she planned to take her case to Hong Kong's Court of Final Appeal. Even though SJM is finally able to get its long delayed listing off the ground, the company is expected to face other challenges.

SJM lost its 40-year monopoly of Macao's gaming market in 2002 and its share of casino revenue plunged to 40 per cent last year because of intense competition.

The company also faces shrinking margins and labour shortages.