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澳門博彩控股有限公司 SJM HOLDINGS LIMITED

incorporated in Hong Kong with limited liability Stock Code : 880

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “**Board**”) of SJM Holdings Limited (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2019 (the “**Reporting Period**”).

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Increase/ (Decrease)
	2019 HK\$ million (unaudited)	2018 HK\$ million (unaudited)	
Total Group net revenue	17,074	17,197	(0.7%)
Net gaming revenue	16,720	16,843	(0.7%)
Adjusted EBITDA*	2,078	1,959	6.1%
Profit attributable to owners of the Company	1,679	1,498	12.1%
Earnings per share — basic	HK29.6 cents	HK26.5 cents	11.7%
— diluted	HK29.6 cents	HK26.5 cents	11.7%
Interim dividend per ordinary share	HK8.0 cents	HK8.0 cents	—%

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

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK8 cents per ordinary share of the Company (the “Share”) for the six months ended 30 June 2019 (six months ended 30 June 2018: HK8 cents per Share). The interim dividend is expected to be paid on 27 September 2019 to shareholders of the Company whose names appear on the register of members of the Company on 12 September 2019.

OPERATING HIGHLIGHTS

- The Group’s net gaming revenue decreased by 0.7%, Adjusted EBITDA and profit attributable to owners of the Company increased by 6.1% and 12.1%, respectively, from the year-earlier period, whilst the Group’s Adjusted EBITDA Margin increased to 12.2% from 11.4%.
- Mass market gross table gaming revenue of the Group increased by 8.0% and VIP gross gaming revenue showed a decrease of 25.1% during the first half of 2019, compared with the year-earlier period. During the same period, slot machine gross revenue decreased by 1.2% compared with the year-earlier period.
- Sociedade de Jogos de Macau, S.A. (“SJM”) had a 14.1% share of Macau’s gaming revenue, including 18.2% of mass market table gross gaming revenue and 10.7% of VIP gross gaming revenue.
- The Group maintained a strong financial position with cash, bank balances and pledged bank deposits of HK\$17,487 million as at 30 June 2019.
- The Group’s flagship Casino Grand Lisboa decreased gross gaming revenue by 13.7%, Adjusted Grand Lisboa EBITDA and attributable profit increased by 8.5% and 7.8%, respectively, as compared with the year-earlier period.
- The occupancy rate of Hotel Grand Lisboa decreased by 1.5% from the year-earlier period to 94.8%. Average daily room rate decreased during the period by 1.1% to HK\$1,487.
- Construction of the Grand Lisboa Palace, the Group’s integrated resort on Cotai, continued in 2019. The Group is striving for construction to complete by the end of 2019 and to seek the relevant licenses to begin operation as soon as possible thereafter.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2019

		Six months ended 30 June	
	Notes	2019	2018
		HK\$ million	HK\$ million
		(unaudited)	(unaudited)
Gaming, hotel, catering, retail and related services revenues		<u>17,074.3</u>	<u>17,196.6</u>
Gaming revenue	4	16,720.2	16,843.3
Special gaming tax, special levy and gaming premium		<u>(7,927.5)</u>	<u>(8,531.4)</u>
		8,792.7	8,311.9
Hotel, catering, retail and related services income		354.1	353.3
Cost of sales and services on hotel, catering, retail and related services		(189.5)	(186.6)
Other income, gains and losses		184.0	161.4
Marketing and promotional expenses		(3,137.5)	(2,811.4)
Operating and administrative expenses		(4,228.0)	(4,298.3)
Finance costs	5	(17.6)	(13.6)
Share of profits of an associate		2.1	8.6
Share of profits of a joint venture		<u>3.8</u>	<u>3.2</u>
Profit before taxation	6	1,764.1	1,528.5
Taxation	7	<u>(24.4)</u>	<u>(10.4)</u>
Profit for the period		1,739.7	1,518.1
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income		<u>(40.7)</u>	<u>31.6</u>
Total comprehensive income for the period		<u>1,699.0</u>	<u>1,549.7</u>
Profit for the period attributable to:			
owners of the Company		1,679.1	1,498.1
non-controlling interests		<u>60.6</u>	<u>20.0</u>
		<u>1,739.7</u>	<u>1,518.1</u>
Total comprehensive income for the period attributable to:			
owners of the Company		1,638.4	1,529.7
non-controlling interests		<u>60.6</u>	<u>20.0</u>
		<u>1,699.0</u>	<u>1,549.7</u>
Earnings per share:			
Basic	9	<u>HK29.6 cents</u>	<u>HK26.5 cents</u>
Diluted	9	<u>HK29.6 cents</u>	<u>HK26.5 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		At 30 June 2019	At 31 December 2018
	Notes	<i>HK\$ million</i> (unaudited)	<i>HK\$ million</i> (audited)
Non-current assets			
Property and equipment		33,620.2	30,378.6
Right-of-use assets		2,955.3	—
Intangible asset		197.6	—
Land use rights		—	2,264.0
Art works and diamonds		281.3	281.3
Interest in an associate		324.0	306.5
Interest in a joint venture		131.5	127.7
Investments in equity instruments designated at fair value through other comprehensive income		875.6	916.3
Other assets		710.4	1,346.2
Pledged bank deposit		145.6	145.6
		<u>39,241.5</u>	<u>35,766.2</u>
Current assets			
Inventories		97.2	90.8
Trade and other receivables	10	1,344.7	1,848.9
Pledged bank deposits		875.1	1.3
Short-term bank deposits		7,655.0	12,368.7
Bank balances and cash		8,811.2	6,322.7
		<u>18,783.2</u>	<u>20,632.4</u>
Current liabilities			
Trade and other payables	11	13,152.4	11,957.6
Taxation payable		128.1	116.8
Long-term bank loans		1,700.0	200.0
Lease liabilities		218.1	—
		<u>15,198.6</u>	<u>12,274.4</u>
Net current assets		<u>3,584.6</u>	<u>8,358.0</u>
Total assets less current liabilities		<u>42,826.1</u>	<u>44,124.2</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 30 June 2019*

		At 30 June 2019	At 31 December 2018
	Notes	<i>HK\$ million</i> (unaudited)	<i>HK\$ million</i> (audited)
Non-current liabilities			
Other payables	11	142.8	882.9
Long-term bank loans		13,675.5	15,244.8
Lease liabilities		581.6	—
Amounts due to non-controlling interests of a subsidiary		290.7	287.1
Deferred taxation		13.4	22.8
		<u>14,704.0</u>	<u>16,437.6</u>
Net assets		<u>28,122.1</u>	<u>27,686.6</u>
Capital and reserves			
Share capital		11,279.6	11,254.1
Reserves		16,647.4	16,298.0
Equity attributable to owners of the Company		27,927.0	27,552.1
Non-controlling interests		195.1	134.5
Total equity		<u>28,122.1</u>	<u>27,686.6</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited company incorporated in Hong Kong and acts as an investment holding company. The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its subsidiaries are principally engaged in the development and operation of casinos and related facilities in the Macau Special Administrative Region of the People's Republic of China (the "**Macau SAR**"). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A., a company established in the Macau SAR. The address of the registered office and principal place of business of the Company is Suites 3001–3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The financial information relating to the year ended 31 December 2018 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on these financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

2. BASIS OF PREPARATION (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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

Transition and summary of effects arising from initial application of HKFRS 16

As a lessee

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

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

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

2. BASIS OF PREPARATION (Continued)

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

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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Except for the application of HKFRS 16, the application of other new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or disclosures set out in these condensed consolidated financial statements.

3. 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”.

3. OPERATING SEGMENTS (Continued)

Segment information about these business is presented below:

(a) An analysis of the Group's revenue and results by reportable segments is as follows:

	Segment revenue		Segment results	
	2019 <i>HK\$ million</i> (unaudited)	2018 <i>HK\$ million</i> (unaudited)	2019 <i>HK\$ million</i> (unaudited)	2018 <i>HK\$ million</i> (unaudited)
	Six months ended 30 June			
Gaming operations:				
recognised at a point in time	16,720.2	16,843.3	1,858.7	1,740.6
Hotel, catering and retail operations:				
External sales:				
Catering and retail operations:				
recognised at a point in time	217.0	212.5		
Hotel operations:				
recognised over time	137.1	140.8		
	354.1	353.3		
Inter-segment sales:				
Catering and retail operations:				
recognised at a point in time	25.6	15.8		
Hotel operations:				
recognised over time	64.8	62.9		
	90.4	78.7		
Eliminations	444.5 (90.4)	432.0 (78.7)	(111.2)	(223.6)
	354.1	353.3		
Total:				
recognised at a point in time	16,937.2	17,055.8		
recognised over time	137.1	140.8		
	17,074.3	17,196.6		
			1,747.5	1,517.0
<i>Reconciliation from segment results to profit before taxation:</i>				
Unallocated corporate income			80.7	100.5
Unallocated corporate expenses			(70.0)	(100.8)
Share of profits of an associate			2.1	8.6
Share of profits of a joint venture			3.8	3.2
Profit before taxation			1,764.1	1,528.5

3. OPERATING SEGMENTS (Continued)

Segment results represent the profit before taxation earned by each segment without allocation of corporate income and expenses and share of profits of an associate/a joint venture. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at a price mutually agreed by both parties.

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

	At 30 June 2019 <i>HK\$ million</i> (unaudited)	At 31 December 2018 <i>HK\$ million</i> (audited)
<i>Assets</i>		
Segment assets:		
gaming operations	14,347.3	16,494.0
hotel, catering and retail operations	<u>4,700.7</u>	<u>4,662.4</u>
	19,048.0	21,156.4
Interest in an associate	324.0	306.5
Interest in a joint venture	131.5	127.7
Unallocated bank deposits, bank balances and cash	6,679.2	5,669.2
Other unallocated assets	<u>31,842.0</u>	<u>29,138.8</u>
Group's total	<u><u>58,024.7</u></u>	<u><u>56,398.6</u></u>
<i>Liabilities</i>		
Long-term bank loans:		
gaming operations	15,093.0	15,078.0
hotel, catering and retail operations	100.2	130.1
unallocated corporate bank loans	<u>182.3</u>	<u>236.7</u>
	15,375.5	15,444.8
Other segment liabilities:		
gaming operations	11,615.6	10,338.4
hotel, catering and retail operations	<u>362.1</u>	<u>261.1</u>
	11,977.7	10,599.5
Total segment liabilities	27,353.2	26,044.3
Unallocated liabilities	<u>2,549.4</u>	<u>2,667.7</u>
Group's total	<u><u>29,902.6</u></u>	<u><u>28,712.0</u></u>

3. OPERATING SEGMENTS (Continued)

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

- (i) other unallocated assets include mainly certain property and equipment, certain right-of-use assets (2018: land use rights), art works and diamonds, amount 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 amounts 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).

4. GAMING REVENUE

	Six months ended 30 June	
	2019	2018
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
Gaming revenue from:		
VIP gaming operations	7,454.8	9,957.5
mass market table gaming operations	12,402.2	11,487.4
slot machine and other gaming operations	575.0	582.0
	20,432.0	22,026.9
Less: commissions and incentives	(3,711.8)	(5,183.6)
	<u>16,720.2</u>	<u>16,843.3</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Interests on:		
long-term bank loans	311.7	169.7
lease liabilities	8.5	—
Imputed interest on amount due to non-controlling interests of a subsidiary	<u>3.6</u>	<u>3.5</u>
	323.8	173.2
Less: Amount capitalised	<u>(306.2)</u>	<u>(159.6)</u>
	<u>17.6</u>	<u>13.6</u>

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
<i>Profit before taxation has been arrived at after charging:</i>		
Directors' remuneration, including share-based payments to directors of HK\$2.8 million (six months ended 30 June 2018: HK\$2.0 million)	46.5	53.4
Less: Amount capitalised	(6.4)	(5.2)
	40.1	48.2
Other staff costs	2,938.9	2,828.6
Share-based payments to other staff	—	0.3
Total other staff costs	2,938.9	2,828.9
Total employee benefit expenses	2,979.0	2,877.1
Depreciation of property and equipment	447.6	605.3
Depreciation of right-of-use assets	110.7	—
Operating lease rentals in respect of land use rights	—	22.9
Loss on disposal of property and equipment	1.0	0.1
<i>and after crediting:</i>		
Bank interest income	164.4	129.5
Dividend income	—	16.7

7. TAXATION

	Six months ended 30 June	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Current tax — Macau SAR Complementary Tax (“CT”)	33.8	27.8
Deferred taxation	<u>(9.4)</u>	<u>(17.4)</u>
	<u>24.4</u>	<u>10.4</u>

No provision for CT on gaming related income is made for a subsidiary of the Company, SJM. Pursuant to the approval notice issued by the Macau SAR government dated 27 September 2016, SJM has been exempted from CT for income generated from gaming operations for the years from 2017 to 2020.

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 MOP23.2 million (equivalent to HK\$22.5 million) for each of the years ended/ending 31 December 2017 to 2019 and MOP5.8 million (equivalent to HK\$5.6 million) for the three months ending 31 March 2020. During the period, the Company, as a shareholder of SJM, were obligated to pay HK\$11.3 million (six months ended 30 June 2018: HK\$11.3 million).

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

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

8. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Final dividend per ordinary share		
— HK21 cents for 2018	1,189.5	—
— HK15 cents for 2017	—	848.8
	<u>1,189.5</u>	<u>848.8</u>

On 30 July 2019, the board of directors of the Company has resolved to declare an interim dividend of HK8 cents per ordinary share amounting to HK\$453.1 million in aggregate for the six months ended 30 June 2019 (six months ended 30 June 2018: HK8 cents per ordinary share).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
<i>Earnings</i>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>1,679.1</u>	<u>1,498.1</u>
	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,663,184,984	5,658,308,188
Effect of dilutive potential ordinary shares on share options	<u>1,993,419</u>	<u>2,873,344</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,665,178,403</u>	<u>5,661,181,532</u>

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 <i>HK\$ million</i> (unaudited)	At 31 December 2018 <i>HK\$ million</i> (audited)
Advances to gaming promoters, net	197.7	210.4
Other receivables from gaming promoters and service providers, net	768.3	839.1
Prepayments	249.2	291.4
Other sundry receivables	277.6	310.6
Advances to contractors	<u>—</u>	<u>668.5</u>
	1,492.8	2,320.0
Less: Non-current portion	<u>(148.1)</u>	<u>(471.1)</u>
Current portion	<u><u>1,344.7</u></u>	<u><u>1,848.9</u></u>

Advances to gaming promoters mainly include pre-approved interest-free revolving credit lines and short-term temporary interest-free advances. All advances to gaming promoters are unsecured, repayable on demand at discretion of the Group and generally require cheques and guarantees. At 30 June 2019, all of the advances to gaming promoters (net of allowances) are neither past due nor impaired.

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

Other receivables from gaming promoters and service providers represent certain costs to be reimbursed from gaming promoters and service providers. With the consent of gaming promoters and service providers, the Group can offset the outstanding balances against commission and service fee payables to or deposits from relevant gaming promoters and service providers. In the event that a gaming promoter or service provider fails to repay, the Group has the right, pursuant to the relevant gaming promoter agreement or service provider agreement, to offset or withhold the payables to that gaming promoter or service provider, realise cheques and execute guarantees, if any.

10. 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:

	At 30 June 2019 HK\$ million (unaudited)	At 31 December 2018 HK\$ million (audited)
<i>Age</i>		
0 to 30 days	<u>197.7</u>	<u>210.4</u>

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

11. TRADE AND OTHER PAYABLES

	At 30 June 2019 <i>HK\$ million</i> (unaudited)	At 31 December 2018 <i>HK\$ million</i> (audited)
Trade payables	1,281.1	1,389.1
Special gaming tax payable	1,355.1	1,451.2
Chips in circulation	5,314.8	4,480.7
Chips in custody and deposits received from gaming patrons and gaming promoters	701.8	597.9
Payable for acquisition of property and equipment	55.2	38.0
Construction payables	2,032.0	2,550.0
Accrued staff costs	1,667.1	1,678.9
Rentals payables	205.4	171.1
Withholding tax payable for gaming promoters and employees	30.4	21.1
Other sundry payables and accruals	<u>652.3</u>	<u>462.5</u>
	13,295.2	12,840.5
Less: Non-current portion	<u>(142.8)</u>	<u>(882.9)</u>
Current portion	<u>13,152.4</u>	<u>11,957.6</u>

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

<i>Age</i>	At 30 June 2019 <i>HK\$ million</i> (unaudited)	At 31 December 2018 <i>HK\$ million</i> (audited)
0 to 30 days	1,268.6	1,373.2
31 to 60 days	3.7	10.4
61 to 90 days	5.8	2.3
Over 90 days	<u>3.0</u>	<u>3.2</u>
	<u>1,281.1</u>	<u>1,389.1</u>

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.

BUSINESS REVIEW

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

Group Operating Results

The Group's profit attributable to owners of the Company, Adjusted EBITDA and Adjusted EBITDA Margin for the six months ended 30 June 2019 (“the Reporting Period”) each increased from the year-earlier period:

Group operating result	For the six months ended 30 June		Increase/ (Decrease)
	2019	2018	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Total net revenue	17,074	17,197	(0.7%)
Net gaming revenue	16,720	16,843	(0.7%)
Profit attributable to owners of the Company	1,679	1,498	12.1%
Adjusted EBITDA ¹	2,078	1,959	6.1%
Adjusted EBITDA Margin ²	12.2%	11.4%	

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

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

During the Reporting Period, the Group's gross gaming revenue amounted to approximately 14.1% of total gaming revenue in Macau, compared with 15.1% in the corresponding period last year, according to figures from the Macau Gaming Inspection and Coordination Bureau (“DICJ”).

Attributable profit in the Reporting Period was affected by deductions of share-based payments of \$3 million, as compared with \$2 million in the corresponding period last year. Depreciation and amortisation charges in the Reporting Period were \$558 million, as compared to \$627 million in the corresponding period last year.

The Group's operating results for the six months ended 30 June 2019, as compared to the six months ended 30 June 2018, are as follows:

Operating Results — VIP Gaming

VIP operations	For the six months ended 30 June		Increase/ (Decrease)
	2019	2018	
Gross gaming revenue (HK\$ million)	7,455	9,958	(25.1%)
Average daily net-win per VIP gaming table (HK\$)	143,010	192,355	(25.7%)
VIP chips sales (HK\$ million)	241,347	350,765	(31.2%)
Average number of VIP gaming tables (Average of month-end numbers)	288	286	0.7%

VIP gaming operations accounted for 36.5% of the Group's total gross gaming revenue in the Reporting Period, as compared to 45.2% for the corresponding period last year. As at 30 June 2019, SJM had 295 VIP gaming tables in operation with 17 VIP promoters, as compared with 287 VIP gaming tables and 19 VIP promoters as at 31 December 2018.

The Group's gross gaming revenue from VIP gaming operations amounted to approximately 10.7% of total VIP gaming revenue in Macau, compared to 12.2% in the corresponding period last year, according to figures from DICJ. During the Reporting Period, the hold rate of VIP gaming operations was 3.09%, as compared with 2.84% in the corresponding period last year.

Operating Results — Mass Market Table Gaming

Gross gaming revenue from mass market table gaming operations comprised 60.7% of the Group's total gross gaming revenue in the Reporting Period, as compared to 52.2% in the corresponding period last year. Operating results for the Reporting Period are as follows:

Mass market operations	For the six months ended 30 June		Increase
	2019	2018	
Gross gaming revenue (HK\$ million)	12,402	11,487	8.0%
Average daily net-win per mass market gaming table (HK\$)	47,158	44,916	5.0%
Average number of mass market gaming tables (Average of month-end numbers)	1,453	1,413	2.8%

In the Reporting Period, the Group's gross gaming revenue from mass market table gaming operations amounted to approximately 18.2% of total mass market table gaming revenue in Macau, compared to 20.2% in the corresponding period last year, according to figures from DICJ.

SJM operated a total of 1,502 mass market gaming tables in its casinos as at 30 June 2019, as compared with 1,425 mass market gaming tables as at 31 December 2018.

Operating Results — Slot Machines and Other Gaming Operations

Gross gaming revenue from slot machine operations, which include other electronic gaming machines, comprised 2.8% of total gross gaming revenue in the Reporting Period, as compared to 2.6% in the corresponding period of last year. Operating results for the Reporting Period are as follows:

Slot machine operations	For the six months ended 30 June		Increase/
	2019	2018	(Decrease)
Gross gaming revenue (HK\$ million)	575	582	(1.2%)
Average daily net-win per slot machine (HK\$)	1,220	1,172	4.1%
Average number of slot machines (Average of month-end numbers)	2,603	2,743	(5.1%)

In the Reporting Period, the Group's gross gaming revenue from slot machine operations amounted to approximately 7.9% of total slot machine revenue in Macau, compared to 7.9% in the corresponding period last year, according to figures from DICJ.

SJM had 2,592 slot machines, operating in 12 of its casinos, as at 30 June 2019 as compared with 2,454 slot machines as at 31 December 2018.

Operating Results — Casino Grand Lisboa

Casino Grand Lisboa	For the six months ended 30 June		Increase/
	2019	2018	(Decrease)
Gross gaming revenue (HK\$ million)	6,859	7,949	(13.7%)
Profit attributable to the Group (HK\$ million)	1,077	999	7.8%
Adjusted Grand Lisboa EBITDA ³ (HK\$ million)	1,186	1,093	8.5%
Adjusted Grand Lisboa EBITDA Margin (over gross gaming revenue)	17.3%	13.7%	

³ Adjusted Grand Lisboa EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, gain/loss on disposal of property and equipment and share-based payments, and before elimination of inter-company consumption.

Operating results of Casino Grand Lisboa are as follows:

Casino Grand Lisboa	For the six months ended 30 June		Increase/ (Decrease)
	2019	2018	
<i>VIP operations</i>			
Gross gaming revenue (HK\$ million)	3,948	5,114	(22.8%)
Average daily net-win per VIP gaming table (HK\$)	183,313	247,845	(26.0%)
VIP chips sales (HK\$ million)	127,330	195,103	(34.7%)
Average number of VIP gaming tables (Average of month-end numbers)	119	114	4.4%
<i>Mass market operations</i>			
Gross gaming revenue (HK\$ million)	2,689	2,606	3.2%
Average daily net-win per mass market gaming table (HK\$)	53,636	52,351	2.5%
Average number of mass market gaming tables (Average of month-end numbers)	277	275	0.7%
<i>Slot machine operations</i>			
Gross gaming revenue (HK\$ million)	222	229	(3.0%)
Average daily net-win per slot machine (HK\$)	1,504	1,549	(2.9%)
Average number of slot machines (Average of month-end numbers)	815	816	(0.1%)

Casino Grand Lisboa received over 6.3 million visitors during the Reporting Period, an average of approximately 35,000 visitors per day compared with approximately 5.6 million visitors during the first half of 2018, or approximately 31,000 visitors per day.

Operating Results — Other Self-promoted Casinos

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

Other Self-promoted Casinos	For the six months ended 30 June		Increase/ (Decrease)
	2019	2018	
Gross gaming revenue (HK\$ million)	3,025	3,034	(0.3%)
Profit attributable to the Group (HK\$ million)	424	278	52.6%
Adjusted EBITDA (HK\$ million)	584	402	45.3%
Adjusted EBITDA Margin (over gross gaming revenue)	19.3%	13.2%	

Operating results of Other Self-promoted Casinos are as follows:

Other Self-promoted Casinos	For the six months ended 30 June		Increase/ (Decrease)
	2019	2018	
<i>VIP operations</i>			
Gross gaming revenue (HK\$ million)	580	765	(24.2%)
Average daily net-win per VIP gaming table (HK\$)	145,654	150,954	(3.5%)
VIP chips sales (HK\$ million)	17,611	29,307	(39.9%)
Average number of VIP gaming tables (Average of month-end numbers)	22	28	(21.4%)
<i>Mass market operations</i>			
Gross gaming revenue (HK\$ million)	2,292	2,120	8.1%
Average daily net-win per mass market gaming table (HK\$)	33,588	33,370	0.7%
Average number of mass market gaming tables (Average of month-end numbers)	377	351	7.4%
<i>Slot machine operations</i>			
Gross gaming revenue (HK\$ million)	153	149	2.5%
Average daily net-win per slot machine (HK\$)	1,253	1,054	18.9%
Average number of slot machines (Average of month-end numbers)	673	781	(13.8%)

As at 30 June 2019, Casino Lisboa operated a total of 121 mass market gaming tables, 22 VIP gaming tables and 56 slot machines, and Casino Oceanus at Jai Alai operated a total of 220 mass market gaming tables and 461 slot machines, plus 56 mass market gaming tables and 76 slot machines in the casino area of the Jai Alai building. Casino Taipa operated 5 mass market gaming tables and 101 slot machines.

Operating Results — Satellite Casinos

As at 30 June 2019, SJM operated 16 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Landmark, Casino Diamond, Casino Eastern, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Kam Pek Paradise, Casino Million Dragon, Casino L'Arc Macau, Casino Legend Palace, Casino Macau Jockey Club, Casino Ponte 16 and Casino Royal Dragon. The 16 satellite casinos comprised a total of 808 mass market gaming tables, 150 VIP gaming tables and 1,085 slot machines as at 30 June 2019.

Fourteen of SJM's satellite casinos are located on the Macau Peninsula and two satellite casinos are located on the island of Taipa. Satellite casinos are operated in accordance with service agreements between SJM and third party promoters.

Satellite Casinos	For the six months ended 30 June		
	2019	2018	(Decrease)
Gross gaming revenue (HK\$ million)	10,548	11,044	(4.5%)
Profit attributable to the Group (HK\$ million)	333	417	(20.1%)
Adjusted EBITDA (HK\$ million)	331	395	(16.1%)
Adjusted EBITDA Margin (over gross gaming revenue)	3.1%	3.6%	

Operating results of satellite casinos are as follows:

Satellite Casinos	For the six months ended 30 June		Increase/ (Decrease)
	2019	2018	
<i>VIP operations</i>			
Gross gaming revenue (HK\$ million)	2,927	4,078	(28.2%)
Average daily net-win per VIP gaming table (HK\$)	109,989	156,476	(29.7%)
VIP chips sales (HK\$ million)	96,406	126,356	(23.7%)
Average number of VIP gaming tables (Average of month-end numbers)	147	144	2.1%
<i>Mass market operations</i>			
Gross gaming revenue (HK\$ million)	7,421	6,762	9.8%
Average daily net-win per mass market gaming table (HK\$)	51,251	47,467	8.0%
Average number of mass market gaming tables (Average of month-end numbers)	800	787	1.7%
<i>Slot machine operations</i>			
Gross gaming revenue (HK\$ million)	200	204	(1.9%)
Average daily net-win per slot machine (HK\$)	993	985	0.8%
Average number of slot machines (Average of month-end numbers)	1,115	1,146	(2.7%)

Non-gaming Operations

During the Reporting Period, the Grand Lisboa Hotel contributed \$256 million in revenue and \$13 million in Adjusted Grand Lisboa EBITDA to the Group as compared with \$256 million in revenue and \$25 million in Adjusted Grand Lisboa EBITDA for the corresponding period last year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 94.8% for the Reporting Period, as compared with 96.3% for the corresponding period last year. Average room rate during the Reporting Period was approximately \$1,487 as compared with \$1,503 for the corresponding period last year.

Operating results for the Sofitel at Ponte 16, in which SJM's interest is 51%, contributed \$102 million in revenue to the Group, compared with a contribution of \$102 million for the corresponding period last year. The occupancy rate of the 408-room hotel averaged 89.3% for the Reporting Period as compared with 92.4% in the corresponding period last year, and the average room rate was \$1,152 as compared with \$1,103 for the corresponding period last year.

PROSPECTS AND RECENT DEVELOPMENTS

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

Market Environment

During the first half of 2019, Macau's total gaming revenue decreased by 0.5% over the corresponding period in 2018. VIP gaming revenue decreased by 14.5% for the period, whilst Macau's mass market gaming revenue increased by 19.8%. According to figures from the Macau Government Statistics and Census Service, visitor arrivals to Macau in the first half of 2019 increased by 20.6% to 20.3 million, of which visitors from Mainland China increased by 22.3% to 14.3 million, or 70.6% of the total.

Grand Lisboa Palace Project

Construction of the Grand Lisboa Palace, SJM's future integrated resort on Cotai, which began in February 2014, made good progress in the first half of 2019, following setbacks which occurred in the second half of 2017 due to Typhoon Hato and a fire. SJM aims to complete construction of the project by the end of 2019.

When open, which is expected in 2020, the Grand Lisboa Palace will comprise a total gross floor area of 521,435 square metres plus 77,158 square metres of parking area. More than 90% of the total area will be devoted to a full range of non-gaming facilities, including hotel towers bearing the insignia "Grand Lisboa Palace", "Palazzo Versace" and "Karl Lagerfeld", totaling approximately 1,900 rooms, plus facilities for events, meetings and conferences, shopping, dining and entertainment, and a casino, at an estimated total project cost of approximately \$39 billion. This estimate of total project cost represents an approximate 8% increase from our earlier estimate, originally made in 2016, and incorporates increased costs related to the project's revised completion date.

SJM signed a \$25 billion syndicated loan facilities agreement in April 2017 primarily to finance the construction costs of the Grand Lisboa Palace. Of these facilities, \$15 billion had been drawn by the end of the first half of 2019.

As at 30 June 2019, SJM had entered into capital commitments in connection with the Grand Lisboa Palace project with a total value of approximately \$9.0 billion.

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

Gaming Concession Extension

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

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

OUTLOOK

The Group's performance in the second half of 2019 will remain susceptible to the overall economic performance of the surrounding region, government regulatory policies, and the level of visitation to Macau, as well as to the competitive situation among the casino operators in Macau. During this period, the Group is committed to maintaining its strength in both the mass market and VIP gaming segments while striving to improve its operating efficiency. The Group is optimistic regarding its performance for the rest of the year.

FINANCIAL REVIEW

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

Liquidity, Financial Resources and Capital Structure

The Group maintained a strong financial position, with bank balances and cash amounting to \$16,466 million (not including \$1,021 million pledged bank deposits) as at 30 June 2019. This represented a decrease of 11.9% as compared with the position as at 31 December 2018 of \$18,691 million. The decrease was mainly attributable to capital expenditure in connection with construction of the Grand Lisboa Palace project.

Total outstanding balances of bank loans drawn by the Group as at 30 June 2019 amounted to \$15,376 million (as at 31 December 2018: \$15,445 million). The maturity of the Group's borrowings as at 30 June 2019 is as follows:

Maturity Profile			
Within 1 year	1–2 years	2–5 years	Total
11%	20%	69%	100%

Gearing Ratio

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less bank balances and cash to total assets (excluding bank balances and cash)) was zero at the end of the Reporting Period (as at 31 December 2018: zero).

Capital Expenditure Commitments

Capital expenditure commitments by the Group amounted to \$9.3 billion as at 30 June 2019 (as at 31 December 2018: \$9.5 billion), of which \$9.0 billion were for the Grand Lisboa Palace project. As at 30 June 2019, the Group was in construction of the Grand Lisboa Palace, with an estimated total project cost of approximately \$39 billion, including capital expenditure commitments to date.

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

Pledge of Assets

As at 30 June 2019, certain of the Group's property and equipment and right-of-use assets (31 December 2018: certain property and equipment and land use rights) with carrying values of \$30,309 million and \$1,910 million, respectively (as at 31 December 2018: \$27,719 million and \$1,797 million, respectively), were pledged to banks for loan facilities. In addition, the Group had pledged bank deposits of \$1,021 million as at 30 June 2019 (as at 31 December 2018: \$147 million).

Contingent Liabilities and Guarantees

As at 30 June 2019, the total amount of guarantees of the Group given to banks of \$87 million (as at 31 December 2018: \$87 million), which were guarantees in respect of credit facilities granted to an associate and an investee company. The Group had no significant contingent liabilities as at 30 June 2019.

Financial Risk

The Group follows a conservative policy in financial management with minimal exposure to the risks of currency and interest rate. The Group does not currently hedge its interest rate exposure, 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 Reporting Period.

Human Resources

As at 30 June 2019, the Group had approximately 20,600 full-time employees. The Group's employee turnover rate was minimal in the first half of 2019.

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

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

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 six months ended 30 June 2019.

CORPORATE GOVERNANCE CODE

The directors of the Company recognise the importance of good corporate governance in the management of the Group. During the period from 1 January 2019 to 30 June 2019, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS FOR INTERIM DIVIDEND

Book close dates for interim dividend	:	10 September 2019 to 12 September 2019
Ex-dividend date	:	6 September 2019
Record date for interim dividend	:	12 September 2019
Latest time to lodge transfer documents with the Company's share registrar to qualify for the interim dividend	:	4:30 p.m. on Monday, 9 September 2019
Name and address of the Company's share registrar	:	Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Expected payment date	:	27 September 2019

REVIEW OF INTERIM REPORT AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim report of the Company for the six months ended 30 June 2019 has been reviewed by the Audit Committee of the Company. The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been reviewed by the Audit Committee of the Company and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
SJM HOLDINGS LIMITED
Ho Chiu Fung, Daisy
Chairman and Executive Director

Hong Kong, 30 July 2019

As at the date of this announcement, the executive directors of the Company are Ms. Ho Chiu Fung, Daisy, Mr. Fok Tsun Ting, Timothy, Deputada Leong On Kei, Angela, Dr. So Shu Fai, Mr. Ng Chi Sing, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David, the non-executive director of the Company is Mr. Tsang On Yip, Patrick and the independent non-executive directors of the Company are Mr. Chau Tak Hay, Hon. Shek Lai Him, Abraham, Mr. Tse Hau Yin and Ms. Wong Yu Pok, Marina.