澳門博彩控股有限公司

SJM HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code : 880

INTERIM REPORT 2008

SJM HOLDINGS LIMITED
INTERIM REPORT 2008

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Corporate Information

Board of Directors

Chairman

Dr. Stanley Ho

Non-Executive Director

Dato' Dr. Cheng Yu Tung

Independent Non-Executive Director

Mr. Chau Tak Hay
Mr. Lan Hong Tsung, David
Mr. Shek Lai Him, Abraham
Mr. Tse Hau Yin

Executive Director and Chief Executive Officer

Dr. So Shu Fai

Executive Director and Chief Operating Officer

Mr. Ng Chi Sing

Executive Director

Mr. Rui José da Cunha
Ms. Leong On Kei, Angela
Mr. Shum Hong Kuen, David

Audit Committee

Mr. Tse Hau Yin - *Chairman*
Mr. Chau Tak Hay
Mr. Shek Lai Him, Abraham

Nomination Committee

Dr. So Shu Fai - *Chairman*
Mr. Chau Tak Hay
Mr. Lan Hong Tsung, David
Ms. Leong On Kei, Angela
Mr. Shek Lai Him, Abraham
Mr. Shum Hong Kuen, David
Mr. Tse Hau Yin

Remuneration Committee

Dr. So Shu Fai - *Chairman*
Mr. Lan Hong Tsung, David
Ms. Leong On Kei, Angela
Mr. Shek Lai Him, Abraham
Mr. Tse Hau Yin

Qualified Accountant and Company Secretary

Mr. Mok Wing Kai, Henry
FCPA, FCCA, ACA, ACIS, ACS, MBA, MSc

Registered Office

Unit 14–Unit 16, 15th floor
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168–200 Connaught Road Central, Hong Kong
Web site: www.sjmholdings.com

Auditors

Deloitte Touche Tohmatsu
H.C. Watt & Company Limited

Compliance Advisor

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11/F Hip Shing Hong Centre
55 Des Voeux Road Central
Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

"Our strong performance, product mix, pipeline of developments and continuous efficiency improvements not only underpin the business today, but also lay strong foundations for continued profitable growth in the future."

In this first report to shareholders since the listing of our shares on the Hong Kong Stock Exchange, I am very pleased to report that for the six months ended 30 June 2008, the Company has exceeded our earnings forecast. Our Group's audited profit attributable to equity holders of the Company for the six months ended 30 June 2008 amounted to HK$571.0 million, an increase of 8.1% as compared with the profit of HK$528.4 million for the corresponding period last year.

Basic earnings per share were 15.2 HK cents, compared with 14.1 HK cents for the corresponding period last year. Audited profit attributable to equity holders of the Company exceeded the Company's forecast for the Reporting Period, as disclosed in the prospectus of the Company dated 26 June 2008, of not less than HK$559 million, by HK$12.0 million, or an increase of 2.1%.

The Board of Directors does not recommend the declaration of an interim dividend for the six months ended 30 June 2008.

Subsequent to the Reporting Period, our Group achieved one of the most significant milestones in its history. On 16 July 2008, after a long and sometimes complex process, the Company completed its initial public offering. As a listed company, we now have greater flexibility in the financial markets and in staff compensation and we welcome the added degree of transparency which the listing brings as we confidently face a competitive future.

As the only gaming operator with its roots in Macau, we are all too aware of the competitive, demographic and cost challenges faced by the industry. There are also, however, many significant opportunities ahead. Our strong performance, product mix, pipeline of developments and continuous efficiency improvements not only underpin the business today, but also lay strong foundations for continued profitable growth in the future.

I would like to take this opportunity to thank our directors for their dedication, our business partners for their support and our management and staff for their hard work during this period. I would also like to welcome our new shareholders and express my appreciation for their confidence in SJM Holdings Limited.

Stanley Ho
Chairman

Hong Kong, 19 September 2008

Business Review

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

Group Operating Results

The Group's revenue and profit attributable to equity holders of the Company for the six months ended 30 June 2008 were $15,452.3 million and $571.0 million, respectively, as compared to revenue of $16,181.6 million and attributable profit of $528.4 million for the six months ended 30 June 2007, the corresponding period last year.

For the six months ended 30 June 2008, the Group's adjusted EBITDA (earnings after adjustment for minority interest and before interest expense, tax, depreciation and amortization, other income, loss on disposal of assets, and development expenses) was $981.3 million, up from $770.0 million for the corresponding period last year, an increase of 27.4%. The Group's adjusted EBITDA margin for the Reporting Period was 6.4%, an increase of 33.3%. Adjusted property EBITDAR (adjusted EBITDA plus rental expense and corporate expenses) for the Group was $1,264.4 million, representing an increase of 23.3% from the amount of $1,025.4 million for the corresponding period last year.

Group results for the six months ended 30 June 2008 reflected depreciation and amortization charges of $377.5 million, which increased by 44.5%, due mainly to depreciation on the casino portions of Ponte 16 and Grand Lisboa, and finance charges of $64.4 million, due to interest expense on loans arranged in 2007 and drawn down beginning in mid-2007.

Grand Lisboa Operating Results

Revenue and profit attributable to the Company's flagship Grand Lisboa, for the six months ended 30 June 2008, were $4,576.9 million and $647.9 million, respectively as compared to revenue of $952.8 million and attributable profit of $42.0 million for the corresponding period last year.

For the six months ended 30 June 2008, adjusted EBITDA of the Grand Lisboa was $810.0 million, up from $134.9 million for the corresponding period last year, an increase of 500.4%, and adjusted EBITDA margin of the Grand Lisboa for the Reporting Period was 17.7%, an increase of 24.6%. For the six months ended 30 June 2008, adjusted property EBITDAR of the Grand Lisboa was $834.5 million, an increase of 502.5% from $138.5 million for the corresponding period last year.

VIP Gaming Operations

VIP gaming operations accounted for 60.0% of the Group's total gaming revenue in the Reporting Period, as compared to 65.2% for the corresponding period last year. In order to improve the efficiency of its VIP operations, the Company consolidated VIP rooms from various casinos into a new VIP area located in Casino Lisboa. As at 30 June 2008, Sociedade de Jogos de Macau, S.A. ("SJM") had 44 VIP rooms with 231 VIP gaming tables, as compared with 75 VIP rooms with 305 VIP gaming tables as at 31 December 2007.

VIP room consolidation therefore resulted in the average number of VIP gaming tables during the Reporting Period decreasing to 258 from 310 in the corresponding period of last year. The average net-win per day per VIP table increased to $198,000 in the Reporting Period from $188,000 in the corresponding period of last year. Average net-win per VIP table for the Grand Lisboa was $322,000 per day in the first half of 2008.

Gaming revenue from VIP gaming operations was $9,278.1 million in the Reporting Period which represented a decrease of 12.1% from $10,552.2 million in the corresponding period of last year, reflecting a 13% decrease in VIP chips sales to $309,173.7 million in the Reporting Period from $355,309.9 million in the corresponding period of last year as a result of increased competition. Gaming revenue from VIP gaming operations was affected positively by (i) gaming revenue from VIP gaming operations at the Grand Lisboa which commenced in August 2007 of $3,141.9 million and added chip sales of $102,758.3 million during the six months ended 30 June 2008, and (ii) an increase in hold rate to 3.00% from 2.97% in the corresponding period last year.

Mass Market Table Gaming Operations

Gaming revenue from mass market table gaming operations comprised 36.8% of the total gaming revenue in the Reporting Period, compared to 32.2% in the corresponding period of last year. SJM had 1,229 mass market tables as at 30 June 2008, including 105 mass market tables at Ponte 16 which was opened in February 2008, as compared with 1,107 mass market gaming tables as at 31 December 2007.

Revenue from mass market table gaming operations increased to $5,684.0 million, representing growth of 9.0%, from $5,213.9 million recorded in the corresponding period of last year. The increase was due primarily to the opening of casino operations at the Grand Lisboa in February 2007 and at Ponte 16 in February 2008. As at the period end, the Group operated mass market table gaming in 17 of its casinos, comprising a total of 1,229 gaming tables (as at 31 December 2007: 1,107 gaming tables).

The Company's average number of mass market gaming tables increased to 1,195 in the first half of 2008 from 1,070 in the corresponding period of last year, while the average net-win per day per mass market gaming table decreased to $26,100 from $26,900 for the corresponding period of last year. For the Grand Lisboa, average net-win per mass market table was $29,700 per day in the first half of 2008.

Slot Machine Operations

Gaming revenue from slot machine operations and other gaming operations (Tombola) comprised 3.2% of total gaming revenue in the Reporting Period, compared to 2.6% in the corresponding period of last year. SJM had 3,906 slot machines as at 30 June 2008 as compared with 3,702 slot machines as at 31 December 2007.

Gaming revenue from slot machine operations and other gaming operations increased by $74.7 million, or 18.0%, to $490.2 million in the Reporting Period from $415.5 million for the corresponding period of last year. The increase was mainly due to the opening of Ponte 16 in February 2008, with approximately 300 slot machines in operation during the Reporting Period.

The average number of slot machines in the Reporting Period increased to 3,858, from 3,387 in the corresponding period of last year. The average net-win per slot machine increased to $697 per day in the Reporting Period, from $676 per day in the corresponding period of last year. The average net-win per slot machine for the Grand Lisboa was $987 per day in the first half of 2008.

Non-gaming Revenue

Food and beverage income and other income totalled $120.6 million in the Reporting Period, an increase of 66.6% from $72.4 million in the corresponding period last year.

Prospects and Recent Developments

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

Market Environment

In the first half of 2008, the Macau market encountered serious challenges ranging from a severe winter with storms and floods in Mainland China; a major earthquake in Sichuan and tightened restrictions on travel to Macau from Mainland China; to uncertainties in global financial markets and local inflation. The total number of visitors to Macau however increased by 18.1%, and on an annualized basis surpassed the total number of visitors to Hong Kong. Per-capita spending by visitors also increased during the period by approximately 7%, while the average length of stay in Macau by visitors remained relatively flat. However, subsequent to the Reporting Period, this trend has reversed, primarily as a result of further tightening of the visa restrictions for Mainland visitors and, possibly, also from the changing economic conditions prevalent following the credit crisis which began in the United States and now increasingly being felt in Asia. It is too early to gauge the effect of these developments on the Group's revenues.

Competition in the Macau gaming industry increased in intensity, particularly in the VIP gaming segment. Subsequent to the Reporting Period, the Macau government adopted a cap on junket commissions, to be effective from October 2008. The Macau government also announced that measures would be adopted to restrict growth in gaming facilities. The Company does not expect that the proposed restrictions will have a negative effect on its business or development plans.

As outlined in the prospectus of the Company dated 26 June 2008 ("the Prospectus"), the Group is seeking to grow its business through the development of strategically located gaming clusters in Macau to target different segments of the gaming market, to seek to improve operating margins through cost reduction initiatives and improving efficiency and to actively manage its portfolio by expanding and upgrading its existing casinos to improve their overall yield. To this end, the Group is progressing on a number of projects, which are described below.

Grand Lisboa

Despite the increasingly competitive environment in Macau in the Reporting Period, performance of the flagship Grand Lisboa exceeded the Company's expectations. Per day of operation, the Grand Lisboa's mass market table revenue grew by 7.0% and slot machine revenue by 61.3%, on a year-on-year basis. Total growth in revenue per day, which was also positively influenced by the opening of VIP gaming rooms in the second half of 2007, was 251.5%. In February 2008, the Grand Lisboa was the first casino in Macau to introduce the game Texas Hold 'Em Poker, and in March 2008 the Grand Lisboa opened its VIP slot machine area on the second floor.

The outfitting of the Grand Lisboa was substantially completed during the Reporting Period, and the Company is currently in discussions with the Macau government regarding launch of the full facilities.

During the Reporting Period, the Grand Lisboa had an average of approximately 28,000 visitors per day, and the Grand Lisboa bus program brought over 700,000 visitors to the Grand Lisboa from the Macau Maritime Terminal and the Border Gate.

Ponte 16

Casino Ponte 16 held its grand opening ceremony on 1 February 2008 and commenced operations with 105 tables and 297 slot machines. During its first five months of operations, Casino Ponte 16 was visited by over one million patrons. Licenses for the Sofitel Macau at Ponte 16 and for restaurant/bar operations were obtained subsequent to the Reporting Period, and the Sofitel Macau at Ponte 16 plus five food and beverage outlets commenced operations in July and August 2008.

Oceanus

Subsequent to the Reporting Period, the New Yaohan department store vacated its premises in the Outer Harbour area and the Company has begun the next phase of its plan to convert the building to Oceanus. This development, which is planned to capture day-trip visitors to Macau, will be connected directly to the Macau Maritime Terminal by an environmentally-controlled walkway, and is planned to comprise 300 mass market gaming tables and 600 slot machines. The development is scheduled to commence operations in the second half of 2009.

Redevelopment of Hotel and Casino Lisboa

As stated in the Prospectus, SJM exercised an option in April 2008 for the purchase of the remaining 15/16 of the Hotel Lisboa. Invitations were issued to prominent international architectural firms to submit concept design proposals for the redevelopment of Hotel Lisboa and Casino Lisboa, and subsequent to the Reporting Period, the submitted designs were open to public viewing and review by a panel of experts. The final design is scheduled to be selected later this year.

Other Projects

As the Company noted in its Prospectus, the Company is engaged in a number of additional new projects and facilities upgrades. Projects in which significant progress was made in the first half of 2008 include L'Hermitage, the Company's exclusive VIP casino located in the Lisboa District and L'Arc, a third-party promoted casino, both scheduled to open in the first half of 2009. In addition, and subsequent to the Reporting Period, the Company renamed Casino Kam Pek to Casino Kam Pek Paradise, which is now operated on a revenue-sharing basis, and the Company has also temporarily closed Casino Oriental for renovation.

(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 $4,676.6 million (not including $414.7 million pledged bank deposits) as at 30 June 2008. This represented a decrease of 28.2% as compared with the position as at 31 December 2007 of $6,510.9 million. The decrease was mainly attributable to financing for capital expenditure for the Grand Lisboa and Ponte 16 and payment of dividend for 2007.

Total loan facilities available to the Group as at 30 June 2008 amounted to $6,600 million, of which $1,239 million remained undrawn. The maturity profile of the Group's borrowings as at 30 June 2008 is set out below:

Maturity Profile				
Within 1 year	**1–2 years**	**2–5 years**	**Over 5 years**	**Total**
11.2%	19.4%	69.4%	0.0%	100.0%

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less bank and cash balances to total assets (excluding bank and cash balances)) was 2.1% at the end of the Reporting Period (as at 31 December 2007: Nil).

Capital expenditure commitments by the Group amounted to $1,415.5 million at the end of the Reporting Period (as at 31 December 2007: $2,195.8 million), which were primarily for construction works on the Grand Lisboa Hotel and Ponte 16. The planned capital expenditures for Oceanus, the redevelopment of Hotel and Casino Lisboa and other projects such as L'Hermitage and L'Arc will be funded by a combination of internal resources and debt and equity finance, including the proceeds from the global offering which was completed in July 2008. The exact investment plans on these projects are subject to change based upon execution of business plan, the progress of the projects, market conditions and the management's view on future business conditions.

Pledge of Assets

At at 30 June 2008, certain Group's property, plant and equipment and land use rights with carrying values of $6,332.2 million and $856.2 million, respectively (as at 31 December 2007: $6,082.5 million and $764.0 million, respectively), were pledged with banks for loan facilities.

In addition, the Group had pledged bank deposits of $414.7 million as at 30 June 2008 (as at December 2007: $145.9 million).

Contingent Liabilities

At 30 June 2008, the Group had total contingent liabilities of $311.3 million (as at 31 December 2007: $423.5 million), which were primarily guarantees given to banks in respect of credit facilities granted to an investee company and a related company.

Financial Risk

The Group follows a conservative policy in financial management with minimal exposure to currency and interest rate risks. Funds raised by the Group are on a floating rate basis. The Group does not currently hedge its interest rate exposure, although it may consider doing so in the future. None of the Group's outstanding borrowings was denominated in a foreign currency at the end of the Reporting Period. 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 not to engage in speculative trading activity.

Human Resources

As at 30 June 2008, the Group had 18,301 full-time employees, which represented an increase of 834 employees since 31 December 2007. The increase in full-time employees is mainly due to the opening of Casino Ponte 16 in February 2008. The Group's employee turnover rate was minimal in the first six months of 2008.

Staff remuneration of the Group is determined by reference to personal working performance, professional qualification, industry experience and relevant market trends, and includes salary, allowances, medical insurance and provident fund. Bonuses to eligible staff are based on factors including individual performance and the Group's overall performance. The management of the Group regularly reviews the remuneration policy and evaluates staff performance. Staff are also encouraged to attend training classes that are related to the Group's business.

Disclosure of Interests

Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures

Dealing in the shares of the Company on Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") commenced on 16 July 2008 (the "Listing Date"). As at the Listing Date, interests and short positions of each director and chief executive 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 Securities and Futures Ordinance ("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 for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are as follows:

Long Positions in the Shares and Underlying Shares of the Company

Name of Director	Number of Ordinary shares	Capacity	Percentage of issued share capital of the Company*
Dr. Ho Hung Sun, Stanley	3,049,987,500 (Long position)	Interest of controlled corporations[1]	61%
	381,262,500 (Long position)	Beneficial owner	7.625%
Dr. So Shu Fai	127,500,000 (Long position)	Beneficial owner	2.55%
Mr. Ng Chi Sing	95,625,000 (Long position)	Beneficial owner	1.913%
Mr. Rui José da Cunha	15,937,500 (Long position)	Beneficial owner	0.319%
Ms. Leong On Kei, Angela	15,937,500 (Long position)	Beneficial owner	0.319%

* The percentage has been calculated based on 5,000,000,000 ordinary shares in issue as at the Listing Date.

[1] Dr. Ho is taken to be interested in the 3,049,987,500 ordinary shares held by STDM - Investments Limited ("STDM - Investments") which is owned as to 99.99% by Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), with the remaining 0.01% interest held by Dr. Ho. As at the Listing Date, approximately 32.204% of the equity share capital of STDM is owned by Dr. Ho directly and indirectly (through Lanceford Co. Ltd., a company wholly-owned by Dr. Ho).

Directors' Right to Acquire Shares

Save as disclosed above, so far as was known to any director, as of the Listing Date, none of the directors or 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 interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and Short Positions of Substantial Shareholders in Shares, Underlying Shares and Debentures

As at the Listing Date, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions, representing 5% or more of the Company's issued share capital:

Name of Substantial Shareholder	Number of Ordinary shares	Capacity	Percentage of issued share capital of the Company*
Dr. Ho Hung Sun, Stanley	3,049,987,500 (Long position)	Interest of controlled corporations[1]	61%
	381,262,500 (Long position)	Beneficial owner	7.625%
STDM	3,049,987,500 (Long position)	Interest of a controlled corporation[1]	61%
STDM - Investments	3,049,987,500 (Long position)	Beneficial owner	61%
Deutsche Bank Aktiengesellschaft	306,373,000 (Long position)	Beneficial owner	6.13%
	102,871,000 (Short position)	Beneficial owner	2.06%

* The percentage has been calculated based on 5,000,000,000 ordinary shares in issue as at the Listing Date.

1 See footnote (1) under "Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures"

Save as disclosed above, as at the Listing Date, the Company had not been notified by any persons (other than a director or chief executive of the Company or their respective associate(s)) of any interest or short position in shares and underlying shares of the Company which were required to be recorded in the register kept under Section 336 of the SFO.

Other Information

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six month period ended 30 June 2008.

Corporate Governance

Code on Corporate Governance Practices

The directors recognise the importance of good corporate governance in the management of the Group. As a private company during the Reporting Period, the Company was not required to comply with the Code on Corporate Governance Practices (the "Code") during the Reporting Period. The Company has met all code provisions of the Code since the Listing Date.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code since the Listing Date.

Review by Audit Committee

The audited interim financial statements have been reviewed by the Audit Committee of the Company, which comprises three independent non-executive directors: Mr. Chau Tak Hay, Mr. Shek Lai Him, Abraham and Mr. Tse Hau Yin. Mr. Tse is the Chairman of the Audit Committee.

By order of the board of directors
SJM Holdings Limited
Stanley Ho
Chairman

Hong Kong, 19 September 2008

Independent Joint Auditors' Report and Consolidated Financial Statements

Deloitte.
德勤

H. C. Watt & Co. Ltd.
Certified Public Accountants
Chartered Secretaries

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H.C. Watt & Company Limited
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18 Queen's Road Central
Hong Kong

TO THE DIRECTORS OF SJM HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of SJM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 15 to 74, which comprise the consolidated and the Company balance sheets as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from 1 January 2008 to 30 June 2008, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the profit and cash flows of the Group for the period from 1 January 2008 to 30 June 2008 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

H.C. Watt & Company Limited
Certified Public Accountants
Hong Kong
Henry C.H. Chui
Practising Certificate No. P599

19 September 2008

Consolidated Income Statement

For the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 HK$ (in millions)	2007 HK$ (in millions) (unaudited)
Gaming revenue	8	**15,452.3**	16,181.6
Special gaming tax, special levy and gaming premium		**(6,014.8)**	(6,287.7)
		9,437.5	9,893.9
Food and beverage income		**65.9**	29.3
Cost of food and beverage		**(29.4)**	(17.7)
Other income		**54.7**	43.1
Marketing and promotional expenses		**(5,643.3)**	(6,627.0)
Operating and administrative expenses		**(3,285.4)**	(2,805.0)
Finance costs	9	**(64.4)**	—
Share of results of an associate		**(0.8)**	1.6
Share of profits of a jointly controlled entity		**3.3**	3.6
Profit before taxation	10	**538.1**	521.8
Taxation	12	**(27.8)**	—
Profit for the period		**510.3**	521.8
Attributable to			
- equity holders of the Company		**571.0**	528.4
- minority interests		**(60.7)**	(6.6)
		510.3	521.8
Dividends	13	**3,500.0**	—
Earnings per share - Basic	14	**15.2 cents**	14.1 cents

Consolidated Balance Sheet

At 30 June 2008

	Notes	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Non-current assets			
Property, plant and equipment	15	**9,183.0**	8,411.8
Land use rights	17	**906.6**	815.0
Intangible assets	18	**61.5**	64.7
Art work and diamonds	19	**281.0**	278.9
Interest in an associate	20	**62.0**	60.6
Interest in a jointly controlled entity	21	**59.0**	55.7
Available-for-sale investments in equity securities	22	**—**	—
Deposits made on acquisitions	23	**188.3**	221.6
Amount due from a fellow subsidiary	24	**231.5**	164.5
Pledged bank deposits	25	**414.4**	145.6
		11,387.3	10,218.4
Current assets			
Inventories		**35.1**	21.0
Trade and other receivables	26	**1,011.7**	792.6
Amount due from ultimate holding company	27	**302.0**	—
Amounts due from fellow subsidiaries	24	**—**	197.9
Amount due from an associate	28	**20.0**	20.0
Amount due from a jointly controlled entity	29	**14.3**	14.3
Amount due from an investee company	30	**173.2**	180.2
Investment in trading securities	31	**48.6**	57.2
Pledged bank deposits	25	**0.3**	0.3
Bank balances and cash		**4,676.6**	6,537.5
		6,281.8	7,821.0
Current liabilities			
Trade and other payables	32	**5,345.5**	5,661.8
Amount due to ultimate holding company		**—**	114.9
Amounts due to fellow subsidiaries		**—**	201.7
Financial guarantee obligations	34	**14.5**	14.5
Obligations under finance leases	35	**9.5**	7.0
Dividend payable	36	**2,500.0**	—
Taxation		**21.6**	21.6
Bank loans	37	**600.0**	100.0
Bank overdrafts		**—**	26.6
		8,491.1	6,148.1
Net current (liabilities) assets		**(2,209.3)**	1,672.9
Total assets less current liabilities		**9,178.0**	11,891.3

	Notes	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Non-current liabilities			
Financial guarantee obligations	34	**20.5**	27.8
Obligation under finance leases	35	**231.5**	164.5
Bank loans	37	**4,761.0**	4,808.0
Amount due to a minority shareholder of a subsidiary	38	**506.3**	330.9
Deferred taxation	39	**27.8**	—
		5,547.1	5,331.2
Net assets		**3,630.9**	6,560.1
Capital and reserves			
Share capital	40	**270.0**	291.3
Reserves		**3,166.0**	6,073.7
Equity attributable to equity holders of the Company		**3,436.0**	6,365.0
Minority interests		**194.9**	195.1
Total equity		**3,630.9**	6,560.1

Balance Sheet

At 30 June 2008

	Notes	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Non-current assets			
Property, plant and equipment	15	**0.4**	—
Investments in subsidiaries	16	**3,001.4**	—
		3,001.8	—
Current assets			
Deposits and prepayments		**0.3**	—
Current liabilities			
Accrued charges		**0.7**	—
Amount due to a subsidiary	33	**1.7**	—
		2.4	—
Net current liabilities		**(2.1)**	—
Net assets		**2,999.7**	—
Capital and reserves			
Share capital	40	**270.0**	—
Reserves	41	**2,729.7**	—
Total equity		**2,999.7**	—

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Share capital HK$ (in millions)	Share premium HK$ (in millions)	Legal reserve HK$ (in millions)	Retained profits* HK$ (in millions)	Attributable to equity holders of the Company HK$ (in millions)	Minority interests HK$ (in millions)	Total HK$ (in millions)
The Group							
At 1 January 2007	194.2	—	49.5	4,587.8	4,831.5	4.7	4,836.2
Capital contribution arising from fair value adjustment on amount due to a minority shareholder of a subsidiary	—	—	—	—	—	230.6	230.6
Capitalisation issue of a subsidiary	97.1	—	—	(97.1)	—	—	—
Capital contribution by minority shareholder of a subsidiary	—	—	—	—	—	0.1	0.1
	97.1	—	—	(97.1)	—	230.7	230.7
Profit (loss) for the year	—	—	—	1,533.5	1,533.5	(40.3)	1,493.2
Transfers	—	—	24.3	(24.3)	—	—	—
At 31 December 2007	291.3	—	73.8	5,999.9	6,365.0	195.1	6,560.1
Arising on group reorganisation	**(21.3)**	**2,731.4**	**(73.8)**	**(2,636.3)**	**–**	**–**	**–**
Capital contribution arising from fair value adjustment on amount due to a minority shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**60.5**	**60.5**
Dividends	**–**	**–**	**–**	**(3,500.0)**	**(3,500.0)**	**–**	**(3,500.0)**
	(21.3)	**2,731.4**	**(73.8)**	**(6,136.3)**	**(3,500.0)**	**60.5**	**(3,439.5)**
Profit (loss) for the period	**–**	**–**	**–**	**571.0**	**571.0**	**(60.7)**	**510.3**
At 30 June 2008	**270.0**	**2,731.4**	**–**	**434.6**	**3,436.0**	**194.9**	**3,630.9**
At 1 January 2007 (unaudited)	194.2	—	49.5	4,587.8	4,831.5	4.7	4,836.2
Capital contribution arising from fair value adjustment on amount due to a minority shareholder of a subsidiary	—	—	—	—	—	125.8	125.8
Profit (loss) for the period	—	—	—	528.4	528.4	(6.6)	521.8
At 30 June 2007 (unaudited)	194.2	—	49.5	5,116.2	5,359.9	123.9	5,483.8

* An amount of HK$2,636.3 million, which represents the retained profits of the subsidiaries acquired at the date of a group reorganisation, is charged to the retained profits of the Group pursuant to the group reorganisation.

In accordance with the provisions of the Macau Commercial Code issued by the government of the Macau Special Administrative Region, People's Republic of China, certain subsidiaries of the Company are required to transfer from their annual net profit at a minimum rate of 10% or 25% to a legal reserve before the appropriation of profits to dividend until the legal reserve reaches 25% or 50% of the respective subsidiary's registered capital. The legal reserve is not distributable to shareholders.

Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	HK$	HK$
	(in millions)	(in millions)
		(unaudited)
Operating activities		
Profit before taxation	**538.1**	521.8
Adjustments for:		
Interest income	**(31.6)**	(27.9)
Interest expenses	**52.0**	—
Imputed interest on loan from a minority shareholder of a subsidiary	**12.4**	—
Income from amortisation of financial guarantee obligations	**(7.3)**	(8.3)
Share of results of an associate	**0.8**	(1.6)
Share of profits of a jointly controlled entity	**(3.3)**	(3.6)
Amortisation of intangible assets	**3.2**	1.7
Depreciation of property, plant and equipment	**367.6**	255.0
Loss on disposal of property, plant and equipment	**0.5**	—
Gain on partial disposal of interest in a jointly controlled entity	**—**	(2.8)
Loss on fair value changes on investment in trading securities	**8.6**	2.2
Operating lease rentals in respect of land use rights	**6.7**	4.6
Operating cash flows before movements in working capital	**947.7**	741.1
Increase in inventories	**(14.1)**	(9.1)
Increase in trade and other receivables	**(212.9)**	(183.9)
(Decrease) increase in trade and other payables	**(192.9)**	45.7
Cash from operations	**527.8**	593.8
Taxation paid	**—**	(198.8)
Net cash from operating activities	**527.8**	395.0

	Six months ended 30 June	
	2008	2007
	HK$	HK$
	(in millions)	(in millions)
		(unaudited)
Investing activities		
Interest received	**27.8**	32.2
Dividend received from an associate	**—**	17.6
Purchase of property, plant and equipment	**(1,220.4)**	(1,847.1)
Proceeds from disposal of property, plant and equipment	**2.6**	0.1
Deposits paid for acquisition of property, plant and equipment	**(43.5)**	(140.9)
Purchase of land use rights	**(1.6)**	(2.3)
Purchase of intangible assets	**—**	(43.6)
Purchase of art work and diamonds	**(2.1)**	(262.1)
Proceeds from partial disposal of interest in a jointly controlled entity	**—**	5.0
Net (advance to) repayment from ultimate holding company	**(302.0)**	167.9
Repayment from fellow subsidiaries	**202.6**	—
Advance to an associate	**—**	(17.8)
Repayment from a joint venturer	**—**	0.7
Repayment from an investee company	**7.0**	33.7
Increase in pledged bank deposits	**(268.8)**	(3.5)
Decrease in bank deposits	**—**	100.0
Net cash used in investing activities	**(1,598.4)**	(1,960.1)
Financing activities		
Interest paid	**(119.0)**	—
Dividends paid	**(1,000.0)**	—
Repayment to ultimate holding company	**(114.9)**	—
Repayment to fellow subsidiaries	**(201.7)**	—
Repayment of obligations under finance leases	**(4.6)**	—
Bank loans raised	**453.0**	2,275.0
Borrowing from a minority shareholder of a subsidiary	**223.5**	329.0
Net cash (used in) from financing activities	**(763.7)**	2,604.0
Net (decrease) increase in cash and cash equivalents	**(1,834.3)**	1,038.9
Cash and cash equivalents at 1 January	**6,510.9**	4,222.5
Cash and cash equivalents at 30 June	**4,676.6**	5,261.4
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**4,676.6**	5,261.4

1. General and Basis of Preparation of Financial Statements

The Company is a public limited company incorporated in Hong Kong and acts as an investment holding company. Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), a company established in Macau Special Administrative Region, People's Republic of China ("MSAR"). The address of the registered office and principal place of business of the Company is Unit 14 – Unit 16, 15th Floor, China Merchants Tower, Shun Tak Centre, 168 – 200 Connaught Road Central, Hong Kong.

Through a group reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares (the "Group Reorganisation"), the Company became the holding company of the Group on 17 January 2008. Details of the Group Reorganisation are more fully explained in the paragraph headed "Reorganisation" in the section headed "History and Reorganisation" of the prospectus of the Company dated 26 June 2008 (the "Prospectus"). The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting. The consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2007 and 30 June 2008 have been prepared on the basis as if the current group structure had been in existence throughout the periods. The consolidated balance sheet of the Group as at 31 December 2007 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2008.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new HKFRS, amendment of Hong Kong Accounting Standard ("HKAS") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") which are effective for the Group's financial year beginning on or after 1 January 2007. For the purpose of preparing and presenting the consolidated financial statements, the Group has early adopted all these new and amended HKFRSs.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

The Group has not early applied the following new and revised Standards, Amendments or INTs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendment)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) - INT 13	Customer loyalty programmes[3]
HK(IFRIC) - INT 15	Agreements for the construction of real estate[1]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation[4]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 July 2008.
[4] Effective for annual periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised Standards and INTs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost basis except for an amount due to a minority shareholder of a subsidiary which is adjusted to its fair value at initial recognition and for certain financial instruments which are measured at fair values. The consolidated financial statements have also been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

3. Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Common Control Combinations

The consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statements includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date or when they first come under common control, which is the shorter.

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at deemed cost 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 the Group Reorganisation.

Interests in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

3. Significant Accounting Policies (Continued)

Interests in Associates (Continued)

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in Joint Ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entities recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue Recognition

Gaming revenue represents the aggregate of gaming wins and losses and is recognised in the income statement when the stakes are received by the Group and the amounts are paid out to gaming patrons.

Revenue from food and beverage sales are recognised when the services are provided.

3. Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income is recognised when the Group's right to receive payment has been established.

Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period in which the item is derecognised.

When the buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a land use right and amortised over a straight line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of construction in progress. Construction in progress is carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

For the land and building in MSAR, where the cost of land use right cannot be reliably separated from the cost of land and building, the cost of land and building is depreciated and amortised on a straight line basis over their estimated useful lives of 18 years.

The cost of leasehold improvements is depreciated on a straight line basis over the period of the respective leases or 3 years, whichever is shorter.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	2.5%–7.6%
Chips	25%
Furniture, fixtures and equipment	7.6%–50%
Gaming equipment	25%
Motor vehicles	20%
Vessel	10%

3. Significant Accounting Policies (Continued)

Land Use Rights

Land use rights represent prepaid lease rentals and are initially stated at cost. The cost of land use rights is charged to the income statement on a straight line basis over the lease term and for those which are directly attributable to construction in progress are capitalised to the cost of such projects, until such time as the construction works are completed.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Intangible Assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the financial statements when the asset is derecognised.

Art Work and Diamonds

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

Depreciation is provided to write off the cost of art work and diamonds over their estimated useful lives and after taking into account of their estimated residue values, using the straight line method.

Art work 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 income statement in the period in which the item is derecognised.

Inventories

Inventories, which represent food and beverage held for sale, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3. Significant Accounting Policies (Continued)

Financial Instruments

Financial assets and financial liabilities are recognised in the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective Interest Method

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

Income is recognised on an effective interest basis for debt instruments, other than those financial assets designated as at fair value through profit and loss, of which interest income is excluded in net gains or losses.

Loans and Receivables

Loans and receivables (including bank deposits and balances, trade and other receivables, amounts due from ultimate holding company/fellow subsidiaries/an associate/a jointly controlled entity/an investee company) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any identified impairment losses.

Financial Assets at Fair Value through Profit or Loss

A financial asset acquired principally for the purpose of selling in the near future is classified as held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Effective Interest Method (Continued)

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Impairment of Financial Assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial Liabilities

Financial liabilities including trade and other payables, amounts due to ultimate holding company/fellow subsidiaries/a minority shareholder of a subsidiary, bank loans and dividend payable are subsequently measured at amortised cost using the effective interest method.

Equity Instruments

Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

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 original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

3. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Impairment Loss on Tangible and Intangible Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement 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 balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. 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.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars which is also the functional currency of the Company using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. Significant Accounting Policies (Continued)

Leases (Continued)

The Group as lessee

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

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

Rental payable under operating leases are charged to profit and loss on a straight line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Retirement Benefit Costs

Payments to the defined contribution retirement schemes are charged as an expense when employees have rendered services entitling them to the contributions.

4. Key Sources of Estimation

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

Estimated Impairment of Interest in a Jointly Controlled Entity

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to be generated by the jointly controlled entity. The amount of the impairment loss is measured as the difference between the carrying amount of the interest in jointly controlled entity and the share of the present value of estimated future cash flows expected to be generated by the jointly controlled entity. As at 30 June 2008 and 31 December 2007, the interest in a jointly controlled entity is HK$59.0 million and HK$55.7 million, respectively, while included in the cost of investment is goodwill of HK$34.3 million at both 30 June 2008 and 31 December 2007. Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. Capital Risk Management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank loans, and equity attributable to equity holders of the Company, comprising share capital and retained profits 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, new share issues as well as raising bank borrowings.

6. Financial Instruments

(a) Financial Risk Management Objectives

The Group

The financial instruments are fundamental to the Group's daily operations. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(b) Categories of Financial Instruments

	The Group	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Financial assets		
Loans and receivables (including cash and cash equivalents)	**6,706.3**	7,973.2
Financial assets at fair value through profit or loss	**48.6**	57.2
Available-for-sale financial assets	**—**	—
	6,754.9	8,030.4
Financial liabilities		
Amortised cost	**12,790.5**	10,331.1
Obligations under finance leases	**241.0**	171.5
Financial guarantee obligations	**35.0**	42.3
	13,066.5	10,544.9

6. Financial Instruments (Continued)

(b) Categories of Financial Instruments (Continued)

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

The Group

As at the balance sheet date, 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 consolidated balance sheets; and

- the amount of contingent liabilities disclosed in note 46.

The Group has concentration of credit risk on the Group's advances and receivables from certain gaming promoters. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual advances and receivables from gaming promoters at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group also considers the relevant commissions accrued at the balance sheet date to the relevant gaming promoters, the continuous profitable business relationship with and the potential commissions payable to the relevant gaming promoters subsequent to the balance sheet date and the financial background of the relevant gaming promoters to ascertain the recoverability of the advances to and receivables from gaming promoters. As a result, the directors of the Company consider that the Group's exposure to credit risk on these advances and receivables is significantly reduced.

In addition, the management has considered the strong financial background and good creditability of the ultimate holding company, a fellow subsidiary and the investee company, and consider that there is no significant credit risk on these receivables from related companies.

The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed in banks with good reputation in MSAR and Hong Kong.

6. Financial Instruments (Continued)

(d) Interest Rate Risk Management

The Group

The Group is exposed to cashflow interest rate risk in relation to its bank balances and bank loans with variable-rate. The Group is also exposed to fair value interest rate risk in relation to its fixed-rate pledged bank deposits. 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 sensitivity analyses below have been determined based on the exposure to interest rates for bank loans and bank balances at the respective relevant balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of bank loans and bank balances that have floating rates.

If interest rates on bank loans and bank balances had been 50 basis points higher and all other variables were held constant, the potential effect on profit for the period (net of interest expenses capitalised in construction in progress) is as follows, an opposite impact with same magnitude would be resulted if the interest rate had been 50 basis points lower:

	The Group Six months ended 30 June	
	2008 HK$ (in millions)	2007 HK$ (in millions) (unaudited)
Increase in profit for the period	**2.8**	10.9

(e) Price Risk Management

The Group

The Group is exposed to equity price risk on the investment in listed equity securities operating in the entertainment and hotel industry sector and quoted on the Stock Exchange. The Group currently does not have a policy to hedge such risk. However, the management monitors market price exposure and will consider hedging significant market price exposure should the need arise.

6. Financial Instruments (Continued)

(e) Price Risk Management (Continued)

The Group (Continued)

The sensitivity analyses below have been determined based on the exposure to equity price risk on the investment in trading securities at the respective relevant balance sheet date. If the market bid price on the investment in trading securities had been 10% higher/lower the potential effect on profit for the period is as follows:

	The Group	
	Six months ended 30 June	
	2008	2007
	HK$	HK$
	(in millions)	(in millions)
		(unaudited)
Increase/decrease in profit for the period	**4.9**	5.5

The Group's sensitivity to equity prices on the investment in trading securities has decreased during the period as a result of the changes in fair value of trading securities.

(f) Liquidity Risk Management

The Group

The directors of the Company consider that the Group's holding of bank balances and cash, bank deposits, together with net cash flow from operating activities and committed credit facilities, are expected to provide adequate sources of funding to enable the Group to meet in full its financial obligations due for the foreseeable future and manage its liquidity position. In addition, the management of the Group expects to fund the remaining estimated construction costs of its development projects in MSAR through a proper balance between internal generated funds and credit facilities secured by the projects' assets. Details of the capital risk management are discussed in note 5.

6. Financial Instruments (Continued)

(f) Liquidity Risk Management (Continued)

The Group (Continued)

The following table details the Group's expected maturity of the major financial liabilities that are exposed to liquidity risk.

	Weighted average effective interest rate	On demand HK$ (in millions)	Not more than 3 months HK$ (in millions)	Over 3 months but not more than 6 months HK$ (in millions)	Over 6 months but not more than 1 year HK$ (in millions)	Over 1 year HK$ (in millions)	Total undiscounted cash flow HK$ (in millions)	Carrying amount HK$ (in millions)
The Group								
At 30 June 2008								
Trade payables	–	–	821.2	249.4	70.4	–	1,141.0	1,141.0
Chips liabilities	–	1,873.2	–	–	–	–	1,873.2	1,873.2
Other payables	–	–	1,183.6	66.3	159.1	–	1,409.0	1,409.0
Dividend payable	–	2,500.0	–	–	–	–	2,500.0	2,500.0
Obligations under finance leases	6.10%, 6.18%	–	4.1	6.2	12.5	323.9	346.7	241.0
Bank loans	3.71%	–	99.7	99.5	582.3	5,149.1	5,930.6	5,361.0
Amount due to a minority shareholder of a subsidiary	5.62%	–	–	–	–	778.0	778.0	506.3
		4,373.2	2,108.6	421.4	824.3	6,251.0	13,978.5	13,031.5
At 31 December 2007								
Trade payables	—	—	882.8	26.1	3.8	—	912.7	912.7
Chips liabilities	—	2,206.6	—	—	—	—	2,206.6	2,206.6
Other payables	—	—	1,138.8	70.4	157.7	262.8	1,629.7	1,629.7
Amount due to ultimate holding company	—	114.9	—	—	—	—	114.9	114.9
Amounts due to fellow subsidiaries	—	201.7	—	—	—	—	201.7	201.7
Amount due to a minority shareholder of a subsidiary	6.48%	—	—	—	—	554.5	554.5	330.9
Obligations under finance leases	6.18%	—	4.3	4.3	8.7	233.6	250.9	171.5
Bank loans and overdrafts	6.78%	26.6	65.1	65.5	230.2	5,389.1	5,776.5	4,934.6
		2,549.8	2,091.0	166.3	400.4	6,440.0	11,647.5	10,502.6

The Company

At the balance sheet date, the amount due to a subsidiary carried at amortised cost is interest-free and is repayable on demand.

6. Financial Instruments (Continued)

(g) Fair Value of Financial Instruments

The Group and The Company

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these financial statements approximate their fair values at the respective balance sheet dates.

7. Business and Geographical Segments

Business Segments

The Group's operation is regarded as a single segment, being the operation of casinos and related facilities.

Geographical Segments

Analysis of the Group's turnover and results and the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical area in which the assets are located has not been presented as the Group's operations and assets are situated in MSAR in which its revenue was derived principally therefrom. Accordingly, no geographical segments were presented.

8. Gaming Revenue

	Six months ended 30 June	
	2008	2007
	HK$	HK$
	(in millions)	(in millions)
		(unaudited)
Gaming revenue from		
- VIP gaming operations	**9,278.1**	10,552.2
- mass market table gaming operations	**5,684.0**	5,213.9
- slot machine operations	**489.4**	414.5
- others	**0.8**	1.0
	15,452.3	16,181.6

9. Finance Costs

	Six months ended 30 June	
	2008	2007
	HK$	HK$
	(in millions)	(in millions)
		(unaudited)
Interest on		
- bank borrowings wholly repayable within five years	**(111.9)**	(3.2)
- finance leases	**(7.1)**	—
Less: Amount capitalised in construction in progress	**67.0**	3.2
Imputed interest on loan from a minority shareholder of a subsidiary	**(12.4)**	—
	(64.4)	—

10. Profit before Taxation

	Six months ended 30 June	
	2008	2007
	HK$	HK$
	(in millions)	(in millions)
		(unaudited)
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 11)	**19.9**	19.4
Other staff's retirement benefits scheme contributions	**30.9**	29.7
Less: Forfeited contributions	**(11.0)**	(4.2)
	19.9	25.5
Other staff costs	**1,713.2**	1,412.7
	1,753.0	1,457.6
Amortisation of intangible assets (included in operating and administrative expenses)	**3.2**	1.7
Auditors' remuneration	**7.8**	6.0
Depreciation of property, plant and equipment	**367.6**	255.0
Loss on disposal of property, plant and equipment	**0.5**	—
Loss on fair value changes on investment in trading securities	**8.6**	2.2
Operating lease rentals in respect of		
- land use rights	**6.7**	4.6
- rented premises	**183.2**	190.9
- slot machines under		
- contingent rentals	**27.3**	28.9
- fixed rentals	**0.1**	0.1
and after crediting:		
Gain on partial disposal of interest in a jointly controlled entity	**—**	2.8
Income from amortisation of financial guarantee obligations	**7.3**	8.3
Interest income from		
- a fellow subsidiary	**7.1**	—
- bank deposits	**24.5**	23.0
- loan to an investee company	**—**	4.9

11. Directors' and Employees' Emoluments

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

	Six months ended 30 June					
	2008			2007		
	Fees HK$ (in millions)	**Salaries and other benefits HK$ (in millions)**	**Total HK$ (in millions)**	Fees HK$ (in millions) (unaudited)	Salaries and other benefits HK$ (in millions) (unaudited)	Total HK$ (in millions) (unaudited)
Executive directors:						
Dr. Ho Hung Sun, Stanley	**11.7**	**—**	**11.7**	11.7	—	11.7
Dr. So Shu Fai	**1.7**	**—**	**1.7**	1.7	—	1.7
Mr. Ng Chi Sing	**1.7**	**0.5**	**2.2**	1.7	0.5	2.2
Mr. Rui José da Cunha	**0.6**	**—**	**0.6**	0.6	—	0.6
Ms. Leong On Kei, Angela	**0.1**	**0.2**	**0.3**	—	0.2	0.2
Mr. Shum Hong Kuen, David	**—**	**—**	**—**	—	—	—
Non-executive director:						
Dato' Dr. Cheng Yu Tung	**2.9**	**—**	**2.9**	2.9	—	2.9
Independent non-executive directors:						
Mr. Tse Hau Yin	**0.1**	**0.1**	**0.2**	—	0.1	0.1
Mr. Shek Lai Him, Abraham	**0.1**	**—**	**0.1**	—	—	—
Mr. Chau Tak Hay	**0.1**	**—**	**0.1**	—	—	—
Mr. Lan Hong Tsung, David	**0.1**	**—**	**0.1**	—	—	—
	19.1	**0.8**	**19.9**	18.6	0.8	19.4

The five highest paid individuals included four directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining highest paid individual is as follows:

	Six months ended 30 June	
	2008 HK$ (in million)	2007 HK$ (in million) (unaudited)
Employee		
- basic salaries and allowances	**3.7**	3.7

During the period, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the period.

12. Taxation

No provision for MSAR Complementary Tax ("CT") on gaming related income was made for a subsidiary of the Company, Sociedade de Jogos de Macau, S.A. ("SJM"). Pursuant to the approval notices issued by MSAR government dated 18 May 2004 and 8 December 2007, SJM had been exempted from CT for income generated from gaming operations for the years from 2002 to 2006 and for the years from 2007 to 2011 respectively.

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

No provision for Hong Kong Profits Tax has been made as the Group's profit neither arises in nor is derived from Hong Kong.

The charge for the period represents deferred tax liability on the undistributed profits of SJM earned during the period from 17 January 2008 (date of Group Reorganisation) to 30 June 2008 which has been accrued at the tax rate of 12% on the expected dividend stream of 50% of profit after Group Reorganisation as determined by the directors of the Company.

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

	Six months ended 30 June			
	2008		2007	
	HK$ (in millions)	**%**	HK$ (in millions) (unaudited)	%
Profit before taxation	**538.1**		521.8	
Tax at the applicable income tax rate	**(64.6)**	**(12.0)**	(62.6)	(12.0)
Effect of tax exemption granted to SJM	**105.7**	**19.6**	71.9	13.8
Effect of share of results of an associate and a jointly controlled entity	**0.3**	**0.1**	0.6	0.1
Effect of income that is not taxable in determining taxable profits	**1.3**	**0.2**	1.2	0.2
Effect of expenses that are not deductible in determining taxable profits	**(27.6)**	**(5.1)**	(4.3)	(0.8)
Tax loss for the period not recognised	**(15.1)**	**(2.8)**	(6.8)	(1.3)
Deferred tax on undistributed earnings	**(27.8)**	**(5.2)**	—	—
Tax charge and effective tax rate for the period	**(27.8)**	**(5.2)**	—	—

13. Dividends

In January 2008, SJM declared dividends of HK$3.5 billion to its then shareholders in which a dividend of HK$2.5 billion was subject to the success of the proposed listing of the Company on the Main Board of the Stock Exchange in 2008. The first HK$1 billion was fully paid during the period.

14. Earnings per Share

The calculation of the basic earnings per share for the period is based on the consolidated profit attributable to equity holders of the Company and on 3,750,000,000 shares in issue during the period on the assumption that the Group Reorganisation and the capitalisation issue as detailed in note 49(b) have been effective on 1 January 2007.

No diluted earnings per share is presented as there were no potential dilutive shares during the period.

15. Property, Plant and Equipment

	Land and buildings HK$ (in millions)	Chips HK$ (in millions)	Furniture, fixtures and equipment HK$ (in millions)	Gaming equipment HK$ (in millions)	Leasehold improvements HK$ (in millions)	Motor vehicles HK$ (in millions)	Vessel HK$ (in millions)	Construction in progress HK$ (in millions)	Total HK$ (in millions)
The Group									
Cost									
At 1 January 2007	30.1	298.3	575.0	251.1	379.0	6.1	13.7	3,752.6	5,305.9
Additions	52.2	18.0	244.3	192.0	179.3	0.4	—	3,609.0	4,295.2
Disposals	—	—	(9.9)	—	—	—	—	—	(9.9)
Transfers	1,088.5	—	1,206.0	—	6.1	—	—	(2,300.6)	—
At 31 December 2007	1,170.8	316.3	2,015.4	443.1	564.4	6.5	13.7	5,061.0	9,591.2
Additions	—	1.4	152.7	95.1	19.5	2.5	—	870.7	1,141.9
Disposals	—	—	(5.5)	—	(3.3)	—	—	—	(8.8)
Transfers	391.2	—	374.0	—	197.2	—	—	(962.4)	—
At 30 June 2008	**1,562.0**	**317.7**	**2,536.6**	**538.2**	**777.8**	**9.0**	**13.7**	**4,969.3**	**10,724.3**
Depreciation									
At 1 January 2007	1.3	144.6	170.5	87.7	200.1	1.2	5.5	—	610.9
Provided for the year	69.9	73.9	219.1	83.5	123.1	1.2	1.4	—	572.1
Eliminated on disposals	—	—	(3.6)	—	—	—	—	—	(3.6)
At 31 December 2007	71.2	218.5	386.0	171.2	323.2	2.4	6.9	—	1,179.4
Provided for the period	52.2	29.7	157.3	53.7	73.3	0.7	0.7	—	367.6
Eliminated on disposals	—	—	(2.5)	—	(3.2)	—	—	—	(5.7)
At 30 June 2008	**123.4**	**248.2**	**540.8**	**224.9**	**393.3**	**3.1**	**7.6**	**–**	**1,541.3**
Net Book Values									
At 30 June 2008	**1,438.6**	**69.5**	**1,995.8**	**313.3**	**384.5**	**5.9**	**6.1**	**4,969.3**	**9,183.0**
At 31 December 2007	1,099.6	97.8	1,629.4	271.9	241.2	4.1	6.8	5,061.0	8,411.8

At the balance sheet date, the Group's buildings in MSAR were erected on land which is held under medium-term land use right.

15. Property, Plant and Equipment (Continued)

Included in construction in progress at 30 June 2008 and 31 December 2007 were net interest capitalised of HK$136.3 million and HK$87.6 million respectively.

Also, at 30 June 2008 and 31 December 2007, pursuant to the gaming concession held by the Group, certain of the Group's property, plant and equipment with an aggregate net book value of HK$2,623.9 million and HK$2,665.2 million respectively for the Group's gaming business have to be returned to the MSAR government upon completion of the term of the concession in 2020.

	Furniture, fixtures and equipment HK$ (in millions)	**Leasehold improvements HK$ (in millions)**	**Total HK$ (in millions)**
The Company			
Cost and Net Book Values			
At 1 January 2007 and 31 December 2007	—	—	—
Additions	0.3	0.1	0.4
At 30 June 2008	**0.3**	**0.1**	**0.4**

16. Investments in Subsidiaries

	The Company	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Unlisted shares, at cost	**3,001.4**	—

Details of the Company's principal subsidiaries at 30 June 2008 are set out in note 50.

17. Land Use Rights

	For the six months ended 30 June 2008 HK$ (in millions)	For the year ended 31 December 2007 HK$ (in millions)
The Group		
Carrying Value		
At the beginning of the period	**815.0**	842.2
Additions during the period	**110.5**	6.6
Released and capitalised to construction in progress during the period	**(12.2)**	(23.2)
Released to income statement during the period	**(6.7)**	(10.6)
At the end of the period	**906.6**	815.0

The amount represents prepayment of rentals for medium-term land use rights situated in MSAR.

The Group has paid substantial part of the consideration for the acquisition of land use right of a piece of land, but the relevant government authority has not yet granted formal title of the land use right to the Group. As at 30 June 2008 and 31 December 2007, the net book value of this land use right for which the Group had not been granted formal title amounted to HK$760.3 million and HK$666.4 million respectively. In the opinion of the directors, the absence of formal title to this land use right does not impair the value of the relevant properties of the Group. The directors also believe that formal title to this land use right will be granted to the Group in due course.

18. Intangible Assets

	Casino game license HK$ (in millions)	Restaurant license HK$ (in millions)	Total HK$ (in millions)
The Group			
Cost			
At 1 January 2007	—	—	—
Additions during the year	63.2	6.2	69.4
At 31 December 2007 and 30 June 2008	**63.2**	**6.2**	**69.4**
Amortisation			
At 1 January 2007	—	—	—
Amortised for the year	4.7	—	4.7
At 31 December 2007	4.7	—	4.7
Amortised for the period	3.2	—	3.2
At 30 June 2008	**7.9**	**—**	**7.9**
Carrying Values			
At 30 June 2008	**55.3**	**6.2**	**61.5**
At 31 December 2007	58.5	6.2	64.7

The cost for a license for operating a casino game known as Jazzbeme Baccarat Insurance Game is amortised on a straight line basis over the term of the license representing its useful life of 10 years.

The cost for the restaurant license is amortised on a straight line basis over the term of the license representing its useful life of 5 years. During the period, there was no amortisation on the restaurant license as the restaurant is not yet in operation.

19. Art Work and Diamonds

	HK$ (in millions)
The Group	
Cost and Carrying Value	
At 1 January 2007	—
Additions during the year	278.9
At 31 December 2007	278.9
Additions during the period	2.1
At 30 June 2008	**281.0**

The amount represents the aggregate cost of art work and diamonds held by the Group. In the opinion of the directors, the residual value of the art work and diamonds approximates its carrying amount at the balance sheet date. Therefore, no depreciation charge is provided for the period ended 30 June 2008 and 31 December 2007.

20. Interest in an Associate

	The Group	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Cost of investment	**25.0**	25.0
Discount on acquisition	**6.8**	6.8
Share of post-acquisition profits	**30.2**	28.8
	62.0	60.6

The cost of investment in associate represents the Group's 49% equity interest in Zhen Hwa Harbour Construction Company Limited ("Zhen Hwa") which is established in MSAR and engaged in the provision of construction services and investment holding.

20. Interest in an Associate (Continued)

The summarised financial information in respect of the Group's associate is set out below:

	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Total assets	**550.3**	626.3
Total liabilities	**(423.7)**	(502.7)
Net assets	**126.6**	123.6
Group's share of associate's net assets	**62.0**	60.6

	Six months ended 30 June	
	2008 HK$ (in millions)	2007 HK$ (in millions) (unaudited)
Revenue	**377.3**	495.8
Profit for the period	**2.9**	26.8
Group's share of (loss) profit of an associate for the period*	**(0.8)**	1.6

* The amounts have been adjusted for the unrealised profits of HK$2.2 million and HK$11.5 million for the six months ended 30 June 2008 and 30 June 2007 respectively.

21. Interest in a Jointly Controlled Entity

	The Group	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Cost of investment	**39.7**	39.7
Share of post-acquisition profits	**19.3**	16.0
	59.0	55.7

21. Interest in a Jointly Controlled Entity (Continued)

The cost of investment in jointly controlled entity represents the Group's 49% equity interest in Chong Fung Real Estate Investment Limited ("Chong Fung") which is established in MSAR and engaged in property investment.

Chong Fung is regarded as a jointly controlled entity as each of the two joint venturers possesses 50% of the voting power of the entity.

At the balance sheet date, included in the cost of investment is goodwill of HK$34.3 million arising on acquisition of the jointly controlled entity.

The summarised financial information in respect of the Group's jointly controlled entity which is accounted for using equity method is set out below:

	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Total assets	**89.8**	81.4
Total liabilities	**(39.4)**	(37.8)
Net assets	**50.4**	43.6
Group's share of jointly controlled entity's net assets	**24.7**	21.4

	Six months ended 30 June	
	2008 HK$ (in millions)	2007 HK$ (in millions) (unaudited)
Revenue	**9.0**	9.7
Profit for the period	**6.8**	7.2
Group's share of profit of a jointly controlled entity for the period	**3.3**	3.6

22. Available-for-Sale Investments in Equity Securities

The Group

At the balance sheet date, the available-for-sale investments in equity securities represents the aggregate of the Group's 19.99% equity interest in Luck United Holdings Limited ("Luck United") which was incorporated in the British Virgin Islands and engaged in hotel operations and entertainment business in MSAR, and 1% equity interest in Kingsway Hotel Limited which was established in MSAR and engaged in hotel operation business in MSAR.

It is not practicable to estimate the fair value of the above unquoted equity securities as there is no reliable fair value measurement. Hence, the carrying amounts are stated at cost. The balance at the balance sheet date is less than HK$0.1 million.

23. Deposits Made on Acquisitions

	The Group	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Deposits made on acquisitions of		
- land use rights	**65.8**	65.8
- property, plant and equipment	**122.5**	155.8
	188.3	221.6

24. Amounts due from Fellow Subsidiaries

The Group

The non-current balance is related to lease receivables (see note 35) that carry interest at 6.10% and 6.18% (2007: 6.18%) per annum (the "Lease Receivables"). For the balance under current assets, except for an amount of HK$190.9 million at 31 December 2007, which was unsecured and interest-free, the remaining balance represented the Lease Receivables.

25. Pledged Bank Deposits

The Group

The deposits have been pledged to secure the banking facilities extended to the Group. At 30 June 2008 and 31 December 2007, deposits amounting to HK$147.3 million and HK$145.6 million respectively, have been pledged to secure the bank guarantee granted to the Company. The banking facilities represent a guarantee amounting to HK$485.4 million for the period from 4 January 2006 to 31 March 2007 and reduced to HK$291.3 million for the period from 1 April 2007 to the earlier of 180 days after the expiry of the gaming concession contract or 31 March 2020, which is in favour of the MSAR government against the legal and contractual financial obligations of SJM under the gaming concession contract.

At 30 June 2008, the remaining deposits amounting to HK$267.1 million have been pledged in favour of the MSAR government for the payment of land premium of a subsidiary.

The banking facilities at the balance sheet date included a bank guarantee up to HK$4.9 million issued in favour of the Court of MSAR in respect of the SJM's financial standing of civil litigation proceedings between SJM and its employees. As to the nature of the facility, the amount is classified as non-current assets. In addition, deposit amounting to HK$0.3 million at the balance sheet date, has been pledged to secure a bank guarantee amounting to HK$0.3 million in favour of the MSAR government to guarantee the financial ability of a wholly-owned subsidiary to send back their imported labour to their respective home countries and are therefore classified as current assets.

At 30 June 2008, the pledged bank deposits carry fixed interest rates at 1.13% to 1.66% per annum (at 31 December 2007: 3.38%).

26. Trade and Other Receivables

	The Group	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Advances to gaming promoters	**446.0**	376.4
Other receivables from gaming promoters	**166.3**	126.8
Prepayments	**137.7**	79.7
Others	**261.7**	209.7
	1,011.7	792.6

26. Trade and Other Receivables (Continued)

The following is the aged analysis of advances to gaming promoters at the balance sheet date:

	The Group	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Age		
0 to 90 days	**151.7**	135.3
91 to 180 days	**147.9**	9.8
181 to 365 days	**8.6**	77.3
Over 365 days	**137.8**	154.0
	446.0	376.4

In general, SJM provides temporary interest-free credit to gaming promoters which is repayable on demand in the month following the month in which the credit is granted. The relevant temporary credit is generally limited to the commissions accrued/payable to gaming promoters. SJM may also grant credit to gaming promoters that is repayable through instalments and revolving credit facilities with pre-approved credit lines, in which cheques or other forms of securities such as bank guarantees and letters of credit are provided by gaming promoters to SJM.

The directors consider that this credit is only temporary credit provided against unpaid commissions to gaming promoters and is granted based on the performance and financial background of the relevant gaming promoters. In some cases, unsecured credit of not more than the equivalent of two to three months' commissions accrued/payable to the relevant gaming promoters may be granted to those gaming promoters with good credit histories and track records of large business volumes. In the event that a gaming promoter fails to repay credit granted by SJM, SJM has the right, pursuant to the relevant gaming promoter agreement, to withhold commissions payable to the gaming promoter to satisfy the credit granted until full repayment is made.

At the balance sheet date, except for the amount of HK$50.0 million which is secured by an irrevocable standby letter of credit, the advances to gaming promoters and other receivables from gaming promoters are interest-free, unsecured and repayable on demand.

26. Trade and Other Receivables (Continued)

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

	The Group	
	At	At
	30 June	31 December
	2008	2007
	HK$	HK$
Relationship of related companies	**(in millions)**	(in millions)
STDM group and its associates	**66.5**	78.7
An associate	**71.0**	55.5
Companies in which certain directors of the Company and/or their close family members have beneficial interests	**33.0**	54.6
Company in which a director of a subsidiary of the Company has a beneficial interest	**13.2**	12.3
	183.7	201.1

27. Amount due from Ultimate Holding Company

The Group

The amount due from ultimate holding company arisen from the Chips Agreement as defined in note 48(a)(ii) is unsecured, interest-free and is expected to realise within twelve months.

28. Amount due from an Associate

The Group

The amount is unsecured, interest-free and is repayable on demand.

29. Amount due from a Jointly Controlled Entity

The Group

The amount is unsecured, interest-free and is repayable on demand.

30. Amount due from an Investee Company

The Group

The amount represents loan to Luck United which is unsecured, interest-free and is repayable on demand. It was provided to Luck United in proportion to the Group's shareholdings in Luck United.

31. Investment in Trading Securities

The Group

The investment in trading securities comprised equity shares listed on the Stock Exchange and were carried at market bid price at the balance sheet date.

32. Trade and Other Payables

	The Group	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Trade payables	**1,141.0**	912.7
Special gaming tax payable	**912.0**	903.5
Chips liabilities	**1,873.2**	2,206.6
Payables for acquisition of property, plant and equipment	**42.2**	52.7
Payable for land premium	**108.9**	—
Payables for purchase of intangible assets	**—**	22.6
Construction payables	**381.1**	611.7
Accrued staff costs	**206.3**	390.8
Rentals payables	**51.2**	49.4
Payables to gaming promoters	**13.8**	13.8
Withholding tax payable for gaming promoters	**4.7**	5.1
Withholding tax payable on employees' professional tax	**5.6**	4.2
Other payables	**605.5**	488.7
	5,345.5	5,661.8

32. Trade and Other Payables (Continued)

The following is the aged analysis of trade payables at the balance sheet date:

	The Group	
	At	At
	30 June	31 December
	2008	2007
	HK$	HK$
	(in millions)	(in millions)
Age		
0 to 90 days	**1,080.7**	872.8
91 to 180 days	**47.0**	31.5
181 to 365 days	**8.4**	7.3
Over 365 days	**4.9**	1.1
	1,141.0	912.7

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 paid within the credit timeframe.

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

	The Group	
	At	At
	30 June	31 December
	2008	2007
	HK$	HK$
Relationship of related companies	**(in millions)**	(in millions)
STDM group and its associates	**305.8**	282.0
An associate	**175.7**	178.8
Companies in which certain directors of the Company and/or their close family members have beneficial interests	**212.5**	440.0
Company in which a director of a subsidiary of the Company has a beneficial interest	**2.2**	8.8
	696.2	909.6

33. Amount due to a Subsidiary

The Company

The amount is unsecured, interest-free and is repayable on demand.

34. Financial Guarantee Obligations

The Group

At the balance sheet date, the financial guarantee obligations represent financial guarantee contract issued by the Group, which will be expired in the year 2010 with maximum guarantee amount of HK$224.8 million provided by the Group, to a related company in which Dr. Ho Hung Sun, Stanley ("Dr. Ho") has a beneficial interest.

35. Obligations under Finance Leases

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)	**At 30 June 2008 HK$ (in millions)**	At 31 December 2007 HK$ (in millions)
Amounts payable under finance leases				
- within one year	**22.8**	17.3	**9.5**	7.0
- between one to two years	**24.9**	17.3	**11.1**	7.4
- between two to five years	**74.7**	51.9	**37.7**	25.2
- after five years	**224.3**	164.4	**182.7**	131.9
	346.7	250.9	**241.0**	171.5
Less: Future finance charges	**105.7**	79.4		
Present value of lease obligations	**241.0**	171.5		
Less: Amounts due for settlement within one year shown under current liabilities			**9.5**	7.0
Amounts due for settlement after one year			**231.5**	164.5

35. Obligations under Finance Leases (Continued)

As at 30 June 2008, the Group has entered into certain lease agreements for a term of 10 years (the "Agreements") with a finance company together with a fellow subsidiary of the Group to lease certain aircraft in MSAR in which the aircraft were then immediately sub-leased to the fellow subsidiary. These Agreements have terms of renewal and purchase option clauses. Pursuant to the Agreements, the Group is entitled to recover any amounts and charges payable to the finance company under the Agreements from the fellow subsidiary. The amounts are denominated in United States Dollars and carry an effective interest rates of 6.10% and 6.18% per annum at 30 June 2008 (at 31 December 2007: 6.18% per annum). The Group's obligations under finance leases are secured by the leased aircrafts held by the fellow subsidiary and the equity share of Sky Reach Investment Limited ("Sky Reach") held by the Group.

At 30 June 2008 and 31 December 2007, the relevant lease receivables from the fellow subsidiary for the Agreements which have equivalent repayment terms as the obligations under finance leases amounted to HK$241.0 million and HK$171.5 million out of which HK$231.5 million and HK$164.5 million respectively is recorded as amount due from a fellow subsidiary in the non-current assets. The remaining amount of HK$9.5 million and HK$7.0 million is included in trade and other receivables in current assets.

36. Dividend Payable

The Group

The dividend payable was fully paid in August 2008.

37. Bank Loans

	The Group	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
The syndicated secured bank loans are repayable:		
Within one year	**600.0**	100.0
Between one to two years	**1,040.0**	1,020.0
Between two to five years	**3,721.0**	3,788.0
	5,361.0	4,908.0
Less: Amount due within one year shown under current liabilities	**600.0**	100.0
Amount due after one year	**4,761.0**	4,808.0

37. Bank Loans (Continued)

At the balance sheet dates, the Group's syndicated secured bank loans carried interest ranging from 1.4% to 2.1% per annum over 3-month Hong Kong Inter-Bank Offered Rate and are all denominated in Hong Kong dollars.

(a) In June 2007, the Group has entered into a syndicated secured bank loans agreement amounting to HK$1,600 million for the purpose to finance a construction project located at Ponte 16 in MSAR. They are secured by certain of the Group's property, plant and equipment and land use right with carrying values of HK$1,804.3 million (at 31 December 2007: HK$1,940.5 million), and HK$95.9 million (at 31 December 2007: HK$97.6 million) respectively at 30 June 2008. In addition, the syndicated secured bank loans are secured by the followings:

(i) an unconditional and irrevocable funding undertaking for the purpose to satisfy the construction costs of certain of the Group's property, plant and equipment and land use rights (the "Ponte 16 Property") which include (i) the land premium and all other premiums and sums of money payable to the Governmental Agency of MSAR in respect of the Ponte 16 Property; (ii) all construction costs and all operating costs to be incurred; and (iii) all financial costs and expenses, including interest payable in respect of the syndicated secured bank loans facility;

(ii) an unconditional and irrecoverable completion undertaking for the purpose of ensuring completion of the construction of Ponte 16 Property;

(iii) repayment guarantees for HK$900 million, HK$1,760 million and HK$860 million provided by SJM, Pier 16 - Entertainment Group Corporation Limited ("Pier 16 - Entertainment") and the ultimate holding company of the minority shareholder of Pier 16 - Property Development Limited ("Pier 16 - Property") respectively;

(iv) an assignment of all receivables and income from leasing and hotel operation of the Ponte 16 Property;

(v) an assignment of all the rights and benefits of Pier 16 - Property and Pier 16 - Management Limited ("Pier 16 - Management") under (i) a main construction contract entered or to be entered into in connection with construction of the Ponte 16 Property, including all its amendments, modifications, supplements, replacements and substitutes; (ii) performance bonds, which represent any bond, guarantee or warranty in favour of Pier 16 - Management; and (iii) insurance policies relating to the Ponte 16 Property and any projects relating to the completion of the Ponte 16 Property;

(vi) legally notarised promissory notes for HK$900 million, HK$1,760 million, HK$1,760 million and HK$860 million provided by SJM, Pier 16 - Entertainment, Pier 16 - Property Consultancy Services Limited ("Pier 16 - Consultancy"), and the ultimate holding company of the minority shareholder of Pier 16 - Property respectively;

37. Bank Loans (Continued)

(vii) floating charges over all assets (except immovable property) of certain subsidiaries with an aggregate carrying value of HK$674.2 million at 30 June 2008 (at 31 December 2007: HK$30.4 million);

(viii) an unconditional and irrevocable repayment guarantee of HK$1,760 million provided by Pier 16 - Consultancy; and

(ix) share pledges over all shares in the following subsidiaries:

- Pier 16 - Property
- Pier 16 - Entertainment
- Pier 16 - Consultancy
- Pier 16 - Resort Hotel Management Limited
- Pier 16 - Recruitment Limited
- Pier 16 - PR Marketing Limited
- Pier 16 - Antique Collections Limited.

(b) In October 2007, the Group had entered into another syndicated secured bank loans agreement amounting to HK$5,000 million for the purpose to finance the construction project of the Grand Lisboa. They are secured by certain of the Group's property, plant and equipment and land use right with carrying values of HK$4,527.9 million (at 31 December 2007: HK$4,142.0 million) and HK$760.3 million (at 31 December 2007: HK$666.4 million) respectively at 30 June 2008. In addition, the syndicated secured bank loans are secured by the followings:

(i) an unconditional and irrevocable funding undertaking for the purpose to satisfy the construction costs of certain of the Group's property, plant and equipment and land use rights (the "Grand Lisboa Property") which include (i) the land premium and all other premiums and sums of money payable to the Governmental Agency of MSAR in respect of the Grand Lisboa Property; (ii) all construction costs and all operating costs to be incurred; and (iii) all financial costs and expenses, including interest payable in respect of the syndicated bank loans facility;

(ii) an unconditional and irrecoverable completion undertaking for the purpose of ensuring completion of the construction of Grand Lisboa Property;

(iii) an assignment of all receivables of Grand Lisboa - Property Investment Company Limited ("Grand Lisboa - Investment") and SJM (limited to the income after taxes, levies, commission and allowance to junkets derived from the Grand Lisboa casino);

(iv) unconditional and irrevocable repayment guarantees of HK$5,000 million and HK$5,000 million provided by SJM and Grand Lisboa - Hotel Administration Company Limited ("Grand Lisboa - Hotel") respectively;

37. Bank Loans (Continued)

(v) an assignment of all the rights and benefits of certain subsidiaries under (i) a main construction contract entered or to be entered into in connection with construction of the Grand Lisboa Property, including all its amendments, modifications, supplements, replacements and substitutes; (ii) performance bonds, which represent any bond, guarantee or warranty in favour of subsidiaries; (iii) insurance policies relating to the Grand Lisboa Property and any projects relating to the completion of the Grand Lisboa Property; and (iv) hotel management agreement and tenancy agreements;

(vi) share pledges over all shares in the following subsidiaries:

- Grand Lisboa - Investment
- Grand Lisboa - Hotel

(vii) a legally notarised promissory note for HK$5,000 million provided by Grand Lisboa - Investment and secured by SJM and Grand Lisboa - Hotel;

(viii) a subordination agreement provided by Grand Lisboa - Investment and SJM;

(ix) first legal floating charges over all assets (except immovable property) of certain subsidiaries with an aggregate carrying value of HK$4,797.2 million at 30 June 2008 (at 31 December 2007: HK$3,907.5 million);

(x) a promissory land security assignment of all the rights of concessionaire under the land concession contract ("Contract") in respect of the land where Grand Lisboa Property situated ("Land") and agreed with MSAR government including, without limitation, the right to develop a hotel casino complex on the Land, the rights to own all present and future constructions on and fixtures to the Land and the right to extend the duration of the Contract; and

(xi) a promissory contract of mortgage and assignment of all receivables in relation to the land and all present and future buildings and fixtures or to be built and forming the Grand Lisboa Property.

38. Amount due to a Minority Shareholder of a Subsidiary

The Group

Pursuant to the relevant agreement entered into between the Group and the minority shareholder of a subsidiary, the minority shareholder of the subsidiary will not demand repayment in the next twelve months and it is classified as non-current liabilities.

Interest on the amount due to a minority shareholder of the subsidiary of HK$506.3 million and HK$330.9 million at 30 June 2008 and 31 December 2007 respectively has been computed based on the principal amount of HK$778.0 million and HK$554.5 million respectively at an original effective interest rate of approximately 6% per annum and a projection on the timing of realisation of surplus funds representing 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.

39. Deferred Taxation

The following is the deferred tax liabilities recognised and movements thereon during the current period:

	Tax on undistributed earnings HK$ (in millions)
The Group	
At 1 January 2007 and 31 December 2007	—
Charge to income statement for the period	27.8
At 30 June 2008	**27.8**

At 30 June 2008, the Group has unrecognised deferred tax liability of HK$27.8 million in relation to tax on undistributed earnings of HK$232.0 million due to the expected retention of undistributed earnings by SJM determined by the directors of the Company.

39. Deferred Taxation (Continued)

Also, at 30 June 2008, the Group has unutilised tax losses of HK$277.6 million (at 31 December 2007: HK$151.7 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. These unrecognised tax losses will expire as follows:

	The Group	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Tax losses carried forward indefinitely	**1.9**	0.2
Tax losses expire in:		
2008	**0.2**	0.2
2009	**3.7**	3.7
2010	**147.6**	147.6
2011	**124.2**	—
	277.6	151.7

40. Share Capital

	Authorised		Issued and fully paid	
	Number of shares	**Amount HK$**	**Number of shares**	**Amount HK$**
Ordinary shares of HK$1 each				
- at 1 January 2007 and 31 December 2007	10,000	10,000	1	1
- increase in authorised share capital	14,999,990,000	14,999,990,000	—	—
- issued pursuant to the Group Reorganisation	—	—	269,999,999	269,999,999
- at 30 June 2008	**15,000,000,000**	**15,000,000,000**	**270,000,000**	**270,000,000**

On 11 January 2008, the then sole shareholder of the Company resolved to increase the authorised share capital of the Company from HK$10,000 to HK$15,000,000,000 by the creation of an additional 14,999,990,000 shares.

40. Share Capital (Continued)

On 17 January 2008, 269,999,999 shares of HK$1 each were issued in consideration for the acquisition of the entire issued Type A shares in the share capital of SJM.

All the shares issued during the period rank pari passu with the then existing shares in all respects.

The share capital at 31 December 2007 represented the aggregate issued capital of the Company, SJM Holdings (Nominee) Limited and SJM.

41. Reserves

	Share premium HK$ (in millions)	Deficit HK$ (in millions)	Total HK$ (in millions)
The Company			
At 1 January 2007, 30 June 2007 and 31 December 2007	—	—	—
Arising on Group Reorganisation	2,731.4	—	2,731.4
Loss for the period	—	(1.7)	(1.7)
At 30 June 2008	**2,731.4**	**(1.7)**	**2,729.7**

42. Operating Lease Commitments

The Group

At the balance sheet date, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group			
	Rented premises		Slot machines	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)	**At 30 June 2008 HK$ (in millions)**	At 31 December 2007 HK$ (in millions)
Within one year	**326.3**	312.4	**0.2**	0.2
In the second to fifth year inclusive	**1,194.0**	998.7	**0.7**	0.7
After five years	**1,445.4**	1,251.6	**0.3**	0.4
	2,965.7	2,562.7	**1.2**	1.3

42. Operating Lease Commitments (Continued)

The Group (Continued)

Leases of rented premises and slot machines are negotiated for terms ranging from 1 to 18 years and of 10 years respectively. The operating lease rentals of certain slot machines are based on the higher of a minimum guaranteed rental or a certain percentage of net gaming wins of slot machines. The minimum guaranteed rental has been used to arrive at the above commitments.

In November 2004, SJM issued a legally binding confirmation letter to a company in which STDM and a director of the Company have indirect beneficial interests (the "Lessor") pursuant to which SJM conditionally agreed to lease from the Lessor certain premises in MSAR for the operation of a casino. According to the confirmation letter, the term of the lease will be for a period from the commencement of business at the premises to the expiry of the gaming concession contract on 31 March 2020, subject to the terms of the proposed lease agreement. The monthly operating lease rentals of the premises are in an aggregate amount equivalent to (i) 40% of the gross monthly revenue of the casino in respect of the first 60 gaming tables and (ii) certain percentage, being not less than 30%, to be further agreed between SJM and the Lessor, of the gross monthly revenue in respect of the remaining gaming tables at the casino.

The Company

At the balance sheet date, the Company was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	The Company	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Within one year	**1.5**	—
In the second to fifth year inclusive	**0.7**	—
	2.2	—

43. Capital Commitments

	The Group	
	At 30 June 2008 HK$ (in millions)	At 31 December 2007 HK$ (in millions)
Capital expenditure in respect of property, plant and equipment		
- authorised but not contracted for	**27.0**	328.1
- contracted for but not provided in the financial statements	**1,388.5**	1,867.7

The Company has no significant capital commitments at the balance sheet date.

44. Other Commitments

The Group

(a) In 2002, the MSAR government granted a concession to SJM to operate casinos in MSAR. Under the gaming concession contract, SJM is obligated to invest at least MOP4,737.5 million (equivalent to HK$4,599.5 million) in various development projects in MSAR by March 2009. The construction and development costs of Grand Lisboa Hotel and Casino and Ponte 16 will be applied to the fulfillment of this total investment obligation to the MSAR government. The Group currently estimates the total cost of constructing and developing the Grand Lisboa Hotel and Casino and Ponte 16, including cost of land use rights, design costs, construction costs, equipment costs, which will be carried out by the subsidiaries amounted to HK$9,418.3 million. In the opinion of the directors, these costs can be qualified to meet the investment obligation under the gaming concession contract. As at 30 June 2008 and 31 December 2007, HK$8,823.9 million and HK$7,850.7 million respectively of these costs relating to Grand Lisboa Hotel and Casino and Ponte 16 has been incurred. The Group expects to fund the remaining estimated costs of construction through internal generated funds and committed credit facilities.

(b) In 2004, SJM entered into an agreement with The Fundacao Escola Portuguesa de Macau ("The Foundation of Portuguese School of Macau") for the use of a piece of land currently occupied by a Portuguese school. The consideration comprises the construction of a new school in Taipa Island in MSAR for an amount not exceeding HK$97.1 million and a donation of HK$184.5 million. At the balance sheet date, deposits of HK$65.5 million were paid of which HK$46.1 million was refundable pursuant to the relevant agreement.

45. Pledge of Asset

The Group

On 26 April 2005, SJM and SJM-Investment Limited ("SJMI") have entered into a subordination agreement to subordinate the amount receivable from its subsidiary of HK$120 million to a bank to secure a term loan facility granted to a wholly-owned subsidiary of an investee company of a subsidiary to the extent of HK$120 million. The subordinate agreement is still effective as at the balance sheet date.

46. Contingent Liabilities and Guarantees

(a)

	The Group			
	At 30 June 2008		At 31 December 2007	
	Maximum guarantees given HK$ (in millions)	**Credit facilities utilised HK$ (in millions)**	Maximum guarantees given HK$ (in millions)	Credit facilities utilised HK$ (in millions)
Guarantees given to banks in respect of credit facilities granted to:				
- an associate	**—**	**—**	67.3	2.2
- investee companies	**86.5**	**628.1**	86.5	673.3
- a related company in which a director of the Company, Dr. Ho, has a beneficial interest	**224.8**	**224.8**	269.7	269.7
	311.3	**852.9**	423.5	945.2

(b) As at 30 June 2008 and 31 December 2007, the Group was a guarantor in respect of a deed entered into between a shareholder of Zhen Hwa and an independent third party for a construction project in MSAR. Pursuant to the deed, the Group has guaranteed the performance of Zhen Hwa under the deed and agreed to indemnify the third party, against all liabilities, losses, damages, costs and expenses suffered or incurred by the third party by reason of any act, failure, default or omission on the part of Zhen Hwa in performing and observing its obligations under and in connection with the warranty.

46. Contingent Liabilities and Guarantees (Continued)

(c) At the balance sheet date, the Group and its shareholders and their affiliates are parties to various legal claims. In the opinion of the directors, regardless of how such cases are adjudicated by the courts, none of the proceedings, taken alone or together, will have a material adverse impact on the shares of the Company or assets of the Group, the validity or legality of its Group Reorganisation and/or the listing of the shares of the Company on the Stock Exchange or the interests of its shareholders.

The Company has no significant contingent liabilities at the balance sheet date.

47. Retirement Benefits Schemes

The Group

The employees employed by the operations in MSAR are members of the government-managed retirement benefits schemes operated by the MSAR government. The MSAR operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the MSAR government is to make the required contributions under the schemes.

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of the relevant payroll costs to the Scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,000 per month for each employee.

SJM operates a defined contribution retirement scheme for all qualifying employees since 1 July 2003. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees.

The retirement scheme cost represents contributions payable to the funds by SJM at rates specified in the rules of the scheme. Where there are employees who leave the Scheme prior to vesting fully in the contributions, the contributions payable by SJM are reduced by the amount of forfeited contributions.

48. Related Party Transactions

The Group

Other than the transactions and balances with related parties disclosed in respective notes in this consolidated financial statements, during the period, the Group has the following significant transactions with related parties:

(a) Related Party Transactions

(i) During the period, the Group has the following significant transactions with its related companies:

Relationship of related companies	Nature of transactions	Six months ended 30 June 2008 HK$ (in millions)	2007 HK$ (in millions) (unaudited)
STDM group and its associates (as defined under Chapter 14A of the Listing Rules)	Hotel accommodation	**42.0**	57.4
	Hotel management and operation	**72.2**	70.4
	Entertainment and staff messing	**38.7**	47.6
	Dredging services	**43.2**	41.9
	Transportation	**186.4**	255.1
	Promotional and advertising services	**12.3**	4.7
	Maintenance services	**28.0**	35.7
	Property rentals	**31.2**	29.8
	Share of administration expenses	**21.7**	18.3
	Aircraft sublease income	**11.7**	—
Companies other than above in which STDM, certain directors of the Company including Dr. Ho, Dato' Dr. Cheng Yu Tung, Madam Leong On Kei, Angela ("Angela Leong"), Dr. So Shu Fai and/or their close family members including Mr. Ho Yau Lung, Lawrence, Madam Ho Chiu Ha, Maisy, Madam Ho Chiu Yee, Josephine and Madam Ho Yuen Ki, Winnie, have beneficial interests	Entertainment	**14.7**	15.3
	Property rentals	**34.3**	30.9
	Purchase of property, plant and equipment	**31.3**	46.5
	Promotion card commission expenses	**25.1**	19.3
	Insurance expenses	**27.8**	17.9
	Construction costs paid	**408.3**	695.4
	Service fees in relation to the operation of a slot hall	**6.7**	5.9
	Hotel accommodation	**16.3**	14.5
	Promotion and advertising expenses	**15.8**	15.5
An associate	Construction costs paid	**316.2**	822.3
Company in which a director of a subsidiary of the Company, Mr. Laam Wah Ying, Eddie, has a beneficial interest	Printing and stationery expenses	**2.7**	3.1

48. Related Party Transactions (Continued)

The Group (Continued)

(a) Related Party Transactions (Continued)

(ii) In 2002, SJM was granted a concession to operate casinos in MSAR. 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, does 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 a chips 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 the aggregate face value of chips so presented in cheque within the same quarter when such presentation takes place. During the six months ended 30 June 2008 and 30 June 2007, the receivable on reimbursement of STDM chips in circulation amounted to HK$314.0 million and HK$86.0 million respectively.

(iii) The Group entered into a products and services master agreement dated 18 June 2008 with STDM (the "Products and Services Master Agreement") for the provision of products and services. The types of products and services includes hotel accommodation, hotel management and operation, entertainment and staff messing, dredging services, transportation, promotional and advertising services, travel agency services and maintenance services. The Products and Services Master Agreement is for a term of three years, provided that the Group may at any time, by giving at least three months' prior written notice of termination to STDM, terminate the agreement earlier. The amount of transactions during the period were disclosed in note 48(a)(i) above.

(iv) The Group entered into a premises leasing master agreement dated 18 June 2008 with STDM (the "Premises Leasing Master Agreement") for the leasing of properties by STDM or the members of the STDM group to the Group. The term of each implementing lease will be for a term commencing on a date specified in the relevant implementing lease and ending on a date not later than 31 March 2020. The amount of transactions during the period were disclosed in note 48(a)(i) above.

(v) The Group entered into an agreement with STDM dated 18 June 2008 (the "Administrative Cost Sharing Agreement") whereby STDM and its associates have agreed to continue to share the administrative services including, among others, general public relations work, promotional functions, arranging ticketing and hotel accommodations, transportation and the provision of storage services with the Group and the Group has agreed to pay for the shared services on a cost basis. The amount of administrative costs shared between the Group and the STDM group is calculated based on an estimate of (i) the actual time spent by each department for providing services to us and the STDM group respectively, recorded on time sheets during a trial period of three months and (ii) the floor area occupied, respectively, by the Group and the STDM group for storage services. The amount of transactions during the period were disclosed in note 48(a)(i) above.

(vi) Regarding the aircraft lease arrangement disclosed in note 35, the Group received minimum lease payments of HK$11.7 million from the fellow subsidiary, and repaid the same amount of minimum lease payments to the finance company during the six months ended 30 June 2008.

48. Related Party Transactions (Continued)

The Group (Continued)

(b) Banking Facilities and Guarantee

(i) In 2002, a fellow subsidiary of the Group has granted to SJM in favour of the MSAR government a bank guarantee up to HK$679.6 million from March 2002 till 3 January 2006 and then reduced to HK$485.4 million for the period from 4 January 2006 to 31 March 2007 and further reduced to HK$291.3 million from April 2007 till the end of the gaming concession contract ("Demand Guarantee") to secure premium payment to the MSAR government for the performance of all legal and contractual financial obligations of the Company under the gaming concession contract with the MSAR government during the tender of the gaming concession contract.

In 2003, SJM entered into a syndicated guarantee with a syndicate of banks to revise the terms of the Demand Guarantee ("Syndicated Guarantee") to the extent that, among others, the total guarantee amount remained the same as HK$679.6 million, but the guarantee amount provided by the syndicate of banks in the Demand Guarantee would be reduced to HK$291.3 million from 1 April 2007 until the end of the gaming concession contract. Pursuant to the Syndicated Guarantee, (i) a deposit of HK$194.2 million of the Group; and (ii) pieces of land where the Hyatt Regency Macau Hotel and the Hyatt Regency Macau Resort situated, which are owned by other fellow subsidiaries of the Group, have been pledged to the syndicate of banks. Such pledged deposit would be reduced to HK$83.2 million effective from 180 days after 31 March 2007 and would remain at that amount until 180 days after 31 March 2020. In addition, SJM has executed a promissory note in the amount of HK$679.6 million and endorsed by STDM for the account of the syndicate of banks.

In March 2006, SJM entered into a supplemental agreement to the Syndicated Guarantee with the syndicate of banks ("Supplemental Syndicated Guarantee"), the guarantee amount provided by the syndicate of banks in the Demand Guarantee was reduced from HK$679.6 million to HK$485.4 million for the period from 4 January 2006 to 31 March 2007 and was reduced to HK$291.3 million in aggregate for the period from 1 April 2007 until the end of the gaming concession contract. In addition, the pledged pieces of land were released, while the promissory note of HK$679.6 million endorsed by STDM was replaced by a promissory note of HK$485.4 million issued by SJM. The pledged deposit of the Group was increased from HK$83.2 million to HK$194.2 million and was reduced to HK$145.6 million in six months after 31 March 2007.

(ii) As at 30 June 2008 and 31 December 2007, a director of a non wholly-owned subsidiary of the Group and a third party had jointly established an irrevocable standby letter of credit for a maximum amount of HK$50.0 million with a fellow subsidiary of the Group in favour of SJM.

(iii) As at 30 June 2008 and 31 December 2007, SJM and STDM, among others, had jointly provided a corporate guarantee of HK$534.0 million to a syndicate of banks for credit facilities granted to Fisherman's Wharf with an amortised amount of HK$35 million recognised as at 30 June 2008 (31 December 2007: HK$42.3 million) (note 34), while such facilities utilised were HK$224.8 million and HK$269.7 million respectively.

48. Related Party Transactions (Continued)

The Group (Continued)

(c) Save as disclosed in note 37(a), in addition to the security provided by the Group to the bank, the syndicated secured bank loans are also secured by a minority shareholder of a subsidiary of the Group, the details of the securities are set out as follows:

(i) a corporate guarantee up to a maximum amount of HK$860 million;

(ii) an unconditional and irrevocable funding undertaking for the purpose to satisfy the construction costs of certain of the Ponte 16 Property which include (i) the land premium and all other premiums and sums of money payable to the Governmental Agency of MSAR in respect of Ponte 16 Property; (ii) all construction costs and all operating costs to be incurred; and (iii) all financial costs and expenses, including interest payable in respect of the syndicated secured bank loans facility;

(iii) an unconditional and irrevocable undertaking that Ponte 16 - Property for the purpose of ensuring the completion of the construction of Ponte 16 Property; and

(iv) a share pledge over all shares in Pier 16 - Property.

(d) In October 2007, the Group was granted options ("Options") without specific consideration by STDM for the next six months to acquire certain MSAR properties upon listing of the Company's shares on the Stock Exchange for a consideration of HK$6,299 million, equivalent to the fair value determined by an independent valuer, Savills (Macau) Limited, as at various dates between June 2007 and November 2007. In April 2008, the Group exercised certain Options to purchase certain MSAR properties namely 15/16 of the building known as Hotel Lisboa and Nam Van Lake Lot 11A from STDM for an aggregate consideration of HK$4,655 million representing their fair values. Under the relevant option agreements, each of STDM and SJM is required to enter into a promissory sale and purchase agreement, and within 90 days thereafter, they will become mutually bound to execute a deed of sale and purchase and complete the transaction, unless further agreed that the deed be executed on a later date. Up to the report date, STDM and SJM have not entered into any promissory sales and purchase agreements.

The Company

In November 2007, an immediate holding company, STDM - Investments Limited, has provided a 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 SJM 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 shares of the Company on the Stock Exchange; and

(ii) losses or contingency provisions incurred by SJM in connection with any judgement of any lawsuit, as set out in the paragraph headed "Litigation" in Appendix VII to the Prospectus, to which SJM is a party and which is pending at the time of listing of the shares of the Company on the Stock Exchange.

49. Post Balance Sheet Events

The following significant events took place subsequent to 30 June 2008:

(a) On 16 July 2008, 1,250,000,000 ordinary shares of HK$1 each of the Company were issued at HK$3.08 by way of global offering.

(b) According to the resolution of the then sole shareholder of the Company dated 11 January 2008, 3,480,000,000 ordinary shares of HK$1 each, totalling HK$3,480,000,000, was capitalised to the Group's share premium account.

(c) The Company's shares were listed on the Main Board of the Stock Exchange on 16 July 2008.

50. Principal Subsidiaries

Details of the Company's principal subsidiaries at 30 June 2008 and 31 December 2007 are as follows:

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 indirectly held by the Company	Principal activity
Brilliant Sky Investments Limited	British Virgin Islands/ MSAR	Share - US$1	100%	Investment holding
Grand Lisboa - Hotel	MSAR	Ordinary shares - MOP1,000,000	100%	Provision of management services for hotel operation
Grand Lisboa - Investment	MSAR	Ordinary shares - MOP1,000,000	100%	Investment holding
Honour State International Limited	British Virgin Islands/ MSAR	Share - US$1	100%	Securities holding
Nam Van Lake View Investment Limited	MSAR	Quota capital - MOP1,000,000	100%	Property holding
Pier 16 - Entertainment	MSAR	Quota capital - MOP25,000	51%	Provision of management services of casino operation
Pier 16 - Management	MSAR	Quota capital - MOP25,000	51%	Provision of project management

50. Principal 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 indirectly held by the Company	Principal activity
Pier 16 - Property	MSAR	Ordinary shares - MOP10,000,000	51%	Construction of hotel and casino
Sky Reach	British Virgin Islands/ MSAR	Share - US$1	100%	Provision of aircraft leasing services
SJM*	MSAR	Ordinary shares - Type A shares MOP270,000,000 - Type B shares MOP30,000,000	100%	Casino operations and investment holding
SJM - F&B Services Limited	MSAR	Quota capital - MOP25,000	100%	Provision of food and beverage
SJMI	MSAR	Quota capital - MOP1,000,000	100%	Investment holding
Sociedade de Desenvolvimento Unido de Macau S.A.R.L.	MSAR	Ordinary shares - HK$10,000,000	100%	Construction of hotel and casino

* SJM's shares were divided into two categories, namely, Type A shares and Type B shares representing 90% and 10% equity interest in SJM respectively. The Company is interested in 100% of the Type A shares while the Type B shares are held by Dr. Ho, the managing director of SJM, so as to comply with the relevant requirements under MSAR law. Type B shares have restricted rights and only entitle the holder of Type B shares to an aggregate amount of MOP1 of dividend payable. Therefore, the Company is effectively entitled to a 100% economic interest in SJM. In addition, in the opinion of the directors, holders of Type A shares will always have voting control of SJM in its shareholders' meetings, and will be able, by means of such voting power, to control the composition of the board of directors of SJM.

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.

None of the subsidiaries had any debt securities outstanding at the end of the period or at any time during the period.