



澳門博彩控股有限公司
SJM HOLDINGS LIMITED

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

Stock Code 股份代號：880

Interim Report 中期報告 2012

The Real Macau!





About Us

SJM Holdings Limited (the “Company”) is the holding company of Sociedade de Jogos de Macau, S.A. (“SJM”), one of the six companies authorised to operate casino games of fortune and other games of chance in casinos, under the terms of a concession granted by the Government of the Macau Special Administrative Region (“Macau”) in March 2002. SJM is the only casino gaming concessionaire with its roots in Macau, and is the largest in terms of gaming revenue and number of casinos.

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

As at 30 June 2012, SJM operated 17 casinos and 3 slot machine lounges, comprising more than 1,700 gaming tables and over 3,700 slot machines.

CONTENTS

2	Corporate Information
3	Business Review
9	Prospects and Recent Developments
10	Financial Review
12	Other Information
	Interim Financial Information
22	Report on Review of Condensed Consolidated Financial Statements
23	Condensed Consolidated Statement of Comprehensive Income
24	Condensed Consolidated Statement of Financial Position
26	Condensed Consolidated Statement of Changes in Equity
27	Condensed Consolidated Statement of Cash Flows
28	Notes to the Condensed Consolidated Financial Statements

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Executive Director

Dr. Ho Hung Sun, Stanley

Non-executive Director

Dato' Dr. Cheng Yu Tung

Independent Non-executive Directors

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 Directors

Mr. Rui José da Cunha

Ms. Leong On Kei, Angela

Mr. Shum Hong Kuen, David

Mr. Fok Tsun Ting, Timothy

AUDIT COMMITTEE

Mr. Tse Hau Yin (*Committee Chairman*)

Mr. Chau Tak Hay

Mr. Shek Lai Him, Abraham

Mr. Lan Hong Tsung, David

NOMINATION COMMITTEE

Mr. Chau Tak Hay (*Committee Chairman*)

(*appointed as Committee Chairman on 1 April 2012*)

Dr. So Shu Fai (*resigned as Committee Chairman on 1 April 2012 and remains as a Committee member*)

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

Mr. Lan Hong Tsung, David (*Committee Chairman*)

(*appointed as Committee Chairman on 1 April 2012*)

Dr. So Shu Fai (*resigned as Committee Chairman on 1 April 2012 and remains as a Committee member*)

Ms. Leong On Kei, Angela

Mr. Shek Lai Him, Abraham

Mr. Tse Hau Yin

Mr. Chau Tak Hay

CHIEF FINANCIAL OFFICER

Mr. Robert McBain

GROUP LEGAL COUNSEL

Mr. Jonathan Pyne

COMPANY SECRETARY

Ms. Kwok Shuk Chong

REGISTERED OFFICE AND

PRINCIPAL PLACE OF BUSINESS

Suites 3001–3006, 30th Floor

One International Finance Centre

1 Harbour View Street, Central

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Fax: (852) 3960 8111

Website: <http://www.sjmholdings.com>

Email (Investor Relations): ir@sjmholdings.com

LISTING INFORMATION

Share listing: Hong Kong Stock Exchange (Main Board)

Listing date: 16 July 2008

Stock short name: SJM Holdings

Stock code: 880

Board lot: 1,000 shares

LEGAL ADVISORS

On Hong Kong Law:

Baker & McKenzie

Herbert Smith

Linklaters

On Macau Law:

C&C Advogados

João Nuno Riquito & Associados Advogados

FINANCIAL ADVISOR

Somerley Limited

JOINT AUDITORS

Deloitte Touche Tohmatsu

H.C. Watt & Company Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China

(Macau) Limited

Bank of China Limited

Crédit Agricole Corporate and Investment Bank

BNP Paribas

Industrial and Commercial Bank of China (Asia) Limited

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

Website: <http://www.computershare.com.hk>

Email: hkinfo@computershare.com.hk

BUSINESS REVIEW

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

GROUP OPERATING RESULTS

The Group's total revenue, gaming revenue, profit attributable to owners of the Company, Adjusted EBITDA and Adjusted EBITDA Margin for the six months ended 30 June 2012 ("the Reporting Period") each increased from the year-earlier period:

Group operating results	For the six months ended 30 June		Increase
	2012 HK\$ million	2011 HK\$ million	
Total revenue	39,258	37,798	3.9%
Gaming revenue	38,959	37,534	3.8%
Profit attributable to owners of the Company	3,411	2,666	28.0%
Adjusted EBITDA ¹	3,812	3,493	9.1%
Adjusted EBITDA Margin ²	9.7%	9.2%	

¹ Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations and share-based payments.

² Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of total revenue.

During the Reporting Period, the Group's gaming revenue amounted to approximately 27.0% of total gaming revenue in Macau, compared with 31.1% in the corresponding period last year, according to figures from the Macau Gaming Inspection and Coordination Bureau ("DICJ").

Growth in attributable profit for the Reporting Period mainly reflected lower charges for share-based payments of \$0.2 million as compared with \$304 million in the corresponding period last year. Attributable profit also reflected depreciation and amortisation charges of \$573 million in the Reporting Period, as compared to \$584 million in the corresponding period last year.

The Group's operating results for the six months ended 30 June 2012, as compared to the six months ended 30 June 2011, are as follows:

OPERATING RESULTS – VIP GAMING

VIP operations	For the six months ended 30 June		Increase/ (Decrease)
	2012	2011	
Gaming revenue (HK\$ million)	26,470	26,609	(0.5)%
Average daily net-win per VIP gaming table (HK\$)	237,646	255,674	(7.1)%
VIP chips sales (HK\$ million)	889,028	927,483	(4.1)%
Average number of VIP gaming tables (Average of month-end numbers)	612	575	6.4%

VIP gaming operations accounted for 67.9% of the Group's total gaming revenue in the Reporting Period, as compared to 70.9% for the corresponding period last year. As at 30 June 2012, SJM had 618 VIP gaming tables in operation with 29 VIP promoters, as compared with 609 VIP gaming tables and 32 VIP promoters as at 31 December 2011.

BUSINESS REVIEW

The Group's gaming revenue from VIP gaming operations amounted to approximately 26.0% of total VIP gaming revenue in Macau, compared to 30.1% in the corresponding period last year, according to figures from DICJ. During the Reporting Period, the hold rate of VIP gaming operations was 2.98%, as compared with 2.87% in the corresponding period last year.

OPERATING RESULTS – MASS MARKET TABLE GAMING

Gaming revenue from mass market table gaming operations comprised 30.1% of the Group's total gaming revenue in the Reporting Period, as compared to 27.1% in the corresponding period last year. Operating results for the Reporting Period are as follows:

Mass market operations	For the six months ended 30 June		Increase/ (Decrease)
	2012	2011	
Gaming revenue (HK\$ million)	11,720	10,180	15.1%
Average daily net-win per mass market gaming table (HK\$)	55,323	47,946	15.4%
Average number of mass market gaming tables (Average of month-end numbers)	1,164	1,173	(0.8)%

In the Reporting Period, the Group's gaming revenue from mass market table gaming operations amounted to approximately 32.4% of total mass market table gaming revenue in Macau, compared to 38.2% in the corresponding period last year, according to figures from DICJ.

SJM operated a total of 1,157 mass market gaming tables in its casinos as at 30 June 2012, as compared with 1,166 mass market gaming tables as at 31 December 2011.

OPERATING RESULTS – SLOT MACHINES AND OTHER GAMING OPERATIONS

Gaming revenue from slot machine operations, which include other electronic gaming machines and the game of Tombola, comprised 2.0% of total gaming revenue in the Reporting Period, compared to 2.0% in the corresponding period of last year. Operating results for the Reporting Period are as follows:

Slot machine operations	For the six months ended 30 June		Increase/ (Decrease)
	2012	2011	
Gaming revenue (HK\$ million)	769	745	3.2%
Average daily net-win per slot machine (HK\$)	1,102	1,042	5.8%
Average number of slot machines (Average of month-end numbers)	3,832	3,950	(3.0)%

In the Reporting Period, the Group's gaming revenue from slot machine operations amounted to approximately 12.0% of total slot machine revenue in Macau, compared to 13.8% in the corresponding period last year, according to figures from DICJ.

SJM had 3,769 slot machines, operating in 14 of SJM's casinos and in three slot halls, as at 30 June 2012 as compared with 3,910 slot machines as at 31 December 2011.

BUSINESS REVIEW

OPERATING RESULTS OF CASINO SEGMENTS – CASINO GRAND LISBOA

SJM's flagship Casino Grand Lisboa achieved substantial growth in revenue, Adjusted EBITDA and profit contribution in the first half of 2012, due to increased visitation and spending per visitor. Lower share-based payments, lower depreciation charges and higher interest income contributed to higher growth in profit contribution.

Casino Grand Lisboa	For the six months ended 30 June		Increase
	2012	2011	
Revenue (HK\$ million)	13,713	11,223	22.2%
Profit attributable to the Group (HK\$ million)	2,121	1,542	37.6%
Adjusted Property EBITDA ³ (HK\$ million)	2,233	1,823	22.5%
Adjusted Property EBITDA Margin ⁴	16.3%	16.2%	

³ Adjusted Property EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations and share-based payments, and before elimination of inter-company consumption.

⁴ Adjusted Property EBITDA Margin is Adjusted Property EBITDA as a percentage of total revenue.

Operating results of Casino Grand Lisboa by operating segment are as follows:

Casino Grand Lisboa	For the six months ended 30 June		Increase/ (Decrease)
	2012	2011	
VIP operations			
Gaming revenue (HK\$ million)	10,492	8,362	25.5%
Average daily net-win per VIP gaming table (HK\$)	436,722	388,217	12.5%
VIP chips sales (HK\$ million)	363,071	309,712	17.2%
Average number of VIP gaming tables (Average of month-end numbers)	132	119	10.9%
Mass market operations			
Gaming revenue (HK\$ million)	2,985	2,630	13.5%
Average daily net-win per mass market gaming table (HK\$)	71,001	57,662	23.1%
Average number of mass market gaming tables (Average of month-end numbers)	231	252	(8.3)%
Slot machine operations			
Gaming revenue (HK\$ million)	236	231	2.2%
Average daily net-win per slot machine (HK\$)	1,703	1,691	0.7%
Average number of slot machines (Average of month-end numbers)	763	756	0.9%

BUSINESS REVIEW

Casino Grand Lisboa received over 6.4 million visitors during the first half of 2012, an average of over 35,000 visitors per day compared with approximately 5.8 million visitors during the first half of 2011, or over 32,000 per day.

OPERATING RESULTS OF CASINO SEGMENTS – OTHER SELF-PROMOTED CASINOS AND SLOT HALLS

Other self-promoted casinos are Casino Lisboa, Casino Oceanus at Jai Alai and Casino Jai Alai, all located on the Macau Peninsula. The latter two casinos operate under the same license. The Group also operates three self-promoted slot halls, namely Macau Jockey Club Slot Lounge, Treasure Hunt Slot Lounge and Yat Yuen Canidrome Slot Lounge (collectively, "Other Self-promoted Casinos and Slot Halls"). Revenue and Adjusted Property EBITDA for these operations decreased mainly due to the lower level of VIP chips sales at Casino Lisboa during the period.

Other self-promoted casinos and slot halls	For the six months ended 30 June		Increase/ (Decrease)
	2012	2011	
Revenue (HK\$ million)	5,698	5,931	(3.9)%
Profit attributable to the Group (HK\$ million)	531	516	2.8%
Adjusted Property EBITDA (HK\$ million)	624	672	(7.2)%
Adjusted Property EBITDA Margin	10.9%	11.3%	

Operating results of other self-promoted casinos and slot halls by operating segment are as follows:

Other self-promoted casinos and slot halls	For the six months ended 30 June		Increase/ (Decrease)
	2012	2011	
VIP operations			
Gaming revenue (HK\$ million)	3,236	3,585	(9.8)%
Average daily net-win per VIP gaming table (HK\$)	355,579	366,833	(3.1)%
VIP chips sales (HK\$ million)	115,071	129,694	(11.3)%
Average number of VIP gaming tables (Average of month-end numbers)	50	54	(7.4)%
Mass market operations			
Gaming revenue (HK\$ million)	2,234	2,123	5.2%
Average daily net-win per mass market gaming table (HK\$)	37,999	36,088	5.3%
Average number of mass market gaming tables (Average of month-end numbers)	323	325	(0.6)%

BUSINESS REVIEW

As at 30 June 2012, Casino Lisboa operated a total of 132 mass market gaming tables, 46 VIP gaming tables and 72 slot machines.

As at 30 June 2012, Casino Oceanus at Jai Alai and Casino Jai Alai operated a total of 191 mass market gaming tables, 2 VIP gaming tables and 663 slot machines.

OPERATING RESULTS OF CASINO SEGMENTS – SATELLITE CASINOS AND SLOT HALLS

As at 30 June 2012, SJM operated 14 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Macau Jockey Club, Casino Greek Mythology, Casino Jimei, Casino Kam Pek Paradise, Casino Lan Kwai Fong, Casino L'Arc Macau, Casino Ponte 16 and Casino Club VIP Legend. The 14 satellite casinos comprised a total of 608 mass market gaming tables, 422 VIP gaming tables and 1,811 slot machines as at 30 June 2012.

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

Revenue and Adjusted Property EBITDA of these casinos and slot halls declined mainly due to the lower level of VIP chips sales, whilst profit contribution of these casinos and slot halls increased due to the decrease in share-based payments.

Satellite casinos and slot halls	For the six months ended 30 June		Increase/ (Decrease)
	2012	2011	
Revenue (HK\$ million)	19,548	20,380	(4.1)%
Profit attributable to the Group (HK\$ million)	824	745	10.6%
Adjusted Property EBITDA (HK\$ million)	802	829	(3.3)%
Adjusted Property EBITDA Margin	4.1%	4.1%	

BUSINESS REVIEW

Operating results of satellite casinos and slot halls by operating segment are as follows:

Satellite casinos and slot halls	For the six months ended 30 June		Increase/ (Decrease)
	2012	2011	
VIP operations			
Gaming revenue (HK\$ million)	12,742	14,662	(13.1)%
Average daily net-win per VIP gaming table (HK\$)	162,443	201,506	(19.4)%
VIP chips sales (HK\$ million)	410,886	488,077	(15.8)%
Average number of VIP gaming tables (Average of month-end numbers)	431	402	7.2%
Mass market operations			
Gaming revenue (HK\$ million)	6,501	5,427	19.8%
Average daily net-win per mass market gaming table (HK\$)	58,560	50,304	16.4%
Average number of mass market gaming tables (Average of month-end numbers)	610	596	2.3%
Slot machine operations			
Gaming revenue (HK\$ million)	305	291	4.3%
Average daily net-win per slot machine (HK\$)	907	832	9.0%
Average number of slot machine (Average of month-end numbers)	1,840	1,934	(4.9)%

NON-GAMING OPERATIONS

During the Reporting Period, the Grand Lisboa Hotel contributed \$314 million in revenue and \$87 million in Adjusted Property EBITDA to the Group as compared with \$278 million in revenue and \$97 million in Adjusted Property EBITDA for the corresponding period last year. The occupancy rate of the hotel, based on 405 average available rooms, averaged 93.2% for the Reporting Period, as compared with 89.3% for the corresponding period last year. Average room rate during the Reporting Period was approximately \$2,131 as compared with \$2,065 for the corresponding period last year.

Operating results for the Sofitel at Ponte 16, in which SJM's interest is 51%, contributed \$86 million in revenue to the Group, compared with a contribution of \$72 million for the corresponding period last year. The occupancy rate of the 408-room hotel averaged 76.3% for the Reporting Period as compared with 67.4% in the corresponding period last year, and the average room rate was \$1,227 as compared with \$1,158 for the corresponding period last year.

PROSPECTS AND RECENT DEVELOPMENTS

MARKET ENVIRONMENT

During the first half of 2012 Macau's total gaming revenue grew by 19.8% over the corresponding period in 2011, though the growth rate decelerated from January to June. According to figures from the Macau Government Statistics and Census Service, visitation to Macau increased by 2.5% to a record level for the half-year of 13,577,714, of which visitors from the Mainland increased by 8.5% to 8,111,212, or 59.7% of the total. New capacity was added to the supply of gaming and lodging facilities by one competitor in Cotai in the second quarter of 2012.

CURRENT AND RECENT INITIATIVES

In pursuit of the Group's strategy of growing its business through expansion of casino operations in Macau and improvement in the operating efficiency of existing casinos, the Group is progressing on a number of initiatives in 2012, which are described below.

• at Casino Grand Lisboa

Several remodeling projects at Casino Grand Lisboa have been undertaken to optimize the configuration of the gaming area. In the first half of 2012, increased capacity for VIP gaming was added on the second and 31st floors of the building, and additional gaming tables were moved to the main mass market gaming floor. Construction work is currently underway to create new VIP capacity on the 9th and 10th floors and to construct an additional stage for promotion and entertainment on the second floor. Popular promotions such as "Treasure Triumph", "Double Goal", and "The Grand Wheel" are held regularly.

• at Casino Oceanus At Jai Alai

In June 2012, the Oceanus Club opened on the third floor of the casino, where Oceanus membership card holders can relax and enjoy various club facilities. Later in 2012 the casino plans to expand its food and beverage offerings by opening its third restaurant, Gem Kitchen, on the second floor, offering deluxe Cantonese cuisine. Promotions for table gaming and slot machines, such as "Golden 3 Minutes", "Treasure Hunt Fantasy" and "Slot Lucky Dragon", are held at various times during the year.

• at Ponte 16 Resort

In April 2012 a group of banks led by Industrial and Commercial Bank of China (Macau) Limited completed syndication of 5-year loan facilities for Ponte 16 in the amounts of HK\$1,900 million and RMB400 million. The proceeds will be used primarily to refinance existing credit facilities, to repay shareholders' loans and to fund the construction of Phase III development of the Resort. Phase III will be a riverside commercial complex with total floor area of approximately 40,000 square metres. In addition to shopping and dining facilities, the complex will encompass space for gaming expansion, car parks and the iconic Pier 16 clock tower, and is planned to be completed by 2014.

FUTURE PROJECTS

SJM is in an advanced stage of discussion with the Macau government regarding its application for a development site with approved development area of 70,468 square metres adjacent to the Macau East Asian Games Dome. Subject to final government approvals, the Company plans to develop an integrated gaming resort on this site over the next several years, with facilities encompassing mass market and VIP gaming, lodging, dining and entertainment.

OUTLOOK

The Group's performance in the second half of 2012 will remain susceptible to the overall economic performance of the surrounding region and the level of visitation to Macau, as well as to the competitive situation among the casino operators in Macau. During this period, the Group is committed to maintaining its strength in both the mass market and VIP gaming segments while striving to improve its operating efficiency. The Group is optimistic regarding its performance for the rest of the year.

FINANCIAL REVIEW

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong financial position during the Reporting Period, with bank balances and cash amounting to \$21,396 million (not including \$638 million pledged bank deposits) as at 30 June 2012. This represented an increase of 4.0% as compared with the position as at 31 December 2011 of \$20,571 million. The increase was mainly attributable to the increase in EBITDA and working capital throughout the Reporting Period.

During the Reporting Period, 5-year loan facilities were signed with a syndicate of banks for Phase III of the Ponte 16 development in the total amounts of \$1,900 million and RMB400 million, of which the Company's share would be 51%.

Total outstanding balances of bank loans drawn by the Group as at 30 June 2012 amounted to \$3,955 million (as at 31 December 2011: \$3,072 million). The maturity profile of the Group's borrowings as at 30 June 2012 is set out below:

Maturity Profile			
Within 1 year	1–2 years	2–5 years	Total
59.3%	5.9%	34.8%	100.0%

GEARING RATIO

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less bank balances and cash to total assets (excluding bank balances and cash)) was zero at the end of the Reporting Period (as at 31 December 2011: zero).

CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments by the Group amounted to \$844 million at the end of the Reporting Period (as at 31 December 2011: \$158 million).

Future projects such as the development of sites in Cotai will be funded by a combination of internal resources and debt financing. The exact investment plans on future 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

As at 30 June 2012, certain of the Group's property and equipment and land use rights with carrying values of \$5,195 million and \$704 million, respectively (as at 31 December 2011: \$5,415 million and \$718 million, respectively), were pledged with banks for loan facilities. In addition, the Group had pledged bank deposits of \$638 million as at 30 June 2012 (as at 31 December 2011: \$172 million).

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2012, the Group had total guarantees given to banks of \$87 million (as at 31 December 2011: \$93 million), which were guarantees in respect of credit facilities granted to an associate and investee companies. The Group had no significant contingent liabilities as at 30 June 2012.

FINANCIAL REVIEW

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. As at the end of the Reporting Period, less than 13% of the Group's outstanding borrowings were denominated in a foreign currency, of which the foreign exchange rate risk has been fully set off with a matching amount of deposits in the foreign currency. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations. Over 97% of the Group's bank deposits, which exclude the deposits used to set off the borrowing denominated in foreign currency, 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.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions or material disposals of subsidiaries and associated companies during the Reporting Period.

HUMAN RESOURCES

As at 30 June 2012, the Group had approximately 20,660 full-time employees. The Group's employee turnover rate was minimal in the first half of 2012.

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.

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

COMPARISON WITH UNITED STATES GAAP ACCOUNTING

The Group's results are prepared in compliance with Hong Kong generally accepted accounting principles ("HK GAAP"). In comparing the Group's results to those of companies whose results are prepared under US GAAP, it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An Adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher Adjusted EBITDA margin than that calculated under HK GAAP. If calculated under US GAAP, the Group's Adjusted EBITDA margin would be approximately 17.1% for the Reporting Period, as compared to HK GAAP which gives an Adjusted EBITDA margin of 9.7% for the period.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company has resolved to declare the payment of an interim dividend of HK10 cents per ordinary share of the Company (the "Share") for the six months ended 30 June 2012 (six months ended 30 June 2011: HK8 cents per Share). The interim dividend is expected to be paid on 19 September 2012 to shareholders of the Company whose names appear on the register of members of the Company on 4 September 2012.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS FOR INTERIM DIVIDEND

Book close dates for interim dividend	: 31 August 2012 to 4 September 2012
Record date for interim dividend	: 4 September 2012
Expected payment date	: 19 September 2012
Latest time to lodge transfer documents with the Company's share registrar to entitle interim dividend	: 4:30 p.m. on 30 August 2012
Name and address of the Company's share registrar	: Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

DISCLOSURE OF INTERESTS

Directors' and Chief Executive Officer's interests and short positions in shares, underlying shares and debentures

As at 30 June 2012, interests and short positions of each director of the Company (the "Director") and the Chief Executive Officer 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are as follows:

I. Interests in Shares, underlying Shares and debentures of the Company

Name of Director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued share capital
					(Note 2)
So Shu Fai	Beneficial owner	Long position	128,327,922	—	2.31%
	Beneficial owner	Long position	—	35,000,000	0.63%
				(Note 1)	
			128,327,922	35,000,000	2.94%

OTHER INFORMATION

Name of Director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued share capital
					(Note 2)
Ng Chi Sing	Beneficial owner	Long position	96,452,922	—	1.74%
	Beneficial owner	Long position	—	32,000,000	0.58%
			96,452,922	32,000,000	2.32%
Rui José da Cunha	Beneficial owner	Long position	19,000,500	—	0.34%
	Beneficial owner	Long position	—	3,000,000	0.05%
			19,000,500	3,000,000	0.39%
Leong On Kei, Angela	Beneficial owner	Long position	427,950,000	—	7.72%
	Beneficial owner	Long position	—	30,000,000	0.54%
			427,950,000	30,000,000	8.26%
Shum Hong Kuen, David	Beneficial owner	Long position	—	6,000,000	0.11%
Fok Tsun Ting, Timothy	Beneficial owner	Long position	—	6,000,000	0.11%
Cheng Yu Tung	Beneficial owner	Long position	—	6,000,000	0.11%
Chau Tak Hay	Beneficial owner	Long position	—	500,000	0.01%
Lan Hong Tsung, David	Beneficial owner	Long position	—	1,000,000	0.02%
Shek Lai Him, Abraham	Beneficial owner	Long position	—	1,000,000	0.02%
Tse Hau Yin	Beneficial owner	Long position	—	1,000,000	0.02%

OTHER INFORMATION

II. Interests in shares, underlying shares and debentures of associated corporations

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

Name of Director	Capacity	Long/short position	No. of shares held			Approximate percentage of issued share capital
			Ordinary	Privileged	Total	
Ho Hung Sun, Stanley	Beneficial owner	Long position	—	100	100	0.12%
Leong On Kei, Angela	Beneficial owner	Long position	637	5,215	5,852	6.86%
Shum Hong Kuen, David	Beneficial owner	Long position	1,004	—	1,004	1.18%

Sociedade de Jogos de Macau, S.A.

Name of Director	Capacity	Long/short position	No. of shares held (Type B Shares)	Approximate percentage of issued share capital

Notes:

1. These represent the interests in underlying Shares in respect of share options granted by the Company, the details of which are stated in section "Share Option Scheme" below.
2. The percentage has been calculated based on 5,543,514,293 Shares in issue as at 30 June 2012.

Save as disclosed above, so far as was known to any Director, as of 30 June 2012, none of the Directors or the Chief Executive Officer had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

Interests and short positions of substantial shareholders in Shares and underlying Shares

As at 30 June 2012, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of substantial shareholder	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued share capital
					(Note 2)
Leong On Kei, Angela	Beneficial owner	Long position	427,950,000	—	7.72%
	Beneficial owner	Long position	—	30,000,000	0.54%
				(Note 1)	
			427,950,000	30,000,000	8.26%
Sociedade de Turismo e Diversões de Macau, S.A.	Beneficial owner	Long position	3,049,987,500	—	55.02%

Notes:

1. These represents the interests in underlying Shares in respect of share options granted by the Company, the details of which are stated in section "Share Option Scheme" below.
2. The percentage has been calculated based on 5,543,514,293 Shares in issue as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, the Company had not been notified by any persons (other than a Director or the Chief Executive Officer or their respective associate(s)) of any interest or short position in Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

SHARE OPTION SCHEME

At an annual general meeting of the Company held on 13 May 2009, the shareholders of the Company approved the adoption of a share option scheme (the "Scheme") under which the Directors may grant to any participants of the Scheme share options ("Options") to subscribe for Shares, subject to the terms and conditions as stipulated therein.

OTHER INFORMATION

Details of the movement in Options granted under the Scheme during the six months ended 30 June 2012 were as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per Share HK\$	Number of Options					Balance as at 30 June 2012
				Outstanding as at 1 January 2012	Grant during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors:									
So Shu Fai	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	35,000,000	—	—	—	—	35,000,000
Ng Chi Sing	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	32,000,000	—	—	—	—	32,000,000
Rui José da Cunha	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
Leong On Kei, Angela	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	30,000,000	—	—	—	—	30,000,000
Shum Hong Kuen, David	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	3,000,000	—	—	—	—	3,000,000
	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
Fok Tsun Ting, Timothy	31 August 2010 (Note 4)	28 February 2011 to 27 February 2020	\$7.48	3,000,000	—	—	—	—	3,000,000
	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
Cheng Yu Tung	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	1,000,000	—	—	—	—	1,000,000
	31 August 2010 (Note 4)	28 February 2011 to 27 February 2020	\$7.48	2,000,000	—	—	—	—	2,000,000
	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
Chau Tak Hay	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
Lan Hong Tsung, David	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	500,000	—	—	—	—	500,000
	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
Shek Lai Him, Abraham	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	500,000	—	—	—	—	500,000
	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
Tse Hau Yin	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	500,000	—	—	—	—	500,000
	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
Sub-total (Directors):				121,500,000	—	—	—	—	121,500,000

OTHER INFORMATION

Name or category of participants	Date of grant	Exercise period	Exercise price per Share HK\$	Number of Options					Balance as at 30 June 2012
				Outstanding as at 1 January 2012	Grant during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Employees	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	5,090,000	—	(535,000)	—	—	4,555,000
Employee	13 July 2009 (Note 1)	13 January 2011 to 12 January 2019	\$2.82	10,000,000	—	(10,000,000)	—	—	—
Employee	13 July 2009 (Note 1)	13 January 2012 to 12 January 2019	\$2.82	10,000,000	—	(10,000,000)	—	—	—
Employee	19 May 2010 (Note 2)	19 November 2010 to 18 November 2019	\$5.11	1,400,000	—	(400,000)	—	—	1,000,000
Employees	26 May 2010 (Note 3)	26 November 2010 to 25 November 2019	\$5.03	260,000	—	—	—	—	260,000
Sub-total (Employees):				26,750,000	—	(20,935,000)	—	—	5,815,000
Other participants	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	2,250,000	—	(500,000)	—	—	1,750,000
Total:				150,500,000	—	(21,435,000)	—	—	129,065,000

Notes:

- The vesting period for all of the Options granted on 13 July 2009 is six months from the date of grant, except the vesting period for Options in respect of a total of 30,000,000 Shares is 1/3 vesting on 13 January 2010, then 1/3 vesting on each of the first and second anniversaries of such date. The closing price of the Shares immediately before the date of grant was HK\$2.85. The estimated fair value of each Option granted on that date based on an independent valuation is as follows:

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

- The vesting period for all of the Options granted on 19 May 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was HK\$4.81. The estimated fair value of each Option granted on that date based on an independent valuation is HK\$2.0728.
- The vesting period for all of the Options granted on 26 May 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was HK\$4.83. The estimated fair value of each Option granted on that date based on an independent valuation is HK\$2.0178.
- The vesting period for all of the Options granted on 31 August 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was HK\$7.49. The estimated fair value of each Option granted on that date based on an independent valuation is HK\$2.8926.
- The vesting period for all of the Options granted on 17 March 2011 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was HK\$12.58. The estimated fair value of each Option granted on that date based on an independent valuation is HK\$4.5320.
- The weighted average closing price of the Shares immediately before the dates on which the Options were exercised is HK\$16.34.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

The directors of the Company recognise the importance of good corporate governance in the management of the Group. During the period from 1 January 2012 to 31 March 2012, the Company has complied with the code provisions of the former Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules; and during the period from 1 April 2012 to 30 June 2012, the Company has complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report as set out in that Appendix, except for the deviations from the following existing code provisions:

A.6.7: Mr. Chau Tak Hay, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 10 May 2012 (the "2012 AGM") as he was absent from Hong Kong on that day. Mr. Shek Lai Him, Abraham, an independent non-executive director of the Company, and Dato' Dr. Cheng Yu Tung, a non-executive director of the Company, were unable to attend the 2012 AGM due to prior business commitment.

E.1.2: Due to health reason, Dr. Ho Hung Sun, Stanley was absent from the 2012 AGM.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry, the Company confirms that all Directors have complied with the required standards as stated in the Model Code during the six months ended 30 June 2012.

OTHER INFORMATION

DIRECTORS' BIOGRAPHICAL DETAILS UPDATE

Directors' biographical details update since 1 January 2012 and up to 30 June 2012, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Biographical details update since 1 January 2012 and up to 30 June 2012
Ho Hung Sun, Stanley	<ul style="list-style-type: none">Received discretionary bonus in amount of HK\$1,941,748 from a subsidiary of the Company for the financial year of 2011His director's fees entitled to be received from the Company are covered by a letter of appointment dated 1 April 2012
So Shu Fai	<ul style="list-style-type: none">Received discretionary bonus in the amount of HK\$1,837,500 from a subsidiary of the Company for the financial year of 2011Emolument entitled to be received from the Company increased by HK\$50,000 per annum since 1 January 2012Emolument entitled to be received from a subsidiary of the Company increased by HK\$207,500 per month since 1 January 2012Resigned as Chairman of both the Nomination Committee of the Company and the Remuneration Committee of the Company and remains as a member of the said committees with effect from 1 April 2012Entitled to receive emoluments of HK\$20,000 and HK\$10,000 per annum as a member of the Nomination Committee and the Remuneration Committee respectively since 1 April 2012Resigned as Chairman of Tonic Industries Holdings Limited and remains as executive director with effect from 23 June 2012
Ng Chi Sing	<ul style="list-style-type: none">Received discretionary bonus in the amount of HK\$1,706,250 from a subsidiary of the Company for the financial year of 2011Emolument entitled to be received from a subsidiary of the Company increased by HK\$181,250 per month since 1 January 2012
Rui José da Cunha	<ul style="list-style-type: none">Received discretionary bonus in the amount of HK\$354,375 from a subsidiary of the Company for the financial year of 2011Emolument entitled to be received from the Company increased by HK\$300,000 per annum since 1 January 2012Emolument entitled to be received from a subsidiary of the Company increased by HK\$61,875 per month since 1 January 2012
Leong On Kei, Angela	<ul style="list-style-type: none">Received discretionary bonus in the amount of HK\$1,439,001 from a subsidiary of the Company for the financial year of 2011Emolument entitled to be received from the Company increased by HK\$200,000 per annum since 1 January 2012Emolument entitled to be received from a subsidiary of the Company increased by HK\$210,333 per month since 1 January 2012
Shum Hong Kuen, David	<ul style="list-style-type: none">Received discretionary bonus in the amount of HK\$71,667 from the Company for the financial year of 2011Emolument entitled to be received from the Company increased by HK\$150,000 per annum since 1 January 2012Emolument entitled to be received from a subsidiary of the Company increased by HK\$100,000 per annum since 1 January 2012His director's fees (including fees for acting as a member of the Nomination Committee) entitled to be received from the Company are covered by a letter of appointment dated 1 April 2012

OTHER INFORMATION

Name of Director	Biographical details update since 1 January 2012 and up to 30 June 2012
Fok Tsun Ting, Timothy	<ul style="list-style-type: none"> • Received discretionary bonus in the amount of HK\$25,000 from the Company for the financial year of 2011 • Emolument entitled to be received from the Company increased by HK\$100,000 per annum since 1 January 2012 • His director's fees entitled to be received from the Company are covered by a letter of appointment dated 1 April 2012
Cheng Yu Tung	<ul style="list-style-type: none"> • Received discretionary bonus in the amount of HK\$485,437 from a subsidiary of the Company for the financial year of 2011 • Emolument entitled to be received from the Company increased by HK\$200,000 per annum since 1 January 2012
Chau Tak Hay	<ul style="list-style-type: none"> • Received discretionary bonus in the amount of HK\$26,667 from the Company for the financial year of 2011 • Emolument entitled to be received from the Company increased by HK\$150,000 per annum since 1 January 2012 • Appointed as Chairman of the Nomination Committee of the Company and entitled to receive emolument of HK\$30,000 per annum with effect from 1 April 2012
Lan Hong Tsung, David	<ul style="list-style-type: none"> • Received discretionary bonus in the amount of HK\$26,667 from the Company for the financial year of 2011 • Emolument entitled to be received from the Company increased by HK\$150,000 per annum since 1 January 2012 • Appointed as Chairman of the Remuneration Committee of the Company and entitled to receive emolument of HK\$40,000 per annum with effect from 1 April 2012
Shek Lai Him, Abraham	<ul style="list-style-type: none"> • Received discretionary bonus in the amount of HK\$26,667 from the Company for the financial year of 2011 • Emolument entitled to be received from the Company increased by HK\$150,000 per annum since 1 January 2012 • His director's fees (including fees for acting as a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee) entitled to be received from the Company are covered by a letter of appointment dated 10 May 2012
Tse Hau Yin	<ul style="list-style-type: none"> • Received discretionary bonus in the amount of HK\$70,000 from the Company for the financial year of 2011 • Emolument entitled to be received from the Company increased by HK\$150,000 per annum since 1 January 2012 • Emolument entitled to be received from a subsidiary of the Company increased by HK\$300,000 per annum since 1 January 2012 • His director's fees (including fees for acting as Chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee) entitled to be received from the Company are covered by a letter of appointment dated 10 May 2012

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

REVIEW OF INTERIM REPORT AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim report of the Company for the six months ended 30 June 2012 has been reviewed by the Audit Committee of the Company. The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2012 has been reviewed by the Audit Committee of the Company and by the Company's joint auditors in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board of Directors
SJM Holdings Limited

So Shu Fai
Executive Director and Chief Executive Officer

Hong Kong, 8 August 2012

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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

TO THE BOARD OF DIRECTORS OF SJM HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of SJM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 52 which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

8 August 2012

H.C. Watt & Company Limited
Certified Public Accountants
Hong Kong
Watt Hung Chow
Practising Certificate No. P181

8 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)
Gaming, hotel, catering and related services revenues		39,258.1	37,798.3
Gaming revenue	5	38,959.3	37,534.1
Special gaming tax, special levy and gaming premium		(14,994.4)	(14,448.2)
		23,964.9	23,085.9
Hotel, catering and related services income		298.8	264.2
Cost of sales and services on hotel, catering and related services		(130.9)	(116.0)
Other income		199.7	116.3
Marketing and promotional expenses		(17,194.2)	(17,014.4)
Operating and administrative expenses		(3,639.9)	(3,601.2)
Finance costs	6	(55.6)	(65.5)
Share of losses of an associate		(7.6)	(8.1)
Share of profits of a jointly controlled entity		3.0	3.9
Profit before taxation	7	3,438.2	2,665.1
Taxation	8	(13.5)	(8.7)
Profit for the period and total comprehensive income for the period		3,424.7	2,656.4
Profit for the period and total comprehensive income attributable to			
— owners of the Company		3,411.3	2,665.9
— non-controlling interests		13.4	(9.5)
		3,424.7	2,656.4
Earnings per share			
— Basic	10	HK61.7 cents	HK48.6 cents
— Diluted	10	HK61.2 cents	HK48.1 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
Non-current assets			
Property and equipment	11	8,484.8	8,777.2
Land use rights	12	760.5	775.2
Intangible asset		30.0	33.2
Art works and diamonds	13	289.2	289.2
Interest in an associate		21.3	28.9
Interest in a jointly controlled entity		83.5	80.5
Available-for-sale investments in equity securities		—	5.5
Deposits made on acquisitions of property and equipment		198.0	153.0
Amount due from a fellow subsidiary	14	249.4	268.7
Amount due from an associate		40.8	40.8
Amount due from a jointly controlled entity		14.3	14.3
Amount due from an investee company	15	120.9	128.9
Pledged bank deposits	16	636.3	145.6
		10,929.0	10,741.0
Current assets			
Inventories		65.5	68.5
Trade and other receivables	17	1,440.6	1,318.0
Loan receivables	18	158.0	246.0
Amount due from ultimate holding company	19	0.9	0.3
Financial assets at fair value through profit or loss	20	60.2	48.9
Pledged bank deposits	16	1.3	26.3
Short-term bank deposits		8,192.8	6,011.1
Bank balances and cash		13,203.4	14,559.9
		23,122.7	22,279.0
Current liabilities			
Trade and other payables	21	11,945.5	11,338.8
Amount due to non-controlling interests of a subsidiary		—	324.0
Obligations under finance leases	22	25.8	25.4
Taxation		30.1	38.8
Current portion of long-term bank loans	23	2,346.5	3,072.0
		14,347.9	14,799.0
Net current assets		8,774.8	7,480.0
Total assets less current liabilities		19,703.8	18,221.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
Non-current liabilities			
Obligations under finance leases	22	249.4	268.7
Long-term bank loans	23	1,608.6	—
Amount due to non-controlling interests of a subsidiary	25	706.0	690.8
Deferred taxation		19.7	14.9
		<u>2,583.7</u>	<u>974.4</u>
Net assets		<u>17,120.1</u>	<u>17,246.6</u>
Capital and reserves			
Share capital	26	5,543.5	5,522.1
Reserves		11,533.7	11,685.6
Equity attributable to owners of the Company		17,077.2	17,207.7
Non-controlling interests		42.9	38.9
Total equity		<u>17,120.1</u>	<u>17,246.6</u>

The condensed consolidated financial statements on pages 23 to 52 was approved and authorised for issue by the Board of Directors on 8 August 2012 and is signed on its behalf by:

So Shu Fai
Director

Ng Chi Sing
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital HK\$ million	Share premium HK\$ million	Share options reserve HK\$ million	Convertible bonds equity reserve HK\$ million	Retained profits HK\$ million	Attributable to owners of the Company HK\$ million	Non-controlling interests HK\$ million	Total HK\$ million
At 1 January 2012	5,522.1	3,800.1	562.9	—	7,322.6	17,207.7	38.9	17,246.6
Total comprehensive income for the period	—	—	—	—	3,411.3	3,411.3	13.4	3,424.7
Exercise of share options	21.4	68.1	(28.1)	—	—	61.4	—	61.4
Expenses incurred in connection with the issue of shares	—	(0.1)	—	—	—	(0.1)	—	(0.1)
Recognition of equity-settled share-based payments	—	—	0.2	—	—	0.2	—	0.2
Arising from changes in cash flow estimates on amount due to non-controlling interests of a subsidiary	—	—	—	—	—	—	(9.4)	(9.4)
Dividends paid (note 9)	—	—	—	—	(3,603.3)	(3,603.3)	—	(3,603.3)
	<u>21.4</u>	<u>68.0</u>	<u>(27.9)</u>	<u>—</u>	<u>(3,603.3)</u>	<u>(3,541.8)</u>	<u>(9.4)</u>	<u>(3,551.2)</u>
At 30 June 2012 (unaudited)	<u>5,543.5</u>	<u>3,868.1</u>	<u>535.0</u>	<u>—</u>	<u>7,130.6</u>	<u>17,077.2</u>	<u>42.9</u>	<u>17,120.1</u>
At 1 January 2011	5,454.5	3,456.8	66.4	50.2	4,109.8	13,137.7	37.7	13,175.4
Total comprehensive income for the period	—	—	—	—	2,665.9	2,665.9	(9.5)	2,656.4
Exercise of share options	7.7	24.6	(9.9)	—	—	22.4	—	22.4
Conversion of convertible bonds	49.5	222.1	—	(50.2)	—	221.4	—	221.4
Expenses incurred in connection with the issue of shares	—	(0.1)	—	—	—	(0.1)	—	(0.1)
Recognition of equity-settled share-based payments	—	—	304.1	—	—	304.1	—	304.1
Dividends paid (note 9)	—	—	—	—	(1,653.4)	(1,653.4)	—	(1,653.4)
	<u>57.2</u>	<u>246.6</u>	<u>294.2</u>	<u>(50.2)</u>	<u>(1,653.4)</u>	<u>(1,105.6)</u>	<u>—</u>	<u>(1,105.6)</u>
At 30 June 2011 (unaudited)	<u>5,511.7</u>	<u>3,703.4</u>	<u>360.6</u>	<u>—</u>	<u>5,122.3</u>	<u>14,698.0</u>	<u>28.2</u>	<u>14,726.2</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)
Net cash from operating activities	4,365.8	4,827.8
Investing activities		
Interest received	160.4	71.6
Purchase of property and equipment	(211.4)	(246.8)
Additions of land use right	(5.9)	—
Proceeds from disposal of available-for-sale investments	13.0	—
Deposits paid for acquisition of property and equipment	(93.3)	(121.7)
Repayment of loan receivables	88.0	—
Net (advances to) repayment from ultimate holding company	(0.6)	545.5
Repayment from fellow subsidiaries	19.3	13.1
Increase in pledged bank deposits	(465.7)	—
(Increase) decrease in bank deposits	(2,181.7)	4,096.2
Other investing cash flows	8.8	9.2
Net cash (used in) from investing activities	(2,669.1)	4,367.1
Financing activities		
Interest paid	(32.4)	(41.9)
Dividends paid	(3,603.3)	(1,653.4)
Proceeds from issue of shares	61.4	22.4
Repayment of obligations under finance leases	(18.9)	(18.9)
Bank loans raised	1,843.1	—
Repayment of bank loans	(960.0)	(520.0)
Repayments to non-controlling interests of a subsidiary	(343.0)	—
Other financing cash flows	(0.1)	(0.1)
Net cash used in financing activities	(3,053.2)	(2,211.9)
Net (decrease) increase in cash and cash equivalents	(1,356.5)	6,983.0
Cash and cash equivalents at 1 January	14,559.9	10,138.6
Cash and cash equivalents at 30 June	13,203.4	17,121.6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL

SJM Holdings Limited (the “Company”) is a public limited company incorporated in Hong Kong and acts as an investment holding company. The Company’s ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its subsidiaries are principally engaged in the development and operation of casinos and related facilities in the Macau Special Administrative Region, the People’s Republic of China (“MSAR”). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”), a company established in MSAR. The address of the registered office and principal place of business of the Company is disclosed in the “Corporate Information” section of this report.

The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company, and has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except that certain financial instruments are measured at fair values. The principal accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Company and its subsidiaries (collectively referred as the “Group”) have applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle ²
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities ²
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures ⁴
HKFRS 9	Financial instruments ⁴
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosures of interests in other entities ²
HKFRS 13	Fair value measurements ²
Amendments to HKAS 1	Presentation of financial statements — Presentation of items of other comprehensive income ¹
HKAS 19 (as revised in 2011)	Employee benefits ²
HKAS 27 (as revised in 2011)	Separate financial statements ²
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ²
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosures of interests in other entities: Transition guidance ²
HK(IFRIC*) — INT 20	Stripping costs in the production phase of a surface mine ²

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ¹ Effective for annual periods beginning on or after 1 July 2012
- ² Effective for annual periods beginning on or after 1 January 2013
- ³ Effective for annual periods beginning on or after 1 January 2014
- ⁴ Effective for annual periods beginning on or after 1 January 2015

* IFRIC represents the International Financial Reporting Interpretations Committee

The management of the Company anticipates that the application of these new and revised standards or interpretations will have no material impact on the results and the financial position of the Group and the Company. However, the application of HKFRS 12 and HKFRS 13 may result in more extensive disclosures in the consolidated financial statements of the Group.

3. SUMMARY OF FINANCIAL POSITION OF THE COMPANY

	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
Non-current assets		
Property and equipment	5.4	1.5
Investments in subsidiaries	4,359.3	4,359.3
Deposits made on acquisitions of property and equipment	0.1	1.4
	<u>4,364.8</u>	<u>4,362.2</u>
Current assets		
Other receivables, deposits and prepayments	38.5	27.3
Amounts due from subsidiaries	508.6	512.0
Dividends receivable	—	4,854.4
Short-term bank deposits	7,190.7	5,272.8
Bank balances and cash	669.8	1,232.7
	<u>8,407.6</u>	<u>11,899.2</u>
Current liabilities		
Other payables and accruals	4.2	1.0
Amount due to a subsidiary	291.6	291.6
	<u>295.8</u>	<u>292.6</u>
Net current assets	<u>8,111.8</u>	<u>11,606.6</u>
Net assets	<u>12,476.6</u>	<u>15,968.8</u>
Capital and reserves		
Share capital	5,543.5	5,522.1
Share premium	3,868.1	3,800.1
Share options reserve	535.0	562.9
Retained profits	2,530.0	6,083.7
Total equity	<u>12,476.6</u>	<u>15,968.8</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

4. OPERATING SEGMENTS

The Group is currently organised into two operating segments — gaming operations, and hotel and catering operations. Principal activities of these two operating segments are as follows:

- (i) Gaming operations — operation of casinos and related facilities
- (ii) Hotel and catering operations — operation of hotel, catering and related services

For gaming operations, the chief operating decision maker (the “CODM”), which is a group of executive directors of the Company, regularly analyses gaming revenue in terms of VIP gaming operations, mass market table gaming operations, slot machine and other gaming operations. The CODM reviews the revenues and operating results of gaming operations as a whole. For hotel and catering operations, the CODM regularly reviews the performance on the basis of individual hotel. For segment reporting under HKFRS 8, financial information of the Group’s hotels has been aggregated into a single operating segment named “hotel and catering operations”.

An analysis of the Group’s revenue and results by operating and reportable segments is as follows:

	Segment revenue		Segment results	
	2012 HK\$ million (unaudited)	Six months ended 30 June 2011 HK\$ million (unaudited)	2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)
Gaming operations	38,959.3	37,534.1	3,557.6	2,862.5
Hotel and catering operations				
— external sales	298.8	264.2		
— inter-segment sales	139.3	86.2		
	438.1	350.4	(164.2)	(191.2)
Eliminations	(139.3)	(86.2)		
	298.8	264.2		
	39,258.1	37,798.3		
			3,393.4	2,671.3
Reconciliation from segment results to profit before taxation:				
Unallocated net corporate income (expenses)			38.1	(10.7)
Change in fair value of financial assets at fair value through profit or loss			11.3	8.7
Share of losses of an associate			(7.6)	(8.1)
Share of profits of a jointly controlled entity			3.0	3.9
Profit before taxation			3,438.2	2,665.1

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

4. OPERATING SEGMENTS (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment results represent the profit earned by each segment without allocation of net corporate income and expenses, change in fair value of financial assets at fair value through profit or loss, share of results of associate/jointly controlled entity and taxation. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

5. GAMING REVENUE

	Six months ended 30 June	
	2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)
Gaming revenue from		
— VIP gaming operations	26,469.9	26,609.2
— mass market table gaming operations	11,720.2	10,179.5
— slot machine and other gaming operations	769.2	745.4
	<u>38,959.3</u>	<u>37,534.1</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)
Interest on		
— bank borrowings wholly repayable within five years	(27.0)	(33.8)
— finance leases	(3.7)	(6.2)
Imputed interest on amount due to non-controlling interests of a subsidiary	(24.9)	(22.8)
Imputed interest on convertible bonds	—	(2.7)
	<u>(55.6)</u>	<u>(65.5)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)
<i>Profit before taxation has been arrived at after charging:</i>		
Allowance for doubtful debts (note 17)	—	0.1
Amortisation of intangible assets (included in operating and administrative expenses)	3.2	3.2
Depreciation of property and equipment	549.6	560.8
Equity-settled share-based payments to		
— directors of the Company	—	301.2
— staff	0.2	2.9
	0.2	304.1
Loss on disposal of property and equipment	12.7	1.9
Staff costs excluding equity-settled share-based payments	2,143.9	1,909.2
<i>and after crediting:</i>		
Change in fair value of financial assets at fair value through profit or loss	11.3	8.7
Dividend income from financial assets at fair value through profit or loss	—	19.6
Gain on disposal of available-for-sale investments	7.5	—
Interest income from		
— a fellow subsidiary	3.7	6.1
— bank deposits	166.5	55.5
— loan receivables	3.5	3.4
	173.7	65.0

8. TAXATION

	Six months ended 30 June	
	2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)
Current period taxation	(8.7)	(8.7)
Deferred taxation	(4.8)	—
	(13.5)	(8.7)

No provision for MSAR Complementary Tax ("CT") on gaming related income is made for a subsidiary of the Company, Sociedade de Jogos de Macau, S.A. ("SJM"). Pursuant to the approval notice issued by MSAR government dated 8 December 2007, SJM has been exempted from CT for income generated from gaming operations for the years from 2007 to 2011. This exemption has been further extended for the years from 2012 to 2016 pursuant to an approval notice from MSAR government dated 23 November 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

8. TAXATION (Continued)

In addition, pursuant to the approval letter dated 2 December 2008 issued by the Finance Services Bureau of the MSAR government, SJM's shareholders were obligated to pay a tax of MOP18.0 million (equivalent to HK\$17.5 million) (the "Special Tax") for each of the years from 2007 to 2011. The Special Tax for the years from 2012 to 2016 is pending the approval by the MSAR government up to the date of this report. The Special Tax provision of HK\$8.7 million for the six months ended 30 June 2012 is made with reference to the Special Tax for each of the years from 2007 to 2011.

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

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

9. DIVIDENDS

	Six months ended 30 June	
	2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)
2010 final dividend of HK30 cents per ordinary share paid	—	1,653.4
2011 final dividend of HK43 cents per ordinary share paid	2,383.7	—
2011 special dividend of HK22 cents per ordinary share paid	1,219.6	—
	3,603.3	1,653.4

On 8 August 2012, the board of directors of the Company has resolved to declare an interim dividend of HK10 cents per ordinary share for the six months ended 30 June 2012 (six months ended 30 June 2011: HK8 cents per ordinary share).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	3,411.3	2,665.9
Effect of dilutive potential ordinary shares — imputed interest on convertible bonds	—	2.7
Earnings for the purpose of diluted earnings per share	3,411.3	2,668.6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

10. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,530,425,831	5,491,295,084
Effect of dilutive potential ordinary shares on		
— share options	41,845,513	45,779,248
— conversion of convertible bonds	—	16,616,860
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,572,271,344	5,553,691,192

11. PROPERTY AND EQUIPMENT

	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
Carrying value		
Leasehold land and buildings	3,980.8	4,093.4
Chips	37.4	40.8
Furniture, fixtures and equipment	2,870.5	3,039.6
Gaming equipment	97.7	109.1
Leasehold improvements	1,484.5	1,485.8
Motor vehicles	13.3	7.2
Vessel	0.6	1.3
Total	8,484.8	8,777.2

During the period, the Group incurred HK\$270.7 million for the six months ended 30 June 2012 (six months ended 30 June 2011: HK\$224.1 million) on acquisition of property and equipment to expand and upgrade its facilities.

At the end of the reporting period, the Group's buildings in MSAR are erected on land which is held under medium-term land use right.

Also, at 30 June 2012, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate carrying value of HK\$2,905.6 million (31 December 2011: HK\$2,926.7 million) in respect of the Group's gaming business have to be returned to the MSAR government upon completion of the term of the concession in 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

12. LAND USE RIGHTS

	For the six months ended 30 June 2012 HK\$ million (unaudited)	For the year ended 31 December 2011 HK\$ million (audited)
Carrying value		
At 1 January	775.2	804.9
Additions during the period/year	5.9	11.3
Released to profit or loss during the period/year	(20.6)	(41.0)
At 30 June/31 December	760.5	775.2

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

13. ART WORKS AND DIAMONDS

	For the six months ended 30 June 2012 HK\$ million (unaudited)	For the year ended 31 December 2011 HK\$ million (audited)
Cost and carrying value		
At 1 January	289.2	290.4
Write-off	—	(1.2)
At 30 June/31 December	289.2	289.2

The amount represents the aggregate cost of art works and diamonds held by the Group. In the opinion of the directors of the Company, the residual value of the art works and diamonds is worth at least its carrying amount at the end of both reporting periods.

14. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The balance represents the non-current portion of lease receivables from Companhia de Aviação Jet Asia Limitada ("Jet Asia"), a subsidiary of STDM, under a back-to-back arrangement set out in note 22. The receivables carry variable rates with effective interest ranging from 2.46% to 2.47% (31 December 2011: 2.43% to 2.81%) per annum.

15. AMOUNT DUE FROM AN INVESTEE COMPANY

The amount represents loan to the investee which is unsecured, interest-free and has no fixed repayment terms. At 30 June 2012, the management of the Group does not expect the amount will be realised within 12 months from the end of the reporting period. Hence the amount was classified as non-current assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

16. PLEDGED BANK DEPOSITS

	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
Bank deposits pledged to secure:		
— bank facilities (note a)	490.7	—
— bank facilities (note b)	145.6	145.6
Amount shown under non-current assets	636.3	145.6
Bank deposits pledged:		
— for provision of a guarantee in favour of the MSAR government for the payment of land premium of a subsidiary (note c)	—	25.0
— in favour of the MSAR court against any future legal proceedings of labour disputes	1.0	1.0
— others	0.3	0.3
Amount shown under current assets	1.3	26.3
	637.6	171.9

Notes:

- (a) Amount represents deposits pledged to secure the bank facilities granted to a subsidiary of the Company during the six months ended 30 June 2012 which would not be released within 12 months from the end of the reporting period. Such deposits are denominated in Renminbi.
- (b) Amount represents deposits pledged to secure the bank facilities granted to a subsidiary of the Company. The bank facilities represent a guarantee amounting to HK\$291.3 million 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.
- (c) The pledged bank deposit was released during the six months ended 30 June 2012.

At 30 June 2012, the pledged bank deposits carry fixed interest rates ranging from 0.08% to 2.75% (31 December 2011: 0.08% to 1.56%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

17. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
Advances to gaming promoters	1,017.2	915.7
Other receivables from gaming promoters	36.3	61.8
Prepayments	121.8	94.0
Other receivables (note)	265.3	246.5
	<u>1,440.6</u>	<u>1,318.0</u>

Note: Other receivables mainly represent deposits paid, interest receivable and current portion of lease receivable from a fellow subsidiary (note 22).

The following is the aged analysis of advances to gaming promoters at the end of the reporting period based on the date of credit granted:

Age	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
0 to 30 days	947.2	905.7
31 to 60 days	—	—
61 to 90 days	63.0	—
Over 90 days	7.0	10.0
	<u>1,017.2</u>	<u>915.7</u>

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 security are provided by gaming promoters to SJM.

The directors of the Company generally consider that such credit is temporary credit provided against unpaid commissions to gaming promoters and is granted based on the performance and financial background of the relevant gaming promoter. Generally, unsecured credit by reference to commissions accrued/payable to the relevant gaming promoter 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

17. TRADE AND OTHER RECEIVABLES (Continued)

The advances to gaming promoters and other receivables from gaming promoters are interest-free, unsecured and are repayable on demand.

Movement in the allowance for doubtful debts

	For the six months ended 30 June 2012 HK\$ million (unaudited)	For the year ended 31 December 2011 HK\$ million (audited)
At 1 January	88.1	78.1
Allowance for doubtful debts	—	13.0
Amounts recovered during the year	—	(3.0)
At 30 June/31 December	<u>88.1</u>	<u>88.1</u>

Allowance for doubtful debts mainly represent individually impaired receivables from gaming promoters with an aggregate balance of HK\$88.1 million (31 December 2011: HK\$88.1 million) since the management considered the prolonged outstanding balances from these gaming promoters were uncollectible.

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

	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
STDM and its associates, excluding the Group (as defined under Chapter 14A of the Listing Rules)	50.0	45.6
An associate of the Group	1.2	1.2
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	<u>67.0</u>	<u>70.0</u>
	<u>118.2</u>	<u>116.8</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

18. LOAN RECEIVABLES

On 22 October 2009, SJM–Investment Limited (“SJM–I”), a subsidiary of the Company entered into a funded participation agreement with an independent finance company (the “Finance Company”), pursuant to which SJM–I agreed to a 100% sub-participation in the revolving loan facility (the “Revolving Loan Facility”) equivalent to HK\$250.0 million.

A facility agreement was entered into on the same date by (i) the Finance Company as the lender; (ii) the ultimate holding company of the non-controlling interests of a subsidiary, Pier 16–Property Development Limited (“Pier 16–Property”), as the borrower (the “Borrower”) and (iii) a wholly-owned subsidiary of the Borrower as security provider (the “Chargor”), pursuant to which the Finance Company provided the Borrower with the Revolving Loan Facility.

Under the funded participation agreement, the Finance Company is entitled to a finance charge calculated at the rate of 0.1% per annum on the principal lent by SJM–I to the Borrower via the Finance Company. The proceeds of the Revolving Loan Facility were applied by the Borrower in connection with the cashflow requirements of Pier 16–Property and its subsidiaries, being the obligations to provide shareholders’ loans to Pier 16–Property in their respective ownership proportions. If the Borrower fails to repay, the Chargor shall be entitled to sell and transfer the relevant charged shares, being 51% equity interest in an intermediate holding company of the non-controlling interests of Pier 16–Property, to SJM–I together with all rights, benefits, title and interests.

The Revolving Loan Facility is available for a term of three years commencing from the date of the above facility agreement and will expire in October 2012, and is for an aggregate principal amount of HK\$250.0 million. The Revolving Loan Facility carries an interest rate at 2.6% over Hong Kong Interbank Offered Rate (“HIBOR”) with effective interest rate from 2.8% to 2.9% (31 December 2011: 2.7% to 2.9%) per annum.

The loan receivables were fully settled subsequent to the end of the reporting period.

19. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company arising from the Chips Agreement as defined in note 33(b) is unsecured, interest-free and is expected to realise within 12 months from the end of the reporting period.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount comprised equity shares listed in Hong Kong and were carried at market bid price at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

21. TRADE AND OTHER PAYABLES

	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
Trade payables	2,120.8	2,184.2
Special gaming tax payable	2,198.1	2,329.6
Chips liabilities	5,494.0	4,991.4
Payables for acquisition of property and equipment	133.5	102.4
Construction payables	113.7	133.8
Deposits received from gaming patrons and gaming promoters	908.4	693.6
Accrued staff costs	310.1	332.9
Rentals payables	165.8	134.5
Withholding tax payables	42.2	38.7
Other payables	458.9	397.7
	<u>11,945.5</u>	<u>11,338.8</u>

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

Age	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
0 to 30 days	2,107.6	2,159.1
31 to 60 days	5.1	15.0
61 to 90 days	1.6	1.9
Over 90 days	6.5	8.2
	<u>2,120.8</u>	<u>2,184.2</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

21. TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
STDM and its associates, excluding the Group (as defined under Chapter 14A of the Listing Rules)	281.2	178.9
An associate of the Group	4.0	17.6
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	407.4	374.9
	<u>692.6</u>	<u>571.4</u>

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
Amounts payable under finance leases				
— within one year	32.0	32.4	25.8	25.4
— between one to two years	33.8	34.2	27.9	27.5
— between two to five years	101.3	102.5	88.0	86.9
— after five years	136.2	159.2	133.5	154.3
	<u>303.3</u>	328.3	<u>275.2</u>	294.1
Less: Future finance charges	(28.1)	(34.2)		
Present value of lease obligations	<u>275.2</u>	<u>294.1</u>		
Less: Amounts due within one year shown under current liabilities			(25.8)	(25.4)
Amounts due after one year			<u>249.4</u>	<u>268.7</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

22. OBLIGATIONS UNDER FINANCE LEASES (Continued)

In 2007 and 2008, Sky Reach Investments Limited (“Sky Reach”), a wholly-owned subsidiary of the Company, had entered into certain lease agreements each for a term of 10 years (the “Aircraft Agreements”) with a finance company and Jet Asia, to lease certain aircraft in MSAR in which the aircraft were then immediately sub-leased to Jet Asia. The Aircraft Agreements have terms of renewal and purchase option clauses. Pursuant to the Aircraft Agreements, the Group is entitled to recover any amounts and charges payable to the finance company under the Aircraft Agreements from Jet Asia. The amounts are denominated in United States dollars and carried variable interest rates with effective interest rate ranging from 2.46% to 2.47% per annum at 30 June 2012 (31 December 2011: 2.43% to 2.81% per annum). The Group’s obligations under finance leases are secured by the leased aircraft held by Jet Asia and the 100% shareholding of Sky Reach held by the Group.

At 30 June 2012, the relevant lease receivables from Jet Asia for the Aircraft Agreements, which have equivalent repayment terms as the obligations under finance leases amounted to HK\$275.2 million (31 December 2011: HK\$294.1 million) out of which HK\$249.4 million (31 December 2011: HK\$268.7 million) is recorded as amount due from a fellow subsidiary in non-current assets as shown in note 14. The remaining amount of HK\$25.8 million (31 December 2011: HK\$25.4 million) is included in trade and other receivables in current assets.

23. BANK LOANS

	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
The syndicated secured bank loans are repayable		
— within one year	2,346.5	3,072.0
— between one to two years	234.5	—
— between two to five years	1,374.1	—
	3,955.1	3,072.0
Less: Amount due within one year shown under current liabilities	(2,346.5)	(3,072.0)
Amount due after one year	1,608.6	—

At the end of the reporting period, the Group’s syndicated secured bank loans carry interest ranging from 1.4% to 3.0% (31 December 2011: 1.4% to 2.1%) over 3-month HIBOR per annum with effective interest rates ranging from 1.8% to 3.4% (31 December 2011: 1.6% to 2.5%) per annum and are all denominated in Hong Kong dollars, except for a loan amounting to HK\$490.7 million denominated in Renminbi (31 December 2011: nil). The purpose of the loans is to finance certain construction projects in MSAR and settle certain loans from non-controlling shareholders. At 30 June 2012, the loans were secured by certain of the Group’s property and equipment and land use right with carrying values of HK\$5,195.0 million (31 December 2011: HK\$5,414.5 million) and HK\$704.0 million (31 December 2011: HK\$717.8 million) respectively. In addition, the other key terms and securities are set out as follows:

- (i) a bank deposit amounting to HK\$490.7 million;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

23. BANK LOANS (Continued)

- (ii) financial guarantees with promissory notes given by SJM, certain subsidiaries of Pier 16–Property, and the non-controlling shareholders amounting to HK\$1,224 million, HK\$2,400 million and HK\$1,176 million respectively;
- (iii) an assignment of all receivables and income from gaming and hotel operation of Pier 16–Property and its subsidiaries;
- (iv) an assignment of all receivables of Grand Lisboa – Property Investment Company Limited and SJM (limited to the income after taxes, levies, commission and allowance to gaming promoters derived from the Grand Lisboa casino);
- (v) floating charges over all assets (except immovable property) and legal charges over certain bank accounts of certain subsidiaries with an aggregate carrying value of HK\$3,649.2 million (31 December 2011: HK\$2,961.9 million);
- (vi) an unconditional and irrevocable funding and completion undertaking for phase 3 development project in Ponte 16;
- (vii) assignments of all the rights and benefits of insurance policies and construction contracts relating to certain properties held by the Group; and
- (viii) share pledges over the shares of certain subsidiaries.

24. CONVERTIBLE BONDS

On 28 October 2009, the Group issued zero coupon convertible bonds denominated in Hong Kong dollars, which were listed in Singapore Exchange Securities Trading Limited, at a principal amount of HK\$2,000 million maturing on 28 October 2015.

Movements of the liability component of the convertible bonds for the year ended 31 December 2011 are as follows:

	HK\$ million
At 1 January 2011	218.7
Imputed interest expense for the year ended 31 December 2011	2.7
Conversion during the year	<u>(221.4)</u>
At 31 December 2011 (audited) and 30 June 2012 (unaudited)	<u><u>—</u></u>

The convertible bonds were issued at an initial conversion price of HK\$5.35 per share. With effect from 1 June 2010, the conversion price was adjusted to HK\$5.24 per share after accounting for the 2009 final dividend, which was approved by shareholders at the annual general meeting of the Company held on 31 May 2010, in accordance with the terms and conditions set out in the trust deed. No adjustment to the conversion price is required after 2010 interim dividend since the adjustment is less than 1%, in accordance with the trust deed.

During the year ended 31 December 2011, all outstanding convertible bonds with principal amount of HK\$259.4 million as at 31 December 2010 were converted to ordinary shares of the Company at a conversion price of HK\$5.24 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

25. AMOUNT DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The amount is unsecured, interest-free and to be repaid from surplus funds, which represent the cash available in the relevant subsidiary of the Group after estimated payments of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayments together with the accrued interests.

Previously, pursuant to the relevant agreement entered into between the Group and the non-controlling shareholders of a subsidiary, the non-controlling shareholders of the subsidiary agreed to subordinate the amount due from the subsidiary to the bank to secure the subsidiary's bank loans due in 2012. As at 31 December 2011, the Group was negotiating with banks for the refinancing of this subsidiary's bank loans.

During the six months ended 30 June 2012, the refinancing was completed and the new bank facility allows the subsidiary to repay shareholders' loan, subject to certain terms and conditions, including certain leverage ratio requirements. On this basis, the Group agreed with the non-controlling shareholders of that subsidiary on the amounts and timing of the repayment of the amount due to them, taking into account the estimate of amounts and timing of repayment of bank loans pursuant to the new bank facility agreement. During the six months ended 30 June 2012, the amount due to non-controlling interests of a subsidiary with carrying amount of HK\$324 million (principal amount of HK\$343 million) originally due at the end of 2012 was fully settled. Accordingly, carrying amounts of HK\$nil (31 December 2011: HK\$324.0 million) and HK\$706.0 million (31 December 2011: HK\$690.8 million) were classified as current and non-current liabilities respectively at 30 June 2012. These carrying amounts have been adjusted by HK\$9.4 million (31 December 2011: HK\$2.0 million) because of changes in cash flows estimates, computed based on the present value of future cash outflows discounted at the original effective interest rate.

During the period, imputed interest of HK\$24.9 million (six months ended 30 June 2011: HK\$22.8 million) on the amount due to the non-controlling interests of the subsidiary of HK\$706.0 million (31 December 2011: HK\$1,014.8 million) has been recognised based on the principal amount of HK\$880.9 million (31 December 2011: HK\$1,223.9 million) at a weighted average original interest rate of approximately 4.4% (six months ended 30 June 2011: 4.8%) per annum.

26. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount HK\$ million	Number of shares	Amount HK\$ million
Ordinary shares of HK\$1 each				
At 1 January 2011	15,000,000,000	15,000.0	5,454,515,488	5,454.5
Exercise of share options	—	—	7,645,000	7.7
Conversion of convertible bonds	—	—	49,503,805	49.5
At 30 June 2011 (unaudited)	15,000,000,000	15,000.0	5,511,664,293	5,511.7
Exercise of share options	—	—	10,415,000	10.4
At 31 December 2011 (audited)	15,000,000,000	15,000.0	5,522,079,293	5,522.1
Exercise of share options	—	—	21,435,000	21.4
At 30 June 2012 (unaudited)	15,000,000,000	15,000.0	5,543,514,293	5,543.5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

27. SHARE OPTION SCHEME

On 17 March 2011, a total of 116.0 million share options were granted to directors of the Company, at an exercise price of HK\$12.496 per share under the terms of the share option scheme passed on 13 May 2009 (the "Option Scheme"). Total consideration received from the participants for taking up the options granted was HK\$12.

A summary of the movements of the outstanding options during the six months ended 30 June 2012 under the Option Scheme is as follows:

Type of participants	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options		
					Outstanding at 1.1.2012	Exercised during the period	Outstanding at 30.6.2012
Directors	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	5,500,000	—	5,500,000
	31.8.2010	31.8.2010 to 27.2.2011	28.2.2011 to 27.2.2020	7.48	5,000,000	—	5,000,000
	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	111,000,000	—	111,000,000
Employees	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	5,090,000	(535,000)	4,555,000
	13.7.2009	13.7.2009 to 12.1.2011	13.1.2011 to 12.1.2019	2.82	10,000,000	(10,000,000)	—
	13.7.2009	13.7.2009 to 12.1.2012	13.1.2012 to 12.1.2019	2.82	10,000,000	(10,000,000)	—
	19.5.2010	19.5.2010 to 18.11.2010	19.11.2010 to 18.11.2019	5.11	1,400,000	(400,000)	1,000,000
	26.5.2010	26.5.2010 to 25.11.2010	26.11.2010 to 25.11.2019	5.03	260,000	—	260,000
Other participants (note)	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	2,250,000	(500,000)	1,750,000
					<u>150,500,000</u>	<u>(21,435,000)</u>	<u>129,065,000</u>
					<u>HK\$10.14</u>	<u>HK\$2.86</u>	<u>HK\$11.34</u>

Note: The Company's share options granted to other participants are measured by reference to the fair values of options granted to directors/employees of the Group since the fair value of the services provided by such other participants to the Group cannot be estimated reliably.

In respect of the above options exercised during the period, the weighted average closing price per share at the dates of exercise was HK\$16.71 (six months ended 30 June 2011: HK\$15.27). At the end of the reporting period, 129,065,000 (31 December 2011: 140,500,000) share options are exercisable.

The estimated fair value of share options granted on 17 March 2011 was HK\$525.7 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

27. SHARE OPTION SCHEME (Continued)

The fair value of options at grant date was calculated using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

Date of grant	17 March 2011
Number of share options	116,000,000
Vesting period	6 months from the date of grant
Closing share price at date of grant	HK\$12.14
Expected life	5 years
Exercise price per share	HK\$12.496
Expected volatility	54.83%
Risk-free interest rate	2.49%
Expected dividend yield	3.33%

As the Black-Scholes Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility used in the valuation of options granted on 17 March 2011 was determined by using the historical volatility of the Company's share price since the Company's shares were listed on the Stock Exchange in July 2008. The expected life has been estimated, based on the management's best estimates of the vesting period, exercise period and employee's behavioural considerations.

The Group recognised total expenses of HK\$0.2 million during the period (six months ended 30 June 2011: HK\$304.1 million) in relation to share options granted by the Company.

28. MAJOR NON-CASH TRANSACTIONS

Other than the transactions disclosed in respective notes in the condensed consolidated financial statements, the Group had the following significant non-cash transactions:

- (a) During the six months ended 30 June 2011, amounts due from an associate and a jointly controlled entity of HK\$20 million and HK\$14.3 million respectively were reclassified to non-current assets, since the directors of the Company anticipated the amounts would not be settled within 12 months from the end of the reporting period.
- (b) During the six months ended 30 June 2011, the Group received dividends of HK\$18.4 million in the form of listed securities from the financial assets at fair value through profit or loss.

No significant non-cash transactions were noted during the six months ended 30 June 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

29. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land use rights		Rented premises	
	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
Within one year	2.5	2.5	222.4	228.4
In the second to fifth year inclusive	10.0	10.0	467.9	529.4
After five years	40.4	41.6	160.2	189.3
	<u>52.9</u>	<u>54.1</u>	<u>850.5</u>	<u>947.1</u>

As at 30 June 2012, operating lease rentals committed to STDM and its associates, a jointly controlled entity, and entities in which STDM and certain directors of the Company and their close family members have control/significant influence/beneficial interests amounted to HK\$686.0 million (31 December 2011: HK\$750.2 million).

30. CAPITAL COMMITMENTS

	At 30 June 2012 HK\$ million (unaudited)	At 31 December 2011 HK\$ million (audited)
Capital expenditure in respect of property and equipment		
— authorised but not contracted for	<u>331.8</u>	<u>92.9</u>
— contracted for but not provided in the condensed consolidated financial statements	<u>512.5</u>	<u>64.8</u>

As at 30 June 2012, capital expenditure in respect of property and equipment committed to an associate and an entity in which a director of the Company has control was HK\$1.9 million (31 December 2011: HK\$1.9 million).

31. OTHER COMMITMENTS

In 2004, SJM entered into an agreement with an educational organisation in MSAR for the use of a piece of land currently occupied by a school. As formulated under such agreement, the consideration comprised the construction of a new school in Taipa in MSAR for an amount not exceeding HK\$97.1 million and a donation of HK\$184.5 million. During the year ended 31 December 2011, a deposit of HK\$65.5 million, which was paid to the educational organisation and included in deposits made on acquisitions of property and equipment in prior years, was charged to profit or loss as donation (included in operating and administrative expenses) to the educational organisation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

32. CONTINGENT LIABILITIES AND GUARANTEES

	At 30 June 2012		At 31 December 2011	
	Maximum guarantees given HK\$ million (unaudited)	Credit facilities utilised HK\$ million (unaudited)	Maximum guarantees given HK\$ million (audited)	Credit facilities utilised HK\$ million (audited)
Guarantees given to banks in respect of credit facilities granted to				
— an associate	67.3	68.4	67.3	61.0
— investee companies	20.0	—	25.3	450.0
	<u>87.3</u>	<u>68.4</u>	<u>92.6</u>	<u>511.0</u>

At the end of the reporting period, the Group was a guarantor in respect of a deed entered into between a shareholder of Zhen Hwa Harbour Construction Company Limited (“Zhen Hwa”), an associate of the Group, 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. There are no claims from the third party in both periods.

Also, at the end of the reporting period, certain subsidiaries are parties to various legal claims in its ordinary course of business. In the opinion of the directors of the Company, ultimate resolution of these claims would not have a significant impact on the Group’s results and financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

33. RELATED PARTY TRANSACTIONS

- (a) Other than the transactions and balances with related parties disclosed in respective notes in the condensed consolidated financial statements, during the period, the Group had the following significant transactions with related parties and/or connected parties (as defined under Chapter 14A of the Listing Rules):

Relationship	Nature of transactions	Six months ended 30 June		
		2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)	
STDM and its associates, excluding the Group ("STDM group") (as defined under Chapter 14A of the Listing Rules)	Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules			
	Property rentals (note 33(c))	123.6	85.0	
	Transportation (note 33(d))	72.9	81.7	
	Dredging services (note 33(d))	61.7	66.6	
	Hotel accommodation (note 33(d))	54.1	34.3	
	Entertainment and staff messing (note 33(d))	27.9	33.9	
	Maintenance services (note 33(d))	8.5	31.3	
	Aircraft sublease rental receipts (note 33(e))	22.6	25.2	
	Promotional and advertising services (note 33(d))	—	9.0	
	Hotel management and operation (note 33(d))	—	7.1	
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules			
	Share of administrative expenses (note 33(f))	12.4	44.1	
	Cleaning services (note 33(g))	10.6	9.8	
	Hotel management and operation (note 33(d) and (g))	12.0	0.6	
	Promotional and advertising services (note 33(d) and (g))	8.9	0.7	
Purchase of property and equipment (note 33(j))	8.0	—		
Others (note 33(g))	12.2	10.8		
Certain directors of the Company and of its subsidiaries and their associates (as defined under Chapter 14A of the Listing Rules)	Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules			
	Service fees in relation to the promotion of a casino (note 33(h))	815.1	662.5	
	Transportation (note 33(i))	22.3	21.1	
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules			
	Entertainment and staff messing (note 33(g))	32.8	29.7	
Others (note 33(g))	25.1	20.5		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

33. RELATED PARTY TRANSACTIONS (Continued)

Relationship	Nature of transactions	Six months ended 30 June	
		2012 HK\$ million (unaudited)	2011 HK\$ million (unaudited)
Entities other than above in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control /significant influence /beneficial interests	Service fees in relation to the promotion of a casino (note 33(k))	647.4	750.4
	Insurance expenses	24.2	23.9
	Promotion and advertising expenses	2.2	2.6
	Service fee in related to foreign currencies exchange	8.7	8.3
	Property rentals	4.0	5.8
	Others	9.9	10.3
An associate	Construction costs paid	1.6	6.4
A jointly controlled entity	Property rentals	7.2	7.2

- (b) 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, did not have sufficient casino chips to meet its business needs. According to the gaming concession contract, SJM is permitted to use STDM's casino chips, both in treasury and those put in circulation by STDM prior to 1 April 2002 and should honour such casino chips. In order to regulate the borrowing and use of STDM chips, the Group entered into 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 in cheque the aggregate face value of chips so presented within the same quarter when such presentation takes place. During the six months ended 30 June 2012, the net amount received or receivable on reimbursement of STDM chips in circulation amounted to HK\$1.2 million (for the year ended 31 December 2011: HK\$6.6 million).
- (c) The Group entered into an agreement dated 18 June 2008 with STDM for the leasing of properties by STDM or the members of the STDM group to the Group (the "Premises Leasing Master Agreement"). 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 amounts of transactions during the period were disclosed in note 33(a) above.
- (d) The Group entered into an agreement dated 18 June 2008 with STDM for the provision of products and services by STDM and its associates (the "Products and Services Master Agreement"). The type of products and services include hotel accommodation, hotel management and operation, entertainment and staff messing, dredging services, transportation, promotional and advertising services, travel agency services and maintenance services. On 19 June 2011, the Company entered into a renewed products and services master agreement with STDM ("Renewed Master Agreement") for the provision of products and services as described in the Products and Services Master Agreement, except for hotel management and operations, promotional and advertising services, and travel agency services, which are regarded as de minimis transactions as described in note 33(g). The Renewed Master Agreement will end on 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

33. RELATED PARTY TRANSACTIONS (Continued)

- (e) Regarding the aircraft lease arrangement as detailed in note 22, the Group charged minimum lease payments and related expenses of HK\$22.6 million (six months ended 30 June 2011: HK\$25.2 million) to the fellow subsidiary, and repaid the same amount of minimum lease payments to the finance company during the six months ended 30 June 2012.
- (f) 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 certain 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 the Group and the STDM group respectively recorded on time sheets and (ii) the floor area occupied, respectively, by the Group and the STDM group for storage services.

On 19 June 2011, the Company entered into an agreement with STDM to renew the Administrative Cost Sharing Agreement in sharing the above-mentioned administrative services. The renewed agreement will end on 31 December 2013. The amount of transactions during the period was disclosed in note 33(a) above.

- (g) These are de minimis transactions as defined under Rule 14A.31(2) of the Listing Rules, which are continuing connected transactions on normal commercial terms, exempt from reporting, annual review, announcement and independent shareholders' approval requirements as defined under Rule 14A.33 (3) of the Listing Rules.
- (h) SJM entered into an agreement with Tin Hou Limited ("Tin Hou") dated 19 February 2010 regarding the provision of management services and promotion service to SJM in the gaming area of Grand Emperor Hotel in MSAR for the period from 1 October 2009 to the expiry of SJM's gaming license on 31 March 2020 or any earlier termination with 21 days' notice to other party who is in default of the agreement. Tin Hou is a company controlled over 50% by a half-brother of a director of subsidiaries of the Company and is a connected person of the Company pursuant to Rule 14A.11(4)(b)(ii) of the Listing Rules which became effective on 3 June 2011.
- (i) On 24 June 2011, SJM, a subsidiary of the Company, and Shun Tak & CITS Coach (Macao) Limited ("ST-CITS") entered into a master service agreement to formalise business arrangements between the Group and the ST-CITS together with its subsidiaries in relation to the provision of the transportation services within Macau locally as well as operating cross border routes to mainland cities of China.

This master service agreement is for a term of three years, provided that either party may terminate this agreement at any time by giving six months' prior written notice to the other party, however, such termination shall not affect the duration of the contracts entered into prior to 24 June 2011, which shall continue in full force and effect until their expiry in accordance with their terms.

Pursuant to Rule 14A.11(4)(b)(ii) of the Listing Rules which became effective on 3 June 2011, ST-CITS is a connected person of the Company by virtue of the family interests of Dr. Ho Hung Sun, Stanley, a director of the Company, having control of more than 50% in the voting power of ST-CITS.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

33. RELATED PARTY TRANSACTIONS (Continued)

- (j) During the six months ended 30 June 2012, pursuant to a transfer agreement entered into between SJM and STDM on 20 November 2011, SJM has procured its subsidiary to take over the operation of the relevant departments on 1 January 2012. The takeover has involved, among other things, (i) transfer of employment contracts of certain employees of the relevant departments to SJM or its subsidiary; (ii) entering into or assignment of lease agreements between SJM or its subsidiary and STDM; (iii) acquisition of certain assets of the departments from STDM for a consideration totalling HK\$8.0 million; and (iv) assignment of certain business contracts to SJM or its subsidiary.
- (k) Service fees in relation to the promotion of a casino were paid to an entity in which certain directors of the Group were the directors and/or key management personnel of the entity.
- (l) Save as disclosed in note 23, in addition to the securities provided by the Group to the relevant bank, the syndicated secured bank loans are also secured by non-controlling interests of a subsidiary of the Group. At the end of the reporting period, the key terms and securities are set out as follows:
 - (i) financial guarantee with promissory note of HK\$1,176 million;
 - (ii) an unconditional and irrevocable funding undertaking for the purpose of satisfying the construction costs of certain properties in Ponte 16 which include (i) the land premium and all other premiums and sums of money payable to the Governmental Agency of MSAR in respect of properties in Ponte 16; (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 for the purpose of ensuring the completion of phase 3 development project in Ponte 16; and
 - (iv) share pledges over the shares in Pier 16–Property and its subsidiaries.
- (m) Compensation of key management personnel

During the period, the compensation paid to the Group's key management personnel, represented by the Company's directors, was HK\$37.8 million (six months ended 30 June 2011: HK\$329.6 million), including equity-settled share-based payments of HK\$nil (six months ended 30 June 2011: HK\$301.2 million).

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