



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

*The Heart
of
Macau*



2013

Interim Report 中期報告



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 2013, SJM operated 17 casinos and 1 slot machine lounge, comprising more than 1,750 gaming tables and over 3,400 slot machines.

CONTENTS

2	Business Review
10	Prospects and Recent Developments
11	Financial Review
13	Other Information
	Interim Financial Information
23	Report on Review of Condensed Consolidated Financial Statements
24	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
25	Condensed Consolidated Statement of Financial Position
27	Condensed Consolidated Statement of Changes in Equity
28	Condensed Consolidated Statement of Cash Flows
29	Notes to the Condensed Consolidated Financial Statements
52	Corporate Information

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 2013 ("the Reporting Period") each increased from the year-earlier period:

Group operating results	For the six months ended 30 June		Increase
	2013 HK\$ million	2012 HK\$ million	
Total revenue	42,453	39,258	8.1%
Gaming revenue	42,129	38,959	8.1%
Profit attributable to owners of the Company	3,828	3,411	12.2%
Adjusted EBITDA ¹	4,269	3,824	11.6%
Adjusted EBITDA Margin ²	10.1%	9.7%	

¹ Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, loss on disposal of property and equipment 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 25.3% of total gaming revenue in Macau, compared with 27.0% in the corresponding period last year, according to figures from the Macau Gaming Inspection and Coordination Bureau ("DICJ").

Attributable profit and Adjusted EBITDA reflect income of approximately \$149 million receivable in connection with the Group's investment in Macau Legend Development Limited.

Attributable profit also reflects depreciation and amortisation charges of \$597 million in the Reporting Period, as compared to \$573 million in the corresponding period last year.

The Group's operating results for the six months ended 30 June 2013, as compared to the six months ended 30 June 2012, are as follows:

OPERATING RESULTS – VIP GAMING

VIP operations	For the six months ended 30 June		Increase
	2013	2012	
Gaming revenue (HK\$ million)	29,223	26,470	10.4%
Average daily net-win per VIP gaming table (HK\$)	244,623	237,646	2.9%
VIP chips sales (HK\$ million)	919,008	889,028	3.4%
Average number of VIP gaming tables (Average of month-end numbers)	660	612	7.8%

VIP gaming operations accounted for 69.4% of the Group's total gaming revenue in the Reporting Period, as compared to 67.9% for the corresponding period last year. As at 30 June 2013, SJM had 656 VIP gaming tables in operation with 35 VIP promoters, as compared with 587 VIP gaming tables and 36 VIP promoters as at 31 December 2012.

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 26.0% in the corresponding period last year, according to figures from DICJ. During the Reporting Period, the hold rate of VIP gaming operations was 2.93% (Junket VIP), as compared with 2.85% in the corresponding period last year.

VIP gaming revenue includes \$2,252 million (\$1,093 million in the year earlier period) of revenue from certain high-limit gaming tables located in casino mass market areas that is classified as VIP gaming revenue due to game size. In the first half of 2013, there were 64 tables so classified from 1 January until 31 January, and 89 tables so classified from 1 February to 30 June. In the first half of 2012, there were 43 tables so classified. If revenue from these tables was not counted as VIP gaming revenue, VIP gaming revenue would have been \$26,971 million in the Reporting Period and \$25,377 million in the year earlier period, an increase of 6.3%. The average number of VIP gaming tables in operation would have been 575 for the Reporting Period, compared with 570 VIP gaming tables in the year earlier period.

Subsequent to the Reporting Period, the Group reclassified 54 of the above VIP gaming tables such that beginning 1 July 2013, there were 35 tables so classified.

OPERATING RESULTS – MASS MARKET TABLE GAMING

Gaming revenue from mass market table gaming operations comprised 28.9% of the Group's total gaming revenue in the Reporting Period, as compared to 30.1% 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)
	2013	2012	
Gaming revenue (HK\$ million)	12,181	11,720	3.9%
Average daily net-win per mass market gaming table (HK\$)	60,412	55,323	9.2%
Average number of mass market gaming tables (Average of month-end numbers)	1,114	1,164	(4.3)%

In the Reporting Period, the Group's gaming revenue from mass market table gaming operations amounted to approximately 25.8% of total mass market table gaming revenue in Macau, compared to 32.4% in the corresponding period last year, according to figures from DICJ.

SJM operated a total of 1,103 mass market gaming tables in its casinos as at 30 June 2013, as compared with 1,184 mass market gaming tables as at 31 December 2012.

As above, if \$2,252 million (\$1,093 million in the corresponding period last year) of revenue from certain high-limit gaming tables located in casino mass market areas was not classified as VIP gaming revenue, mass market gaming revenue would have been \$14,433 million in the Reporting Period and \$12,813 million in the year earlier period, an increase of 12.6%. The average number of mass market gaming tables would have been 1,199 in the Reporting Period and 1,206 in the year earlier period.

Subsequent to the Reporting Period, the Group reclassified 54 of the above VIP gaming tables such that beginning 1 July 2013, there were 35 tables so classified.

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 1.7% 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)
	2013	2012	
Gaming revenue (HK\$ million)	725	769	(5.7)%
Average daily net-win per slot machine (HK\$)	1,138	1,102	3.3%
Average number of slot machines (Average of month-end numbers)	3,519	3,832	(8.2)%

In the Reporting Period, the Group's gaming revenue from slot machine operations amounted to approximately 10.6% of total slot machine revenue in Macau, compared to 12.0% in the corresponding period last year, according to figures from DICJ.

SJM had 3,417 slot machines, operating in 14 of SJM's casinos and in one slot hall, as at 30 June 2013 as compared with 3,532 slot machines as at 31 December 2012. SJM's Treasure Hunt slot hall, comprising 123 slot machines, suspended operations on 24 May 2013.

OPERATING RESULTS OF CASINO SEGMENTS – CASINO GRAND LISBOA

SJM's flagship Casino Grand Lisboa continued to achieve growth in revenue, Adjusted EBITDA and profit contribution in the first half of 2013, due to increased visitation and spending per visitor.

Casino Grand Lisboa	For the six months ended 30 June		Increase
	2013	2012	
Revenue (HK\$ million)	15,436	13,713	12.6%
Profit attributable to the Group (HK\$ million)	2,150	2,121	1.4%
Adjusted Property EBITDA ³ (HK\$ million)	2,293	2,233	2.7%
Adjusted Property EBITDA Margin ⁴	14.9%	16.3%	

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, loss on disposal of property and equipment 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.

BUSINESS REVIEW

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

Casino Grand Lisboa	For the six months ended 30 June		Increase/ (Decrease)
	2013	2012	
VIP operations			
Gaming revenue (HK\$ million)	12,602	10,492	20.1%
Average daily net-win per			
VIP gaming table (HK\$)	336,346	436,722	(23.0)%
VIP chips sales (HK\$ million)	397,228	363,071	9.4%
Average number of VIP gaming tables (Average of month-end numbers)	207	132	56.8%
Mass market operations			
Gaming revenue (HK\$ million)	2,601	2,985	(12.9)%
Average daily net-win per			
mass market gaming table (HK\$)	65,928	71,001	(7.1)%
Average number of mass market gaming tables (Average of month-end numbers)	218	231	(5.6)%
Slot machine operations			
Gaming revenue (HK\$ million)	233	236	(1.7)%
Average daily net-win per slot machine (HK\$)	1,775	1,703	4.2%
Average number of slot machines (Average of month-end numbers)	724	763	(5.1)%

Casino Grand Lisboa's VIP gaming revenue includes \$811 million (\$73 million in the year earlier period) of revenue from certain high-limit gaming tables located in casino mass market areas that is classified as VIP gaming revenue due to game size. In the first half of 2013, there were 3 tables so classified from 1 January until 31 January, and 28 tables so classified from 1 February to 30 June. In the first half of 2012, there were 3 tables so classified. If revenue from these tables was not counted as VIP gaming revenue, VIP gaming revenue would have been \$11,791 million in the Reporting Period and \$10,419 million in the year earlier period, an increase of 13.2%, and mass market gaming revenue would have been \$3,413 million in the Reporting Period and \$3,058 million in the year earlier period, an increase of 11.6%. The average number of VIP tables would have been 183 in the Reporting Period, compared with 129 in the year earlier period, and the average number of mass market gaming tables would have been 242 in the Reporting Period, compared with 234 in the year earlier period.

Subsequent to the Reporting Period, the Group reclassified 28 of the above VIP gaming tables such that beginning 1 July 2013, there were no tables in Casino Grand Lisboa so classified.

Casino Grand Lisboa received over 7.1 million visitors during the first half of 2013, an average of over 39,000 visitors per day compared with approximately 6.4 million visitors during the first half of 2012, or over 35,000 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, until 28 February 2013, Casino Jai Alai. The latter two casinos operate under the same license. The Group also operates one self-promoted slot hall, namely Yat Yuen Canidrome Slot Lounge, and operated Treasure Hunt Slot Lounge until 24 May 2013 (collectively, “Other Self-promoted Casinos and Slot Halls”). Revenue and Adjusted Property EBITDA for these operations increased mainly due to higher hold rate at Casino Lisboa during the period.

Other self-promoted casinos and slot halls	For the six months ended 30 June		Increase
	2013	2012 ¹	
Revenue (HK\$ million)	6,175	5,698	8.4%
Profit attributable to the Group (HK\$ million)	657	531	23.7%
Adjusted Property EBITDA (HK\$ million)	761	624	22.0%
Adjusted Property EBITDA Margin	12.3%	10.9%	

¹ Included results of one self-promoted slot hall Macau Jockey Club Slot Hall, closed on 22 November 2012.

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)
	2013	2012 ¹	
VIP operations			
Gaming revenue (HK\$ million)	3,682	3,236	13.8%
Average daily net-win per VIP gaming table (HK\$)	317,841	355,579	(10.6)%
VIP chips sales (HK\$ million)	113,872	115,071	(1.0)%
Average number of VIP gaming tables (Average of month-end numbers)	64	50	28.0%
Mass market operations			
Gaming revenue (HK\$ million)	2,263	2,234	1.3%
Average daily net-win per mass market gaming table (HK\$)	42,387	37,999	11.5%
Average number of mass market gaming tables (Average of month-end numbers)	295	323	(8.7)%
Slot machine operations			
Gaming revenue (HK\$ million)	230	228	0.7%
Average daily net-win per slot machine (HK\$)	1,240	1,020	21.6%
Average number of slot machines (Average of month-end numbers)	1,023	1,229	(16.8)%

¹ Included results of Macau Jockey Club Slot Hall, closed on 22 November 2012.

BUSINESS REVIEW

As at 30 June 2013, Casino Lisboa operated a total of 117 mass market gaming tables, 63 VIP gaming tables and 137 slot machines.

As at 30 June 2013, Casino Oceanus at Jai Alai operated a total of 174 mass market gaming tables, 1 VIP gaming table and 572 slot machines. Casino Jai Alai, which operated 14 gaming tables and 84 slot machines has been closed for renovation since 28 February 2013.

VIP gaming revenue of other self-promoted casinos includes \$172 million (\$43 million in the year earlier period) of revenue from certain high-limit gaming tables located in casino mass market areas that is classified as VIP gaming revenue due to game size. In the first half of 2013, there were 20 tables so classified, compared with 4 tables so classified in the first half of 2012. If revenue from these tables was not counted as VIP gaming revenue, VIP gaming revenue would have been \$3,510 million in the Reporting Period and \$3,193 million in the year earlier period, an increase of 9.9%, and mass market gaming revenue would have been \$2,436 million in 2013 and \$2,277 million in the year earlier period, an increase of 7.0%. The average number of VIP tables would have been 44 in the Reporting Period, compared with 46 in the year earlier period, and the average number of mass market gaming tables would have been 315 in the Reporting Period, compared with 327 in the year earlier period.

Subsequent to the Reporting Period, the Group reclassified 15 of the above VIP gaming tables such that beginning 1 July 2013, there were 5 tables in other self-promoted casinos so classified.

OPERATING RESULTS OF CASINO SEGMENTS – SATELLITE CASINOS AND SLOT HALLS

As at 30 June 2013, 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 595 mass market gaming tables, 385 VIP gaming tables and 1,791 slot machines as at 30 June 2013.

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.

Satellite casinos and slot halls	For the six months ended 30 June		Increase
	2013	2012	
Revenue (HK\$ million)	20,518	19,548	5.0%
Profit attributable to the Group (HK\$ million)	863	824	4.7%
Adjusted Property EBITDA (HK\$ million)	864	802	7.8%
Adjusted Property EBITDA Margin	4.2%	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)
	2013	2012	
<i>VIP operations</i>			
Gaming revenue (HK\$ million)	12,939	12,742	1.5%
Average daily net-win per			
VIP gaming table (HK\$)	183,296	162,443	12.8%
VIP chips sales (HK\$ million)	407,907	410,886	(0.7)%
Average number of VIP gaming tables (Average of month-end numbers)	390	431	(9.5)%
<i>Mass market operations</i>			
Gaming revenue (HK\$ million)	7,317	6,501	12.5%
Average daily net-win per			
mass market gaming table (HK\$)	67,146	58,560	14.7%
Average number of mass market gaming tables (Average of month-end numbers)	602	610	(1.3)%
<i>Slot machine operations</i>			
Gaming revenue (HK\$ million)	262	305	(13.6)%
Average daily net-win per slot machine (HK\$)	819	907	(9.8)%
Average number of slot machine (Average of month-end numbers)	1,772	1,840	(3.7)%

VIP gaming revenue of satellite casinos includes \$1,269 million (\$977 million in the year earlier period) of revenue from certain high-limit gaming tables located in casino mass market areas that is classified as VIP gaming revenue due to game size. In the first half of 2013, there were 41 tables so classified, compared with 36 tables so classified in the year earlier period. If revenue from these tables was not classified as VIP gaming revenue, VIP gaming revenue would have been \$11,670 million in the Reporting Period and \$11,765 million in the year earlier period, a decrease of 0.8%, and mass market gaming revenue would have been \$8,586 million in 2013 and \$7,478 million in the year earlier period, an increase of 14.8%. The average number of VIP tables would have been 349 in the Reporting Period, compared with 395 in the year earlier period, and the average number of mass market gaming tables would have been 643 in the Reporting Period, compared with 646 in the year earlier period.

Subsequent to the Reporting Period, the Group reclassified 11 of the above VIP gaming tables such that beginning 1 July 2013, there were 30 tables in the satellite casinos so classified.

NON-GAMING OPERATIONS

During the Reporting Period, the Grand Lisboa Hotel contributed \$342 million in revenue and \$114 million in Adjusted Property EBITDA to the Group as compared with \$314 million in revenue and \$87 million in Adjusted Property EBITDA for the corresponding period last year. The occupancy rate of the hotel, based on 414 average available rooms, averaged 95.0% for the Reporting Period, as compared with 93.2% for the corresponding period last year. Average room rate during the Reporting Period was approximately \$2,230 as compared with \$2,131 for the corresponding period last year.

Operating results for the Sofitel at Ponte 16, in which SJM's interest is 51%, contributed \$94 million in revenue to the Group, compared with a contribution of \$86 million for the corresponding period last year. The occupancy rate of the 408-room hotel averaged 88.2% for the Reporting Period as compared with 76.3% in the corresponding period last year, and the average room rate was \$1,167 as compared with \$1,227 for the corresponding period last year.

PROSPECTS AND RECENT DEVELOPMENTS

MARKET ENVIRONMENT

During the first half of 2013 Macau's total gaming revenue grew by 15.3% over the corresponding period in 2012. According to figures from the Macau Government Statistics and Census Service, visitation to Macau increased by 4.2% to 14,142,240, of which visitors from the Mainland increased by 9.8% to 8,906,352, or 63.0% of the total. New capacity was added to the supply of gaming and lodging facilities by one competitor in Cotai in the first quarter of 2013.

CURRENT AND RECENT INITIATIVES

Cotai Project

On 15 May 2013 a land concession contract was published in the official gazette of Macau, pursuant to which SJM will lease approximately 70,468 square metres of land on Cotai from the Macau Government for an initial term of 25 years, with the right to renew the lease for successive periods in accordance with applicable laws. The land concession contract permits SJM to develop on the Cotai land a complex containing a five-star hotel with total gross floor area of 521,435 square metres and with gaming areas. It also permits SJM, as a gaming concessionaire, to operate and manage gaming operations on the Cotai land. The Group has informed the Macau Government its intention to build and operate a casino gaming resort containing approximately 700 gaming tables and 1,000 slot machines as well as approximately 2,000 hotel rooms (subject to the obtaining of applicable licences from licensing authorities) (the "Cotai Project").

As at 30 June 2013, SJM had entered into capital commitments in connection with the Cotai Project with a total value of \$1,654 million.

Subsequent to the Reporting Period, on 10 July 2013 Cotai Magnific View-Property Development Company Limited, a subsidiary of SJM, signed an agreement with Beijing Gehua Cultural Development Group to cooperate in the creation of a "Wonderland of Art and Literature" for the Cotai Project.

Casino Grand Lisboa

In the first quarter of 2013, additional VIP gaming tables were added on the third floor and on the 31st floor of Casino Grand Lisboa. With a targeted completion date of September 2013, additional space for high limit baccarat tables is being added to the premium mass market area, and further internal works are being planned that would add additional mass market and premium mass market gaming tables on the mezzanine and ground floors of the casino.

Jai Alai Renovation Project

SJM suspended operations at Casino Jai Alai on 28 February 2013 and commenced work on the renovation of the Jai Alai Palace building. A subsidiary of the Company had entered into a lease agreement pursuant to which the building would be leased to the Group for the operations of Casino Jai Alai and additional facilities by the Group for three years beginning 1 January 2014. SJM plans to provide facilities at Jai Alai Palace including hotels, restaurants, department stores and others (to be operated by other service providers) to enhance the business of Casino Jai Alai and Casino Oceanus at Jai Alai.

As at 30 June 2013, SJM had entered into capital commitments in connection with the Jai Alai renovation project with a total value approximately \$600 million.

Investment in Macau Legend Development Limited

Macau Legend Development Limited, of which the Group purchased 4% of the total share capital in August 2012 for HK\$480 million, was listed on the Stock Exchange of Hong Kong on 5 July 2013. Pursuant to related agreements, the Group obtained cash payments totaling approximately HK\$149 million, recognised as income in June 2013, and as at 30 June 2013 owned 209,068,781 shares of the company.

OUTLOOK

The Group's performance in the second half of 2013 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 \$23,964 million (not including \$663 million pledged bank deposits) as at 30 June 2013. This represented an increase of 2.3% as compared with the position as at 31 December 2012 of \$23,426 million.

Total outstanding balances of bank loans drawn by the Group as at 30 June 2013 amounted to \$1,620 million (as at 31 December 2012: \$1,729 million). The maturity profile of the Group's borrowings as at 30 June 2013 is set out below:

Maturity Profile			
Within 1 year	1–2 years	2–5 years	Total
14.6%	24.6%	60.8%	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 2012: zero).

CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments by the Group amounted to \$2,379 million at the end of the Reporting Period (as at 31 December 2012: \$796 million), of which \$1,654 million were for the Cotai Project. As at 30 June 2013, the Group was developing the construction plan for the Cotai Project, with an estimated construction cost in excess of \$25 billion, including capital expenditure commitments to date.

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 2013, certain of the Group's property and equipment and land use rights with carrying values of \$1,237 million and \$80 million, respectively (as at 31 December 2012: \$1,317 million and \$82 million, respectively), were pledged with banks for loan facilities. In addition, the Group had pledged bank deposits of \$663 million as at 30 June 2013 (as at 31 December 2012: \$647 million).

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2013, the Group had total guarantees given to banks of \$87 million (as at 31 December 2012: \$87 million), which were guarantees in respect of credit facilities granted to an associate and investee companies. The Group had no material contingent liabilities as at 30 June 2013.

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 30 June 2013 the equivalent of approximately \$502 million of the Group's outstanding borrowings were denominated in Chinese Yuan, of which the foreign exchange rate risk has been fully set off with a matching amount of deposits. 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 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 2013, the Group had approximately 21,000 full-time employees. The Group's employee turnover rate was minimal in the first half of 2013.

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 17.7% for the Reporting Period, as compared to HK GAAP which gives an Adjusted EBITDA Margin of 10.1% 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 HK20 cents per ordinary share of the Company (the "Share") for the six months ended 30 June 2013 (six months ended 30 June 2012: HK10 cents per Share). The interim dividend is expected to be paid on 18 September 2013 to shareholders of the Company whose names appear on the register of members of the Company on 6 September 2013.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS FOR INTERIM DIVIDEND

Book close dates for interim dividend	: 4 September 2013 to 6 September 2013
Record date for interim dividend	: 6 September 2013
Expected payment date	: 18 September 2013
Latest time to lodge transfer documents with the Company's share registrar to entitle interim dividend	: 4:30 p.m. on 3 September 2013
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 2013, 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	118,327,922	—	2.13%
	Beneficial owner	Long position	—	35,000,000 (Note 1)	0.63%
			118,327,922	35,000,000	2.76%
Ng Chi Sing	Beneficial owner	Long position	86,452,922	—	1.56%
	Beneficial owner	Long position	—	32,000,000 (Note 1)	0.58%
			86,452,922	32,000,000	2.14%

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)
Rui José da Cunha	Beneficial owner	Long position	18,107,500	—	0.33%
	Beneficial owner	Long position	—	3,000,000 (Note 1)	0.05%
			18,107,500	3,000,000	0.38%
Leong On Kei, Angela	Beneficial owner	Long position	427,950,000	—	7.71%
	Beneficial owner	Long position	—	30,000,000 (Note 1)	0.54%
			427,950,000	30,000,000	8.25%
Shum Hong Kuen, David	Beneficial owner	Long position	—	6,000,000 (Note 1)	0.11%
Fok Tsun Ting, Timothy	Beneficial owner	Long position	—	6,000,000 (Note 1)	0.11%
Chau Tak Hay	Beneficial owner	Long position	—	500,000 (Note 1)	0.01%
Lan Hong Tsung, David	Beneficial owner	Long position	100,000	—	0.002%
	Beneficial owner	Long position	—	500,000 (Note 1)	0.01%
			100,000	500,000	0.012%
Shek Lai Him, Abraham	Beneficial owner	Long position	—	500,000 (Note 1)	0.01%
Tse Hau Yin	Beneficial owner	Long position	500,000	—	0.01%
	Beneficial owner	Long position	—	500,000 (Note 1)	0.01%
			500,000	500,000	0.02%

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 5,550,209,293 Shares in issue as at 30 June 2013.

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

Save as disclosed above, so far as was known to any Director, as of 30 June 2013, 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 2013, 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 3)
Sociedade de Turismo e Diversões de Macau, S.A.	Beneficial owner	Long position	3,049,987,500	—	54.95%
Leong On Kei, Angela	Beneficial owner	Long position	427,950,000	—	7.71%
	Beneficial owner	Long position	—	30,000,000 (Note 1)	0.54%
			427,950,000	30,000,000	8.25%
The Capital Group Companies, Inc.	Interest of controlled corporations	Long position	442,062,000 (Note 2)	—	7.96%
Capital Research and Management Company	Investment manager	Long position	280,606,000 (Note 2)	—	5.06%

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 Capital Group Companies, Inc. is the parent company of Capital Research and Management Company ("CRMC") and Capital Group International, Inc. ("CGII"). CGII is the parent company of Capital Guardian Trust Company ("CGTC"), Capital International, Inc. ("CII"), Capital International Limited ("CIL") and Capital International Sarl ("CIS"). CRMC, CGTC, CII, CIL and CIS altogether directly held 442,062,000 Shares in aggregate as recorded in the Company's register required to be kept under Section 336 of the SFO as at 30 June 2013.
3. The percentage has been calculated based on 5,550,209,293 Shares in issue as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, 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.

OTHER INFORMATION

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.

Details of the movement in Options granted under the Scheme during the six months ended 30 June 2013 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 2013
				Outstanding as at 1 January 2013	Granted 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 (retired as non-executive Director on 31 May 2013)	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):				118,500,000	—	(1,500,000)	—	—	117,000,000

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 2013	
				Outstanding as at 1 January 2013	Granted 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	3,825,000	—	(365,000)	—	—	3,460,000
Employee	19 May 2010 (Note 2)	19 November 2010 to 18 November 2019	\$5.11	1,000,000	—	(300,000)	—	—	700,000
Employees	26 May 2010 (Note 3)	26 November 2010 to 25 November 2019	\$5.03	260,000	—	—	—	—	260,000
Sub-total (Employees):				5,085,000	—	(665,000)	—	—	4,420,000
Other participants	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	1,150,000	—	(200,000)	—	—	950,000
Total:				124,735,000	—	(2,365,000)	—	—	122,370,000

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\$21.50.

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 2013.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. During the period from 1 January 2013 to 30 June 2013, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, except for the deviation from the following code provisions:

A.6.7: Dato' Dr. Cheng Yu Tung, a non-executive Director, who retired after the conclusion of the annual general meeting of the Company held on 31 May 2013 (the "2013 AGM"), was unable to attend the 2013 AGM due to health reasons.

E.1.2: Due to health reasons, Dr. Ho Hung Sun, Stanley was absent from the 2013 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 2013.

OTHER INFORMATION

DIRECTORS' BIOGRAPHICAL DETAILS UPDATE

Directors' biographical details update since 1 January 2013 and up to 30 June 2013, 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 2013 and up to 30 June 2013
Ho Hung Sun, Stanley	<ul style="list-style-type: none"> Received discretionary bonus in aggregate amount of HK\$2,025,081 from the Group for the financial year of 2012
So Shu Fai	<ul style="list-style-type: none"> Elected as the chairman of the board of directors of SJM in March 2013 Received discretionary bonus in aggregate amount of HK\$2,720,000 from the Group for the financial year of 2012 Increased emolument entitled to be received from a subsidiary of the Company by HK\$41,000 per month since 1 January 2013 Increased annual emolument entitled to be received from the Company by (i) HK\$20,000 as a member of the Remuneration Committee, and (ii) HK\$10,000 as a member of the Nomination Committee since 1 January 2013
Ng Chi Sing	<ul style="list-style-type: none"> Received discretionary bonus in aggregate amount of HK\$2,375,000 from the Group for the financial year of 2012 Increased emolument entitled to be received from a subsidiary of the Company by HK\$37,500 per month since 1 January 2013
Rui José da Cunha	<ul style="list-style-type: none"> Received discretionary bonus in aggregate amount of HK\$665,000 from the Group for the financial year of 2012 Increased emolument entitled to be received from a subsidiary of the Company by HK\$9,000 per month since 1 January 2013
Leong On Kei, Angela	<ul style="list-style-type: none"> Received discretionary bonus in aggregate amount of HK\$2,202,500 from the Group for the financial year of 2012 Increased emolument entitled to be received from a subsidiary of the Company by HK\$34,500 per month since 1 January 2013 Increased annual emolument entitled to be received from the Company by (i) HK\$20,000 as a member of the Remuneration Committee, and (ii) HK\$10,000 as a member of the Nomination Committee since 1 January 2013
Shum Hong Kuen, David	<ul style="list-style-type: none"> Received discretionary bonus in aggregate amount of HK\$92,500 from the Group for the financial year of 2012 Increased annual emolument entitled to be received from the Company by HK\$10,000 as a member of the Nomination Committee since 1 January 2013
Fok Tsun Ting, Timothy	<ul style="list-style-type: none"> Received discretionary bonus in the amount of HK\$33,333 from the Company for the financial year of 2012
Cheng Yu Tung <i>(retired as non-executive Director on 31 May 2013)</i>	<ul style="list-style-type: none"> Received discretionary bonus in aggregate amount of HK\$518,770 from the Group for the financial year of 2012

OTHER INFORMATION

Name of Director	Biographical details update since 1 January 2013 and up to 30 June 2013
Chau Tak Hay	<ul style="list-style-type: none"> • Received discretionary bonus in the amount of HK\$40,417 from the Company for the financial year of 2012 • Increased annual emolument entitled to be received from the Company by (i) HK\$20,000 as a member of the Audit Committee, (ii) HK\$20,000 as a member of the Remuneration Committee, and (iii) HK\$10,000 as Chairman of the Nomination Committee since 1 January 2013 • His director's fees (including fees for acting as Chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee) entitled to be received from the Company are covered by a letter of appointment dated 31 May 2013
Lan Hong Tsung, David	<ul style="list-style-type: none"> • Elected as President of the International Institute of Management • Conferred Doctor of Humanities (Honoris Causa) of Don Honorio Ventura Technological State University and Visiting Professorship of Bulacan State University and Tarlac State University • Received discretionary bonus in the amount of HK\$40,417 from the Company for the financial year of 2012 • Increased annual emolument entitled to be received from the Company by (i) HK\$20,000 as a member of the Audit Committee, (ii) HK\$20,000 as Chairman of the Remuneration Committee, and (iii) HK\$10,000 as a member of the Nomination Committee since 1 January 2013 • His director's fees (including fees for acting as Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee) entitled to be received from the Company are covered by a letter of appointment dated 31 May 2013
Shek Lai Him, Abraham	<ul style="list-style-type: none"> • Received discretionary bonus in the amount of HK\$39,167 from the Company for the financial year of 2012 • Increased annual emolument entitled to be received from the Company by (i) HK\$20,000 as a member of the Audit Committee, (ii) HK\$20,000 as a member of the Remuneration Committee, and (iii) HK\$10,000 as a member of the Nomination Committee since 1 January 2013
Tse Hau Yin	<ul style="list-style-type: none"> • Received discretionary bonus in aggregate amount of HK\$107,500 from the Group for the financial year of 2012 • Increased annual emolument entitled to be received from the Company by (i) HK\$40,000 as Chairman of the Audit Committee, (ii) HK\$20,000 as a member of the Remuneration Committee, and (iii) HK\$10,000 as a member of the Nomination Committee since 1 January 2013

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.

REVIEW OF INTERIM REPORT AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim report of the Company for the six months ended 30 June 2013 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 2013 has been reviewed by the Audit Committee of the Company and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board of Directors
SJM Holdings Limited

So Shu Fai
Executive Director and Chief Executive Officer

Hong Kong, 14 August 2013



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 24 to 51 which comprises the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other 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

14 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)
Gaming, hotel, catering and related services revenues		42,452.8	39,258.1
Gaming revenue	5	42,129.1	38,959.3
Special gaming tax, special levy and gaming premium		(16,203.3)	(14,994.4)
		25,925.8	23,964.9
Hotel, catering and related services income		323.7	298.8
Cost of sales and services on hotel, catering and related services		(139.0)	(130.9)
Other income and gains		337.7	199.7
Marketing and promotional expenses		(18,570.6)	(17,194.2)
Operating and administrative expenses		(3,985.7)	(3,639.9)
Finance costs	6	(46.1)	(55.6)
Share of losses of an associate		(4.8)	(7.6)
Share of profits of a joint venture		2.2	3.0
Profit before taxation	7	3,843.2	3,438.2
Taxation	8	(20.5)	(13.5)
Profit for the period		3,822.7	3,424.7
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale investments		11.3	—
Total comprehensive income for the period		3,834.0	3,424.7
Profit for the period attributable to			
— owners of the Company		3,827.7	3,411.3
— non-controlling interests		(5.0)	13.4
		3,822.7	3,424.7
Total comprehensive income for the period attributable to			
— owners of the Company		3,839.0	3,411.3
— non-controlling interests		(5.0)	13.4
		3,834.0	3,424.7
Earnings per share			
— Basic	10	HK69.0 cents	HK61.7 cents
— Diluted	10	HK68.4 cents	HK61.2 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
Non-current assets			
Property and equipment	11	8,267.3	8,130.8
Land use rights	12	2,802.3	739.7
Intangible asset		23.7	26.9
Art works and diamonds	13	289.2	289.2
Interest in an associate		8.0	12.9
Interest in a joint venture		90.2	88.0
Available-for-sale investments in equity securities	14	491.3	480.0
Deposits made on acquisitions	15	112.9	1,195.0
Amount due from a fellow subsidiary	16	208.4	234.2
Amount due from an associate		40.8	40.8
Amount due from a joint venture		14.3	14.3
Amount due from an investee company	17	102.9	112.9
Pledged bank deposits	18	661.9	645.8
		13,113.2	12,010.5
Current assets			
Inventories		61.6	63.8
Trade and other receivables	19	1,778.2	1,706.8
Amount due from ultimate holding company	20	0.2	0.8
Financial assets at fair value through profit or loss	21	109.4	84.3
Pledged bank deposits	18	1.3	1.3
Short-term bank deposits		13,939.9	11,494.5
Bank balances and cash		10,024.3	11,931.8
		25,914.9	25,283.3
Current liabilities			
Trade and other payables	22	16,023.2	14,558.6
Amount due to non-controlling interests of a subsidiary	25	23.7	22.9
Obligations under finance leases	23	26.5	26.2
Taxation payable		41.9	62.4
Current portion of long-term bank loans	24	237.1	237.9
		16,352.4	14,908.0
Net current assets		9,562.5	10,375.3
Total assets less current liabilities		22,675.7	22,385.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
Non-current liabilities			
Obligations under finance leases	23	208.4	234.2
Long-term bank loans	24	1,383.0	1,490.6
Amount due to non-controlling interests of a subsidiary	25	713.3	698.3
Payable for acquisition of land use rights		1,007.2	—
Deferred taxation		48.7	48.7
		<u>3,360.6</u>	<u>2,471.8</u>
Net assets			
		<u>19,315.1</u>	<u>19,914.0</u>
Capital and reserves			
Share capital	26	5,550.2	5,547.8
Reserves		13,734.1	14,330.4
Equity attributable to owners of the Company			
		<u>19,284.3</u>	<u>19,878.2</u>
Non-controlling interests		30.8	35.8
Total equity			
		<u>19,315.1</u>	<u>19,914.0</u>

The condensed consolidated financial statements on pages 24 to 51 was approved and authorised for issue by the Board of Directors on 14 August 2013 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 2013

	Share capital HK\$ million	Share premium HK\$ million	Share options reserve HK\$ million	Investment revaluation reserve HK\$ million	Retained profits HK\$ million	Attributable to owners of the Company HK\$ million	Non- controlling interests HK\$ million	Total HK\$ million
At 1 January 2013	5,547.8	3,894.0	526.3	—	9,910.1	19,878.2	35.8	19,914.0
Change in fair value of available-for-sale investments	—	—	—	11.3	—	11.3	—	11.3
Profit for the period	—	—	—	—	3,827.7	3,827.7	(5.0)	3,822.7
Total comprehensive income for the period	—	—	—	11.3	3,827.7	3,839.0	(5.0)	3,834.0
Exercise of share options	2.4	8.2	(3.3)	—	—	7.3	—	7.3
Dividends paid (note 9)	—	—	—	—	(4,440.2)	(4,440.2)	—	(4,440.2)
	<u>2.4</u>	<u>8.2</u>	<u>(3.3)</u>	<u>—</u>	<u>(4,440.2)</u>	<u>(4,432.9)</u>	<u>—</u>	<u>(4,432.9)</u>
At 30 June 2013 (unaudited)	<u>5,550.2</u>	<u>3,902.2</u>	<u>523.0</u>	<u>11.3</u>	<u>9,297.6</u>	<u>19,284.3</u>	<u>30.8</u>	<u>19,315.1</u>
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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)
Net cash from operating activities	5,377.8	4,365.8
Investing activities		
Interest received	164.9	160.4
Dividend received	7.6	—
Purchase of property and equipment	(410.2)	(211.4)
Additions of land use rights	(1.2)	(5.9)
Deposits paid for acquisitions	(15.9)	(93.3)
Proceeds from disposal of available-for-sale investments	—	13.0
Repayment of loan receivables	—	88.0
Net repayment from (advances to) ultimate holding company	0.6	(0.6)
Repayment from fellow subsidiaries	25.5	19.3
Placement of pledged bank deposits	(7.3)	(490.7)
Withdrawal of pledged bank deposits	—	25.0
Placement of bank deposits	(14,110.0)	(12,481.6)
Withdrawal of bank deposits	11,664.6	10,299.9
Other investing cash flows	10.1	8.8
Net cash used in investing activities	(2,671.3)	(2,669.1)
Financing activities		
Interest paid	(38.4)	(32.4)
Dividends paid	(4,440.2)	(3,603.3)
Proceeds from issue of shares	7.3	61.4
Repayment of obligations under finance leases	(25.5)	(18.9)
Bank loans raised	—	1,843.1
Repayment of bank loans	(117.2)	(960.0)
Repayments to non-controlling interests of a subsidiary	—	(343.0)
Other financing cash flows	—	(0.1)
Net cash used in financing activities	(4,614.0)	(3,053.2)
Net decrease in cash and cash equivalents	(1,907.5)	(1,356.5)
Cash and cash equivalents at 1 January	11,931.8	14,559.9
Cash and cash equivalents at 30 June	10,024.3	13,203.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 Macau Special Administrative Region, the People's Republic of China ("Macau SAR"). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), a company established in Macau SAR. The address of 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 have 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 2012.

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

Upon application of HKFRS 11, the management reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Group's investment in a joint arrangement. Under HKFRS 11, the Group previously classified as a jointly controlled entity is treated as the Group's joint venture and continues to be accounted for using the equity method.

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. In addition, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements. The application of HKFRS 13 has no material impact on the amounts reported in these condensed consolidated financial statements but resulted in more disclosures of fair value information as set out in note 31.

The application of the other new or revised 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

3. SUMMARY OF FINANCIAL POSITION OF THE COMPANY

	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
Non-current assets		
Property and equipment	3.8	4.9
Investments in subsidiaries	4,359.3	4,359.3
	4,363.1	4,364.2
Current assets		
Other receivables, deposits and prepayments	38.9	34.2
Amounts due from subsidiaries	679.2	650.5
Dividends receivable	—	5,825.2
Short-term bank deposits	11,297.0	6,455.5
Bank balances and cash	803.1	750.7
	12,818.2	13,716.1
Current liabilities		
Other payables and accruals	5.6	3.5
Amount due to a subsidiary	291.6	291.6
	297.2	295.1
Net current assets	12,521.0	13,421.0
Net assets	16,884.1	17,785.2
Capital and reserves		
Share capital	5,550.2	5,547.8
Share premium	3,902.2	3,894.0
Share options reserve	523.0	526.3
Retained profits	6,908.7	7,817.1
Total equity	16,884.1	17,785.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 resources allocation and performance assessment. 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 with similar economic characteristics 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	
	2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)	2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)
	Six months ended 30 June			
Gaming operations	42,129.1	38,959.3	3,777.2	3,557.6
Hotel and catering operations				
— external sales	323.7	298.8		
— inter-segment sales	151.8	139.3		
	475.5	438.1	(155.7)	(164.2)
Eliminations	(151.8)	(139.3)		
	323.7	298.8		
	42,452.8	39,258.1		
			3,621.5	3,393.4
Reconciliation from segment results to profit before taxation:				
Unallocated corporate income			248.9	103.0
Unallocated corporate expenses			(49.7)	(64.9)
Change in fair value of financial assets at fair value through profit or loss			25.1	11.3
Share of losses of an associate			(4.8)	(7.6)
Share of profits of a joint venture			2.2	3.0
Profit before taxation			3,843.2	3,438.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 gain on derivatives, corporate income and expenses, certain interest income, change in fair value of financial assets at fair value through profit or loss, share of results of an associate/a joint venture 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 prices mutually agreed by both parties.

5. GAMING REVENUE

	Six months ended 30 June	
	2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)
Gaming revenue from		
— VIP gaming operations	29,222.7	26,469.9
— mass market table gaming operations	12,181.0	11,720.2
— slot machine and other gaming operations	725.4	769.2
	<u>42,129.1</u>	<u>38,959.3</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)
Interest on		
— bank borrowings wholly repayable within five years	27.4	27.0
— finance leases repayable within five years	1.5	—
— finance leases not wholly repayable within five years	1.4	3.7
— acquisition of land use rights	8.2	—
Imputed interest on amount due to non-controlling interests of a subsidiary	15.8	24.9
	<u>54.3</u>	<u>55.6</u>
Less: Amount capitalised	(8.2)	—
	<u>46.1</u>	<u>55.6</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)
<i>Profit before taxation has been arrived at after charging:</i>		
Operating lease rentals in respect of land use rights	22.1	22.0
Amortisation of intangible assets (included in operating and administrative expenses)	3.2	3.2
Depreciation of property and equipment	573.4	549.6
Loss on disposal of property and equipment	9.2	12.7
Directors' remuneration	39.1	37.8
Staff costs excluding equity-settled share-based payments	2,498.9	2,143.9
Equity-settled share-based payments to staff	—	0.2
<i>and after crediting to other income and gains:</i>		
Interest income from		
— a fellow subsidiary	2.9	3.7
— bank deposits	143.9	166.5
— loan receivables	—	3.5
	146.8	173.7
Change in fair value of financial assets at fair value through profit or loss	25.1	11.3
Dividend income	7.6	—
Gain on disposal of available-for-sale investments	—	7.5
Gain on derivatives	148.7	—

8. TAXATION

	Six months ended 30 June	
	2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)
Current period taxation	20.5	8.7
Deferred taxation	—	4.8
	20.5	13.5

No provision for Macau SAR 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 Macau SAR government dated 23 November 2011, SJM has been exempted from CT for income generated from gaming operations for the years from 2012 to 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

8. TAXATION (Continued)

In addition, pursuant to the approval letter dated 10 August 2012 issued by the Finance Services Bureau of the Macau SAR government, SJM's shareholders were obligated to pay a dividend tax of MOP42.3 million (equivalent to HK\$41.1 million) (the "Special Tax") for dividend distribution by SJM for each of the years from 2012 to 2016. During the six months ended 30 June 2013, the Company, as a shareholder of SJM, was obligated to pay HK\$20.5 million (six months ended 30 June 2012: HK\$8.7 million).

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 is made as the Group's profit neither arises in nor is derived from Hong Kong.

9. DIVIDENDS

	Six months ended 30 June	
	2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)
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
2012 final dividend of HK50 cents per ordinary share paid	2,775.1	—
2012 special dividend of HK30 cents per ordinary share paid	1,665.1	—
	<u>4,440.2</u>	<u>3,603.3</u>

On 14 August 2013, the board of directors of the Company has resolved to declare an interim dividend of HK20 cents per ordinary share for the six months ended 30 June 2013 (six months ended 30 June 2012: HK10 cents per ordinary share).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>3,827.7</u>	<u>3,411.3</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

10. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,548,351,177	5,530,425,831
Effect of dilutive potential ordinary shares on — share options	51,329,246	41,845,513
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,599,680,423	5,572,271,344

11. PROPERTY AND EQUIPMENT

	At	At
	30 June 2013 HK\$ million (unaudited)	31 December 2012 HK\$ million (audited)
Carrying value		
Leasehold land and buildings	3,754.0	3,868.6
Chips	44.8	30.5
Furniture, fixtures and equipment	2,558.0	2,693.9
Gaming equipment	76.4	88.5
Leasehold improvements	1,307.8	1,437.1
Motor vehicles	10.2	12.2
Construction in progress	516.1	—
Total	8,267.3	8,130.8

During the period, the Group incurred HK\$719.1 million for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$270.7 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 Macau SAR are erected on land which is held under medium-term land use right.

Also, at 30 June 2013, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate carrying value of HK\$2,643.0 million (31 December 2012: HK\$2,791.9 million) in respect of the Group's gaming business have to be returned to the Macau SAR government upon completion of the term of the concession in 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

12. LAND USE RIGHTS

	For the six months ended 30 June 2013 HK\$ million (unaudited)	For the year ended 31 December 2012 HK\$ million (audited)
Carrying value		
At 1 January	739.7	775.2
Additions during the period/year (note)	2,097.3	6.0
Released and capitalised to construction in progress during the period/year	(14.0)	—
Released to profit or loss during the period/year	(20.7)	(41.5)
At 30 June/31 December	<u>2,802.3</u>	<u>739.7</u>

Note: Additions during the six months ended 30 June 2013 represent the lease of a land in Macau SAR as detailed in note 15, which comprise of total land premium of HK\$2,087.9 million and certain direct expenses.

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

13. ART WORKS AND DIAMONDS

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. AVAILABLE-FOR-SALE INVESTMENTS IN EQUITY SECURITIES

Balance as at 31 December 2012 represents investments in unlisted equity securities, which contain 4% equity interests in a private entity carrying at a cost of HK\$480 million. The carrying amounts of those equity investments are stated at cost less any identified impairment losses at 31 December 2012 since the directors of the Company are of the opinion that their fair value cannot be measured reliably. The above investment also contains certain derivatives which represent (a) a put option to the selling shareholders if the investee does not fulfill certain conditions before a specified date; and (b) derivatives to be net settled at a future date if the investee could fulfill the conditions by a specified date. In the opinion of the directors of the Company, the fair value of such derivatives at initial recognition and at 31 December 2012 was insignificant. Condition (a) was lapsed in early July 2013 and in the opinion of the directors of the Company, condition (a) has no fair value as at 30 June 2013. On the other hand, the directors of the Company estimated the fair value of derivatives relating to condition (b) to be HK\$148.7 million as at 30 June 2013 (included in other receivables, see note 19), and a resulting fair value gain for the same amount was recognised and included in other income and gains for the current period. Such derivative was settled in July 2013.

In early July 2013, the relevant equity investment was listed on the Stock Exchange, at which point the equity interest had diluted to approximately 3%, and the equity investments as at 30 June 2013 were stated at fair value estimated by the directors of the Company by making reference to the quoted price at active market in early July 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

15. DEPOSIT MADE ON ACQUISITIONS

	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
Deposits made on acquisition of:		
— land use rights (note)	—	776.7
— property and equipment	<u>112.9</u>	<u>418.3</u>
	<u>112.9</u>	<u>1,195.0</u>

Note: During the year ended 31 December 2012, the Group accepted a proposed draft land concession contract with Macau SAR government in respect of the lease of a land in Macau SAR for the development and operation of casinos and related facilities for 25 years. Pursuant to the draft land concession contract, total land premium is HK\$2,087.9 million and an initial payment of such premium in an amount of HK\$776.7 million was settled during the year ended 31 December 2012. During the six months ended 30 June 2013, the land concession contract was approved and grant of land use rights were finalised by Macau SAR government and such deposits were transferred to land use rights. The remaining land premium of HK\$1,311.2 million will be paid by 8 semi-annual instalments together with a fixed interest of 5% per annum. Details are set out in the Company's announcements dated 19 October 2012 and 15 May 2013.

16. 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 23. The receivables carry variable rates with effective interest ranging from 2.27% to 2.46% (31 December 2012: 2.31%) per annum.

17. 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 2013, 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 2013

18. PLEDGED BANK DEPOSITS

	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
Bank deposits pledged to secure:		
— bank facilities (note a)	516.3	500.2
— bank facilities (note b)	145.6	145.6
Amount shown under non-current assets	661.9	645.8
Bank deposits pledged:		
— in favour of the Macau SAR 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	1.3
	663.2	647.1

Notes:

- (a) Amount represents deposits pledged to secure the bank facilities granted to a subsidiary of the Company which would not be released within 12 months from the end of the reporting period until final settlement of respective bank loans. 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 Macau SAR government against the legal and contractual financial obligations of SJM under the gaming concession contract.

At 30 June 2013, the pledged bank deposits carry fixed interest rates ranging from 0.3% to 2.75% (31 December 2012: 1.00% to 2.75%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

19. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
Advances to gaming promoters and patrons	1,069.3	1,157.6
Other receivables from gaming promoters	59.9	60.6
Prepayments	173.1	112.3
Other receivables (note)	475.9	376.3
	<u>1,778.2</u>	<u>1,706.8</u>

Note: Other receivables mainly represent receivables in connection with the gain on derivatives (note 14), deposits paid for rentals and operating supplies, interest receivable, credit card receivables and current portion of lease receivable from a fellow subsidiary (note 23).

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

Age	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
0 to 30 days	1,058.3	1,154.1
Over 90 days	11.0	3.5
	<u>1,069.3</u>	<u>1,157.6</u>

Advances to gaming promoters and patrons mainly include pre-approved interest-free revolving credit lines and short-term temporary interest-free advances. All advances to gaming promoters are unsecured, repayable on demand at discretion of the Group and generally require cheques and guarantees. For advances to gaming patrons, the credit period granted to pre-approved gaming patrons with good financial track records is generally 15 days. At 30 June 2013, advances to gaming patrons of HK\$1.5 million (31 December 2012: HK\$1.7 million) are neither past due nor impaired.

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

Other receivables from gaming promoters are interest-free, unsecured and are repayable on demand at discretion of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

19. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts

	For the six months ended 30 June 2013 HK\$ million (unaudited)	For the year ended 31 December 2012 HK\$ million (audited)
At 1 January	87.1	88.1
Write-off	—	(4.9)
Allowance for doubtful debts	—	4.2
Amounts recovered during the year	—	(0.3)
At 30 June/31 December	<u>87.1</u>	<u>87.1</u>

Allowance for doubtful debts with an aggregate balance of HK\$87.1 million (31 December 2012: HK\$87.1 million) mainly represent individually impaired receivables from gaming promoters as the management considered the 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 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
STDM and its associates, excluding the Group (as defined under Chapter 14A of the Listing Rules)	46.9	47.7
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	181.8	149.1
	<u>229.9</u>	<u>198.0</u>

20. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company arising from the Chips Agreement as defined in note 32(b) is unsecured, interest-free and is expected to realise within 12 months from the end of the reporting period.

21. 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 2013

22. TRADE AND OTHER PAYABLES

	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
Trade payables	2,490.7	2,864.4
Special gaming tax payable	2,582.0	2,746.2
Chips liabilities	8,229.8	6,587.2
Payable for acquisition of property and equipment	78.6	191.7
Payable for acquisition of land use rights	304.0	—
Construction payables	205.6	118.9
Deposits received from gaming patrons and gaming promoters	1,016.6	864.7
Accrued staff costs	470.7	501.5
Rentals payables	186.7	197.3
Withholding tax payable for gaming promoters and employees	23.9	24.0
Other payables and accruals	434.6	462.7
	<u>16,023.2</u>	<u>14,558.6</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 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
0 to 30 days	2,471.4	2,833.1
31 to 60 days	5.1	16.9
61 to 90 days	1.1	1.5
Over 90 days	13.1	12.9
	<u>2,490.7</u>	<u>2,864.4</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 2013

22. 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 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
STDM and its associates, excluding the Group (as defined under Chapter 14A of the Listing Rules)	231.6	234.8
An associate of the Group	6.7	3.5
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	389.1	392.8
	627.4	631.1

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
Amounts payable under finance leases				
— within one year	31.4	31.6	26.5	26.2
— between one to two years	33.2	33.4	28.6	28.3
— between two to five years	93.0	100.1	84.1	89.0
— after five years	96.0	117.9	95.7	116.9
	253.6	283.0	234.9	260.4
Less: Future finance charges	(18.7)	(22.6)		
Present value of lease obligations	234.9	260.4		
Less: Amounts due within one year shown under current liabilities			(26.5)	(26.2)
Amounts due after one year			208.4	234.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

23. 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 six private jet aircraft in Macau SAR 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 2.27% to 2.46% per annum at 30 June 2013 (31 December 2012: 2.31% 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 2013, 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\$234.9 million (31 December 2012: HK\$260.4 million) out of which HK\$208.4 million (31 December 2012: HK\$234.2 million) is recorded as amount due from a fellow subsidiary in non-current assets as shown in note 16. The remaining amount of HK\$26.5 million (31 December 2012: HK\$26.2 million) is included in trade and other receivables in current assets.

On 31 July 2013, Sky Reach and Jet Asia have entered into an arrangement for the exercise of early buy options under the Aircraft Agreements in respect of four of the six aircraft. The formal exercise of the early buy options is yet to be completed up to the date of the issuance of these condensed consolidated financial statements. In the opinion of the directors of the Company, no material financial impact to the Group is expected.

24. BANK LOANS

	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
The syndicated secured bank loans are repayable		
— within one year	237.1	237.9
— between one to two years	398.4	317.7
— between two to five years	984.6	1,172.9
	1,620.1	1,728.5
Less: Amount due within one year shown under current liabilities	(237.1)	(237.9)
Amount due after one year	1,383.0	1,490.6

At the end of the reporting period, the Group's syndicated secured bank loans carry interest ranging from 2.75% to 3.0% (31 December 2012: 2.75% to 3.0%) over 3-month HIBOR per annum with effective interest rates ranging from 3.13% to 3.38% (31 December 2012: 3.15% to 3.4%) per annum and are all denominated in Hong Kong dollars, except for a loan amounting to HK\$502.2 million denominated in Renminbi (31 December 2012: HK\$480.7 million) which carried fixed interest rate of 3.0% per annum. The purpose of the loans is to finance certain construction projects in Macau SAR and settle certain loans from non-controlling shareholders. At 30 June 2013, the loans were secured by certain of the Group's property and equipment and land use right with carrying values of HK\$1,236.9 million (31 December 2012: HK\$1,316.5 million) and HK\$79.5 million (31 December 2012: HK\$81.9 million) respectively. In addition, the other key terms and securities pledged are set out as follows:

- (i) a bank deposit amounting to HK\$516.3 million (31 December 2012: HK\$500.2 million);
- (ii) financial guarantees with promissory notes given by certain subsidiaries and the non-controlling shareholders of a subsidiary amounting to approximately HK\$2,400 million (31 December 2012: HK\$2,400 million) and HK\$1,176 million (31 December 2012: HK\$1,176 million) respectively;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

24. BANK LOANS (Continued)

- (iii) an assignment of all receivables and income from gaming and hotel operation of Pier 16 – Property Development Limited (“Pier 16 – Property”) and its subsidiaries;
- (iv) 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\$1,445.6 million (31 December 2012: HK\$1,468.2 million);
- (v) an unconditional and irrevocable funding and completion undertaking for phase 3 development project in Ponte 16;
- (vi) assignments of all the rights and benefits of insurance policies and construction contracts relating to certain properties held by the Group; and
- (vii) share pledges over the shares of certain subsidiaries.

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.

The relevant 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. Accordingly, carrying amounts of HK\$23.7 million (31 December 2012: HK\$22.9 million) and HK\$713.3 million (31 December 2012: HK\$698.3 million) were classified as current and non-current liabilities respectively at 30 June 2013. During the six months ended 30 June 2012, these carrying amounts were adjusted by HK\$9.4 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\$15.8 million (six months ended 30 June 2012: HK\$24.9 million) on the amount due to the non-controlling interests of the subsidiary of HK\$737.0 million (31 December 2012: HK\$721.2 million) has been recognised based on the principal amount of HK\$880.9 million (31 December 2012: HK\$880.9 million) at a weighted average original interest rate of approximately 4.4% (six months ended 30 June 2012: 4.4%) 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 2012	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
Exercise of share options	—	—	4,330,000	4.3
At 31 December 2012 (audited)	15,000,000,000	15,000.0	5,547,844,293	5,547.8
Exercise of share options	—	—	2,365,000	2.4
At 30 June 2013 (unaudited)	15,000,000,000	15,000.0	5,550,209,293	5,550.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

27. SHARE OPTION SCHEME

A summary of the movements of the outstanding options during the six months ended 30 June 2013 under a option scheme adopted on 13 May 2009 is as follows:

Type of participants	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options		
					Outstanding at 1.1.2013	Exercised during the period	Outstanding at 30.6.2013
Directors	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	4,500,000	(1,500,000)	3,000,000
	31.8.2010	31.8.2010 to 27.2.2011	28.2.2011 to 27.2.2020	7.48	3,000,000	—	3,000,000
	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	3,825,000	(365,000)	3,460,000
	19.5.2010	19.5.2010 to 18.11.2010	19.11.2010 to 18.11.2019	5.11	1,000,000	(300,000)	700,000
	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	1,150,000	(200,000)	950,000
					124,735,000	(2,365,000)	122,370,000
Weighted average exercise price per share					HK\$11.57	HK\$3.11	HK\$11.73

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\$21.35 (six months ended 30 June 2012: HK\$16.71). At the end of the reporting period, 122,370,000 (31 December 2012: 124,735,000) share options are exercisable.

The Group recognised total expenses of HK0.2 million during the six months ended 30 June 2012 (six months ended 30 June 2013: nil) in relation to share options granted by the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

28. 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 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
Within one year	4.6	2.5	273.3	231.6
In the second to fifth year inclusive	19.1	10.0	624.1	720.3
After five years	210.9	39.1	101.9	131.1
	<u>234.6</u>	<u>51.6</u>	<u>999.3</u>	<u>1,083.0</u>

Leases of rented premises are negotiated for terms ranging from 1 to 13 years.

Lease term of land use right in Macau SAR are negotiated for a term of 25 years at a fixed rental, and payments are subject to revision every 5 years.

As at 30 June 2013, operating lease rentals committed to related parties amounted to HK\$897.5 million (31 December 2012: HK\$951.3 million).

29. CAPITAL COMMITMENTS

	At 30 June 2013 HK\$ million (unaudited)	At 31 December 2012 HK\$ million (audited)
Capital expenditure in respect of property and equipment		
— authorised but not contracted for	<u>611.4</u>	<u>138.6</u>
— contracted for but not provided in the condensed consolidated financial statements	<u>1,767.9</u>	<u>657.7</u>

As at 30 June 2013, 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\$710.4 million (31 December 2012: HK\$0.8 million).

As at 30 June 2013, the Group is still working on the construction plan for the project in Cotai, the estimated construction cost will be in excess of HK\$25 billion, of which HK\$1,654 million was included in the capital commitment as at 30 June 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

30. CONTINGENT LIABILITIES AND GUARANTEES

	At 30 June 2013		At 31 December 2012	
	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	6.8	67.3	—
— an investee company	20.0	—	20.0	—
	87.3	6.8	87.3	—

31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
At 30 June 2013				
Available-for-sale investments in equity securities	—	491.3	—	491.3
Financial assets at fair value through profit or loss	109.4	—	—	109.4
	109.4	491.3	—	600.7

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

As at 30 June 2013, available-for-sale investments in equity securities are estimated by the directors of the Company by making reference to quoted price at active market in early July 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

32. 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	
		2013 HK\$ million (unaudited)	2012 HK\$ million (unaudited)
STDM and its associates, excluding the Group ("STDM group") (as defined under Chapter 14A of the Listing Rules)	<i>Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>		
	Property rentals (note 32(c))	124.0	123.6
	Transportation (note 32(d))	74.7	72.9
	Dredging services (note 32(d))	61.7	61.7
	Hotel accommodation (note 32(d))	55.7	54.1
	Entertainment and staff messing (note 32(d))	27.2	27.9
	Maintenance services (note 32(d))	7.9	8.5
	Aircraft sublease rental receipts (note 32(e))	28.4	22.6
	<i>Exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>		
	Share of administrative expenses (note 32(f))	0.9	12.4
	Cleaning services (note 32(g))	12.0	10.6
	Hotel management and operation (note 32(d) and (g))	11.2	12.0
	Promotional and advertising services (note 32(d) and (g))	10.7	8.9
	Others (note 32(g))	7.5	12.2
	<i>Exempt connected transactions under Chapter 14A of the Listing Rules</i>		
	Purchase of property and equipment (note 32(j))	—	8.0
	Certain directors of the Company and of its subsidiaries and their associates (as defined under Chapter 14A of the Listing Rules)	<i>Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>	
Service fees in relation to the promotion of a casino (note 32(h))		977.9	815.1
Transportation (note 32(i))		23.2	22.3
<i>Exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>			
Entertainment and staff messing (note 32(g))		37.3	32.8
Others (note 32(g))		27.8	25.1
<i>Exempt connected transactions under Chapter 14A of the Listing Rules</i>			
Gain on derivatives (note 32(m)) and others		11.3	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

32. RELATED PARTY TRANSACTIONS (Continued)

Relationship	Nature of transactions	Six months ended 30 June	
		2013 HK\$ million (unaudited)	2012 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 32(k))	769.2	647.4
	Insurance expenses	27.3	24.2
	Promotion and advertising expenses	0.2	2.2
	Service fee in related to foreign currencies exchange	9.6	8.7
	Property rentals	0.1	4.0
	Others	8.2	9.9
An associate	Construction costs paid	8.8	1.6
A joint venture	Property rentals	7.2	7.2

- (b) In 2002, SJM was granted a concession to operate casinos in Macau SAR. For this purpose, STDM transferred its gaming assets to SJM. SJM has been borrowing casino chips from STDM for the purpose of its business operation since SJM, as a new concessionaire from 2002, did not have sufficient casino chips to meet its business needs. According to the gaming concession contract, SJM is permitted to use STDM's casino chips, both in treasury and those put in circulation by STDM prior to 1 April 2002 and should honour such casino chips. In order to regulate the borrowing and use of STDM chips, the Group entered into 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 2013, the net amount received or receivable on reimbursement of STDM chips in circulation amounted to HK\$0.8 million (for the year ended 31 December 2012: HK\$2.2 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 32(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 32(g). The Renewed Master Agreement will expire on 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

32. RELATED PARTY TRANSACTIONS (Continued)

- (e) Regarding the aircraft lease arrangement as detailed in note 23, the Group charged minimum lease payments and related expenses of HK\$28.4 million (six months ended 30 June 2012: HK\$22.6 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 2013. Please refer to note 23 regarding the exercise of early buy options in respect of certain of the aircraft lease arrangements.
- (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 32(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 Macau SAR 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 2013

32. RELATED PARTY TRANSACTIONS (Continued)

- (j) During the year ended 31 December 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 of 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 24, 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 Macau SAR 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) As disclosed in note 14, an available-for-sale investment was acquired at a consideration of HK\$480 million during the year ended 31 December 2012. One of the selling shareholders in the acquisition was a connected person of the Company and hence, the acquisition constituted a connected transaction but was exempted from reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules. The gain on derivatives, as detailed in note 14, in respect of the portion of the connected person amounted to HK\$11.2 million was settled in July 2013.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Executive Director

Dr. Ho Hung Sun, Stanley

Non-executive Director

Dr. Cheng Kar Shun (*elected on 31 May 2013*)

Independent Non-executive Directors

Mr. Chau Tak Hay

Dr. 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

Dr. Lan Hong Tsung, David

NOMINATION COMMITTEE

Mr. Chau Tak Hay (*Committee Chairman*)

Dr. So Shu Fai

Dr. Lan Hong Tsung, David

Ms. Leong On Kei, Angela

Mr. Shek Lai Him, Abraham

Mr. Shum Hong Kuen, David

Mr. Tse Hau Yin

REMUNERATION COMMITTEE

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

Dr. So Shu Fai

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
Hong Kong

Tel: (852) 3960 8000

Fax: (852) 3960 8111

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

Email (Investor Relations): ir@sjmholdings.com

LISTING INFORMATION

Share listing: Hong Kong Stock Exchange
(Main Board)

Listing date: 16 July 2008

Stock short name: SJM Holdings

Stock code: 880

Board lot: 1,000 shares

Designated Securities Eligible for Short Selling
Constituent of Hang Seng HK35 Index
Constituent of Hang Seng High Dividend Yield Index

LEGAL ADVISORS

On Hong Kong Law:

Baker & McKenzie
Herbert Smith Freehills
Linklaters

On Macau Law:

C&C Advogados
Riquito Advogados

FINANCIAL ADVISOR

Somerley Limited

AUDITOR

Deloitte Touche Tohmatsu

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

SJM HOLDINGS LIMITED
澳門博彩控股有限公司

Suites 3001-3006, 30th Floor
One International Finance Centre
1 Harbour View Street, Central
Hong Kong

香港中環港景街1號
國際金融中心一期
30樓3001 – 3006室

<http://www.sjmholdings.com>