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澳門博彩控股有限公司 SJM HOLDINGS LIMITED

incorporated in Hong Kong with limited liability Stock Code : 880

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “**Board**”) of SJM Holdings Limited (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”).

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		(Decrease)
	2020 <i>HK\$ million</i> (unaudited)	2019 <i>HK\$ million</i> (unaudited)	
Total Group net revenue	4,374	17,074	(74.4%)
Net gaming revenue	4,272	16,720	(74.4%)
Adjusted EBITDA*	(984)	2,078	(147.3%)
(Loss) profit attributable to owners of the Company	(1,412)	1,679	(184.1%)
(Loss) earnings per share — basic	HK(24.9) cents	HK29.6 cents	(184.1%)
— diluted	HK(24.9) cents	HK29.6 cents	(184.1%)
Interim dividend per ordinary share	—	HK8.0 cents	

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK8 cents per ordinary share).

OPERATING HIGHLIGHTS

- First half results of the Group were severely impacted by the COVID-19 outbreak, which led to closure of Macau casinos for 15 days in February, as well as ongoing restrictions on entry from the Mainland, Hong Kong and other locations, curtailment of transportation channels and quarantine requirements. The Group's net gaming revenue decreased by 74.4%, Adjusted EBITDA and profit attributable to owners of the Company decreased by 147.3% and 184.1%, respectively, from the year-earlier period, whilst the Group's Adjusted EBITDA Margin decreased to negative 22.5% from 12.2%.
- Mass market gross table gaming revenue of the Group decreased by 73.5% and VIP gross gaming revenue showed a decrease of 81.6% during the first half of 2020, compared with the year-earlier period. During the same period, slot machine gross revenue decreased by 59.2% compared with the year-earlier period.
- Sociedade de Jogos de Macau, S.A. ("SJM") had a 15.0% share of Macau's gaming revenue, including 22.0% of mass market table gross gaming revenue and 8.6% of VIP gross gaming revenue.
- The Group maintained a strong financial position with cash, bank balances and pledged bank deposits of HK\$7,511 million as at 30 June 2020.
- The Group's flagship Casino Grand Lisboa decreased gross gaming revenue by 80.7%, Adjusted Casino Grand Lisboa EBITDA and attributable profit decreased by 131.2% and 141.4%, respectively, as compared with the year-earlier period.
- The occupancy rate of Hotel Grand Lisboa decreased by 75.9% from the year-earlier period to 18.9%. Average daily room rate increased during the period by 9.5% to HK\$1,628.
- Following completion of construction work on the Grand Lisboa Palace in late 2019, the Group began the inspection and application process with the Macau Government. Subject to obtaining the necessary operating permits, the project is expected to open by the end of 2020.

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

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 <i>HK\$ million</i> (unaudited)	2019 <i>HK\$ million</i> (unaudited)
Gaming, hotel, catering, retail and related services revenues		<u>4,374.1</u>	<u>17,074.3</u>
Gaming revenue	4	4,272.1	16,720.2
Special gaming tax, special levy and gaming premium		<u>(1,975.7)</u>	<u>(7,927.5)</u>
		2,296.4	8,792.7
Hotel, catering, retail and related services income		102.0	354.1
Cost of sales and services on hotel, catering, retail and related services		(109.7)	(189.5)
Other income, gains and losses		110.8	184.0
Marketing and promotional expenses		(94.2)	(3,137.5)
Operating and administrative expenses		(3,765.8)	(4,228.0)
Finance costs	5	(14.9)	(17.6)
Share of profits of an associate		7.4	2.1
Share of profits of a joint venture		<u>2.9</u>	<u>3.8</u>
(Loss) profit before taxation	6	(1,465.1)	1,764.1
Taxation	7	<u>(13.4)</u>	<u>(24.4)</u>
(Loss) profit for the period		(1,478.5)	1,739.7
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income		<u>(287.8)</u>	<u>(40.7)</u>
Total comprehensive (expense) income for the period		<u>(1,766.3)</u>	<u>1,699.0</u>
(Loss) profit for the period attributable to:			
owners of the Company		(1,412.4)	1,679.1
non-controlling interests		<u>(66.1)</u>	<u>60.6</u>
		<u>(1,478.5)</u>	<u>1,739.7</u>
Total comprehensive (expense) income for the period attributable to:			
owners of the Company		(1,700.2)	1,638.4
non-controlling interests		<u>(66.1)</u>	<u>60.6</u>
		<u>(1,766.3)</u>	<u>1,699.0</u>
(Loss) earnings per share:			
Basic	9	<u>HK(24.9) cents</u>	<u>HK29.6 cents</u>
Diluted	9	<u>HK(24.9) cents</u>	<u>HK29.6 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		At 30 June 2020	At 31 December 2019
	Notes	<i>HK\$ million</i> (unaudited)	<i>HK\$ million</i> (audited)
Non-current assets			
Property and equipment		36,543.6	35,159.8
Right-of-use assets		3,390.9	2,864.3
Intangible asset		175.6	197.6
Art works and diamonds		281.3	281.3
Interest in an associate		342.6	336.4
Interest in a joint venture		137.9	135.0
Investments in equity instruments designated at fair value through other comprehensive income		580.3	868.1
Other assets		<u>1,070.0</u>	<u>840.8</u>
		<u>42,522.2</u>	<u>40,683.3</u>
Current assets			
Inventories		110.5	103.3
Trade and other receivables	10	952.1	1,314.1
Pledged bank deposits		147.0	1,020.7
Short-term bank deposits		3,794.3	5,766.2
Bank balances and cash		<u>3,570.1</u>	<u>8,738.1</u>
		<u>8,574.0</u>	<u>16,942.4</u>
Current liabilities			
Trade and other payables	11	8,047.6	12,044.3
Taxation payable		64.9	123.7
Long-term bank loans		2,316.1	217.0
Lease liabilities		<u>355.3</u>	<u>177.6</u>
		<u>10,783.9</u>	<u>12,562.6</u>
Net current (liabilities) assets		<u>(2,209.9)</u>	<u>4,379.8</u>
Total assets less current liabilities		<u>40,312.3</u>	<u>45,063.1</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 30 June 2020*

	At 30 June 2020 <i>HK\$ million</i> (unaudited)	At 31 December 2019 <i>HK\$ million</i> (audited)
Non-current liabilities		
Long-term bank loans	12,927.7	15,063.7
Lease liabilities	919.4	547.7
Amounts due to non-controlling interests of a subsidiary	206.3	203.8
Deferred taxation	12.6	11.8
	<u>14,066.0</u>	<u>15,827.0</u>
Net assets	<u>26,246.3</u>	<u>29,236.1</u>
Capital and reserves		
Share capital	11,312.6	11,281.4
Reserves	<u>14,762.1</u>	<u>17,717.0</u>
Equity attributable to owners of the Company	26,074.7	28,998.4
Non-controlling interests	<u>171.6</u>	<u>237.7</u>
Total equity	<u>26,246.3</u>	<u>29,236.1</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited company incorporated in Hong Kong and acts as an investment holding company. The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its subsidiaries are principally engaged in the development and operation of casinos and related facilities in the Macau Special Administrative Region of the People's Republic of China (the "**Macau SAR**"). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A., a company established in the Macau SAR. The address of the registered office and principal place of business of the Company is 18th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong.

2. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

2. BASIS OF PREPARATION (Continued)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions".

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 *Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

2. BASIS OF PREPARATION (Continued)

Application of amendments to HKFRSs (Continued)

2.2 *Impacts and accounting policies on early application of Amendment to HKFRS 16 “Covid-19- Related Rent Concessions”*

2.2.1 *Accounting policies*

Leases

Covid-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

2.2.2 *Transition and summary of effects*

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of HK\$9.9 million in the profit or loss for the current interim period.

3. OPERATING SEGMENTS

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

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

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the “**CODM**”). CODM, who is responsible for allocating resources and assessing performance of the reportable segments, has been identified as a group of senior management that makes strategic decisions.

The CODM regularly analyses gaming operations in terms of VIP gaming operations, mass market table gaming operations, slot machine and other gaming operations, and the relevant revenues and operating results are reviewed as a whole for resources allocation and performance assessment. For hotel, catering and retail operations, the CODM regularly reviews the performance on the basis of the individual hotel. For segment reporting under HKFRS 8, financial information of the Group’s hotels with similar economic characteristics has been aggregated into a single reportable segment named “hotel, catering and retail operations”.

3. OPERATING SEGMENTS (Continued)

Segment information about these business is presented below:

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

	Segment revenue		Segment results	
	2020 <i>HK\$ million</i> (unaudited)	2019 <i>HK\$ million</i> (unaudited)	2020 <i>HK\$ million</i> (unaudited)	2019 <i>HK\$ million</i> (unaudited)
	Six months ended 30 June			
Gaming operations: recognised at a point in time	4,272.1	16,720.2	(1,208.1)	1,858.7
Hotel, catering and retail operations: External sales: Catering and retail operations: recognised at a point in time	81.6	217.0		
Hotel operations: recognised over time	20.4	137.1		
	<u>102.0</u>	<u>354.1</u>		
Inter-segment sales: Catering and retail operations: recognised at a point in time	13.6	25.6		
Hotel operations: recognised over time	22.7	64.8		
	<u>36.3</u>	<u>90.4</u>		
Eliminations	138.3 (36.3)	444.5 (90.4)	(262.3)	(111.2)
	<u>102.0</u>	<u>354.1</u>		
Total: recognised at a point in time	4,353.7	16,937.2		
recognised over time	20.4	137.1		
	<u>4,374.1</u>	<u>17,074.3</u>	(1,470.4)	1,747.5
<i>Reconciliation from segment results to (loss) profit before taxation:</i>				
Unallocated corporate income			58.5	80.7
Unallocated corporate expenses			(63.5)	(70.0)
Share of profits of an associate			7.4	2.1
Share of profits of a joint venture			2.9	3.8
(Loss) profit before taxation			<u>(1,465.1)</u>	<u>1,764.1</u>

3. OPERATING SEGMENTS (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the (loss) profit before taxation from/earned by each segment without allocation of corporate income and expenses and share of profits of an associate and a joint venture. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

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

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

	At 30 June 2020 <i>HK\$ million</i> (unaudited)	At 31 December 2019 <i>HK\$ million</i> (audited)
<i>Assets</i>		
Segment assets:		
gaming operations	7,327.6	13,584.4
hotel, catering and retail operations	<u>4,118.2</u>	<u>4,425.1</u>
	11,445.8	18,009.5
Interest in an associate	342.6	336.4
Interest in a joint venture	137.9	135.0
Unallocated bank deposits, bank balances and cash	4,038.9	5,227.0
Other unallocated assets	<u>35,131.0</u>	<u>33,917.8</u>
Group's total	<u><u>51,096.2</u></u>	<u><u>57,625.7</u></u>
<i>Liabilities</i>		
Long-term bank loans:		
gaming operations	15,087.8	15,082.5
hotel, catering and retail operations	55.3	70.3
unallocated corporate bank loans	<u>100.7</u>	<u>127.9</u>
	15,243.8	15,280.7
Other segment liabilities:		
gaming operations	7,663.1	10,689.8
hotel, catering and retail operations	<u>390.9</u>	<u>364.8</u>
	<u><u>8,054.0</u></u>	<u><u>11,054.6</u></u>
Total segment liabilities	23,297.8	26,335.3
Unallocated liabilities	<u>1,552.1</u>	<u>2,054.3</u>
Group's total	<u><u>24,849.9</u></u>	<u><u>28,389.6</u></u>

3. OPERATING SEGMENTS (Continued)

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

- (i) other unallocated assets include mainly certain property and equipment, certain right-of-use assets, art works and diamonds, amounts due from an associate/a joint venture/an investee company and investments in equity instruments designated at fair value through other comprehensive income (“FVTOCI”).
- (ii) unallocated liabilities include mainly certain construction payables and amounts due to non-controlling interests of a subsidiary.
- (iii) all assets are allocated to reportable segments, other than interest in an associate/a joint venture, unallocated bank deposits, bank balances and cash and those mentioned in above (i).
- (iv) all liabilities are allocated to reportable segments, other than liabilities not attributable to respective segments as mentioned in above (ii).

4. GAMING REVENUE

	Six months ended 30 June	
	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Gaming revenue from:		
VIP gaming operations	1,368.3	7,454.8
mass market table gaming operations	3,291.4	12,402.2
slot machine and other gaming operations	<u>234.8</u>	<u>575.0</u>
	4,894.5	20,432.0
Less: commissions and incentives	<u>(622.4)</u>	<u>(3,711.8)</u>
	<u><u>4,272.1</u></u>	<u><u>16,720.2</u></u>

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Interests on:		
long-term bank loans	276.3	311.7
lease liabilities	13.0	8.5
Imputed interest on amount due to non-controlling interests of a subsidiary	<u>2.5</u>	<u>3.6</u>
	291.8	323.8
Less: Amount capitalised	<u>(276.9)</u>	<u>(306.2)</u>
	<u>14.9</u>	<u>17.6</u>

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
<i>(Loss) profit before taxation has been arrived at after charging:</i>		
Directors' remuneration, including share-based payments to directors of HK\$0.8 million (six months ended 30 June 2019: HK\$2.8 million)	41.3	46.5
Less: Amount capitalised	(6.1)	(6.4)
	35.2	40.1
Other staff costs	2,722.2	2,938.9
	2,757.4	2,979.0
Total employee benefit expenses	2,757.4	2,979.0
Amortisation of intangible asset (included in operating and administrative expenses)	22.0	—
Depreciation of property and equipment	314.5	447.6
Depreciation of right-of-use assets	170.3	110.7
Loss on disposal/write-off of property and equipment	0.5	1.0
<i>and after crediting:</i>		
Bank interest income	96.6	164.4
Covid-19-related rent concessions (<i>Note</i>)	9.9	—

Note: The Group had to suspend its casino operations in order to contain the spread of Covid-19. Lessors of the relevant casino properties provided rent concessions to the Group through rent reductions ranging from 25% to 100% for one to two months. During the six months ended 30 June 2020, there were rent concessions occurred as a direct consequence of Covid-19 pandemic, which met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$9.9 million were recognised as negative variable lease payments.

7. TAXATION

	Six months ended 30 June	
	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Current tax — Macau SAR Complementary Tax (“CT”)	12.6	33.8
Deferred taxation	<u>0.8</u>	<u>(9.4)</u>
	<u>13.4</u>	<u>24.4</u>

No provision for CT on gaming related income is made for a subsidiary of the Company, SJM. Pursuant to the approval notices issued by the Macau SAR government dated 27 September 2016 and 17 April 2020, SJM has been exempted from CT for income generated from gaming operations for the periods from 1 January 2017 to 31 March 2020 and 1 April 2020 to 26 June 2022, respectively.

In addition, pursuant to the approval letter dated 27 February 2018 issued by the Financial Services Bureau of the Macau SAR government on dividend distributed by SJM (the “**Special Complementary Tax**”) for the period from 1 January 2017 to 31 March 2020, SJM’s shareholders were obligated to pay the Special Complementary Tax of MOP23.2 million (equivalent to HK\$22.5 million) for each of the years ended 31 December 2017 to 2019 and MOP5.8 million (equivalent to HK\$5.6 million) for the three months ended 31 March 2020. SJM has applied for extension of approval from Financial Services Bureau of the Macau SAR government but the amount of the Special Complementary Tax for the period from 1 April 2020 to 26 June 2022 has not been determined by the Financial Services Bureau of the Macau SAR government up to the date of this report. During the period, the Company, as a shareholder of SJM, an amount of MOP11.6 million (equivalent to HK\$11.3 million) (six months ended 30 June 2019: MOP11.6 million (equivalent to HK\$11.3 million)), was provided for the Special Complementary Tax.

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

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

8. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Final dividend per ordinary share		
— HK22 cents for 2019	1,246.8	—
— HK21 cents for 2018	—	1,189.5
	<u>1,246.8</u>	<u>1,189.5</u>

On 28 July 2020, the board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK8 cents per ordinary share).

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
<i>(Loss) earnings</i>		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	<u>(1,412.4)</u>	<u>1,679.1</u>

9. (LOSS) EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	5,666,446,216	5,663,184,984
Effect of dilutive potential ordinary shares on share options (Note)	<u>—</u>	<u>1,993,419</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>5,666,446,216</u>	<u>5,665,178,403</u>

Note: For the period ended 30 June 2020, the diluted loss per share was the same as the basic loss per share as the computation of the diluted loss per share does not assume the exercise of the Company's share options because the assumed exercise would result in a decrease in loss per share.

10. TRADE AND OTHER RECEIVABLES

	At	At
	30 June	31 December
	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(audited)
Advances to gaming promoters, net	118.1	189.6
Other receivables from gaming promoters and service providers, net	386.0	625.9
Prepayments	256.6	197.8
Other sundry receivables	<u>191.4</u>	<u>300.8</u>
	<u>952.1</u>	<u>1,314.1</u>

Advances to gaming promoters mainly include pre-approved interest-free revolving credit lines and short-term temporary interest-free advances. All advances to gaming promoters are unsecured, repayable on demand at discretion of the Group and generally require cheques and guarantees. At 30 June 2020, all of the advances to gaming promoters (net of allowances) are neither past due nor impaired.

10. TRADE AND OTHER RECEIVABLES (Continued)

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

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

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

	At 30 June 2020 <i>HK\$ million</i> (unaudited)	At 31 December 2019 <i>HK\$ million</i> (audited)
<i>Age</i>		
0 to 30 days	<u>118.1</u>	<u>189.6</u>

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

11. TRADE AND OTHER PAYABLES

	At 30 June 2020 <i>HK\$ million</i> (unaudited)	At 31 December 2019 <i>HK\$ million</i> (audited)
Trade payables	105.8	1,047.2
Special gaming tax payable	142.6	1,209.6
Chips in circulation	3,465.8	5,062.4
Chips in custody and deposits received from gaming patrons and gaming promoters	1,561.9	520.3
Payable for acquisition of property and equipment	66.8	38.0
Construction payables	1,179.4	1,670.2
Accrued staff costs	856.0	1,706.9
Accrued operating expenses	34.0	191.2
Withholding tax payable for gaming promoters and employees	64.4	24.9
Other sundry payables and accruals	<u>570.9</u>	<u>573.6</u>
	<u>8,047.6</u>	<u>12,044.3</u>

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

<i>Age</i>	At 30 June 2020 <i>HK\$ million</i> (unaudited)	At 31 December 2019 <i>HK\$ million</i> (audited)
0 to 30 days	97.0	1,030.6
31 to 60 days	2.2	10.4
61 to 90 days	2.6	2.0
Over 90 days	<u>4.0</u>	<u>4.2</u>
	<u>105.8</u>	<u>1,047.2</u>

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

BUSINESS REVIEW

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

Group Operating Results

The Group's results, Adjusted EBITDA and Adjusted EBITDA Margin for the six months ended 30 June 2020 ("the Reporting Period") and for the year-earlier period are shown below:

Group operating result	For the six months ended 30 June		(Decrease)
	2020	2019	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Total net revenue	4,374	17,074	(74.4%)
Net gaming revenue	4,272	16,720	(74.4%)
(Loss) profit attributable to owners of the Company	(1,412)	1,679	(184.1%)
Adjusted EBITDA ¹	(984)	2,078	(147.3%)
Adjusted EBITDA Margin ²	(22.5%)	12.2%	

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

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

During the Reporting Period, the Group's gross gaming revenue amounted to approximately 15.0% of total gaming revenue in Macau, compared with 14.1% in the corresponding period last year, according to figures from the Macau Gaming Inspection and Coordination Bureau ("DICJ").

The results for the Reporting Period were affected by deductions of share-based payments of \$1 million, as compared with \$3 million in the corresponding period last year. Depreciation and amortisation charges in the Reporting Period were \$507 million, as compared to \$558 million in the corresponding period last year.

The Group's operating results for the six months ended 30 June 2020, as compared to the six months ended 30 June 2019, are as follows:

Operating Results — VIP Gaming

VIP operations	For the six months ended 30 June		
	2020	2019	(Decrease)
Gross gaming revenue (HK\$ million)	1,368	7,455	(81.6%)
Average daily net-win per VIP gaming table (HK\$)	39,773	143,010	(72.2%)
VIP chips sales (HK\$ million)	37,303	241,347	(84.5%)
Average number of VIP gaming tables (Average of month-end numbers)	206	288	(28.5%)

VIP gaming operations accounted for 28.0% of the Group's total gross gaming revenue in the Reporting Period, as compared to 36.5% for the corresponding period last year. As at 30 June 2020, SJM had 192 VIP gaming tables in operation with 14 VIP promoters, as compared with 275 VIP gaming tables and 15 VIP promoters as at 31 December 2019.

The Group's gross gaming revenue from VIP gaming operations amounted to approximately 8.6% of total VIP gaming revenue in Macau, compared to 10.7% in the corresponding period last year, according to figures from DICJ. During the Reporting Period, the hold rate of VIP gaming operations was 3.67%, as compared with 3.09% in the corresponding period last year.

Operating Results — Mass Market Table Gaming

Gross gaming revenue from mass market table gaming operations comprised 67.2% of the Group's total gross gaming revenue in the Reporting Period, as compared to 60.7% 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		
	2020	2019	(Decrease)
Gross gaming revenue (HK\$ million)	3,291	12,402	(73.5%)
Average daily net-win per mass market gaming table (HK\$)	22,422	47,158	(52.5%)
Average number of mass market gaming tables (Average of month-end numbers)	879	1,453	(39.5%)

In the Reporting Period, the Group's gross gaming revenue from mass market table gaming operations amounted to approximately 22.0% of total mass market table gaming revenue in Macau, compared to 18.2% in the corresponding period last year, according to figures from DICJ.

SJM operated a total of 851 mass market gaming tables in its casinos as at 30 June 2020, as compared with 1,511 mass market gaming tables as at 31 December 2019.

Operating Results — Slot Machines and Other Gaming Operations

Gross gaming revenue from slot machine operations, which include other electronic gaming machines, comprised 4.8% of total gross gaming revenue in the Reporting Period, as compared to 2.8% in the corresponding period of last year. Operating results for the Reporting Period are as follows:

	For the six months ended 30 June		
Slot machine operations	2020	2019	(Decrease)
Gross gaming revenue (HK\$ million)	235	575	(59.2%)
Average daily net-win per slot machine (HK\$)	1,031	1,220	(15.6%)
Average number of slot machines (Average of month-end numbers)	1,364	2,603	(47.6%)

In the Reporting Period, the Group's gross gaming revenue from slot machine operations amounted to approximately 12.2% of total slot machine revenue in Macau, compared to 7.9% in the corresponding period last year, according to figures from DICJ.

SJM had 1,084 slot machines, operating in 11 of its casinos, as at 30 June 2020 as compared with 2,439 slot machines as at 31 December 2019.

Operating Results — Casino Grand Lisboa

	For the six months ended 30 June		
Casino Grand Lisboa	2020	2019	(Decrease)
Gross gaming revenue (HK\$ million)	1,326	6,859	(80.7%)
(Loss) profit attributable to the Group (HK\$ million)	(446)	1,077	(141.4%)
Adjusted Casino Grand Lisboa EBITDA ³ (HK\$ million)	(369)	1,186	(131.2%)
Adjusted Casino Grand Lisboa EBITDA Margin (over gross gaming revenue)	(27.9%)	17.3%	

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

Operating results of Casino Grand Lisboa are as follows:

	For the six months ended 30 June		
Casino Grand Lisboa	2020	2019	(Decrease)
<i>VIP operations</i>			
Gross gaming revenue (HK\$ million)	742	3,948	(81.2%)
Average daily net-win per VIP gaming table (HK\$)	43,572	183,313	(76.2%)
VIP chips sales (HK\$ million)	20,838	127,330	(83.6%)
Average number of VIP gaming tables (Average of month-end numbers)	102	119	(14.3%)
<i>Mass market operations</i>			
Gross gaming revenue (HK\$ million)	516	2,689	(80.8%)
Average daily net-win per mass market gaming table (HK\$)	23,964	53,636	(55.3%)
Average number of mass market gaming tables (Average of month-end numbers)	129	277	(53.4%)
<i>Slot machine operations</i>			
Gross gaming revenue (HK\$ million)	67	222	(69.6%)
Average daily net-win per slot machine (HK\$)	965	1,504	(35.8%)
Average number of slot machines (Average of month-end numbers)	418	815	(48.7%)

Casino Grand Lisboa received over 1.2 million visitors during the Reporting Period, an average of approximately 6,600 visitors per day compared with approximately 6.3 million visitors during the first half of 2019, or approximately 35,000 visitors per day.

Operating Results — Other Self-promoted Casinos

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

	For the six months ended 30 June		
Other Self-promoted Casinos	2020	2019	(Decrease)
Gross gaming revenue (HK\$ million)	864	3,025	(71.4%)
(Loss) profit attributable to the Group (HK\$ million)	(541)	424	(227.6%)
Adjusted EBITDA (HK\$ million)	(346)	584	(159.2%)
Adjusted EBITDA Margin (over gross gaming revenue)	(40.0%)	19.3%	

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

	For the six months ended 30 June		
Other Self-promoted Casinos	2020	2019	(Decrease)
<i>VIP operations</i>			
Gross gaming revenue (HK\$ million)	92	580	(84.2%)
Average daily net-win per VIP gaming table (HK\$)	30,545	145,654	(79.0%)
VIP chips sales (HK\$ million)	2,287	17,611	(87.0%)
Average number of VIP gaming tables (Average of month-end numbers)	18	22	(18.2%)
<i>Mass market operations</i>			
Gross gaming revenue (HK\$ million)	703	2,292	(69.3%)
Average daily net-win per mass market gaming table (HK\$)	18,622	33,588	(44.6%)
Average number of mass market gaming tables (Average of month-end numbers)	226	377	(40.1%)
<i>Slot machine operations</i>			
Gross gaming revenue (HK\$ million)	70	153	(54.4%)
Average daily net-win per slot machine (HK\$)	1,233	1,253	(1.6%)
Average number of slot machines (Average of month-end numbers)	338	673	(49.8%)

As at 30 June 2020, Casino Lisboa operated a total of 40 mass market gaming tables, 18 VIP gaming tables and 30 slot machines, and Casino Oceanus at Jai Alai operated a total of 125 mass market gaming tables and 231 slot machines, plus 40 mass market gaming tables and 37 slot machines in the gaming area of the Jai Alai building. Casino Eastern operated 15 mass market gaming tables. Casino Taipa operated 3 mass market gaming tables.

Operating Results — Satellite Casinos

As at 30 June 2020, SJM operated 15 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Landmark, Casino Diamond, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Kam Pek Paradise, Casino Million Dragon, Casino L’Arc Macau, Casino Legend Palace, Casino Macau Jockey Club, Casino Ponte 16 and Casino Royal Dragon. The 15 satellite casinos comprised a total of 514 mass market gaming tables, 78 VIP gaming tables and 510 slot machines as at 30 June 2020.

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

Satellite Casinos	For the six months ended 30 June		
	2020	2019	(Decrease)
Gross gaming revenue (HK\$ million)	2,704	10,548	(74.4%)
(Loss) profit attributable to the Group (HK\$ million)	(105)	333	(131.5%)
Adjusted EBITDA (HK\$ million)	(76)	331	(123.1%)
Adjusted EBITDA Margin (over gross gaming revenue)	(2.8%)	3.1%	

Operating results of satellite casinos are as follows:

	For the six months ended 30 June		
Satellite Casinos	2020	2019	(Decrease)
<i>VIP operations</i>			
Gross gaming revenue (HK\$ million)	534	2,927	(81.7%)
Average daily net-win per VIP gaming table (HK\$)	37,199	109,989	(66.2%)
VIP chips sales (HK\$ million)	14,178	96,406	(85.3%)
Average number of VIP gaming tables (Average of month-end numbers)	86	147	(41.5%)
<i>Mass market operations</i>			
Gross gaming revenue (HK\$ million)	2,072	7,421	(72.1%)
Average daily net-win per mass market gaming table (HK\$)	23,682	51,251	(53.8%)
Average number of mass market gaming tables (Average of month-end numbers)	524	800	(34.5%)
<i>Slot machine operations</i>			
Gross gaming revenue (HK\$ million)	98	200	(51.2%)
Average daily net-win per slot machine (HK\$)	963	993	(3.0%)
Average number of slot machines (Average of month-end numbers)	608	1,115	(45.5%)

Non-gaming Operations

During the Reporting Period, the Grand Lisboa Hotel contributed \$84 million in revenue and negative \$100 million in Adjusted EBITDA to the Group as compared with \$256 million in revenue and \$13 million in Adjusted EBITDA for the corresponding period last year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 18.9% for the Reporting Period, as compared with 94.8% for the corresponding period last year. Average room rate during the Reporting Period was approximately \$1,628 as compared with \$1,487 for the corresponding period last year.

Operating results for the Sofitel at Ponte 16, in which SJM's interest is 51%, contributed \$23 million in revenue to the Group, compared with a contribution of \$102 million for the corresponding period last year. The occupancy rate of the 408-room hotel averaged 19.7% for the Reporting Period as compared with 89.3% in the corresponding period last year, and the average room rate was \$1,022 as compared with \$1,152 for the corresponding period last year.

PROSPECTS AND RECENT DEVELOPMENTS

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

Impact of the COVID-19 Pandemic

The COVID-19 outbreak that has spread throughout the world since January 2020 has had a materially adverse effect on our operating results in the first half of 2020. According to the Macau SAR Statistics and Census Service, visitation to Macau decreased by 68.9% during the first quarter of the year and by 99.5% in the second quarter, compared to the comparable periods in 2019. Visitation from Mainland China decreased by 69.2% in the first quarter of 2020 and by 99.3% in the second quarter. According to the DICJ, gross gaming revenue in Macau decreased by 60.0% in the first quarter of the year, and by 95.6% in the second quarter.

All casinos in Macau were closed from February 5 to February 20 and, since reopening, patrons are subject to a number of measures, including mandatory wearing of masks, completion of health declarations, temperature checks, and spacing of seats at table games and slot machines. Group and individual travel visas from the Mainland have been suspended by the Chinese government and most transportation channels to Macau have been curtailed or reduced. Visitors to Macau who are residents of the Mainland, Hong Kong, Taiwan or returning Macau residents are subject to mandatory 14-day quarantine requirements, whilst those of the above areas (except Macau residents) who have been to countries or areas outside China in the past 14 days or residents of other areas are not permitted to enter.

Beginning in June 2020 there was minor easing of restrictions. Upon satisfaction of health declaration and testing requirements, certain categories of visitors including students and non-resident workers of Chinese nationality can travel between Macau and the neighboring city of Zhuhai. Since 15 July 2020, quarantine requirements for visitors to Macau from Guangdong Province were relaxed. However, the mandatory quarantine requirement for those traveling between Hong Kong and Macau has been extended at least until September due to a recent increase of COVID-19 cases in Hong Kong. Regarding opening other areas of China and other visa categories for travel to Macau, it is expected that the process will be gradual and all visitors will need to test negative for COVID-19 before entering. At this time it is not possible to determine when travel restrictions will be lifted or whether they could be reintroduced if there are adverse developments in the pandemic situation.

Grand Lisboa Palace Project

Construction work on the Grand Lisboa Palace, the Group's integrated resort on Cotai, was completed in late 2019 and application was made for the relevant licenses to begin operation in the second half of 2020.

When open, the Grand Lisboa Palace will comprise a total gross floor area of 521,435 square metres plus 77,158 square metres of parking area. More than 90% of the total area will be devoted to a full range of non-gaming facilities, including hotel towers bearing the insignia "Grand Lisboa Palace", "Palazzo Versace" and "Karl Lagerfeld", totaling approximately 1,900 rooms, plus facilities for events, meetings and conferences, shopping, dining and entertainment, and a casino, at an estimated total project cost of approximately \$39 billion.

In January 2020, the Company announced the signing of an agreement between SJM and NYH Gestão de Vendas a Retalho Limitada ("NYH") for NYH to set up a high-class department store on the second floor of the project's retail mall. The store will be under the brand or style "New Yaohan" and will cover approximately 15,500 square metres.

As at 30 June 2020, SJM had entered into capital commitments in connection with the Grand Lisboa Palace project with a total value of approximately \$5.0 billion.

OUTLOOK

We expect that gross gaming revenues in Macau, as well as hotel, restaurant and other non-gaming activities that depend on tourism, will continue to be negatively impacted by COVID-19 for an indefinite period in the future. Whilst certain travel restrictions are likely to be gradually lifted, and that visitation and spending will respond positively to such lifting, we do not expect a return to our previous level of revenue during any part of 2020. In particular, it is not known when China's group and individual travel visas, which are critical to Macau's tourist flow, will be reinstated on a national basis. Even after such visa resumption, moreover, it is not possible to predict whether there will be lingering economic effects and health concerns caused by COVID-19 that will affect our business for a longer period.

FINANCIAL REVIEW

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

Liquidity, Financial Resources and Capital Structure

The Group maintained a strong financial position, with bank balances and cash amounting to \$7,364 million (not including \$147 million pledged bank deposits) as at 30 June 2020. This represented a decrease of 49.2% as compared with the position as at 31 December 2019 of \$14,504 million.

Total outstanding balances of bank loans drawn by the Group as at 30 June 2020 amounted to \$15,244 million (as at 31 December 2019: \$15,281 million). The maturity of the Group's borrowings as at 30 June 2020 is as follows:

	Maturity Profile		
Within 1 year	1–2 years	Total	
15%	85%	100%	

Gearing Ratio

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less pledged bank deposits, bank balances and cash to total assets (excluding pledged bank deposits, bank balances and cash)) was 17.7% at the end of the Reporting Period (as at 31 December 2019: not applicable).

Capital Expenditure Commitments

Capital expenditure commitments by the Group amounted to \$5.3 billion as at 30 June 2020 (as at 31 December 2019: \$7.1 billion), of which \$5.0 billion were for the Grand Lisboa Palace project. As at 30 June 2020, the Group was in construction of the Grand Lisboa Palace, with an estimated total project cost of approximately \$39 billion, including capital expenditure commitments to date.

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

Pledge of Assets

As at 30 June 2020, certain of the Group's property and equipment and right-of-use assets with carrying values of \$33,300 million and \$1,865 million, respectively (as at 31 December 2019: \$31,901 million and \$1,887 million, respectively), were pledged to banks for loan facilities. In addition, the Group had pledged bank deposits of \$147 million as at 30 June 2020 (as at 31 December 2019: \$1,021 million).

Contingent Liabilities and Guarantees

As at 30 June 2020, the total amount of guarantees of the Group given to banks of \$87 million (as at 31 December 2019: \$87 million), which were guarantees in respect of credit facilities granted to an associate and an investee company. The Group had no significant contingent liabilities as at 30 June 2020.

Financial Risk

The Group follows a conservative policy in financial management with minimal exposure to the risks of currency and interest rate. The Group does not currently hedge its interest rate exposure, although it may consider doing so in the future. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations. All of the Group's bank deposits are denominated in Hong Kong dollars, United States dollars or Macau patacas. It is the Group's policy to avoid speculative trading activity.

Material Acquisitions and Disposals

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

Human Resources

As at 30 June 2020, the Group had approximately 20,200 full-time employees. The Group's employee turnover rate was minimal in the first half of 2020.

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

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

The directors of the Company recognise the importance of good corporate governance in the management of the Group. During the period from 1 January 2020 to 30 June 2020 the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

REVIEW OF INTERIM REPORT AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim report of the Company for the six months ended 30 June 2020 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 2020 have been reviewed by the Audit Committee of the Company and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
SJM Holdings Limited
Ho Chiu Fung, Daisy
Chairman and Executive Director

Hong Kong, 28 July 2020

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