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# 澳門博彩控股有限公司 SJM Holdings Limited

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

Stock Code: 880

## Interim Results Announcement For the Six Months ended 30 June 2009

The board of directors (the “Board”) of SJM Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 (the “Reporting Period”).

### FINANCIAL HIGHLIGHTS

	<b>30/6/2009</b> HK\$ millions ( <i>unaudited</i> )	30/6/2008 HK\$ millions ( <i>audited</i> )	% Change
• Group Revenue	<b>14,914</b>	15,518	-3.9%
• Gaming Revenue	<b>14,794</b>	15,452	-4.3%
• EBITDA *	<b>925</b>	982	-5.8%
• Profit attributable to owners of the Company	<b>338</b>	571	-40.8%
• Earnings per share	<b>6.8 cents</b>	15.2 cents	-55.3%

\* Earnings after adjustment for minority interest and before interest income and expense, tax, depreciation and amortization

### INTERIM DIVIDEND

The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

## OPERATING HIGHLIGHTS

- Compared with the first half of 2008, EBITDA declined significantly less than profit attributable to owners of the Company, due to increased depreciation and interest cost resulting from completion of Hotel Grand Lisboa in December 2008.
- Sociedade de Jogos de Macau, S.A. (“SJM”) continued to lead in market share of the Macau casino gaming market, with 40.2% of mass market table gaming revenue and 26.0% of VIP gaming revenue, and increased its overall market share to 29.6% from 27.1% in the same period last year.
- The Group maintained a strong financial position with cash, bank balances and pledged bank deposits of HK\$6.3 billion as at 30 June 2009.
- SJM’s mass market gaming revenue grew by 4.6% in spite of a downward trend in the market.
- Declines in SJM’s total gaming revenue of 4.3% and VIP gaming revenue of 9.9% compare favourably with declines in the Macau market by 12.4% and 19.0% respectively.
- SJM reduced operating expenses by HK\$369 million from the first half of 2008.
- Compared with the second half of 2008, profit attributable to owners of the Company increased by 50.2% to HK\$338 million from HK\$225 million.
- Casino Grand Lisboa continued to perform strongly in mass market gaming for the first half of 2009 with mass market table gaming revenue increasing by 12.3% and slot machine revenue up by 24.2% compared to the same period in 2008.
- VIP chips sales at Casino Grand Lisboa fell by 20.2% as compared with the first half of 2008 due to the decline in the VIP market as a whole and the consolidation of a major VIP gaming promoter to another location within the Group.
- Casino Grand Lisboa EBITDA was HK\$720 million, a decline of 11.1% as compared with the first half of 2008 due to increased commissions to VIP gaming promoters. EBITDA margin remained at 17.7% which was the same as the first half of 2008.
- Additional VIP rooms on the 36<sup>th</sup> and 37<sup>th</sup> floors of the Grand Lisboa are nearing completion and are scheduled to be operational from October 2009.
- Hotel Grand Lisboa was fully open during the period, contributing to increases in visitation to the property and quality of gaming visitors.
- SJM plans to open Casino L’Arc on 21 September 2009 and Casino Oceanus is scheduled to be opened around the end of 2009.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 HK\$ (in millions) (unaudited)	2008 HK\$ (in millions) (audited)
Gaming, hotel, catering and related services revenues	3	<u>14,913.6</u>	<u>15,518.2</u>
Gaming revenue	4	14,794.4	15,452.3
Special gaming tax, special levy and gaming premium		<u>(5,752.8)</u>	<u>(6,014.8)</u>
		9,041.6	9,437.5
Hotel, catering and related services income		119.2	65.9
Cost of sales and services on hotel, catering and related services		(77.8)	(29.4)
Other income		59.1	54.7
Marketing and promotional expenses		(5,717.8)	(5,643.3)
Operating and administrative expenses		(3,026.2)	(3,285.4)
Finance costs		(105.0)	(64.4)
Share of losses of an associate		(6.7)	(0.8)
Share of profits of a jointly controlled entity		<u>2.9</u>	<u>3.3</u>
Profit before taxation	5	289.3	538.1
Taxation	6	<u>(8.7)</u>	<u>(27.8)</u>
Profit for the period and total comprehensive income for the period		<u>280.6</u>	<u>510.3</u>
Attributable to			
- owners of the Company		338.0	571.0
- minority interests		<u>(57.4)</u>	<u>(60.7)</u>
		<u>280.6</u>	<u>510.3</u>
Earnings per share - Basic	8	<u>6.8 cents</u>	<u>15.2 cents</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	<i>Notes</i>	At 30 June 2009 HK\$ (in millions) (unaudited)	At 31 December 2008 HK\$ (in millions) (audited)
Non-current assets			
Property, plant and equipment		9,447.1	9,535.9
Land use rights		866.3	886.5
Intangible assets		49.0	52.1
Art work and diamonds		282.4	281.7
Interest in an associate		60.5	64.6
Interest in a jointly controlled entity		65.2	62.3
Available-for-sale investments in equity securities		5.5	5.5
Deposits made on acquisitions		177.4	219.0
Amount due from a fellow subsidiary		340.7	365.4
Pledged bank deposits		145.6	145.6
		<u>11,439.7</u>	<u>11,618.6</u>
Current assets			
Inventories		49.6	43.4
Trade and other receivables	9	1,348.5	930.0
Amount due from ultimate holding company		207.8	4.6
Amount due from an associate		20.0	20.0
Amount due from a jointly controlled entity		14.3	14.3
Amounts due from investee companies		158.7	160.7
Investment in trading securities		22.0	13.1
Pledged bank deposits		265.4	268.8
Bank balances and cash		5,911.9	5,847.1
		<u>7,998.2</u>	<u>7,302.0</u>

		At 30 June 2009 HK\$ (in millions) (unaudited)	At 31 December 2008 HK\$ (in millions) (audited)
Current liabilities			
Trade and other payables	10	5,446.4	4,582.8
Financial guarantee obligations		14.5	14.5
Obligations under finance leases		104.3	16.0
Taxation		30.3	38.1
Current portion of long-term bank loans		<u>1,040.0</u>	<u>1,020.0</u>
		<u>6,635.5</u>	<u>5,671.4</u>
Net current assets		<u>1,362.7</u>	<u>1,630.6</u>
Total assets less current liabilities		<u>12,802.4</u>	<u>13,249.2</u>
Non-current liabilities			
Financial guarantee obligations		6.0	13.3
Obligations under finance leases		340.7	365.4
Long-term bank loans		4,362.0	4,824.0
Amount due to a minority shareholder of a subsidiary		<u>667.6</u>	<u>610.2</u>
		<u>5,376.3</u>	<u>5,812.9</u>
Net assets		<u>7,426.1</u>	<u>7,436.3</u>
Capital and reserves			
Share capital		5,000.0	5,000.0
Reserves		<u>2,325.1</u>	<u>2,287.1</u>
Equity attributable to owners of the Company		7,325.1	7,287.1
Minority interests		<u>101.0</u>	<u>149.2</u>
Total equity		<u>7,426.1</u>	<u>7,436.3</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended 30 June 2009*

## 1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and acts as an investment holding company.

Through a group reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) in preparation for the listing of the Company’s shares (the “Group Reorganisation”), the Company became the holding company of the Group on 17 January 2008. Details of the Group Reorganisation are more fully explained in the paragraph headed “Reorganisation” in the section headed “History and Reorganisation” of the prospectus of the Company dated 26 June 2008 (the “Prospectus”). The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated financial information has been prepared using the principles of merger accounting. The condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended 30 June 2008 have been prepared on the basis as if the current group structure had been in existence throughout the period.

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

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared under the historical cost basis except for an amount due to a minority shareholder of a subsidiary which is adjusted to its fair value at initial recognition and for certain financial instruments which are measured at fair values. The principal accounting policies adopted in the condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by HKICPA, which are effective for the Group’s financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in redesignation of Group’s reportable segments (see note 3).

## 3. OPERATING SEGMENTS

The Group has adopted HKFRS 8 “Operating segments” with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), which is a group of executive directors of the Company, in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14 “Segment reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was business segment.

For gaming operations, the CODM regularly analyses gaming revenue in terms of VIP gaming operations, mass market table gaming operations, slot machine operations and others. No operating results nor discrete financial information is presented to the CODM in relation to the above analysis. The CODM reviews the revenues and operating results of gaming operations as a whole. For hotel and catering operations, the CODM regularly reviews the performance on the basis of individual hotel. For segment reporting under HKFRS 8, financial information of these hotels has been aggregated into a single operating segment named “hotel and catering operations”. Accordingly, the application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

For the six months ended 30 June 2008, gaming operations were the Group’s only operation. For the six months ended 30 June 2009, the Group is organised into two operating segments — gaming operations, and hotel and catering operations. Principal activities of the two operating segments are as follows:

- Gaming operations — operation of casinos and related facilities.
- Hotel and catering operations — operation of hotel, catering and related services.

Segment information about these businesses is presented below:

**Six months ended 30 June 2009**

	<b>Gaming operations</b>	<b>Hotel and catering operations</b>	<b>Eliminations</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>
REVENUE				
From external	14,794.4	119.2	—	14,913.6
Inter-segment sales	—	50.8	(50.8)	—
	<u>14,794.4</u>	<u>170.0</u>	<u>(50.8)</u>	<u>14,913.6</u>
Total	<u>14,794.4</u>	<u>170.0</u>	<u>(50.8)</u>	<u>14,913.6</u>
RESULTS				
Segment results	<u>618.2</u>	<u>(250.3)</u>	<u>—</u>	367.9
Unallocated corporate income				21.3
Gain on fair value changes on investment in trading securities				8.9
Share of losses of an associate				(6.7)
Share of profits of a jointly controlled entity				2.9
Finance costs				<u>(105.0)</u>
Profit before taxation				<u>289.3</u>

Segment results represent the profit earned by each segment without allocation of corporate income, gain on fair value changes on investment in trading securities, share of results of associate/jointly controlled entity and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

#### 4. GAMING REVENUE

	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
	(in millions)	(in millions)
	(unaudited)	(audited)
Gaming revenue from		
- VIP gaming operations	8,363.7	9,278.1
- mass market table gaming operations	5,943.9	5,684.0
- slot machine operations	486.0	489.4
- others	0.8	0.8
	<u>14,794.4</u>	<u>15,452.3</u>

#### 5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
	(in millions)	(in millions)
	(unaudited)	(audited)
Profit before taxation has been arrived at after charging:		
Amortization of intangible assets (included in operating and administrative expenses)	3.1	3.2
Depreciation of property, plant and equipment	538.5	367.6
Loss on disposal of property, plant and equipment	5.7	0.5
Operating lease rentals in respect of land use rights	19.9	6.7
Staff costs	<u>1,608.0</u>	<u>1,753.0</u>

#### 6. TAXATION

The charge represents current period taxation detailed below:

No provision for Macau Special Administrative Region, the People's Republic of China ("MSAR") Complementary Tax ("CT") on gaming related income is made for a subsidiary of the Company, SJM. Pursuant to the approval notice issued by MSAR government dated 8 December 2007, SJM has been exempted from CT for income generated from gaming operations for the years from 2007 to 2011.

In addition, pursuant to the approval letter dated 2 December 2008 issued by the Finance Services Bureau ("FSB") of the MSAR government (the "Approval Letter"), SJM's shareholders were obligated to pay a tax of MOP18.0 million (equivalent to HK\$17.5 million) (the "Special Tax") for each of the years 2007 to 2011. During the period, the Company, as a shareholder of SJM after the Group Reorganisation, was obligated to pay MOP9.0 million (equivalent to HK\$8.7 million).

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

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

In the absence of the Approval Letter in prior period, the charge in 2008 represented deferred tax liability on the undistributed profits of SJM earned during the period from 17 January 2008 (date of Group Reorganisation) to 30 June 2008 which had been accrued at the tax rate of 12% on the expected dividend stream of 50% of profit after Group Reorganisation as determined by the directors of the Company.



## 7. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<i>HK\$</i>	<i>HK\$</i>
	<i>(in millions)</i>	<i>(in millions)</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Dividends paid by SJM to its former shareholders prior to the Group Reorganisation	—	3,500.0
2008 final dividend of HK6.0 cents per share paid	<b>300.0</b>	—
	<u>300.0</u>	<u>3,500.0</u>

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2009 is based on the consolidated profit attributable to owners of the Company and 5,000,000,000 shares in issue during the period (2008: 3,750,000,000 shares on the assumption that the Group Reorganisation and the capitalisation issue in 2008 have been effective on 1 January 2008).

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

## 9. TRADE AND OTHER RECEIVABLES

	<b>At</b>	<b>At</b>
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<i>HK\$</i>	<i>HK\$</i>
	<i>(in millions)</i>	<i>(in millions)</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Advances to gaming promoters	<b>668.9</b>	426.9
Other receivables from gaming promoters	<b>282.6</b>	215.5
Prepayments	<b>80.7</b>	61.9
Others	<b>316.3</b>	225.7
	<u>1,348.5</u>	<u>930.0</u>

The following is the aged analysis of advances to gaming promoters at the period end date:

	<b>At</b>	<b>At</b>
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<i>HK\$</i>	<i>HK\$</i>
	<i>(in millions)</i>	<i>(in millions)</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Age		
0 to 90 days	<b>408.8</b>	107.1
91 to 180 days	<b>10.8</b>	102.7
181 to 365 days	<b>120.9</b>	120.6
Over 365 days	<b>128.4</b>	96.5
	<u>668.9</u>	<u>426.9</u>

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

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

## 10. TRADE AND OTHER PAYABLES

	At 30 June 2009 HK\$ (in millions) (unaudited)	At 31 December 2008 HK\$ (in millions) (audited)
Trade payables	974.0	862.2
Special gaming tax payable	933.0	844.2
Chips liabilities	2,184.7	1,561.5
Payables for acquisition of property, plant and equipment	69.0	30.2
Construction payables	161.6	357.3
Accrued staff costs	160.0	184.8
Rentals payables	71.5	57.0
Withholding tax payable for gaming promoters	5.1	3.5
Withholding tax payable on employees' professional tax	11.7	4.5
Other payables	875.8	677.6
	<u>5,446.4</u>	<u>4,582.8</u>

The following is the aged analysis of trade payables at the period end date:

	At 30 June 2009 HK\$ (in millions) (unaudited)	At 31 December 2008 HK\$ (in millions) (audited)
Age		
0 to 90 days	959.5	704.9
91 to 180 days	8.8	64.8
181 to 365 days	1.2	92.5
Over 365 days	4.5	—
	<u>974.0</u>	<u>862.2</u>

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

## 11. EVENT SUBSEQUENT TO THE REPORTING PERIOD

In July 2009, the Company granted 166.7 million share options to its employee, including directors, at an exercise price of HK\$2.82 per share with various vesting periods between 6 months and 2.5 years. The estimated fair value of the options granted is HK\$210.6 million.

## BUSINESS REVIEW

*(All amounts expressed in Hong Kong dollars unless otherwise indicated)*

### Group Operating Results

The Group's total revenue, gaming revenue and profit attributable to owners of the Company for the six months ended 30 June 2009 (the "Reporting Period") were \$14,914 million, \$14,794 million and \$338 million, respectively, as compared to total revenue of \$15,518 million, gaming revenue of \$15,452 million and profit attributable to owners of the Company of \$571 million for the six months ended 30 June 2008, the corresponding period last year.

In the Reporting Period, the Group's gaming revenue amounted to approximately 29.6% of total gaming revenue in Macau, compared with 27.1% in the corresponding period last year, according to figures from the Macau Gaming Inspection and Coordination Bureau ("DICJ").

For the Reporting Period, the Group's EBITDA was \$925 million, compared with \$982 million for the corresponding period last year.

The Group's EBITDA margin for the Reporting Period was 6.2%, compared with 6.3% for the corresponding period last year.

Group results for the Reporting Period reflected depreciation and amortization charges of \$562 million, which increased from \$378 million in the corresponding period last year, due mainly to depreciation on the Hotel Grand Lisboa which commenced operation on 17 December 2008, and finance charges of \$105 million resulting from interest expense on loans arranged in 2007 and drawn down progressively since mid-2007.

### Casino Grand Lisboa Operating Results

Revenue and profit attributable to the Group's flagship Casino Grand Lisboa, for the Reporting Period, were \$4,062 million and \$570 million, respectively as compared to revenue of \$4,577 million and attributable profit of \$648 million for the corresponding period last year.

For the Reporting Period, EBITDA of Casino Grand Lisboa was \$720 million, compared with \$810 million for the corresponding period last year, and EBITDA margin of Casino Grand Lisboa for the Reporting Period remained at 17.7%, the same as the corresponding period last year.

## **VIP Gaming Operations**

VIP gaming operations accounted for 56.5% of the Group's total gaming revenue in the Reporting Period, as compared to 60.0% for the corresponding period last year.

Gaming revenue from VIP gaming operations was \$8,364 million in the Reporting Period as compared with \$9,278 million from the corresponding period of last year. The decrease resulted mainly from a decrease in VIP chips sales to \$295,049 million in the Reporting Period from \$309,174 million in the corresponding period last year.

In the Reporting Period, the Group's gaming revenue from VIP gaming operations amounted to approximately 26.0% of total VIP gaming revenue in Macau, compared to 23.4% in the corresponding period last year, according to figures from DICJ.

As at 30 June 2009, the Group's principal operating subsidiary SJM had 33 VIP rooms in its casinos, with a total of 203 VIP gaming tables, as compared with 40 VIP rooms with 180 VIP gaming tables as at 31 December 2008.

VIP room consolidation therefore resulted in the average number of VIP gaming tables during the Reporting Period decreasing to 204 from 258 in the corresponding period of last year.

The average net-win per day per VIP table increased to \$227,000 in the Reporting Period from \$198,000 in the corresponding period of last year. Average net-win per VIP table for Casino Grand Lisboa was \$314,000 per day in the first half of 2009.

Revenue from VIP gaming operations and VIP chips sales at Casino Grand Lisboa was \$2,436 million and \$82,001 million respectively, as compared to \$3,142 million and \$102,758 million respectively for the corresponding period last year.

During the Reporting Period, the hold rate of VIP gaming operations was 2.83%, as compared with 3.00% in the corresponding period last year.

## **Mass Market Table Gaming Operations**

Gaming revenue from mass market table gaming operations comprised 40.2% of the Group's total gaming revenue in the Reporting Period, as compared to 36.8% in the corresponding period last year.

Revenue from mass market table gaming operations increased to \$5,944 million, representing growth of 4.6%, from \$5,684 million recorded in the corresponding period of last year. The increase was due primarily to improved performance in Casino Grand Lisboa and Casino Lisboa.

In the Reporting Period, the Group's gaming revenue from mass market table gaming operations amounted to approximately 40.2% of total mass market table gaming revenue in Macau, compared to 38.9% in the corresponding period last year, according to figures from DICJ.

SJM operated a total of 1,137 mass market tables in its casinos as at 30 June 2009, as compared with 1,154 mass market gaming tables as at 31 December 2008.

SJM's average number of mass market gaming tables decreased to 1,160 in the first half of 2009 from 1,195 in the corresponding period of last year, while the average net-win per day per mass market gaming table increased to \$28,300 from \$26,100 for the corresponding period of last year.

For Casino Grand Lisboa, average net win per mass market table was \$33,000 per day in the first half of 2009, an increase from \$29,700 in the same period last year. Revenue from mass market gaming operations at Casino Grand Lisboa was \$1,472 million, as compared to \$1,311 million for the corresponding period last year.

### **Slot Machine Operations**

Gaming revenue from slot machine operations and other gaming operations (Tombola) comprised 3.3% of total gaming revenue in the Reporting Period, compared to 3.2% in the corresponding period of last year.

Gaming revenue from slot machine operations and other gaming operations was almost constant at \$487 million, as compared with \$490 million in the corresponding period of last year.

In the Reporting Period, the Group's gaming revenue from slot machine operations amounted to approximately 16.3% of total slot machine revenue in Macau, compared to 18.3% in the corresponding period last year, according to figures from DICJ.

SJM had 3,809 slot machines as at 30 June 2009 as compared with 3,867 slot machines as at 31 December 2008. As at 30 June 2009, slot machines were operated in 12 of SJM's casinos and in four slot halls.

The average number of slot machines in the Reporting Period was 3,846, as compared with 3,858 in the corresponding period of last year.

The average net-win per slot machine was almost constant at \$698 per day in the Reporting Period, as compared with \$697 per day in the corresponding period of last year. The average revenue per slot machine for Casino Grand Lisboa was \$1,162 per day in the first half of 2009.

Revenue from slot machine operations at Casino Grand Lisboa was \$154 million, as compared to \$124 million for the corresponding period last year.

### **Non-gaming Revenue**

Hotel and catering service income and other income totaled \$178 million in the Reporting Period, an increase from \$121 million in the corresponding period last year. The increase primarily resulted from the opening of the Hotel Grand Lisboa on 17 December 2008.

## **PROSPECTS AND RECENT DEVELOPMENTS**

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

### **Market Environment**

In the Reporting Period, the Macau tourism market stabilized somewhat after weakening throughout most of 2008. The total number of visitors to Macau of 10.4 million declined by 11.4% from the year-earlier period, but declined by 7.6% from the second half of 2008. Per-capita spending by visitors of \$1,536 represented a decrease of 5.3% from the year-earlier period, and a decrease of 11.1% from the second half of 2008. The average length of stay in Macau by visitors was fairly constant at around 1.1 days.

During the Reporting Period, visitation to Macau was adversely affected by visa restrictions for Mainland China visitors that had been progressively imposed during 2008, as well as by the global economic contraction which began in the same year. In spite of these constraints, however, Macau continued to be a major tourist destination in the Asian region.

Competition in the Macau gaming industry continued to be intense, particularly in the VIP gaming segment, although there was no significant increase in the gaming capacity of Macau during the first five months of the Reporting Period.

Subsequent to the Reporting Period, as gazetted on 10 August 2009, the Macau Government enabled the institution of a cap on the maximum commission payable by gaming concessionaires and sub-concessionaires to VIP gaming promoters. While the institution of a commission cap is expected to have a positive impact on the Group's earnings from VIP gaming, it is only one factor affecting the future profitability of the Group's VIP gaming.

On 28 July 2009 the six gaming concessionaires and sub-concessionaires in Macau formed the Chamber of Macau Casino Gaming Concessionaires and Sub-concessionaires (the "Chamber"). The Chamber's objectives are to provide a platform to discuss issues that are of common interest to its associates, to cooperate with the Macau government to contribute to the gaming legislative process and to the implementation of rules and regulations, and to promote and enhance the healthy growth and development of the gaming market in Macau and the betterment of the gaming industry and the community as a whole. The first President of the Chamber is Dr. Stanley Ho.

The Group continues to pursue its strategy of growing its business through the development of strategically located gaming clusters in Macau, targeting different segments of the gaming market. The Group seeks to improve operating margins through implementing cost reduction initiatives, improving efficiency, and actively managing its portfolio by upgrading its existing casinos to improve their yields.

The Group believes that it is important to have strong operations in both the mass market and VIP gaming businesses, as well as a strong presence in key locations on the Macau Peninsula.

To advance its strategy, the Group is progressing on a number of projects, which are described below.



## **Hotel and Casino Grand Lisboa**

The Group's flagship Casino Grand Lisboa continued to improve its results by constant monitoring and adjusting its gaming configuration. Despite the generally negative economic climate and increasingly competitive environment in Macau in the Reporting Period, performance of Casino Grand Lisboa exceeded the Group's expectations. Per day of operation, Casino Grand Lisboa's mass market table gaming revenue grew by 12.9% and slot machine revenue by 24.6%, on a year-on-year basis. However, the total revenue decline per day was 10.8%.

The 431-room Hotel Grand Lisboa opened on 17 December 2008 and in the first half of 2009 achieved satisfactory customer response in spite of flat conditions in the Macau hotel market. During the Reporting Period the hotel itself and its food and beverage operations generated total revenue of \$123 million.

During the Reporting Period, SJM also made progress on outfitting of the uppermost floors of the Grand Lisboa for occupancy by VIP gaming rooms and additional dining facilities. Gaming operations on these floors are expected to begin during the fourth quarter of 2009.

Over 4.4 million visitors came to the Grand Lisboa during the Reporting Period, an average of 24,412 visitors per day.

Marketing events undertaken at Casino Grand Lisboa during the Reporting Period included the "Win a Million Daily" promotion that ran from 24 January to 31 March 2009, and other special promotions for Grand Lisboa Card members. SJM has also launched the "Grand Lisboa Millionaire" promotion, with over \$5.5 million in cash prizes running until 6 October 2009.

Also in the Reporting Period, the "PokerStars Macau at the Grand Lisboa" live poker room was launched on 19 March 2009. Located on the 2<sup>nd</sup> floor of Casino Grand Lisboa, the room has 22 tables for Texas Hold-em poker tournaments and 24-hour cash games. PokerStars Macau at the Grand Lisboa hosts regular weekly poker tournaments, the premiere "Macau Poker Cup" series and the annual Asia Pacific Poker Tour Macau Poker Festival.

## **Ponte 16**

The Group's 51%-owned Ponte 16 continued to make progress in the Reporting Period and generated positive EBITDA although it remained in a loss-making position. Operating with an average of 97 mass market and premium gaming tables and 278 slot machines during the Reporting Period, Casino Ponte 16 took steps to optimise its mix of casino games and casino floor yield. Subsequent to the Reporting Period, on 29 August 2009, Casino Ponte 16 opened two VIP rooms with a total of eight VIP tables.

During the Reporting Period, Casino Ponte 16 was visited by 1.8 million patrons, or 9,729 per day. The 408-room Sofitel Macau at Ponte 16 and the restaurant/bar operations which commenced operations in July and August 2008 contributed \$38 million to the Group's revenues in the Reporting Period.

Marketing events undertaken at Ponte 16 from January through June 2009 included meal voucher promotions, the "Ponte 16 — Food Festival at Inner Harbour", sponsorship of conferences, pageants and film shootings, and the development's First Anniversary Celebration.

## **Oceanus**

During the Reporting Period, SJM made substantial progress toward the development of Casino Oceanus, the completion of which is anticipated around the end of 2009. The casino occupies the former site of the New Yaohan department store in the Outer Harbour district. The building, with total floor area of approximately 345,000 square feet is being extensively renovated, with interior design by renowned casino designer Paul Steelman and a dramatic illuminated exterior that will make it a major landmark in Macau.

Oceanus will cater to day-trip visitors and comprise around 265 mass market gaming tables and around 565 slot machines in a modern, elegant and convenient setting. The casino complex will connect directly to the arrivals area of the Macau Maritime Terminal, and is also convenient to the Border Gate with the China mainland on the northern end of Macau Peninsula.

## **Redevelopment of Hotel and Casino Lisboa**

The Group announced on 20 March 2009 that SJM had replaced its option to buy 15/16 of the Hotel Lisboa with a joint redevelopment agreement with Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”). No timetable has been set for the redevelopment project, which will depend on economic and financial market conditions.

## **Other Projects**

The Group is engaged in a number of additional new projects and facilities upgrades. Projects on which progress was made in the Reporting Period include the following:

### ***Casino Jimei***

Within the five-star Grand Lapa Hotel (formerly the Mandarin Oriental Macau), Casino Jimei opened on 16 January 2009. The casino occupies over 60,000 square feet with 48 gaming tables, of which 33 are VIP gaming tables, and 82 slot machines, in the Outer Harbour District of Macau Peninsula.

### ***Casino Lan Kwai Fong Macau***

Casino Lan Kwai Fong Macau opened on 2 August 2009 with 72 gaming tables and 168 slot machines, catering to both mass market and VIP customers. The casino occupies over 70,000 square feet within the luxury Hotel Lan Kwai Fong Macau (formerly Hotel Kingsway) in Macau’s Outer Harbour District.

### ***Casino L’Arc***

Scheduled for grand opening on 21 September 2009, Casino L’Arc will offer approximately 170 tables and approximately 420 slot machines in a highly strategic location on Macau Peninsula. The classically-designed exterior and plush interior occupy one of the most heavily-trafficked locations in Macau’s main hotel and entertainment district. Casino L’Arc will comprise approximately 115,000 square feet of gaming space.



## Outlook

The second half of 2009 has started well with total gaming revenue in Macau rising significantly from the same period in 2008 and the Group has maintained its leading position in overall market share. The Group is committed to maintaining strength in both the VIP and mass market gaming segments and is working to improve its operating efficiency. The Group's performance in the second half of the year 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 competing casino operations.

## 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 \$5,912 million (not including \$411 million pledged bank deposits) as at 30 June 2009, compared with the position as at 31 December 2008 of \$5,847 million.

Total loan facilities drawn by the Group as at 30 June 2009 amounted to \$5,402 million. The maturity profile of the Group's borrowings as at 30 June 2009 is set out below:

Maturity Profile					
Within 1 year	1–2 years	2–5 years	Over 5 years	Total	
19.25%	19.25%	61.50%	0.0%	100.0%	

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less bank and cash balances to total assets (excluding bank and cash balances)) was nil at the end of the Reporting Period (as at 31 December 2008: nil).

Capital expenditure commitments by the Group amounted to \$1,107 million at the end of the Reporting Period (as at 31 December 2008: \$1,402 million), which were primarily for construction works on the Grand Lisboa Hotel and Ponte 16. The planned capital expenditures for Oceanus and L'Arc are being funded by internal resources, including the proceeds from the global share offering which was completed in July 2008.

Future projects such as the redevelopment of Hotel and Casino Lisboa will be funded by a combination of internal resources and debt and/or equity finance. 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 2009, certain of the Group's property, plant and equipment and land use rights with carrying values of \$5,933 million and \$817 million, respectively (as at 31 December 2008: \$6,062 million and \$837 million, respectively), were pledged with banks for loan facilities.

In addition, the Group had pledged bank deposits of \$411 million as at 30 June 2009 (as at December 2008: \$414 million).

### **Contingent Liabilities**

As at 30 June 2009, the Group had total contingent liabilities of \$289 million (as at 31 December 2008: \$334 million), which were primarily guarantees given to banks in respect of credit facilities granted to an investee company and a related company.

### **Financial Risk**

The Group follows a conservative policy in financial management with minimal exposure to currency and interest rate risks. Funds raised by the Group are on a floating rate basis. The Group does not currently hedge its interest rate exposure, although it may consider doing so in the future. None of the Group's outstanding borrowings was denominated in a foreign currency at the end of the Reporting Period. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations.

All of the Group's bank deposits are denominated in Hong Kong dollars, United States dollars or Macau patacas. It is the Group's policy not to engage in speculative trading activity.

### **Human Resources**

As at 30 June 2009, the Group had 18,297 full-time employees, which represented a decrease of 1,038 employees since 31 December 2008. The decrease reflects the Group's efforts to increase efficiency of operations. The Group's employee turnover rate was minimal in the Reporting Period.

The Group adopts a competitive remuneration package for its employees. Social activities are organised to foster team spirit amongst staff and to encourage staff involvement in community affairs. Employees are encouraged to attend training classes that are related to the Group's businesses, and can also study degree or non-degree courses at Macau Millennium College, with full tuition provided by the Group.

The Group operates a share option scheme for its senior employees. Further details are set out under "Share Option Scheme" below.

## OTHER INFORMATION

### Disclosure of Interests

#### *Interests of Directors*

As at 30 June 2009, the interests and short positions of each director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), are as follows:

#### *Long Positions in the Shares and Underlying Shares of the Company*

<b>Name of Director</b>	<b>Number of Ordinary shares</b>	<b>Capacity</b>	<b>Percentage of issued share capital of the Company*</b>
Dr. Ho Hung Sun, Stanley	3,049,987,500 (Long position)	Interest of controlled corporations <sup>1</sup>	61.000%
	381,262,500 (Long position)	Beneficial owner	7.625%
Dr. So Shu Fai	127,500,000 (Long position)	Beneficial owner	2.550%
Mr. Ng Chi Sing	95,625,000 (Long position)	Beneficial owner	1.913%
Mr. Rui José da Cunha	15,937,500 (Long position)	Beneficial owner	0.319%
Ms. Leong On Kei, Angela	15,937,500 (Long position)	Beneficial owner	0.319%

\* The percentage has been calculated based on 5,000,000,000 ordinary shares in issue as at 30 June 2009.

<sup>1</sup> Dr. Ho is taken to be interested in the 3,049,987,500 ordinary shares held by STDM - Investments Limited (“STDM - Investments”) which is owned as to 99.99% by STDM, with the remaining 0.01% interest held by Dr. Ho. As at 30 June 2009, approximately 31.66% of the equity share capital of STDM is owned by Dr. Ho directly and indirectly (through Lanceford Co. Ltd., a company wholly-owned by Dr. Ho).

## *Directors' Right to Acquire Shares*

Save as disclosed above, so far as was known to any director of the Company, as at 30 June 2009, none of the directors or chief executive of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interests which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## *Interests of Substantial Shareholders*

As at 30 June 2009, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions, representing 5% or more of the Company's issued share capital:

<b>Name of Substantial Shareholder</b>	<b>Number of Ordinary shares</b>	<b>Capacity</b>	<b>Percentage of issued share capital of the Company*</b>
Dr. Ho Hung Sun, Stanley	3,049,987,500 (Long position)	Interest of controlled corporations <sup>1</sup>	61.000%
	381,262,500 (Long position)	Beneficial owner	7.625%
STDM	3,049,987,500 (Long position)	Interest of a controlled corporation <sup>1</sup>	61.000%
STDM - Investments	3,049,987,500 (Long position)	Beneficial owner	61.000%

\* The percentage has been calculated based on 5,000,000,000 ordinary shares in issue as at 30 June 2009.

<sup>1</sup> See footnote (1) under "Interests of Directors"

Save as disclosed above, as at 30 June 2009 the Company had not been notified by any persons (other than a director or chief executive of the Company or their respective associate(s)) of any interest or short position in shares and underlying shares of the Company which were required to be recorded in the register kept under Section 336 of the SFO.

## Share Option Scheme

At an annual general meeting of the Company held 13 May 2009, the shareholders of the Company approved the adoption of a share option scheme (the “Scheme”) under which the directors may at their discretion, grant to any participants of the Scheme which include the Company’s directors (including independent non-executive directors), executives, employees, consultants, professionals and other advisers of the Group, share options (“Options”) to subscribe for the Company’s shares (“Shares”), subject to the terms and conditions as stipulated therein. There was no grant of Options for the period from 13 May 2009 up to 30 June 2009.

On 13 July 2009, the Company granted Options under the Scheme to the Company’s directors and the senior management of the Group.

The following are the details of the grant of Options on 13 July 2009:

Exercise price of the Options:	HK\$2.82 per share
Number of Options granted:	166,700,000
Validity period of the Options:	13 January 2010 to 12 January 2019
Vesting period of the Options:	The vesting period for all of the Options 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 on the first and second anniversaries of such date (and not as stated in the announcement dated 13 July 2009 on each of the first, second and third anniversary of the date of grant).

Among the Options granted above, Options in respect of a total of 101 million Shares were granted to the directors of the Company as follows:

<b>Name of directors</b>	<b>Number of Options</b>
Dr. Ho Hung Sun, Stanley	5,000,000
Dr. So Shu Fai	35,000,000
Mr. Ng Chi Sing	32,000,000
Mr. Rui José da Cunha	3,000,000
Ms. Leong On Kei, Angela	20,000,000
Mr. Shum Hong Kuen, David	3,000,000
Dato’ Dr. Cheng Yu Tung	1,000,000
Mr. Chau Tak Hay	500,000
Mr. Lan Hong Tsung, David	500,000
Mr. Shek Lai Him, Abraham	500,000
Mr. Tse Hau Yin	500,000
	<hr/>
	101,000,000

In addition, 65,700,000 Options have been granted to senior management of the Group.

## **Dealings in Listed Securities of the Company**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## **Corporate Governance**

### *Code on Corporate Governance Practices*

The directors of the Company recognise the importance of good corporate governance in the management of the Group. The Company has met all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the Reporting Period.

### *Model Code*

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

## **Review of Unaudited Interim Financial Information**

The Group's unaudited interim financial information for the Reporting Period have been reviewed by the Audit Committee of the Company, which comprises three independent non-executive directors: Mr. Chau Tak Hay, Mr. Shek Lai Him, Abraham and Mr. Tse Hau Yin and by the Company's auditors in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the auditors will be included in the Interim Report to be sent to shareholders.

By order of the Board of Directors  
**SJM Holdings Limited**  
**So Shu Fai**  
*Executive Director and  
Chief Executive Officer*

Hong Kong, 15 September 2009

*As at the date hereof, the executive directors are Dr. Ho Hung Sun, Stanley, Dr. So Shu Fai, Mr. Ng Chi Sing, Mr. Rui José da Cunha, Ms. Leong On Kei, Angela and Mr. Shum Hong Kuen, David. The non-executive director is Dato' Dr. Cheng Yu Tung, and the independent non-executive directors are Mr. Chau Tak Hay, Mr. Lan Hong Tsung, David, Mr. Shek Lai Him, Abraham and Mr. Tse Hau Yin.*