



澳門博彩控股有限公司
SJM HOLDINGS LIMITED

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

Stock Code 股份代號：880



INTERIM REPORT 2010
中期報告



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ABOUT US

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

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

As at 30 June 2010, SJM operated 17 casinos and 4 slot machine lounges, comprising more than 1,700 gaming tables and over 4,500 slot machines.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Executive Director

Dr. Ho Hung Sun, Stanley

Non-executive Director

Dato' Dr. Cheng Yu Tung

Independent Non-executive Directors

Mr. Chau Tak Hay

Mr. Lan Hong Tsung, David

Mr. Shek Lai Him, Abraham

Mr. Tse Hau Yin

Executive Director and Chief Executive Officer

Dr. So Shu Fai

Executive Director and Chief Operating Officer

Mr. Ng Chi Sing

Executive Directors

Mr. Rui José da Cunha

Ms. Leong On Kei, Angela

Mr. Shum Hong Kuen, David

Mr. Fok Tsun Ting, Timothy

(appointed on 30 August 2010)

AUDIT COMMITTEE

Mr. Tse Hau Yin *(Committee Chairman)*

Mr. Chau Tak Hay

Mr. Shek Lai Him, Abraham

NOMINATION COMMITTEE

Dr. So Shu Fai *(Committee Chairman)*

Mr. Chau Tak Hay

Mr. Lan Hong Tsung, David

Ms. Leong On Kei, Angela

Mr. Shek Lai Him, Abraham

Mr. Shum Hong Kuen, David

Mr. Tse Hau Yin

REMUNERATION COMMITTEE

Dr. So Shu Fai *(Committee Chairman)*

Mr. Lan Hong Tsung, David

Ms. Leong On Kei, Angela

Mr. Shek Lai Him, Abraham

Mr. Tse Hau Yin

CHIEF FINANCIAL OFFICER

Mr. Robert McBain

GROUP LEGAL COUNSEL

Mr. Jonathan Pyne

COMPANY SECRETARY

Ms. Kwok Shuk Chong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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One International Finance Centre
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Fax: (852) 3960 8111

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

Email (Investor Relations): ir@sjmholdings.com

LISTING INFORMATION

Share listing: Hong Kong Stock Exchange (Main Board)

Listing date: 16 July 2008

Stock short name: SJM Holdings

Stock code: 880

Board lot: 1,000 shares

LEGAL ADVISORS

On Hong Kong Law:

Baker & McKenzie

Herbert Smith

On Macau Law:

C&C Advogados

João Nuno Riquito & Associados Advogados

JOINT AUDITORS

Deloitte Touche Tohmatsu

H.C. Watt & Company Limited

PRINCIPAL BANKERS

Banco Weng Hang, S.A.

Bank of China Limited

The Bank of East Asia, Limited

BNP Paribas

Crédit Agricole Corporate and Investment Bank

Credit Suisse

Deutsche Bank AG

Industrial and Commercial Bank of China Limited

UBS AG

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

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183 Queen's Road East, Wanchai

Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

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

BUSINESS REVIEW

GROUP OPERATING RESULTS

Total revenue, gaming revenue, profit attributable to owners of the Company, Adjusted EBITDA and Adjusted EBITDA Margin of SJM Holdings Limited and its subsidiaries (the "Group") for the six months ended 30 June 2010 (the "Reporting Period") each increased substantially from the year-earlier period:

Half-year Operating Results	For the six months ended 30 June		Increase
	2010 HK\$ million	2009 HK\$ million	
Total revenue	26,716	14,914	79.1%
Gaming revenue	26,519	14,794	79.3%
Profit attributable to owners of the Company	1,567	338	363.6%
Adjusted EBITDA ⁽¹⁾	2,232	925	141.3%
Adjusted EBITDA Margin ⁽²⁾	8.4%	6.2%	

For the three months ended 30 June 2010, the Group's operating results also showed increases as compared to the three months ended 31 March 2010:

Quarterly Operating Results	For the quarter ended		Increase
	30 June 2010 HK\$ million	31 March 2010 HK\$ million	
Total revenue	13,953	12,763	9.3%
Gaming revenue	13,836	12,683	9.1%
Profit attributable to owners of the Company	807	760	6.2%
Adjusted EBITDA	1,136	1,096	3.6%

During the Reporting Period, the Group's gaming revenue amounted to approximately 31.8% of total gaming revenue in Macau, compared with 29.6% in the corresponding period last year, according to figures from the Macau Gaming Inspection and Coordination Bureau ("DICJ").

Attributable profit for the Reporting Period reflected depreciation and amortization charges of HK\$609 million, which increased from HK\$562 million in the corresponding period last year, due mainly to increased depreciation charges related to Casino Oceanus at Jai Alai, which commenced operations on 15 December 2009.

⁽¹⁾ Adjusted EBITDA is earnings after adjustment for non-controlling interests and before interest income and expense, tax, depreciation and amortization, and before accounting for share-based payments. SJM Holdings Limited discloses Adjusted EBITDA, for the Group and for separate business units of the Group, in order to provide investors with an additional measurement of the Group's overall operating performance and the operating performance of the business units. While Adjusted EBITDA is used widely as a performance measurement, the Group's calculation method may be different from the calculation methods used by other companies and therefore comparability may be limited. In particular, the Group's calculation of Adjusted EBITDA does not exclude other items such as pre-opening costs, property charges and other non-operating income.

BUSINESS REVIEW (CONTINUED)

- ⁽²⁾ Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of total revenue. To be more comparable to casino companies reporting in the United States, commissions and discounts paid to players and promoters would be deducted from total revenue before calculating Adjusted EBITDA Margin. Using this method, the Group's Adjusted EBITDA Margin for the first half of 2010 was 14.5%. If the Group's revenue is further adjusted to include only the net revenue of self-promoted casinos and slot halls plus the net revenue contribution (after reimbursed expenses) of the Group's third party-promoted casinos and slot halls, the Group's Adjusted EBITDA Margin would be 26.5%.

OPERATING RESULTS – VIP GAMING

VIP gaming operations accounted for 66.7% of the Group's total gaming revenue in the Reporting Period, as compared to 56.5% for the corresponding period last year. Operating results for the Reporting Period are as follows:

	For the six months ended 30 June		Increase/ (Decrease)
	2010	2009	
Gaming revenue (HK\$ million)	17,680	8,364	111.4%
Average daily net-win per VIP gaming table (HK\$)	224,036	227,000	(1.3)%
VIP chips sales (HK\$ million)	608,700	295,049	106.3%
Average number of VIP gaming tables (Average of month-end numbers)	436	204	113.7%

In the Reporting Period, the Group's gaming revenue from VIP gaming operations amounted to approximately 29.8% of total VIP gaming revenue in Macau, compared to 26.0% in the corresponding period last year, according to figures from DICJ.

As at 30 June 2010, the Group's principal operating subsidiary, SJM, had a total of 464 VIP gaming tables with 34 VIP promoters, as compared with 320 VIP gaming tables with 30 VIP promoters as at 31 December 2009.

During the Reporting Period, the hold rate, or house-win percentage, of VIP gaming operations was 2.90%, as compared with 2.83% in the corresponding period last year.

OPERATING RESULTS – MASS MARKET TABLE GAMING

Gaming revenue from mass market table gaming operations comprised 31.3% of the Group's total gaming revenue in the Reporting Period, as compared to 40.2% in the corresponding period last year. Operating results for the Reporting Period are as follows:

	For the six months ended 30 June		Increase
	2010	2009	
Gaming revenue (HK\$ million)	8,298	5,944	39.6%
Average daily net-win per mass market gaming table (HK\$)	34,188	28,300	20.8%
Average number of mass market gaming tables (Average of month-end numbers)	1,341	1,160	15.6%

BUSINESS REVIEW (CONTINUED)

In the Reporting Period, the Group's gaming revenue from mass market table gaming operations amounted to approximately 41.2% of total mass market table gaming revenue in Macau, compared to 40.2% in the corresponding period last year, according to figures from DICJ.

SJM operated a total of 1,319 mass market tables in its casinos as at 30 June 2010, as compared with 1,404 mass market gaming tables as at 31 December 2009.

OPERATING RESULTS – SLOT MACHINES AND ELECTRONIC GAMING MACHINES

Gaming revenue from slot machine operations, which include other electronic gaming machines and the game of Tombola, comprised 2.0% of total gaming revenue in the Reporting Period, compared to 3.3% in the corresponding period of last year. Operating Results for the Reporting Period are as follows:

	For the six months ended 30 June		Increase/ (Decrease)
	2010	2009	
Gaming revenue (HK\$ million)	541	487	11.1%
Average daily net-win per slot machine (HK\$)	651	698	(6.7)%
Average number of slot machines (Average of month-end numbers)	4,580	3,846	19.1%

In the Reporting Period, the Group's gaming revenue from slot machine operations amounted to approximately 14.0% of total slot machine revenue in Macau, compared to 16.3% in the corresponding period last year, according to figures from DICJ.

SJM had 4,543 slot machines, operating in 15 of SJM's casinos and in four slot halls, as at 30 June 2010 as compared with 4,567 slot machines as at 31 December 2009.

OPERATING RESULTS – NON-GAMING

Hotel and catering service income and other income totaled HK\$260 million in the Reporting Period, an increase from HK\$178 million in the first half of 2009. Of this amount, HK\$107 million consisted of revenue from hotel rooms and HK\$90 million was revenue from food and beverage services. During the Reporting Period, the Hotel Grand Lisboa operated at average occupancy of 72.8%, and achieved an average daily room rate of HK\$1,933. Adjusted EBITDA contribution of Hotel Grand Lisboa was HK\$67 million for the Reporting Period.

The Group's 51%-owned Ponte 16 contributed HK\$56 million in Adjusted EBITDA in the Reporting Period, compared with HK\$11 million in the first half of 2009. The Sofitel Macau at Ponte 16 and food and beverage operations contributed HK\$60 million to the Group's revenues in the Reporting Period compared with HK\$38 million during the year-earlier period.

On 1 February 2010, the MJ Gallery at Ponte 16 held its grand opening, featuring a permanent display of mementos of superstar Michael Jackson. Open to the public, the Gallery offers a first-of-its-kind in Asia experience for visitors, including several themed sections, multimedia displays and a gift shop.

BUSINESS REVIEW (CONTINUED)

OPERATING RESULTS OF CASINO SEGMENTS

CASINO GRAND LISBOA

The Group's flagship Casino Grand Lisboa continued to perform strongly in the first half of 2010:

	For the six months ended 30 June		Increase
	2010	2009	
Revenue (HK\$ million)	6,827	4,062	68.1%
Profit attributable to the Group (HK\$ million)	989	570	73.5%
Adjusted EBITDA (HK\$ million)	1,123	720	56.0%
Adjusted EBITDA Margin	16.5%	17.7%	

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

	For the six months ended 30 June		Increase/ (Decrease)
	2010	2009	
VIP operations			
Gaming revenue (HK\$ million)	4,774	2,436	96.0%
Average daily net-win per VIP gaming table (HK\$)	306,679	314,000	(2.3)%
VIP chips sales (HK\$ million)	188,669	82,001	130.1%
Average number of VIP gaming tables (Average of month-end numbers)	86	43	100.0%
Mass market operations			
Gaming revenue (HK\$ million)	1,884	1,472	28.0%
Average daily net-win per mass market gaming table (HK\$)	43,196	33,000	30.9%
Average number of mass market gaming tables (Average of month-end numbers)	241	247	(2.4)%
Slot machine operations			
Gaming revenue (HK\$ million)	169	154	9.7%
Average daily net-win per slot machine (HK\$)	1,305	1,162	12.3%
Average number of slot machines (Average of month-end numbers)	715	732	(2.3)%

Casino Grand Lisboa received over 5.2 million visitors during the first half of 2010, an average of 28,843 visitors per day.

BUSINESS REVIEW (CONTINUED)

OTHER SELF-PROMOTED CASINOS AND SLOT HALLS

Besides Casino Grand Lisboa, other self-promoted casinos operated by the Group comprise Casino Lisboa, Casino Oceanus at Jai Alai and Casino Jai Alai. The latter two casinos operate under the same license. The Group also operates three self-promoted slot halls, namely Macau Jockey Club Slot Lounge, Treasure Hunt Slot Lounge and Yat Yuen Canidrome Slot Lounge (collectively, "Other Self-promoted Casinos and Slot Halls").

Performance figures for Other Self-Promoted Casinos and Slot Halls were not disclosed separately by the Group in previous years. For the six months ended 30 June 2010, revenue, Adjusted EBITDA and profit attributable to this category were HK\$6,131 million, HK\$447 million and HK\$318 million respectively. Adjusted EBITDA Margin for this category, therefore, was 7.3% for the Reporting Period.

Other Self-promoted Casinos and Slot Halls operated an average 60 VIP gaming tables and 374 mass market gaming tables during the Reporting Period. Revenue from VIP gaming operations and VIP chips sales was HK\$4,292 million and HK\$147,530 million respectively, and average daily net-win per VIP table was HK\$395,252 for the Reporting Period. Revenue from mass market gaming operations was HK\$1,671 million, and average daily net-win per mass market table was HK\$24,686 for the Reporting Period.

Casino Oceanus at Jai Alai, which opened on 15 December 2009, has been well-received by the gaming public, and has drawn over two million visitors up until 30 June 2010, an average of 10,148 visitors per day.

SATELLITE CASINOS AND SLOT HALLS

Satellite casinos and slot halls operated by the Group consist of 14 third party-promoted casinos and one third party-promoted slot hall, and are listed as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview (Macau Jockey Club), Casino Jimei, Casino Kam Pek, Casino Lan Kwai Fong, Casino L'Arc, Casino New Century, Casino Ponte 16, Club Legend VIP and Tiger Slot Lounge (collectively, "Satellite Casinos and Slot Halls").

All of the above were in operation during the entire Reporting Period.

Performance figures for Satellite Casinos and Slot Halls were not disclosed separately by the Group in previous years. For the six months ended 30 June 2010, revenue, Adjusted EBITDA and profit attributable to this category were HK\$13,561 million, HK\$524 million and HK\$476 million respectively. Adjusted EBITDA Margin for this category, therefore, was 3.9% for the Reporting Period.

Satellite Casinos and Slot Halls operated an average 291 VIP gaming tables and 727 mass market gaming tables during the Reporting Period. Revenue from VIP gaming operations and VIP chips sales was HK\$8,614 million and HK\$272,501 million respectively, and average daily net-win per VIP table was HK\$163,539 for the Reporting Period. Revenue from mass market gaming operations was HK\$4,743 million, and average daily net-win per mass market table was HK\$36,044 for the Reporting Period.

PROSPECTS AND RECENT DEVELOPMENTS

MARKET ENVIRONMENT

In the Reporting Period, the Macau tourism and gaming market continued the growth trajectory which had commenced in the second half of 2009 and showed a substantial increase over the year-earlier period. Total casino gaming revenue established new monthly records successively in January, April and May of 2010. According to the Macau Government Statistics and Census Service, 12.2 million visitors came to Macau in the first half of 2010, an increase of 17.9% from the year-earlier period and an increase of 7.4% from the second half of 2009. The average length of stay in Macau by visitors and the average length of hotel stay in Macau were fairly constant at around 1.0 day and 1.6 days, respectively.

For the six months ended 30 June 2010, Macau casino gaming revenue reached HK\$83,352 million, an increase of 66.9% over the same period last year and an increase of 26.4% from the second half of 2009. Growth in gaming revenue in Macau was mainly derived from growth in VIP gaming revenue, which reached HK\$59,349 million in the six months ended 30 June 2010, an increase of 84.6% from the year-earlier period and an increase of 30.8% from the second half of 2009. As VIP gaming business in Macau is generally conducted on credit provided by junket operators, favorable credit conditions in the region can be assumed to have had a positive influence on the growth of this market.

Currently, and until the opening of two casino resort projects anticipated in 2011 or 2012, the supply of table gaming facilities in Macau is not expected to increase. Measured by the number of gaming tables in operation, which has grown at a compound annual rate of approximately 39.4% since 2002, Macau's supply is experiencing only a minimal increase in 2010.

In March 2010 the Macau government announced that the total number of gaming tables permitted to operate in Macau would be capped at 5,500 for a three-year period. The Group believes that this policy will not affect the Group's business plans during the coming three years, and within the present level of 1,783 gaming tables operated by SJM, adjustments may be made among SJM's casinos and between VIP and mass market gaming tables.

The Group continues to pursue its strategy of growing its business through the development of strategically located gaming facilities 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.

CURRENT INITIATIVES

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

- **at Casino Grand Lisboa**
In the fourth quarter of 2009 SJM opened its first high-vista VIP gaming rooms, on the 36th floor of the Grand Lisboa. By the fourth quarter of 2010, SJM is scheduled to open additional high-vista VIP rooms, with a total of 32 additional VIP gaming tables, on the 38th and 39th floors of the Grand Lisboa.

PROSPECTS AND RECENT DEVELOPMENTS (CONTINUED)

- **at Casino Lisboa**

In early 2010, SJM completed installation of new information technology systems at Casino Lisboa, including systems for customer relations management and table management, which are expected to enhance the casino's efficiency and customer traction. The Lisboa Card, which was first launched in September 2008, was relaunched in February 2009, adding the functions of player tracking and award of bonus points to the original purpose of supporting promotional campaigns. Membership in the Lisboa Card programme has increased by over a third in the first half of 2010 and there are now over 300,000 members.

- **at Casino Oceanus at Jai Alai**

Elements that remain to complete the current phase of Casino Oceanus at Jai Alai include enhancement of the existing walkway connecting Oceanus to the Macau Maritime Terminal, construction of an overhead walkway connecting Oceanus with the Jai Alai premises, enhancement of the entrances to Oceanus and construction of additional signage. The Group expects to commence work on these items later in 2010.

FUTURE PROJECTS

The Group is considering a number of additional new projects and enhancements to existing facilities, as follows:

- **Cotai**

Consistent with the Group's intention to expand its casino business into the Cotai area, SJM has applied for land concessions for two parcels of land on Cotai, and has entered into discussions regarding potential cooperation with owners of a site adjacent to one of these parcels. SJM has also expressed its interest to the Macau government for other parcels should they become available. The Group is studying carefully the overall progress and prospects of Cotai and as at the current date does not estimate when it will undertake development of any of the above sites.

- **Casino Lisboa and Casino Jai Alai**

The Group is considering various possibilities for enhancing the profitability of Casino Lisboa by refurbishing or renovating its different sections, as well as for renovation of Casino Jai Alai to support the future expansion of Casino Oceanus at Jai Alai. Design decisions have not been made for Casino Lisboa, though a final design is under consideration for Casino Jai Alai. Material capital expenditure for these projects is not expected in 2010.

OUTLOOK

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 the casino operators in Macau. During this period, the Group is committed to maintaining its strength in both the VIP and mass market gaming segments while striving to improve its operating efficiency. The Group is cautiously optimistic regarding its performance for the rest of the year.

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong financial position during the Reporting Period, with bank balances and cash amounting to HK\$11,272 million (not including HK\$411 million pledged bank deposits) as at 30 June 2010 (as at 31 December 2009: HK\$9,337 million).

Total loan facilities drawn by the Group as at 30 June 2010 amounted to HK\$6,272 million (as at 31 December 2009: HK\$6,262 million). The maturity profile of the Group's borrowings as at 30 June 2010 is set out below:

Maturity Profile				
Within 1 year	1–2 years	2–5 years	Over 5 years	Total
22.5%	32.0%	45.5%	—	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 2009: nil).

Capital expenditure commitments by the Group amounted to HK\$267 million at the end of the Reporting Period (as at 31 December 2009: HK\$663 million), which were primarily for construction works on the Grand Lisboa Hotel and Ponte 16.

Future projects such as the development of sites in Cotai 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 2010, certain of the Group's property and equipment and land use rights with carrying values of HK\$5,971 million and HK\$777 million, respectively (as at 31 December 2009: HK\$6,127 million and HK\$797 million, respectively), were pledged with banks for loan facilities.

In addition, the Group had pledged bank deposits of HK\$411 million as at 30 June 2010 (as at 31 December 2009: HK\$411 million).

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2010, the Group had total guarantees given to banks of HK\$139 million (as at 31 December 2009: HK\$244 million), which were guarantees in respect of credit facilities granted to an associate, investee companies and a related company. The Company has also agreed to guarantee payment of all sums payable in relation to the issue of convertible bonds made in October 2009. The Group had no significant contingent liabilities as at 30 June 2010.

FINANCIAL REVIEW (CONTINUED)

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 2010, the Group had 19,902 full-time employees (as at 31 December 2009: 19,936). During the Reporting Period the Group's employee turnover rate was minimal.

Staff remuneration of the Group is determined by reference to personal working performance, professional qualification, industry experience and relevant market trends, and includes salary, allowances, medical insurance and provident fund. In addition, the Group operates a share option scheme for its senior employees.

The management of the Group regularly reviews the remuneration policy and evaluates staff performance. Employees 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 scholarships to children of staff to study at institutions of their choice.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company has resolved to declare the payment of an interim dividend of HK5 cents per ordinary share of the Company (the "Share") for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

The interim dividend is expected to be paid on Wednesday, 13 October 2010 to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 29 September 2010.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlements of the shareholders, the register of members of the Company will be closed from Monday, 27 September 2010 to Wednesday, 29 September 2010, both days inclusive, during which period no transfer of Shares will be registered.

In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 September 2010.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive Officer's interests in securities

As at 30 June 2010, interests and short positions of each director of the Company (the "Director") and the Chief Executive Officer in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are as follows:

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

Name of Director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued share capital
Ho Hung Sun, Stanley	Beneficial owner	Long position	381,262,500	—	7.49%
	Beneficial owner	Long position	—	5,000,000 <i>(note b)</i>	0.10%
	Interest of controlled corporation(s) <i>(note a)</i>	Long position	3,049,987,500	—	59.88%
			3,431,250,000	5,000,000	67.47%
So Shu Fai	Beneficial owner	Long position	128,327,922	—	2.52%
	Beneficial owner	Long position	—	35,000,000 <i>(note b)</i>	0.69%
			128,327,922	35,000,000	3.21%

OTHER INFORMATION (CONTINUED)

Name of Director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued share capital
					(note c)
Ng Chi Sing	Beneficial owner	Long position	96,452,922	—	1.89%
	Beneficial owner	Long position	—	32,000,000 (note b)	0.63%
			96,452,922	32,000,000	2.52%
Rui José da Cunha	Beneficial owner	Long position	15,937,500	—	0.31%
	Beneficial owner	Long position	—	3,000,000 (note b)	0.06%
			15,937,500	3,000,000	0.37%
Leong On Kei, Angela	Beneficial owner	Long position	35,937,500	—	0.71%
Shum Hong Kuen, David	Beneficial owner	Long position	—	3,000,000 (note b)	0.06%
Cheng Yu Tung	Beneficial owner	Long position	—	1,000,000 (note b)	0.02%
Lan Hong Tsung, David	Beneficial owner	Long position	—	500,000 (note b)	0.01%
Shek Lai Him, Abraham	Beneficial owner	Long position	—	500,000 (note b)	0.01%
Tse Hau Yin	Beneficial owner	Long position	—	500,000 (note b)	0.01%

II. Interests in securities of associated corporations

Sociedade de Turismo e Diversões de Macau, S.A. ("STDM")

Name of Director	Capacity	Long/short position	No. of shares held			Approximate percentage of issued share capital
			Ordinary	Privileged	Total	
Ho Hung Sun, Stanley	Beneficial owner	Long position	3,028	1,097	4,125	4.84%
	Interest of controlled corporation(s) (note a)	Long position	4,831	18,030	22,861	26.82%
			7,859	19,127	26,986	31.66%

OTHER INFORMATION (CONTINUED)

STDM – Investments Limited (“STDM–I”)

Name of Director	Capacity	Long/short position	No. of shares held (Registered Capital (MOP))	Approximate percentage of issued share capital
Ho Hung Sun, Stanley	Beneficial owner	Long position	1,000	0.01%
	Interest of controlled corporation(s) <i>(note a)</i>	Long position	9,999,000	99.99%
			10,000,000	100.00%

Sociedade de Jogos de Macau, S.A.

Name of Director	Capacity	Long/short position	No. of shares held (Type B shares)	Approximate percentage of issued share capital
Ho Hung Sun, Stanley	Beneficial owner	Long position	300,000	10.00%

Notes:

- a. *Dr. Ho Hung Sun, Stanley (“Dr. Ho”) is taken to be interested in the 3,049,987,500 Shares held by STDM–I which is owned as to 99.99% by STDM, with the remaining 0.01% interest held by Dr. Ho. As at 30 June 2010, approximately 31.66% of the equity share capital of STDM is owned by Dr. Ho, directly and indirectly (through Lanceford Company Limited (“Lanceford”), a company wholly-owned by Dr. Ho).*
- b. *These represent the interests in underlying Shares in respect of share options granted by the Company, the details of which are stated in section “Share Option Scheme” below.*
- c. *The percentage has been calculated based on 5,093,089,149 Shares in issue as at 30 June 2010.*

Save as disclosed above, so far as was known to any Director, as of 30 June 2010, none of the Directors or the Chief Executive Officer had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION (CONTINUED)

Interests of Substantial Shareholders in Shares and Underlying Shares

As at 30 June 2010, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of substantial shareholder	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued share capital
					<i>(note c)</i>
Ho Hung Sun, Stanley	Beneficial owner	Long position	381,262,500	—	7.49%
	Beneficial owner	Long position	—	5,000,000 <i>(note b)</i>	0.10%
	Interest of controlled corporation(s) <i>(note a)</i>	Long position	3,049,987,500	—	59.88%
			3,431,250,000	5,000,000	67.47%
Sociedade de Turismo e Diversões de Macau, S.A.	Interest of controlled corporation(s) <i>(note a)</i>	Long position	3,049,987,500	—	59.88%
STDM – Investments Limited	Beneficial owner	Long position	3,049,987,500	—	59.88%

Notes:

- a. *Dr. Ho is taken to be interested in the 3,049,987,500 Shares held by STDM-I which is owned as to 99.99% by STDM, with the remaining 0.01% interest held by Dr. Ho. As at 30 June 2010, approximately 31.66% of the equity share capital of STDM is owned by Dr. Ho, directly and indirectly (through Lanceford).*
- b. *These represent the interests in underlying Shares in respect of share options granted by the Company, the details of which are stated in section "Share Option Scheme" below.*
- c. *The percentage has been calculated based on 5,093,089,149 Shares in issue as at 30 June 2010.*

Save as disclosed above, as at 30 June 2010, the Company had not been notified by any persons (other than a Director or Chief Executive Officer or their respective associate(s)) of any interest or short position in Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEME

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

Details of the movement in Options granted under the Scheme during the six months ended 30 June 2010 were as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per Share HK\$	Outstanding as at 1 January 2010	Grant during the period	Number of Options			Balance as at 30 June 2010
						Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors of the Company:									
Ho Hung Sun, Stanley	13 July 2009	13 January 2010 to 12 January 2019	2.82	5,000,000	—	—	—	—	5,000,000
So Shu Fai	13 July 2009	13 January 2010 to 12 January 2019	2.82	35,000,000	—	—	—	—	35,000,000
Ng Chi Sing	13 July 2009	13 January 2010 to 12 January 2019	2.82	32,000,000	—	—	—	—	32,000,000
Rui José da Cunha	13 July 2009	13 January 2010 to 12 January 2019	2.82	3,000,000	—	—	—	—	3,000,000
Leong On Kei, Angela	13 July 2009	13 January 2010 to 12 January 2019	2.82	20,000,000	—	20,000,000	—	—	—
Shum Hong Kuen, David	13 July 2009	13 January 2010 to 12 January 2019	2.82	3,000,000	—	—	—	—	3,000,000
Cheng Yu Tung	13 July 2009	13 January 2010 to 12 January 2019	2.82	1,000,000	—	—	—	—	1,000,000
Chau Tak Hay	13 July 2009	13 January 2010 to 12 January 2019	2.82	500,000	—	500,000	—	—	—
Lan Hong Tsung, David	13 July 2009	13 January 2010 to 12 January 2019	2.82	500,000	—	—	—	—	500,000
Shek Lai Him, Abraham	13 July 2009	13 January 2010 to 12 January 2019	2.82	500,000	—	—	—	—	500,000
Tse Hau Yin	13 July 2009	13 January 2010 to 12 January 2019	2.82	500,000	—	—	—	—	500,000
Sub-total:				101,000,000	—	20,500,000	—	—	80,500,000
Employees	13 July 2009	13 January 2010 to 12 January 2019	2.82	39,800,000	—	23,980,000	—	—	15,820,000
Employee	13 July 2009	13 January 2011 to 12 January 2019	2.82	10,000,000	—	—	—	—	10,000,000
Employee	13 July 2009	13 January 2012 to 12 January 2019	2.82	10,000,000	—	—	—	—	10,000,000
Employee	19 May 2010	19 November 2010 to 18 November 2019	5.11	N/A	1,500,000	—	—	—	1,500,000
Employees	26 May 2010	26 November 2010 to 25 November 2019	5.03	N/A	500,000	—	—	—	500,000
Sub-total:				59,800,000	2,000,000	23,980,000	—	—	37,820,000
Other participants	13 July 2009	13 January 2010 to 12 January 2019	2.82	5,900,000	—	2,600,000	—	—	3,300,000
Other participant	7 October 2009	7 April 2010 to 6 April 2019	4.48	1,200,000	—	1,200,000	—	—	—
Sub-total:				7,100,000	—	3,800,000	—	—	3,300,000
Total:				167,900,000	2,000,000	48,280,000	—	—	121,620,000

N/A: not applicable

OTHER INFORMATION (CONTINUED)

Notes:

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

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

2. The vesting period for all of the Options granted on 7 October 2009 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was HK\$4.53. The estimated fair value of each Option granted on that date based on an independent valuation is HK\$2.28692.
3. The vesting period for all of the Options granted on 19 May 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was HK\$4.81. The estimated fair value of each Option granted on that date based on an independent valuation is HK\$2.0728.
4. The vesting period for all of the Options granted on 26 May 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was HK\$4.83. The estimated fair value of each Option granted on that date based on an independent valuation is HK\$2.0178.
5. The weighted average closing price of the Shares immediately before the dates on which the Options were exercised is HK\$5.04.

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 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in the management of the Group. During the six months ended 30 June 2010, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, except for the deviation from Code Provision E.1.2 that due to health reason, Dr. Ho Hung Sun, Stanley was absent from the annual general meeting of the Company held on 31 May 2010.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry, the Company confirms that all Directors have complied with the required standards as stated in the Model Code during the six months ended 30 June 2010.

OTHER INFORMATION (CONTINUED)

DIRECTORS' BIOGRAPHICAL DETAILS UPDATE

Directors' biographical details update since the date of the 2009 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Biographical details update since 2009 Annual Report	Effective date
Ho Hung Sun, Stanley	He was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region.	1 July 2010
	He ceased to act as a Trustee of the Macau Foundation.	11 July 2010
Lan Hong Tsung, David	He was appointed as Independent Non-executive Director and a member of the Audit Committee of ARA Asset Management (Fortune) Limited, the manager of Fortune Real Estate Investment Trust (Stock code: 778).	29 July 2010
Tse Hau Yin	He ceased to act as Independent Non-executive Director of China Construction Bank Corporation (Stock code: 939).	24 June 2010

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

REVIEW OF INTERIM FINANCIAL INFORMATION

The Group's unaudited interim financial information for the six months ended 30 June 2010 has 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 joint auditors in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board of Directors

SJM Holdings Limited

So Shu Fai

Executive Director and Chief Executive Officer

Hong Kong, 30 August 2010

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

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

H.C. Watt & Company Limited
Room 1903, New World Tower
18 Queen's Road Central
Hong Kong

TO THE BOARD OF DIRECTORS OF SJM HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 48 which comprises the condensed consolidated statement of financial position of SJM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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

30 August 2010

30 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 HK\$ million (unaudited)	2009 HK\$ million (unaudited)
Gaming, hotel, catering and related services revenues		26,715.5	14,913.6
Gaming revenue	5	26,518.6	14,794.4
Special gaming tax, special levy and gaming premium		(10,254.5)	(5,752.8)
		16,264.1	9,041.6
Hotel, catering and related services income		196.9	119.2
Cost of sales and services on hotel, catering and related services		(94.5)	(77.8)
Other income		62.9	59.1
Marketing and promotional expenses		(11,552.8)	(5,717.8)
Operating and administrative expenses		(3,206.3)	(3,026.2)
Finance costs	6	(117.1)	(105.0)
Share of profits (losses) of an associate		1.3	(6.7)
Share of profits of a jointly controlled entity		2.5	2.9
Profit before taxation	7	1,557.0	289.3
Taxation	8	(8.7)	(8.7)
Profit for the period and total comprehensive income for the period		1,548.3	280.6
Profit for the period and total comprehensive income attributable to			
— owners of the Company		1,567.0	338.0
— non-controlling interests		(18.7)	(57.4)
		1,548.3	280.6
Earnings per share			
— Basic	10	HK31.2 cents	HK6.8 cents
— Diluted	10	HK29.6 cents	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Non-current assets			
Property and equipment	11	9,854.4	10,139.6
Land use rights	12	825.4	845.8
Intangible assets		42.7	45.8
Art works and diamonds	13	289.5	289.2
Interest in an associate		71.9	67.4
Interest in a jointly controlled entity		70.2	67.7
Available-for-sale investments in equity securities		5.5	5.5
Deposits made on acquisitions	14	139.4	168.1
Amount due from a fellow subsidiary	15	317.6	329.2
Pledged bank deposits	16	145.6	145.6
Bank deposits		—	1,000.0
		11,762.2	13,103.9
Current assets			
Inventories		56.2	52.1
Trade and other receivables	17	1,259.2	1,233.3
Loan receivables	18	220.0	132.0
Amount due from ultimate holding company	19	118.7	23.3
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	20	154.2	156.7
Financial assets at fair value through profit or loss	21	143.7	28.4
Pledged bank deposits	16	265.4	265.4
Short-term bank deposits		1,562.0	400.0
Bank balances and cash		9,710.2	7,937.1
		13,523.9	10,262.6
Current liabilities			
Trade and other payables	22	7,930.5	6,895.0
Financial guarantee obligations		6.0	13.3
Obligations under finance leases	23	21.1	33.3
Taxation		30.1	38.8
Current portion of long-term bank loans	24	1,040.0	1,040.0
Convertible bonds	25	1,444.1	—
		10,471.8	8,020.4
Net current assets		3,052.1	2,242.2
Total assets less current liabilities		14,814.3	15,346.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Non-current liabilities			
Obligations under finance leases	23	317.6	329.2
Long-term bank loans	24	3,592.0	4,102.0
Amount due to non-controlling interests of a subsidiary	26	918.7	807.3
Convertible bonds	25	—	1,588.2
		<u>4,828.3</u>	<u>6,826.7</u>
Net assets		<u>9,986.0</u>	<u>8,519.4</u>
Capital and reserves			
Share capital	27	5,093.1	5,000.0
Reserves		<u>4,832.6</u>	<u>3,454.7</u>
Equity attributable to owners of the Company		9,925.7	8,454.7
Non-controlling interests		<u>60.3</u>	<u>64.7</u>
Total equity		<u>9,986.0</u>	<u>8,519.4</u>

The condensed consolidated financial information on pages 20 to 48 was approved and authorised for issue by the Board of Directors on 30 August 2010 and is signed on its behalf by:

So Shu Fai
Director

Ng Chi Sing
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital HK\$ million	Share premium HK\$ million	Share options reserve HK\$ million	Convertible bonds equity reserve HK\$ million	Retained profits HK\$ million	Attributable to owners of the Company HK\$ million	Non- controlling interests HK\$ million	Total HK\$ million
At 1 January 2010	5,000.0	1,627.4	173.9	387.0	1,266.4	8,454.7	64.7	8,519.4
Total comprehensive income for the period	—	—	—	—	1,567.0	1,567.0	(18.7)	1,548.3
Exercise of share options	48.3	151.8	(62.0)	—	—	138.1	—	138.1
Conversion of convertible bonds	44.8	192.8	—	(45.5)	—	192.1	—	192.1
Expenses incurred in connection with the issue of shares	—	(0.1)	—	—	—	(0.1)	—	(0.1)
Recognition of equity-settled share based payments	—	—	27.7	—	—	27.7	—	27.7
Capital contribution arising from fair value adjustment on amount due to non-controlling interests of a subsidiary	—	—	—	—	—	—	14.3	14.3
Dividends paid	—	—	—	—	(453.8)	(453.8)	—	(453.8)
	93.1	344.5	(34.3)	(45.5)	(453.8)	(96.0)	14.3	(81.7)
At 30 June 2010 (unaudited)	5,093.1	1,971.9	139.6	341.5	2,379.6	9,925.7	60.3	9,986.0
At 1 January 2009	5,000.0	1,627.4	—	—	659.7	7,287.1	149.2	7,436.3
Total comprehensive income for the period	—	—	—	—	338.0	338.0	(57.4)	280.6
Capital contribution arising from fair value adjustment on amount due to non-controlling interests of a subsidiary	—	—	—	—	—	—	9.2	9.2
Dividends paid	—	—	—	—	(300.0)	(300.0)	—	(300.0)
	—	—	—	—	(300.0)	(300.0)	9.2	(290.8)
At 30 June 2009 (unaudited)	5,000.0	1,627.4	—	—	697.7	7,325.1	101.0	7,426.1

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 HK\$ million (unaudited)	2009 HK\$ million (unaudited)
Net cash from operating activities	3,400.3	1,595.0
Investing activities		
Interest received	22.4	22.1
Purchase of property and equipment	(591.2)	(530.6)
Deposits paid for acquisition of property and equipment	(24.1)	(41.4)
Loan advanced	(88.0)	—
Repayment from ultimate holding company	165.8	—
Advance made to ultimate holding company	(261.2)	(203.2)
Repayment from fellow subsidiaries	95.3	23.0
Decrease in pledged bank deposits	—	3.4
Increase in bank deposits	(162.0)	—
Other investing cash flows	4.0	2.2
Net cash used in investing activities	(839.0)	(724.5)
Financing activities		
Interest paid	(44.2)	(102.2)
Dividends paid	(453.8)	(300.0)
Proceeds from issue of shares	138.1	—
Repayment of obligations under finance leases	(23.8)	(10.5)
Bank loans raised	10.0	58.0
Repayment of bank loans	(520.0)	(500.0)
Borrowings from non-controlling interests of a subsidiary	105.6	49.0
Other financing cash flows	(0.1)	—
Net cash used in financing activities	(788.2)	(805.7)
Net increase in cash and cash equivalents	1,773.1	64.8
Cash and cash equivalents at 1 January	7,937.1	5,847.1
Cash and cash equivalents at 30 June	9,710.2	5,911.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

1. GENERAL

SJM Holdings Limited (the "Company") is a public limited company incorporated in Hong Kong and acts as an investment holding Company. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its subsidiaries are principally engaged in the development and operation of casinos and related facilities in Macau Special Administrative Region, the People's Republic of China ("MSAR"). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), a company established in MSAR. The address of registered office and principal place of business of the Company is Suites 3201–3205, 32nd Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

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 that certain financial instruments 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 Company's annual financial statements for the year ended 31 December 2009, except as described below.

In the current interim period, the Company and its subsidiaries (collectively, the "Group") have applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendment to HKAS 1, which has been early adopted in the last financial year
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment to HKAS 17 "Leases"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as land use rights in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of the amendment HKAS 17 has had no effect on the condensed consolidated financial information of the Group for the current or prior accounting period.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ⁴
HKAS 32 (Amendment)	Classification of rights issues ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ³
HKFRS 9	Financial instruments ⁵
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁴
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

3. SUMMARY OF FINANCIAL POSITION OF THE COMPANY

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Non-current assets		
Property and equipment	3.5	4.2
Investments in subsidiaries	4,359.3	4,367.5
Bank deposits	—	1,000.0
	<u>4,362.8</u>	<u>5,371.7</u>
Current assets		
Deposits and prepayments	5.9	5.8
Amounts due from subsidiaries	2,511.8	2,980.3
Short-term bank deposits	1,562.0	400.0
Bank balances and cash	1,698.2	902.2
	<u>5,777.9</u>	<u>4,288.3</u>
Current liabilities		
Other payables and accruals	2.8	0.8
Amount due to a subsidiary	1,666.4	1,958.5
	<u>1,669.2</u>	<u>1,959.3</u>
Net current assets	<u>4,108.7</u>	<u>2,329.0</u>
Net assets	<u>8,471.5</u>	<u>7,700.7</u>
Capital and reserves		
Share capital	5,093.1	5,000.0
Share premium	1,971.9	1,627.4
Share options reserve	139.6	173.9
Convertible bonds equity reserve	341.5	395.2
Retained profits	925.4	504.2
Total equity	<u>8,471.5</u>	<u>7,700.7</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

4. OPERATING SEGMENTS

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

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

For gaming operations, the chief operating decision makers (the “CODM”), which are a group of executive directors of the Company, regularly analyses gaming revenue in terms of VIP gaming operations, mass market table gaming operations, slot machine operations and others. 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 each individual hotel. For segment reporting under HKFRS 8, financial information of the Group’s hotels has been aggregated into a single operating segment named “hotel and catering operations”.

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

	Segment revenue		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gaming operations	26,518.6	14,794.4	1,817.2	583.5
Hotel and catering operations				
— external sales	196.9	119.2		
— inter-segment sales	84.3	50.8		
Eliminations	281.2	170.0	(215.9)	(290.5)
	(84.3)	(50.8)		
	196.9	119.2		
Group revenue	26,715.5	14,913.6		
Reconciliation from segment results to profit before taxation			1,601.3	293.0
Unallocated corporate expenses			(64.7)	(8.8)
Change in fair value of financial assets at fair value through profit or loss			16.6	8.9
Share of profits (losses) of an associate			1.3	(6.7)
Share of profits of a jointly controlled entity			2.5	2.9
Profit before taxation			1,557.0	289.3

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

4. OPERATING SEGMENTS (Continued)

Segment results represent the profit earned by each segment without allocation of corporate expenses, change in fair value of financial assets at fair value through profit or loss, share of profits (losses) of associate/jointly controlled entity and taxation. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

5. GAMING REVENUE

	Six months ended 30 June	
	2010 HK\$ million (unaudited)	2009 HK\$ million (unaudited)
Gaming revenue from		
— VIP gaming operations	17,680.0	8,363.7
— mass market table gaming operations	8,298.2	5,943.9
— slot machine operations	539.5	486.0
— others	0.9	0.8
	<u>26,518.6</u>	<u>14,794.4</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2010 HK\$ million (unaudited)	2009 HK\$ million (unaudited)
Interest on		
— bank borrowings wholly repayable within five years	(40.6)	(76.1)
— finance leases	(9.1)	(12.5)
Imputed interest on amount due to non-controlling interests of a subsidiary	(20.1)	(17.6)
Imputed interest on convertible bonds	(48.0)	—
	<u>(117.8)</u>	<u>(106.2)</u>
Less: Amount capitalised in construction in progress	0.7	1.2
	<u>(117.1)</u>	<u>(105.0)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2010 HK\$ million (unaudited)	2009 HK\$ million (unaudited)
Profit before taxation has been arrived at after charging:		
Allowance for doubtful debts (note 17)	53.6	—
Amortisation of intangible assets (included in operating and administrative expenses)	3.1	3.1
Depreciation of property and equipment	586.2	538.5
Loss on disposal of property and equipment	1.5	5.7
Equity-settled share based payments to		
— directors of the Company	8.3	—
— staff	17.5	—
— other participants	1.9	—
	27.7	—
Staff costs exclusive of equity-settled share based payments	1,739.8	1,608.0

8. TAXATION

The charge represents current period taxation detailed below:

No provision for MSAR Complementary Tax ("CT") on gaming related income is made for a subsidiary of the Company, Sociedade de Jogos de Macau, S.A. ("SJM"). Pursuant to the approval notice issued by the 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 of the MSAR government, SJM's shareholders were obligated to pay a special tax of MOP18.0 million (equivalent to HK\$17.5 million) for each of the years 2007 to 2011. During the period, the Company, as a shareholder of SJM, 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 both periods.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

9. DIVIDENDS

	Six months ended 30 June	
	2010 HK\$ million (unaudited)	2009 HK\$ million (unaudited)
2008 final dividend of HK6 cents per share paid	—	300.0
2009 final dividend of HK9 cents per share paid	<u>453.8</u>	—
	<u>453.8</u>	<u>300.0</u>

On 30 August 2010, the board of directors of the Company has resolved to declare an interim dividend of HK5 cents per share for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010 HK\$ million (unaudited)	2009 HK\$ million (unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	1,567.0	338.0
Effect of dilutive potential ordinary shares — imputed interest on convertible bonds	<u>48.0</u>	—
	<u>1,615.0</u>	<u>338.0</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,017,944,828	<u>5,000,000,000</u>
Effect of dilutive potential ordinary shares on — share options — conversion of convertible bonds	59,628,971 <u>373,860,702</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,451,434,501</u>	

There were no potential ordinary shares during the six months ended 30 June 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

11. PROPERTY AND EQUIPMENT

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Carrying values		
Land and buildings	3,850.2	3,932.6
Chips	30.0	37.2
Furniture, fixtures and equipment	3,547.1	3,586.3
Gaming equipment	173.5	224.5
Leasehold improvements	1,770.6	1,884.8
Motor vehicles	8.1	5.8
Vessel	3.4	4.0
Construction in progress	471.5	464.4
Total	<u>9,854.4</u>	<u>10,139.6</u>

During the period, the Group incurred HK\$302.8 million (six months ended 30 June 2009: HK\$455.6 million) on acquisition of property and equipment to expand and upgrade its facilities.

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

Included in construction in progress at 30 June 2010 is net interest capitalised of HK\$5.6 million (31 December 2009: HK\$4.9 million).

At 30 June 2010, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate net book value of HK\$3,344.9 million (31 December 2009: HK\$3,363.3 million) for the Group's gaming business have to be returned to the MSAR government upon completion of the term of the concession in 2020.

12. LAND USE RIGHTS

	Six months ended 30 June 2010 HK\$ million (unaudited)	Year ended 31 December 2009 HK\$ million (audited)
Carrying values		
At 1 January	845.8	886.5
Additions during the period/year	—	0.3
Released and capitalised to construction in progress during the period/year	(0.5)	(1.1)
Released to profit or loss during the period/year	(19.9)	(39.9)
At 30 June/31 December	<u>825.4</u>	<u>845.8</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

13. ART WORKS AND DIAMONDS

	Six months ended 30 June 2010 HK\$ million (unaudited)	Year ended 31 December 2009 HK\$ million (audited)
At 1 January	289.2	281.7
Additions during the period/year	0.3	7.5
At 30 June/31 December	289.5	289.2

The amount represents the aggregate cost of art works and diamonds held by the Group. In the opinion of the directors, the residual value of the art works and diamonds approximates its carrying amount at the end of the reporting period. Therefore, no impairment is provided for the period/year ended 30 June 2010 and 31 December 2009.

14. DEPOSITS MADE ON ACQUISITIONS

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Deposits made on acquisitions of		
— land use rights (note 31)	65.5	65.5
— property and equipment	73.9	102.6
	139.4	168.1

15. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The balance represents the non-current portion of lease receivables from Companhia de Aviação Jet Asia Limitada ("Jet Asia"), a subsidiary of STDM, under a back-to-back arrangement set out in note 23. The receivables carry variable rates with effective interest ranging from 2.53% to 6.18% (31 December 2009: 2.28% to 6.68%) per annum.

16. PLEDGED BANK DEPOSITS

At 30 June 2010, deposits amounting to HK\$145.6 million (31 December 2009: HK\$145.6 million) have been pledged to secure the bank facilities granted to a subsidiary of the Company. The bank facilities represent a guarantee amounting to HK\$291.3 million from 11 February 2008 to the earlier of 180 days after the expiry of the gaming concession contract or 31 March 2020, which is in favour of the MSAR government against the legal and contractual financial obligations of SJM under the gaming concession contract. Given the nature of the facility, the pledged bank deposit is classified as non-current assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

16. PLEDGED BANK DEPOSITS (Continued)

In addition, at 30 June 2010, deposit amounting to HK\$0.3 million (31 December 2009: HK\$0.3 million) has been pledged to a bank for provision of guarantee in favour of the MSAR government to demonstrate the financial ability of a wholly-owned subsidiary of the Company to send back their imported labour to their respective home countries.

At 30 June 2010, the remaining deposits under current assets amounting to HK\$265.1 million (31 December 2009: HK\$265.1 million) have been pledged in favour of the MSAR government for the payment of land premium of a subsidiary which is expected to be settled in 2010.

At 30 June 2010, the pledged bank deposits carry fixed interest rates at 0.08% to 0.29% (31 December 2009: 0.05% to 0.52%) per annum.

17. TRADE AND OTHER RECEIVABLES

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Advances to gaming promoters	892.7	733.8
Other receivables from gaming promoters	90.2	113.9
Prepayments	92.8	86.3
Others	183.5	299.3
	1,259.2	1,233.3

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 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Age		
0 to 30 days	793.5	617.1
31 to 60 days	6.2	0.4
61 to 90 days	—	9.1
Over 90 days	93.0	107.2
	892.7	733.8

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

17. TRADE AND OTHER RECEIVABLES (Continued)

The directors of the Company 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.

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

Movement in the allowance for doubtful debts

	Six months ended 30 June 2010 HK\$ million (unaudited)	Year ended 31 December 2009 HK\$ million (audited)
At 1 January	24.5	24.5
Allowance for doubtful debts	53.6	—
At 30 June/31 December	78.1	24.5

Included in the allowance for doubtful debts are individually impaired receivables from gaming promoters with an aggregate balance of HK\$78.1 million (31 December 2009: HK\$24.5 million) since the management considered the prolonged outstanding balances from inactive individual gaming promoters were uncollectible.

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

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
STDM group and its associates	59.4	126.7
An associate	4.7	9.5
Entities in which certain directors of the Company and/or their close family members have control/significant influence	44.2	40.8
Entity in which a director of a subsidiary of the Company has significant influence	0.1	1.2
	108.4	178.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

18. LOAN RECEIVABLES

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

A facility agreement was entered into on the same date by the Finance Company as lender; the ultimate holding company of the non-controlling interest of a subsidiary, Pier 16 – Property Development Limited (“Pier 16 – Property”), as a borrower (the “Borrower”); and an intermediate holding company of the non-controlling interest of Pier 16 – Property as security provider (the “Chargor”), pursuant to which the Finance Company will provide the Borrower with the Revolving Loan Facility. If the Borrower fails to repay, the Finance Company can take those steps set out in the Revolving Loan Facility and the Chargor shall sell and transfer the relevant charged shares, being 51% equity interest in an intermediate holding company of the non-controlling interest of Pier 16 – Property, to SJM-I together with all rights, benefits, title and interest.

The Revolving Loan Facility is available for a term of 3 years commencing from the date of the above facility agreement and is for an aggregate principal amount of HK\$250.0 million. The Revolving Loan Facility carries an interest rate of 2.6% over Hong Kong Interbank Offered Rate (“HIBOR”). The Finance Company charges SJM-I a fee calculated at the rate of 0.1% per annum of the principal borrowed. The proceeds of the Revolving Loan Facility were applied by the Borrower in connection with the cashflow requirements of Pier 16 – Property and its subsidiaries, being the obligations to provide shareholders loans to Pier 16 – Property in respective ownership proportions.

As at 30 June 2010, HK\$220.0 million (31 December 2009: HK\$132.0 million) was utilised and revolving for a term of 3 months.

19. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

20. AMOUNTS DUE FROM INVESTEE COMPANIES

The amounts represent loans to the investees which are unsecured, interest-free and are expected to realise within 12 months from the end of the reporting period.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Listed investment		
— equity securities listed in Hong Kong (note a)	44.7	28.4
Unlisted investment		
— managed fund portfolio (note b)	99.0	—
	143.7	28.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

- (a) Amounts are carried at market bid price at the end of the reporting period.
- (b) Managed fund portfolio represents investments in money market instruments denominated in United States dollars and is stated at fair value quoted by counterparty financial institution at the end of the reporting period.

22. TRADE AND OTHER PAYABLES

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Trade payables	1,615.2	1,239.6
Special gaming tax payable	1,497.8	1,325.2
Chips liabilities	3,561.6	2,725.9
Payables for acquisition of property and equipment	64.9	78.3
Construction payables	236.5	562.3
Deposits received from gaming patrons and gaming promoters	216.3	237.5
Accrued staff costs	184.9	194.1
Rentals payables	107.1	106.7
Withholding tax payable for gaming promoters	9.4	7.0
Withholding tax payable on employees' professional tax	10.1	10.6
Other payables	426.7	407.8
	7,930.5	6,895.0

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

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Age		
0 to 90 days	1,585.9	1,213.5
91 to 180 days	5.9	13.6
181 to 365 days	12.3	8.6
Over 365 days	11.1	3.9
	1,615.2	1,239.6

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

22. TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
STDM group and its associates	138.9	95.1
An associate	135.6	341.1
Entities in which certain directors of the Company and/or their close family members have control/significant influence	155.1	262.5
Entity in which a director of a subsidiary of the Company has significant influence	1.3	3.2
	<u>430.9</u>	<u>701.9</u>

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Amounts payable under finance leases				
— within one year	37.1	49.6	21.1	33.3
— between one to two years	40.4	40.3	24.2	23.6
— between two to five years	121.3	121.0	81.3	79.2
— after five years	236.4	256.1	212.1	226.4
	<u>435.2</u>	467.0	<u>338.7</u>	362.5
Less: Future finance charges	96.5	104.5		
Present value of lease obligations	<u>338.7</u>	<u>362.5</u>		
Less: Amounts due within one year shown under current liabilities			<u>21.1</u>	<u>33.3</u>
Amounts due for settlement after one year			<u>317.6</u>	<u>329.2</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

23. OBLIGATIONS UNDER FINANCE LEASES (Continued)

As at 30 June 2010, Sky Reach Investments Limited ("Sky Reach"), a wholly-owned subsidiary of the Company, had entered into certain lease agreements each for a term of 10 years (the "Aircraft Agreements") with a finance company and Jet Asia, to lease certain aircraft in MSAR in which the aircraft were then immediately sub-leased to Jet Asia. The Aircraft Agreements have terms of renewal and purchase option clauses. Pursuant to the Aircraft Agreements, the Group is entitled to recover any amounts and charges payable to the finance company under the Aircraft Agreements from Jet Asia. The amounts are denominated in United States dollars and carry variable interest rates with an effective interest rate ranging from 2.53% to 6.18% per annum at 30 June 2010 (31 December 2009: 2.28% to 6.68% per annum). The Group's obligations under finance leases are secured by the leased aircraft held by Jet Asia and the 100% shareholding of Sky Reach held by the Group.

In view of a decline in the resale value of certain aircraft in 2009, the finance company invoked a clause in the Aircraft Agreements requiring the Group to make accelerated lease payments in an aggregate amount of HK\$84.5 million which was fully recovered from Jet Asia at the end of the reporting period. As at 31 December 2009, HK\$71.5 million was included in trade and other receivables in the current assets and was repaid during this interim period.

At 30 June 2010, the relevant lease receivables from Jet Asia for the Aircraft Agreements which have equivalent repayment terms as the obligations under finance leases amounted to HK\$338.7 million (31 December 2009: HK\$362.5 million) out of which HK\$317.6 million (31 December 2009: HK\$329.2 million) is recorded as amount due from a fellow subsidiary in the non-current assets as shown in note 15. The remaining amount of HK\$21.1 million at 30 June 2010 (31 December 2009: HK\$33.3 million) is included in trade and other receivables in current assets.

24. BANK LOANS

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
The syndicated secured bank loans are repayable		
— within one year	1,040.0	1,040.0
— between one to two years	1,480.0	1,040.0
— between two to five years	2,112.0	3,062.0
	4,632.0	5,142.0
Less: Amounts due within one year shown under current liabilities	1,040.0	1,040.0
Amount due for settlement after one year	3,592.0	4,102.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

24. BANK LOANS (Continued)

At the end of the reporting period, the Group's syndicated secured bank loans carried interest ranging from 1.4% to 2.1% per annum over 3-month HIBOR with effective interest rates ranging from 1.5% to 2.7% (31 December 2009: 1.5% to 5.9%) per annum and are all denominated in Hong Kong dollars. The purpose of the loans is to finance certain construction projects in MSAR. At 30 June 2010, the loans are secured by certain of the Group's property and equipment and land use rights with carrying values of HK\$5,971.3 million (31 December 2009: HK\$6,127.4 million) and HK\$777.4 million (31 December 2009: HK\$797.3 million) respectively. In addition, the bank loans are secured, inter alia, by the following:

- (i) an assignment of all receivables and income from hotel operation of the Ponte 16 property;
- (ii) an assignment of all receivables of Grand Lisboa – Property Investment Company Limited and SJM (limited to the income after taxes, levies, commission and allowance to junkets derived from the Grand Lisboa casino);
- (iii) floating charges over all assets (except immovable property) and legal charges over certain bank accounts of certain subsidiaries with an aggregate carrying value of HK\$4,907.9 million (31 December 2009: HK\$5,411.1 million); and
- (iv) share pledges over the shares of certain subsidiaries.

25. CONVERTIBLE BONDS

Movements of the liability component of the convertible bonds for the period are as follows:

	HK\$ million
Liability component at date of issue	1,604.8
Transaction cost attributable to the liability component of the convertible bonds	(33.3)
	<hr/>
	1,571.5
Imputed interest expense for the year ended 31 December 2009	16.7
	<hr/>
At 31 December 2009 (audited)	1,588.2
Imputed interest expense for the period	48.0
Conversion during the period	(192.1)
	<hr/>
At 30 June 2010 (unaudited)	<u>1,444.1</u>

The zero coupon convertible bonds with principal amount of HK\$2,000 million were issued on 28 October 2009 with an initial conversion price of HK\$5.35 per share. With effect from 1 June 2010, the conversion price was adjusted to HK\$5.24 per share after accounting for the 2009 final dividend, which was approved by shareholders at the annual general meeting of the Company held on 31 May 2010, in accordance with the terms and conditions set out in the trust deed relating to the convertible bonds dated 28 October 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

25. CONVERTIBLE BONDS (Continued)

In addition, the liability component of the convertible bonds was reclassified from non-current liability to current liability in the current period since the Group is required to redeem all, or some only, of the convertible bonds on 28 April 2011 at the option of the bondholders, at the applicable early redemption amount set out in the trust deed.

During the period, convertible bonds with principal amount of HK\$234.8 million were converted to ordinary shares of the Company at a conversion price of HK\$5.24 per share.

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

Pursuant to the relevant agreement entered into between the Group and the non-controlling interests of a subsidiary, the non-controlling interests of the subsidiary agreed to subordinate its amount due from the subsidiary to the bank to secure the subsidiary's long-term bank loans and therefore is classified as non-current liability.

At 30 June 2010, interest on the amount due to the non-controlling interests of the subsidiary of HK\$918.7 million (31 December 2009: HK\$807.3 million) has been computed based on the principal amount of HK\$1,194.6 million (31 December 2009: HK\$1,089.0 million) at a weighted original effective interest rate of approximately 4.86% (31 December 2009: 5.08%) per annum, taking into account a projection on the timing of realisation of surplus funds representing the cash available in the relevant subsidiary of the Group after estimated payments of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest.

27. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount HK\$ million	Number of shares	Amount HK\$ million
Ordinary shares of HK\$1 each				
At 1 January 2009 (audited), 30 June 2009 (unaudited) and 31 December 2009 (audited)	15,000,000,000	15,000.0	5,000,000,000	5,000.0
Exercise of share options	—	—	48,280,000	48.3
Conversion of convertible bonds	—	—	44,809,149	44.8
At 30 June 2010 (unaudited)	<u>15,000,000,000</u>	<u>15,000.0</u>	<u>5,093,089,149</u>	<u>5,093.1</u>

28. SHARE OPTION SCHEME

On 19 May 2010 and 26 May 2010, a total of 1.5 million and 0.5 million share options were granted to 3 participants, at exercise prices of HK\$5.11 and HK\$5.03 per share respectively under the terms of the share option scheme passed on 13 May 2009 (the "Option Scheme"). Total consideration received from the participants for taking up the options granted was HK\$3.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

28. SHARE OPTION SCHEME (Continued)

A summary of the movements of the outstanding options during the six months ended 30 June 2010 under the Option Scheme is as follows:

Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	Number of share options			
					Outstanding at 1.1.2010	Granted during the period	Exercised during the period	Outstanding at 30.6.2010
Directors	13.7.2009	13.7.2009 – 12.1.2010	13.1.2010 – 12.1.2019	2.82	101,000,000	—	(20,500,000)	80,500,000
Employees	13.7.2009	13.7.2009 – 12.1.2010	13.1.2010 – 12.1.2019	2.82	39,800,000	—	(23,980,000)	15,820,000
	13.7.2009	13.7.2009 – 12.1.2011	13.1.2011 – 12.1.2019	2.82	10,000,000	—	—	10,000,000
	13.7.2009	13.7.2009 – 12.1.2012	13.1.2012 – 12.1.2019	2.82	10,000,000	—	—	10,000,000
	19.5.2010	19.5.2010 – 18.11.2010	19.11.2010 – 18.11.2019	5.11	—	1,500,000	—	1,500,000
	26.5.2010	26.5.2010 – 25.11.2010	26.11.2010 – 25.11.2019	5.03	—	500,000	—	500,000
	Others (note)	13.7.2009	13.7.2009 – 12.1.2010	13.1.2010 – 12.1.2019	2.82	5,900,000	—	(2,600,000)
	7.10.2009	7.10.2009 – 6.4.2010	7.4.2010 – 6.4.2019	4.48	1,200,000	—	(1,200,000)	—
					167,900,000	2,000,000	(48,280,000)	121,620,000
					HK\$2.83	HK\$5.09	HK\$2.86	HK\$2.86

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

In respect of the above options exercised during the period, the weighted average closing price per share at the dates of exercise was HK\$5.19. At the end of the reporting period, 99,620,000 share options were exercisable.

The estimated fair value of share options granted on 19 May 2010 and 26 May 2010 were HK\$3.1 million and HK\$1.0 million respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

28. SHARE OPTION SCHEME (Continued)

These fair values were calculated using the Binomial option pricing model. The inputs into the model were as follows:

Date of grant	19 May 2010	26 May 2010
Number of share options	1,500,000	500,000
Vesting period	6 months from the date of grant	6 months from the date of grant
Closing share price at date of grant	HK\$5.11	HK\$5.03
Contractual life	9.5 years	9.5 years
Exercise price per share	HK\$5.11	HK\$5.03
Exercise multiple	1.79 times	1.79 times
Expected volatility	56.77%	56.16%
Risk-free interest rate	2.47%	2.35%
Expected dividend yield	1.76%	1.79%

Because the Binomial option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

As the Company's shares were newly listed on the Stock Exchange in July 2008, expected volatility was determined by using the historical volatility of comparable companies with a similar business nature.

The contractual life used in the model is the full life of share options from date of grant to expiry date provided by the Company. For estimation of the early exercise behaviour of employees, the management assumed an exercise multiple of 1.79 times based on the historical exercise behaviour of the Company's employees.

The Group recognised total expenses of HK\$27.7 million during the period ended 30 June 2010 in relation to share options granted by the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

29. OPERATING LEASE COMMITMENTS

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

	Land use rights		Rented premises	
	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Within one year	2.5	2.5	217.3	219.4
In the second to fifth year inclusive	10.0	10.0	620.9	647.4
After five years	45.4	46.7	396.3	469.7
	<u>57.9</u>	<u>59.2</u>	<u>1,234.5</u>	<u>1,336.5</u>

At 30 June 2010, operating lease rentals committed to STDM group and its associates and entities in which certain directors of the Company have control/significant influence amounted to HK\$1,069.6 million (31 December 2009: HK\$1,143.6 million).

30. CAPITAL COMMITMENTS

	At 30 June 2010 HK\$ million (unaudited)	At 31 December 2009 HK\$ million (audited)
Capital expenditure in respect of property and equipment — authorised but not contracted for	<u>—</u>	<u>252.9</u>
— contracted for but not provided in the financial information	<u>267.2</u>	<u>410.3</u>

At 30 June 2010, capital expenditure in respect of property and equipment committed to entities in which certain directors of the Company have control was HK\$147.2 million (31 December 2009: HK\$585.7 million).

31. OTHER COMMITMENTS

In 2004, SJM entered into an agreement with a Portuguese school in MSAR for the use of a piece of land currently occupied by the school. As formulated under such agreement, the consideration comprises the construction of a new school in Taipa in MSAR for an amount not exceeding HK\$97.1 million and a donation of HK\$184.5 million. As at 30 June 2010 and 31 December 2009, deposits of HK\$65.5 million (note 14) were paid of which HK\$46.1 million (31 December 2009: HK\$46.1 million) is refundable if the agreement is void pursuant to its terms.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

32. CONTINGENT LIABILITIES AND GUARANTEES

	At 30 June 2010		At 31 December 2009	
	Maximum guarantees given HK\$ million (unaudited)	Credit facilities utilised HK\$ million (unaudited)	Maximum guarantees given HK\$ million (audited)	Credit facilities utilised HK\$ million (audited)
Guarantees given to banks in respect of credit facilities granted to				
— an associate	67.3	55.5	67.3	0.9
— investee companies	26.5	393.7	86.5	335.0
— a related company in which a director of the Company has beneficial interests	45.0	45.0	89.9	89.9
	138.8	494.2	243.7	425.8

At the end of the reporting period, the Group was a guarantor in respect of a deed entered into between a shareholder of Zhen Hwa Harbour Construction Company Limited (“Zhen Hwa”), an associate of the Group, and an independent third party for a construction project in MSAR. Pursuant to the deed, the Group has guaranteed the performance of Zhen Hwa under the deed and agreed to indemnify the third party, against all liabilities, losses, damages, costs and expenses suffered or incurred by the third party by reason of any act, failure, default or omission on the part of Zhen Hwa in performing and observing its obligations under and in connection with the warranty. There are no claims from third party in both periods.

Also, at the end of the reporting period, the Group and its shareholders and their affiliates are parties to various legal claims. In the opinion of the directors, regardless of how such cases are adjudicated by the courts, none of the proceedings, taken alone or together, will have a material adverse impact on the shares of the Company or assets of the Group, the validity or legality of its group reorganisation and/or the listing of the shares of the Company on the Stock Exchange or the interests of its shareholders.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

33. RELATED PARTY TRANSACTIONS

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

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

Relationship of related companies	Nature of transactions	Six months ended 30 June	
		2010 HK\$ million (unaudited)	2009 HK\$ million (unaudited)
STDM group and its associates (as defined under Chapter 14A of the Listing Rules)	Hotel accommodation	35.2	31.7
	Hotel management and operation	2.8	6.1
	Entertainment and staff messing	32.1	35.9
	Dredging services	51.6	39.1
	Transportation	90.1	109.7
	Promotional and advertising services	9.3	9.8
	Maintenance services	30.0	32.3
	Property rentals	92.0	48.3
	Share of administration expenses	20.5	21.2
	Aircraft sublease rental receipts	32.9	23.0
Entities other than above in which STDM, certain directors of the Company and/or their close family members have control/significant influence	Entertainment	4.3	4.4
	Property rentals	5.9	44.6
	Purchase of property, rental receipts and equipment	10.5	10.9
	Insurance expenses	22.3	36.2
	Construction costs paid	15.3	53.1
	Service fees in relation to the operation of a casino and a slot hall	410.7	6.1
	Hotel accommodation	0.5	13.0
	Promotion and advertising expenses	28.6	23.9
	Maintenance services	4.1	5.2
An associate	Construction costs paid	158.5	222.1
Entity in which a director of a subsidiary of the Company has significant influence	Printing and stationery expenses	1.1	1.5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

33. RELATED PARTY TRANSACTIONS (Continued)

- (b) In 2002, SJM was granted a concession to operate casinos in MSAR. For this purpose, STDM transferred its gaming assets to SJM. SJM has been borrowing casino chips from STDM for the purpose of its business operation since SJM, as a new concessionaire in 2002, did not have sufficient casino chips to meet its business needs. According to the gaming concession contract, SJM is permitted to use STDM's casino chips, both in treasury and those put in circulation by STDM prior to 1 April 2002 and should honour such casino chips. In order to regulate the borrowing and use of STDM chips, the Group entered into a chips agreement with STDM dated 18 June 2008 (the "Chips Agreement") regarding the honouring and borrowing of STDM chips. Under the Chips Agreement, the Group has agreed to honour the STDM chips in circulation upon their redemption by patrons or clients. In addition, STDM has agreed to reimburse the STDM chips presented by the Group to STDM, by paying to the Group the aggregate face value of chips so presented in cheque within the same quarter when such presentation takes place. During the period ended 30 June 2010, the amount of STDM chips redeemed and borrowed was approximately HK\$118.7 million (six months ended 30 June 2009: HK\$207.8 million) and HK\$142.5 million (six months ended 30 June 2009: HK\$51.4 million) respectively.
- (c) Regarding the aircraft lease arrangement as detailed in note 23, the Group charged minimum lease payments of HK\$32.9 million (six months ended 30 June 2009: HK\$23.0 million) to the fellow subsidiary, and repaid the same amount of minimum lease payments to the finance company during the period ended 30 June 2010.
- (d) Save as disclosed in note 24, in addition to the securities provided by the Group to the relevant bank, the syndicated secured bank loans are also secured by non-controlling interests of a subsidiary of the Group. At the end of each reporting period, the details of the securities are set out as follows:
- (i) a corporate guarantee up to a maximum amount of HK\$860 million;
 - (ii) an unconditional and irrevocable funding undertaking for the purpose of satisfying the construction costs of certain of the Ponte 16 Property which include (i) the land premium and all other premiums and sums of money payable to the Governmental Agency of MSAR in respect of the Ponte 16 Property; (ii) all construction costs and all operating costs to be incurred; and (iii) all financial costs and expenses, including interest payable in respect of the syndicated secured bank loans facility;
 - (iii) an unconditional and irrevocable undertaking for the purpose of ensuring the completion of the construction of the Ponte 16 Property; and
 - (iv) a share pledge over all shares in Pier 16 – Property.
- (e) Compensation of key management personnel
- During the period, the remuneration paid to the Group's key management personnel, represented by the Company's directors, is HK\$31.0 million (six months ended 30 June 2009: HK\$21.1 million), including equity-settled share based payments of HK\$8.3 million (six months ended 30 June 2009: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2010

34. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, convertible bonds with principal amount of HK\$468.6 million were converted to approximately 89.4 million new ordinary shares of the Company at a conversion price of HK\$5.24 per share.

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