

# 2011

INTERIM REPORT  
中期報告



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





Come Home  
with us to  
Macau!



歡聚於澳門——  
我們的家!



感受澳門，  
感覺在家!



Welcome to our  
Home in Macau!

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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 2011, SJM operated 17 casinos and 3 slot machine lounges, comprising more than 1,700 gaming tables and over 4,000 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

## AUDIT COMMITTEE

Mr. Tse Hau Yin (*Committee Chairman*)

Mr. Chau Tak Hay

Mr. Shek Lai Him, Abraham

Mr. Lan Hong Tsung, David

## 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

Mr. Chau Tak Hay

## CHIEF FINANCIAL OFFICER

Mr. Robert McBain

## GROUP LEGAL COUNSEL

Mr. Jonathan Pyne

## COMPANY SECRETARY

Ms. Kwok Shuk Chong

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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One International Finance Centre  
1 Harbour View Street, Central  
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Tel: (852) 3960 8000

Fax: (852) 3960 8111

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

Email (Investor Relations): [ir@sjmholdings.com](mailto:ir@sjmholdings.com)

## LISTING INFORMATION

Share listing: Hong Kong Stock Exchange  
(Main Board)

Listing date: 16 July 2008

Stock short name: SJM Holdings

Stock code: 880

Board lot: 1,000 shares

## LEGAL ADVISORS

*On Hong Kong Law:*

Baker & McKenzie

Herbert Smith

Linklaters

*On Macau Law:*

C&C Advogados

João Nuno Riquito & Associados Advogados

## FINANCIAL ADVISOR

Somerley Limited

## JOINT AUDITORS

Deloitte Touche Tohmatsu

H.C. Watt & Company Limited

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Macau) Limited

Bank of China Limited

Crédit Agricole Corporate and Investment Bank

BNP Paribas

Industrial and Commercial Bank of China (Asia) Limited

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

Tel: (852) 2862 8555

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

## BUSINESS REVIEW

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

### GROUP OPERATING RESULTS

The Group's total revenue, gaming revenue, profit attributable to owners of the Company, Adjusted EBITDA and Adjusted EBITDA Margin for the six months ended 30 June 2011 ("the Reporting Period") each increased substantially from the year-earlier period:

Group operating results	For the six months ended 30 June		Increase
	2011 HK\$ million	2010 HK\$ million	
Total revenue	<b>37,798</b>	26,716	<b>41.5%</b>
Gaming revenue	<b>37,534</b>	26,519	<b>41.5%</b>
Profit attributable to owners of the Company	<b>2,666</b>	1,567	<b>70.1%</b>
Adjusted EBITDA <sup>(1)</sup>	<b>3,491</b>	2,232	<b>56.4%</b>
Adjusted EBITDA Margin <sup>(2)</sup>	<b>9.2%</b>	8.4%	

<sup>(1)</sup> Adjusted EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, and share-based payments.

<sup>(2)</sup> Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of total revenue.

During the Reporting Period, the Group's gaming revenue amounted to approximately 31.1% of total gaming revenue in Macau, compared with 31.8% 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 amortisation charges of \$584 million, as compared to \$609 million in the corresponding period last year.

The Group's operating results for the three months ended 30 June 2011, as compared to the three months ended 31 March 2011 are as follows:

Group quarterly operating results	For the three months ended		Increase/ (Decrease)
	30 June 2011 HK\$ million	31 March 2011 HK\$ million	
Total revenue	<b>19,527</b>	18,271	<b>6.9%</b>
Gaming revenue	<b>19,393</b>	18,141	<b>6.9%</b>
Profit attributable to owners of the Company <sup>(3)</sup>	<b>1,259</b>	1,407	<b>(10.5)%</b>
Adjusted EBITDA	<b>1,813</b>	1,678	<b>8.0%</b>
Adjusted EBITDA Margin	<b>9.3%</b>	9.2%	

<sup>(3)</sup> Profit attributable to owners of the Company is net of share-based payments of \$297.9 million in the three months ended 30 June 2011 (\$6.2 million in the three months ended 31 March 2011).

**OPERATING RESULTS – VIP GAMING**

VIP operations	For the six months ended 30 June		Increase
	2011	2010	
Gaming revenue (HK\$ million)	<b>26,609</b>	17,680	<b>50.5%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>255,674</b>	224,036	<b>14.1%</b>
VIP chips sales (HK\$ million)	<b>927,483</b>	608,700	<b>52.4%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>575</b>	436	<b>31.9%</b>

VIP gaming operations accounted for 70.9% of the Group's total gaming revenue in the Reporting Period, as compared to 66.7% for the corresponding period last year. As at 30 June 2011, SJM had 586 VIP gaming tables in operation with 34 VIP promoters, as compared with 507 VIP gaming tables and 33 VIP promoters as at 31 December 2010.

The Group's gaming revenue from VIP gaming operations amounted to approximately 30.1% of total VIP gaming revenue in Macau, compared to 29.8% in the corresponding period last year, according to figures from DICJ. During the Reporting Period, the hold rate of VIP gaming operations was 2.87%, as compared with 2.90% in the corresponding period last year.

**OPERATING RESULTS – MASS MARKET TABLE GAMING**

Gaming revenue from mass market table gaming operations comprised 27.1% of the Group's total gaming revenue in the Reporting Period, as compared to 31.3% in the corresponding period last year. Operating results for the Reporting Period are as follows:

Mass market operations	For the six months ended 30 June		Increase/ (Decrease)
	2011	2010	
Gaming revenue (HK\$ million)	<b>10,180</b>	8,298	<b>22.7%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>47,946</b>	34,188	<b>40.2%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>1,173</b>	1,341	<b>(12.5)%</b>

In the Reporting Period, the Group's gaming revenue from mass market table gaming operations amounted to approximately 38.2% of total mass market table gaming revenue in Macau, compared to 41.2% in the corresponding period last year, according to figures from DICJ.

SJM operated a total of 1,153 mass market gaming tables in its casinos as at 30 June 2011, as compared with 1,183 mass market gaming tables as at 31 December 2010.

## BUSINESS REVIEW

### OPERATING RESULTS – SLOT MACHINES AND OTHER GAMING OPERATIONS

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

Slot machine operations	For the six months ended 30 June		Increase/ (Decrease)
	2011	2010	
Gaming revenue (HK\$ million)	<b>745</b>	541	<b>37.9%</b>
Average daily net-win per slot machine (HK\$)	<b>1,042</b>	651	<b>60.0%</b>
Average number of slot machines (Average of month-end numbers)	<b>3,950</b>	4,580	<b>(13.8)%</b>

In the Reporting Period, the Group's gaming revenue from slot machine operations amounted to approximately 13.8% of total slot machine revenue in Macau, compared to 14.0% in the corresponding period last year, according to figures from DICJ.

SJM had 4,008 slot machines, operating in 14 of SJM's casinos and in three slot halls, as at 30 June 2011 as compared with 4,147 slot machines as at 31 December 2010.

### OPERATING RESULTS OF CASINO SEGMENTS – CASINO GRAND LISBOA

SJM's flagship Casino Grand Lisboa achieved substantial growth in revenue and Adjusted EBITDA in the first half of 2011. Adjusted EBITDA Margin was lower due to the comparatively larger proportion of VIP gaming revenue at Casino Grand Lisboa during the period:

Casino Grand Lisboa	For the six months ended 30 June		Increase
	2011	2010	
Revenue (HK\$ million)	<b>11,223</b>	6,827	<b>64.4%</b>
Profit attributable to the Group (HK\$ million)	<b>1,542</b>	989	<b>55.9%</b>
Adjusted EBITDA (HK\$ million)	<b>1,822</b>	1,123	<b>62.2%</b>
Adjusted EBITDA Margin	<b>16.2%</b>	16.5%	



## BUSINESS REVIEW

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

Casino Grand Lisboa	For the six months ended 30 June		Increase
	2011	2010	
<b>VIP operations</b>			
Gaming revenue (HK\$ million)	<b>8,362</b>	4,774	<b>75.2%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>388,217</b>	306,679	<b>26.6%</b>
VIP chips sales (HK\$ million)	<b>309,712</b>	188,669	<b>64.2%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>119</b>	86	<b>38.4%</b>
<b>Mass market operations</b>			
Gaming revenue (HK\$ million)	<b>2,630</b>	1,884	<b>39.6%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>57,662</b>	43,196	<b>33.5%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>252</b>	241	<b>4.6%</b>
<b>Slot machine operations</b>			
Gaming revenue (HK\$ million)	<b>231</b>	169	<b>37.0%</b>
Average daily net-win per slot machine (HK\$)	<b>1,691</b>	1,305	<b>29.6%</b>
Average number of slot machines (Average of month-end numbers)	<b>756</b>	715	<b>5.7%</b>

Casino Grand Lisboa received around 5.8 million visitors during the first half of 2011, an average of over 32,000 visitors per day.

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

Other self-promoted casinos are Casino Lisboa, Casino Oceanus at Jai Alai and Casino Jai Alai. 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"). Adjusted EBITDA Margin for these operations increased mainly due to a comparatively smaller proportion of VIP gaming revenue at Casino Lisboa during the period, and an increase in revenue per table at Casino Oceanus at Jai Alai.

Other self-promoted casinos and slot halls	For the six months ended 30 June		Increase/ (Decrease)
	2011	2010	
Revenue (HK\$ million)	<b>5,931</b>	6,131	<b>(3.3)%</b>
Profit attributable to the Group (HK\$ million)	<b>516</b>	318	<b>62.4%</b>
Adjusted EBITDA (HK\$ million)	<b>672</b>	447	<b>50.2%</b>
Adjusted EBITDA Margin	<b>11.3%</b>	7.3%	



## BUSINESS REVIEW

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

Other self-promoted casinos and slot halls	For the six months ended 30 June		Increase/ (Decrease)
	2011	2010	
<b>VIP operations</b>			
Gaming revenue (HK\$ million)	<b>3,585</b>	4,292	<b>(16.5)%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>366,833</b>	395,252	<b>(7.2)%</b>
VIP chips sales (HK\$ million)	<b>129,694</b>	147,530	<b>(12.1)%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>54</b>	60	<b>(10.0)%</b>
<b>Mass market operations</b>			
Gaming revenue (HK\$ million)	<b>2,123</b>	1,671	<b>27.0%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>36,088</b>	24,686	<b>46.2%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>325</b>	374	<b>(13.1)%</b>

As at 30 June 2011, Casino Lisboa operated a total of 131 mass market gaming tables, 53 VIP gaming tables and 72 slot machines.

As at 30 June 2011, Casino Oceanus at Jai Alai and Casino Jai Alai operated a total of 182 mass market gaming tables, 6 VIP gaming tables and 671 slot machines.

### OPERATING RESULTS OF CASINO SEGMENTS – SATELLITE CASINOS AND SLOT HALLS

As at 30 June 2011, SJM operated 14 satellite (third party-promoted) casinos, as follows: Casino Babylon, Casino Casa Real, Casino Diamond, Casino Emperor Palace, Casino Fortuna, Casino Golden Dragon, Casino Grandview, Casino Greek Mythology (formerly Casino New Century), Casino Jimei, Casino Kam Pek, Casino Lan Kwai Fong, Casino L'Arc, Casino Ponte 16 and Club Legend VIP. Tiger Slot Lounge, a third party-promoted slot hall, ceased operations on 19 January 2011.

The satellite casinos are operated in accordance with service agreements between SJM and third party promoters.

Satellite casinos and slot halls	For the six months ended 30 June		Increase
	2011	2010	
Revenue (HK\$ million)	<b>20,380</b>	13,561	<b>50.3%</b>
Profit attributable to the Group (HK\$ million)	<b>745</b>	476	<b>56.7%</b>
Adjusted EBITDA (HK\$ million)	<b>827</b>	524	<b>57.8%</b>
Adjusted EBITDA Margin	<b>4.1%</b>	3.9%	

## BUSINESS REVIEW

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

Satellite casinos and slot halls	For the six months ended 30 June		Increase/ (Decrease)
	2011	2010	
<b>VIP operations</b>			
Gaming revenue (HK\$ million)	<b>14,662</b>	8,614	<b>70.2%</b>
Average daily net-win per VIP gaming table (HK\$)	<b>201,506</b>	163,539	<b>23.2%</b>
VIP chips sales (HK\$ million)	<b>488,077</b>	272,501	<b>79.1%</b>
Average number of VIP gaming tables (Average of month-end numbers)	<b>402</b>	291	<b>38.1%</b>
<b>Mass market operations</b>			
Gaming revenue (HK\$ million)	<b>5,427</b>	4,743	<b>14.4%</b>
Average daily net-win per mass market gaming table (HK\$)	<b>50,304</b>	36,044	<b>39.6%</b>
Average number of mass market gaming tables (Average of month-end numbers)	<b>596</b>	727	<b>(18.0)%</b>

### NON-GAMING OPERATIONS

Hotel and catering service income and other income totaled \$381 million in the Reporting Period, an increase from \$260 million in the first half of 2010. Of this amount, \$138 million consisted of revenue from hotel rooms and \$126 million was revenue from food and beverage services. During the Reporting Period, the Hotel Grand Lisboa operated at average occupancy of 89.3%, and achieved an average daily room rate of \$2,065. Adjusted EBITDA contribution of Hotel Grand Lisboa was \$97 million for the Reporting Period.

The Group's 51%-owned Ponte 16 contributed \$66 million in Adjusted EBITDA in the Reporting Period, compared with \$56 million in the first half of 2010. The Sofitel Macau at Ponte 16 and food and beverage operations contributed \$68 million to the Group's revenues in the Reporting Period compared with \$60 million during the year-earlier period.

# PROSPECTS AND RECENT DEVELOPMENTS

## MARKET ENVIRONMENT

In the Reporting Period, the Macau gaming market continued its strong growth. Total casino gaming revenue established a new monthly record in April 2011 and surpassed this record in the following month. According to the Macau Government Statistics and Census Service, 13.2 million visitors came to Macau in the first half of 2011, an increase of 8.3% from the year-earlier period and an increase of 4.0% from the second half of 2010.

For the six months ended 30 June 2011, Macau casino gaming revenue reached HK\$120,511 million, an increase of 44.6% over the same period last year and an increase of 21.1% from the second half of 2010. Growth in gaming revenue in Macau was mainly derived from growth in VIP gaming revenue, which reached HK\$88,455 million in the six months ended 30 June 2011, an increase of 49.0% from the year-earlier period and an increase of 22.3% from the second half of 2010.

In 2011 and 2012 the Company faces some new competition from casino resorts opening in the Cotai area. In May 2011 one new competing casino resort facility was opened. An additional competing casino resort property is expected to open in 2012. Together, the two new projects are expected to account for around 14% additional gaming tables in Macau, and bring the total number of gaming tables in Macau up to the level of 5,500 which is the maximum permitted by the government under the policy that expires in 2013. The Group believes that this policy will not affect the Group's business plans during the coming two years.

The Group continues to pursue its strategy of growing its business through the development of strategically located gaming and gaming-related 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 AND RECENT INITIATIVES

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

- **at Casino Grand Lisboa**

In the third quarter of 2010 SJM opened high-vista VIP gaming rooms, on the 38th and 39th floors of the Grand Lisboa, with approximately 30 additional VIP gaming tables. In February 2011, the new Grand Lotus area for Premium mass market play was opened on the mezzanine floor above the main gaming floor. Both initiatives contributed positive results in the six months ended 30 June 2011. Later in 2011, the Robuchon au Dome Restaurant is planned to open on the top floor of Grand Lisboa.

- **at Casino Lisboa**

The Group is currently finalizing plans to renovate Casino Lisboa. The renovation plan, which would involve zone-by-zone refurbishment of the several gaming areas comprising the casino, is expected to be operational by the end of 2011.

- **at Casino Oceanus At Jai Alai**

Prominent signage atop Casino Oceanus at Jai Alai, visible to visitors arriving in Macau via the Outer Harbour, was constructed during the first half of 2011. Work is currently in progress to enclose and air-condition the overhead walkway that connects Oceanus with the Macau Maritime Terminal. Additionally, in June 2011, one junket with six VIP gaming tables began operations on the second floor of Casino Oceanus at Jai Alai.

## PROSPECTS AND RECENT DEVELOPMENTS

### FUTURE PROJECTS

- **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 in acquiring other land 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 Jai Alai plans**

The Group is considering various possibilities for renovation of Casino Jai Alai to support the future expansion of Casino Oceanus at Jai Alai. Significant capital expenditure for this project is not expected in 2011.

### 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 mass market and VIP gaming segments while striving to improve its operating efficiency. The Group is optimistic regarding its performance for the rest of the year.



# FINANCIAL REVIEW

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

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong financial position during the Reporting Period, with bank balances and cash amounting to \$18,062 million (not including \$172 million pledged bank deposits) as at 30 June 2011 (as at 31 December 2010: \$15,175 million).

Total outstanding balances of bank loans drawn by the Group as at 30 June 2011 amounted to \$3,592 million (as at 31 December 2010: \$4,112 million, excluding convertible bonds outstanding). The maturity profile of the Group's borrowings as at 30 June 2011 is set out below:

Maturity Profile				
<i>Within 1 year</i>	<i>1–2 years</i>	<i>2–5 years</i>	<i>Over 5 years</i>	<i>Total</i>
41.2%	58.8%	0.0%	0.0%	100.0%

## GEARING RATIO

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 2010: nil).

## CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments by the Group amounted to \$166 million at the end of the Reporting Period (as at 31 December 2010: \$289 million).

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 2011, certain of the Group's property and equipment and land use rights with carrying values of \$5,627 million and \$738 million, respectively (as at 31 December 2010: \$5,832 million and \$758 million, respectively), were pledged with banks for loan facilities. In addition, the Group had pledged bank deposits of \$172 million as at 30 June 2011 (as at 31 December 2010: \$172 million).

## CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2011, the Group had total guarantees given to banks of \$93 million (as at 31 December 2010: \$93 million), which were guarantees in respect of credit facilities granted to an associate and investee companies. The Group had no significant contingent liabilities as at 30 June 2011.

## FINANCIAL REVIEW

### FINANCIAL RISK

The Group follows a conservative policy in financial management with minimal exposure to currency and interest rate risks. Funds raised by the Group are on a floating rate basis. The Group does not currently hedge its interest rate exposure, although it may consider doing so in the future. 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 2011, the Group had 19,630 full-time employees (as at 31 December 2010: 19,585). 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.

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 awards scholarships to children of staff to study at institutions of their choice.

### COMPARISON WITH UNITED STATES GAAP ACCOUNTING

The Group's results are prepared in compliance with Hong Kong generally accepted accounting principles ("HK GAAP"). In comparing the Group's results to those of companies whose results are prepared under US GAAP, it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An Adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher Adjusted EBITDA margin than that calculated under HK GAAP. If calculated under US GAAP, the Group's Adjusted EBITDA margin would be approximately 16.6% for the reporting period, as compared to HK GAAP which gives an Adjusted EBITDA margin of 9.2% for the period.

## OTHER INFORMATION

### INTERIM DIVIDEND

The board of directors of the Company has resolved to declare the payment of an interim dividend of HK8 cents per ordinary share of the Company (the "Share") for the six months ended 30 June 2011 (six months ended 30 June 2010: HK5 cents per Share).

The interim dividend is expected to be paid on Wednesday, 21 September 2011 to shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 6 September 2011.

### 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 Friday, 2 September 2011 to Tuesday, 6 September 2011, 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 Thursday, 1 September 2011.

### DISCLOSURE OF INTERESTS

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

As at 30 June 2011, 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	—	10,000,000 (note a)	(note b) 0.18%
So Shu Fai	Beneficial owner	Long position	128,327,922	—	2.33%
	Beneficial owner	Long position	—	35,000,000 (note a)	0.63%
			128,327,922	35,000,000	2.96%

## OTHER INFORMATION

Name of Director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued share capital
Ng Chi Sing	Beneficial owner	Long position	96,452,922	—	(note b) 1.75%
	Beneficial owner	Long position	—	32,000,000 (note a)	0.58%
			96,452,922	32,000,000	2.33%
Rui José da Cunha	Beneficial owner	Long position	19,000,500	—	0.35%
	Beneficial owner	Long position	—	3,000,000 (note a)	0.05%
			19,000,500	3,000,000	0.40%
Leong On Kei, Angela	Beneficial owner	Long position	417,200,000	—	7.57%
	Beneficial owner	Long position	—	30,000,000 (note a)	0.54%
			417,200,000	30,000,000	8.11%
Shum Hong Kuen, David	Beneficial owner	Long position	—	6,000,000 (note a)	0.11%
Fok Tsun Ting, Timothy	Beneficial owner	Long position	—	6,000,000 (note a)	0.11%
Cheng Yu Tung	Beneficial owner	Long position	—	6,000,000 (note a)	0.11%
Chau Tak Hay	Beneficial owner	Long position	—	500,000 (note a)	0.01%
Lan Hong Tsung, David	Beneficial owner	Long position	—	1,000,000 (note a)	0.02%
Shek Lai Him, Abraham	Beneficial owner	Long position	—	1,000,000 (note a)	0.02%
Tse Hau Yin	Beneficial owner	Long position	—	1,000,000 (note a)	0.02%



## OTHER INFORMATION

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

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

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

*STDM – Investments Limited*

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%

*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
Leong On Kei, Angela	Beneficial owner	Long position	300,000	10.00%

Notes:

- 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.
- The percentage has been calculated based on 5,511,664,293 Shares in issue as at 30 June 2011.

Save as disclosed above, so far as was known to any Director, as of 30 June 2011, none of the Directors or the Chief Executive Officer had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## OTHER INFORMATION

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

As at 30 June 2011, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of substantial shareholder	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued share capital
					(note b)
Leong On Kei, Angela	Beneficial owner	Long position	417,200,000	—	7.57%
	Beneficial owner	Long position	—	30,000,000 (note a)	0.54%
			417,200,000	30,000,000	8.11%
Sociedade de Turismo e Diversões de Macau, S.A.	Beneficial owner	Long position	3,049,987,500	—	55.34%

Notes:

- 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.
- The percentage has been calculated based on 5,511,664,293 Shares in issue as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, 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.

### SHARE OPTION SCHEME

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

## OTHER INFORMATION

Details of the movement in Options granted under the Scheme during the six months ended 30 June 2011 were as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per Share HK\$	Number of Options					Balance as at 30 June 2011
				Outstanding as at 1 January 2011	Grant during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors: Ho Hung Sun, Stanley	13 July 2009	13 January 2010 to 12 January 2019	2.82	5,000,000	—	—	—	—	5,000,000
	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	5,000,000	—	—	—	5,000,000
So Shu Fai	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	35,000,000	—	—	—	35,000,000
Ng Chi Sing	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	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)	—	—	—
	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	3,000,000	—	—	—	3,000,000
Leong On Kei, Angela	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	30,000,000	—	—	—	30,000,000
Shum Hong Kuen, David	13 July 2009	13 January 2010 to 12 January 2019	2.82	3,000,000	—	—	—	—	3,000,000
	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	3,000,000	—	—	—	3,000,000
Fok Tsun Ting, Timothy	31 August 2010	28 February 2011 to 27 February 2020	7.48	3,000,000	—	—	—	—	3,000,000
	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	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
	31 August 2010	28 February 2011 to 27 February 2020	7.48	2,000,000	—	—	—	—	2,000,000
	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	3,000,000	—	—	—	3,000,000
Chau Tak Hay	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	500,000	—	—	—	500,000
Lan Hong Tsung, David	13 July 2009	13 January 2010 to 12 January 2019	2.82	500,000	—	—	—	—	500,000
	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	500,000	—	—	—	500,000
Shek Lai Him, Abraham	13 July 2009	13 January 2010 to 12 January 2019	2.82	500,000	—	—	—	—	500,000
	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	500,000	—	—	—	500,000
Tse Hau Yin	13 July 2009	13 January 2010 to 12 January 2019	2.82	500,000	—	—	—	—	500,000
	17 March 2011	17 September 2011 to 16 September 2020	12.496	N/A	500,000	—	—	—	500,000
Sub-total (Directors):				18,500,000	116,000,000	(3,000,000)	—	—	131,500,000

## OTHER INFORMATION

Name or category of participants	Date of grant	Exercise period	Exercise price per Share HK\$	Number of Options					Balance as at 30 June 2011
				Outstanding as at 1 January 2011	Grant during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Employees	13 July 2009	13 January 2010 to 12 January 2019	2.82	9,260,000	—	(3,755,000)	—	—	5,505,000
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	1,500,000	—	(100,000)	—	—	1,400,000
Employees	26 May 2010	26 November 2010 to 25 November 2019	5.03	500,000	—	(240,000)	—	—	260,000
Sub-total (Employees):				31,260,000	—	(4,095,000)	—	—	27,165,000
Other participants	13 July 2009	13 January 2010 to 12 January 2019	2.82	2,800,000	—	(550,000)	—	—	2,250,000
Grand-total:				52,560,000	116,000,000	(7,645,000)	—	—	160,915,000

N/A: not applicable

Notes:

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

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

- b. 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.
- c. 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.
- d. The vesting period for all of the Options granted on 31 August 2010 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was HK\$7.49. The estimated fair value of each Option granted on that date based on an independent valuation is HK\$2.8926.
- e. The vesting period for all of the Options granted on 17 March 2011 is six months from the date of grant. The closing price of the Shares immediately before the date of grant was HK\$12.58. The estimated fair value of each Option granted on that date based on an independent valuation is HK\$4.5320.
- f. The weighted average closing price of the Shares immediately before the dates on which the Options were exercised is HK\$15.32.



## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2011.

### 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 2011, 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 29 April 2011.

### 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 2011.

### DIRECTORS' BIOGRAPHICAL DETAILS UPDATE

Directors' biographical details update since 1 January 2011 and up to 30 June 2011, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Biographical details update since 1 January 2011 and up to 30 June 2011
Ho Hung Sun, Stanley	<ul style="list-style-type: none"><li>– Ceased to act as the president and became the honorary life president of The Real Estate Developers Association of Hong Kong with effect from 13 April 2011</li></ul>
So Shu Fai	<ul style="list-style-type: none"><li>– His director's fees (including fees for acting as Chairman of each of the Remuneration Committee and the Nomination Committee) being received from the Company since 1 January 2011 are covered by a service contract.</li><li>– Increase of emolument being received from the Group by HK\$29,167 per month since 1 February 2011.</li></ul>
Ng Chi Sing	<ul style="list-style-type: none"><li>– His director's fees being received from the Company since 1 January 2011 are covered by a service contract.</li><li>– Increase of emolument being received from the Group by HK\$27,083 per month since 1 February 2011.</li></ul>
Rui José da Cunha	<ul style="list-style-type: none"><li>– His director's fees being received from the Company since 1 January 2011 are covered by a service contract.</li><li>– Increase of emolument being received from the Group by HK\$5,625 per month since 1 February 2011.</li></ul>
Leong On Kei, Angela	<ul style="list-style-type: none"><li>– Her director's fees (including fees for acting as a member of each of the Remuneration Committee and the Nomination Committee) being received from the Company since 1 January 2011 are covered by a service contract.</li><li>– Increase of emolument being received from the Group by HK\$208,334 per month since 1 January 2011 and further by HK\$3,000 per month since 1 February 2011.</li><li>– Became vice chairman of Po Leung Kuk on 9 March 2011</li></ul>

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

## OTHER INFORMATION

### REVIEW OF INTERIM FINANCIAL INFORMATION

The Group's unaudited interim financial information for the six months ended 30 June 2011 has been reviewed by the Audit Committee of the Company and by the Company's joint auditors in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board of Directors

**SJM Holdings Limited**

**So Shu Fai**

Executive Director and Chief Executive Officer

Hong Kong, 10 August 2011

# 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 22 to 50 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 2011 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

10 August 2011

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

10 August 2011

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$ million (unaudited)	2010 HK\$ million (unaudited)
Gaming, hotel, catering and related services revenues		<b>37,798.3</b>	26,715.5
Gaming revenue	5	<b>37,534.1</b>	26,518.6
Special gaming tax, special levy and gaming premium		<b>(14,448.2)</b>	(10,254.5)
		<b>23,085.9</b>	16,264.1
Hotel, catering and related services income		<b>264.2</b>	196.9
Cost of sales and services on hotel, catering and related services		<b>(116.0)</b>	(94.5)
Other income		<b>116.3</b>	62.9
Marketing and promotional expenses		<b>(17,014.4)</b>	(11,552.8)
Operating and administrative expenses		<b>(3,601.2)</b>	(3,206.3)
Finance costs	6	<b>(65.5)</b>	(117.1)
Share of (losses) profits of an associate		<b>(8.1)</b>	1.3
Share of profits of a jointly controlled entity		<b>3.9</b>	2.5
Profit before taxation	7	<b>2,665.1</b>	1,557.0
Taxation	8	<b>(8.7)</b>	(8.7)
Profit for the period and total comprehensive income for the period		<b>2,656.4</b>	1,548.3
Profit for the period and total comprehensive income attributable to			
— owners of the Company		<b>2,665.9</b>	1,567.0
— non-controlling interests		<b>(9.5)</b>	(18.7)
		<b>2,656.4</b>	1,548.3
Earnings per share			
— Basic	10	<b>HK48.6 cents</b>	HK31.2 cents
— Diluted	10	<b>HK48.1 cents</b>	HK29.6 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	At 30 June 2011 HK\$ million (unaudited)	At 31 December 2010 HK\$ million (audited)
<b>Non-current assets</b>			
Property and equipment	11	<b>9,145.5</b>	9,486.0
Land use rights	12	<b>793.4</b>	804.9
Intangible asset		<b>36.3</b>	39.5
Art works and diamonds	13	<b>290.4</b>	290.4
Interest in an associate		<b>65.9</b>	74.0
Interest in a jointly controlled entity		<b>77.1</b>	73.2
Available-for-sale investments in equity securities		<b>5.5</b>	5.5
Deposits made on acquisitions	14	<b>207.2</b>	122.6
Amount due from a fellow subsidiary	15	<b>285.6</b>	304.5
Amount due from an associate		<b>20.0</b>	—
Amount due from a jointly controlled entity		<b>14.3</b>	—
Amounts due from investee companies	16	<b>138.2</b>	144.2
Pledged bank deposits	17	<b>145.6</b>	145.6
		<b>11,225.0</b>	11,490.4
<b>Current assets</b>			
Inventories		<b>64.1</b>	55.9
Trade and other receivables	18	<b>1,204.2</b>	1,258.2
Loan receivables	19	<b>246.0</b>	246.0
Amount due from ultimate holding company	20	<b>1.2</b>	546.7
Amount due from an associate		—	20.0
Amount due from a jointly controlled entity		—	14.3
Financial assets at fair value through profit or loss	21	<b>83.3</b>	56.2
Pledged bank deposits	17	<b>26.4</b>	26.4
Short-term bank deposits		<b>940.5</b>	5,036.7
Bank balances and cash		<b>17,121.6</b>	10,138.6
		<b>19,687.3</b>	17,399.0
<b>Current liabilities</b>			
Trade and other payables	22	<b>11,265.5</b>	10,020.8
Amount due to a director		—	29.1
Obligations under finance leases	23	<b>23.5</b>	23.5
Taxation		<b>30.1</b>	38.8
Current portion of long-term bank loans	24	<b>1,480.0</b>	1,040.0
Convertible bonds	25	—	218.7
		<b>12,799.1</b>	11,370.9
Net current assets		<b>6,888.2</b>	6,028.1
Total assets less current liabilities		<b>18,113.2</b>	17,518.5

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	At 30 June 2011 HK\$ million (unaudited)	At 31 December 2010 HK\$ million (audited)
<b>Non-current liabilities</b>			
Obligations under finance leases	23	<b>285.6</b>	304.5
Long-term bank loans	24	<b>2,112.0</b>	3,072.0
Amount due to non-controlling interests of a subsidiary	26	<b>989.4</b>	966.6
		<b>3,387.0</b>	4,343.1
<b>Net assets</b>			
		<b>14,726.2</b>	13,175.4
<b>Capital and reserves</b>			
Share capital	27	<b>5,511.7</b>	5,454.5
Reserves		<b>9,186.3</b>	7,683.2
<b>Equity attributable to owners of the Company</b>			
		<b>14,698.0</b>	13,137.7
Non-controlling interests		<b>28.2</b>	37.7
<b>Total equity</b>			
		<b>14,726.2</b>	13,175.4

The condensed consolidated financial information on pages 22 to 50 was approved and authorised for issue by the Board of Directors on 10 August 2011 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 2011

	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 2011	5,454.5	3,456.8	66.4	50.2	4,109.8	13,137.7	37.7	13,175.4
Total comprehensive income for the period	—	—	—	—	2,665.9	2,665.9	(9.5)	2,656.4
Exercise of share options	7.7	24.6	(9.9)	—	—	22.4	—	22.4
Conversion of convertible bonds	49.5	222.1	—	(50.2)	—	221.4	—	221.4
Expenses incurred in connection with the issue of shares	—	(0.1)	—	—	—	(0.1)	—	(0.1)
Recognition of equity-settled share-based payments	—	—	304.1	—	—	304.1	—	304.1
Dividends paid (note 9)	—	—	—	—	(1,653.4)	(1,653.4)	—	(1,653.4)
	<u>57.2</u>	<u>246.6</u>	<u>294.2</u>	<u>(50.2)</u>	<u>(1,653.4)</u>	<u>(1,105.6)</u>	<u>—</u>	<u>(1,105.6)</u>
At 30 June 2011 (unaudited)	<u>5,511.7</u>	<u>3,703.4</u>	<u>360.6</u>	<u>—</u>	<u>5,122.3</u>	<u>14,698.0</u>	<u>28.2</u>	<u>14,726.2</u>
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 (note 9)	—	—	—	—	(453.8)	(453.8)	—	(453.8)
	<u>93.1</u>	<u>344.5</u>	<u>(34.3)</u>	<u>(45.5)</u>	<u>(453.8)</u>	<u>(96.0)</u>	<u>14.3</u>	<u>(81.7)</u>
At 30 June 2010 (unaudited)	<u>5,093.1</u>	<u>1,971.9</u>	<u>139.6</u>	<u>341.5</u>	<u>2,379.6</u>	<u>9,925.7</u>	<u>60.3</u>	<u>9,986.0</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$ million</b>	HK\$ million
	<b>(unaudited)</b>	(unaudited)
Net cash from operating activities	<b>4,827.8</b>	3,400.3
Investing activities		
Interest received	<b>71.6</b>	22.4
Purchase of property and equipment	<b>(246.8)</b>	(591.2)
Deposits paid for acquisition of property and equipment	<b>(121.7)</b>	(24.1)
Loan advanced	<b>—</b>	(88.0)
Net repayment from (advances to) ultimate holding company	<b>545.5</b>	(95.4)
Repayment from fellow subsidiaries	<b>13.1</b>	95.3
Decrease (increase) in bank deposits	<b>4,096.2</b>	(162.0)
Other investing cash flows	<b>9.2</b>	4.0
Net cash from (used in) investing activities	<b>4,367.1</b>	(839.0)
Financing activities		
Interest paid	<b>(41.9)</b>	(44.2)
Dividends paid	<b>(1,653.4)</b>	(453.8)
Proceeds from issue of shares	<b>22.4</b>	138.1
Repayment of obligations under finance leases	<b>(18.9)</b>	(23.8)
Bank loans raised	<b>—</b>	10.0
Repayment of bank loans	<b>(520.0)</b>	(520.0)
Borrowings from non-controlling interests of a subsidiary	<b>—</b>	105.6
Other financing cash flows	<b>(0.1)</b>	(0.1)
Net cash used in financing activities	<b>(2,211.9)</b>	(788.2)
Net increase in cash and cash equivalents	<b>6,983.0</b>	1,773.1
Cash and cash equivalents at 1 January	<b>10,138.6</b>	7,937.1
Cash and cash equivalents at 30 June	<b>17,121.6</b>	9,710.2

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

## 1. GENERAL

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial 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 2010 except as described below.

In the current interim period, the Company and its subsidiaries (collectively referred as 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 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendments)	Classification of rights issues
HK(IFRIC*) – INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC*) – INT 19	Extinguishing financial liabilities with equity instruments

\* IFRIC represents the IFRS Interpretations Committee

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

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

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets <sup>1</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HKFRS 10	Consolidated financial statements <sup>4</sup>
HKFRS 11	Joint arrangements <sup>4</sup>
HKFRS 12	Disclosures of interests in other entities <sup>4</sup>
HKFRS 13	Fair value measurements <sup>4</sup>
HKAS 1 (Revised in 2011)	Presentation of financial statements – Presentation of items of other comprehensive income <sup>3</sup>
HKAS 12 (Amendments)	Deferred tax: recovery of underlying assets <sup>2</sup>
HKAS 19 (Revised in 2011)	Employee benefits <sup>4</sup>
HKAS 27 (Revised in 2011)	Separate financial statements <sup>4</sup>
HKAS 28 (Revised in 2011)	Investments in associates and joint ventures <sup>4</sup>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2011
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2012
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2012
- <sup>4</sup> 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.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires considerable judgment. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification is based on parties’ rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: joint controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group’s joint arrangements and their accounting treatments.

The directors of the Company are in the process of assessing the impact of HKFRS 9, 10, 11 and 12.

The directors of the Company anticipate that the application of other new and revised standards and amendments 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 2011

### 3. SUMMARY OF FINANCIAL POSITION OF THE COMPANY

	<b>At 30 June 2011 HK\$ million (unaudited)</b>	At 31 December 2010 HK\$ million (audited)
Non-current assets		
Property and equipment	<b>2.4</b>	3.2
Investments in subsidiaries	<b>4,359.3</b>	4,359.3
	<b>4,361.7</b>	4,362.5
Current assets		
Other receivables, deposits and prepayments	<b>3.1</b>	15.0
Amounts due from subsidiaries	<b>2,794.3</b>	1,093.2
Dividends receivable	<b>—</b>	1,747.6
Short-term bank deposits	<b>34.8</b>	4,063.3
Bank balances and cash	<b>4,248.3</b>	526.2
	<b>7,080.5</b>	7,445.3
Current liabilities		
Other payables and accruals	<b>3.2</b>	0.5
Amount due to a subsidiary	<b>191.6</b>	413.2
	<b>194.8</b>	413.7
Net current assets	<b>6,885.7</b>	7,031.6
Net assets	<b>11,247.4</b>	11,394.1
Capital and reserves		
Share capital	<b>5,511.7</b>	5,454.5
Share premium	<b>3,703.4</b>	3,456.8
Share options reserve	<b>360.6</b>	66.4
Convertible bonds equity reserve	<b>—</b>	50.2
Retained profits	<b>1,671.7</b>	2,366.2
Total equity	<b>11,247.4</b>	11,394.1

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 4. OPERATING SEGMENTS

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

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

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

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

	Segment revenue		Segment results	
	Six months ended 30 June			
	2011	2010	2011	2010
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gaming operations	<b>37,534.1</b>	26,518.6	<b>2,862.5</b>	1,817.2
Hotel and catering operations				
— external sales	<b>264.2</b>	196.9		
— inter-segment sales	<b>86.2</b>	84.3		
	<b>350.4</b>	281.2	<b>(191.2)</b>	(215.9)
Eliminations	<b>(86.2)</b>	(84.3)		
	<b>264.2</b>	196.9		
	<b>37,798.3</b>	26,715.5		
			<b>2,671.3</b>	1,601.3
<i>Reconciliation from segment results to profit before taxation:</i>				
Unallocated corporate expenses			<b>(10.7)</b>	(64.7)
Change in fair value of financial assets at fair value through profit or loss			<b>8.7</b>	16.6
Share of (losses) profits of an associate			<b>(8.1)</b>	1.3
Share of profits of a jointly controlled entity			<b>3.9</b>	2.5
Profit before taxation			<b>2,665.1</b>	1,557.0



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 4. OPERATING SEGMENTS (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment results represent the profit earned by each segment without allocation of corporate expenses, change in fair value of financial assets at fair value through profit or loss, share of results of associate/jointly controlled entity and income tax expenses. 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	
	2011 HK\$ million (unaudited)	2010 HK\$ million (unaudited)
Gaming revenue from		
— VIP gaming operations	26,609.2	17,680.0
— mass market table gaming operations	10,179.5	8,298.2
— slot machine and other gaming operations	745.4	540.4
	<b>37,534.1</b>	26,518.6

### 6. FINANCE COSTS

	Six months ended 30 June	
	2011 HK\$ million (unaudited)	2010 HK\$ million (unaudited)
Interest on		
— bank borrowings wholly repayable within five years	(33.8)	(40.6)
— finance leases	(6.2)	(9.1)
Imputed interest on amount due to non-controlling interests of a subsidiary	(22.8)	(20.1)
Imputed interest on convertible bonds	(2.7)	(48.0)
	<b>(65.5)</b>	(117.8)
Less: Amount capitalised in construction in progress	—	0.7
	<b>(65.5)</b>	(117.1)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2011 HK\$ million (unaudited)	2010 HK\$ million (unaudited)
<i>Profit before taxation has been arrived at after charging:</i>		
Allowance for doubtful debts (note 18)	0.1	53.6
Amortisation of intangible assets (included in operating and administrative expenses)	3.2	3.1
Depreciation of property and equipment	560.8	586.2
Equity-settled share-based payments to		
— directors of the Company	301.2	8.3
— staff	2.9	17.5
— other participants	—	1.9
	304.1	27.7
Loss on disposal of property and equipment	1.9	1.5
Staff costs exclusive of equity-settled share-based payments	1,909.2	1,739.8
<i>and after crediting:</i>		
Dividend income from financial assets at fair value through profit or loss	19.6	1.5
Change in fair value of financial assets at fair value through profit or loss	8.7	16.6
Income from amortisation of financial guarantee obligations	—	7.2
Interest income from		
— a fellow subsidiary	6.1	9.1
— bank deposits	55.5	13.7
— loan receivables	3.4	1.8
	65.0	24.6

### 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 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. The management of SJM is planning to apply for extension of this tax exemption in 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 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 2011

### 9. DIVIDENDS

	Six months ended 30 June	
	2011 HK\$ million (unaudited)	2010 HK\$ million (unaudited)
2009 final dividend of HK9 cents per ordinary share paid	—	453.8
2010 final dividend of HK30 cents per ordinary share paid	<b>1,653.4</b>	—
	<b>1,653.4</b>	453.8

On 10 August 2011, the board of directors of the Company has resolved to declare an interim dividend of HK8 cents per ordinary share for the six months period ended 30 June 2011 (six months period ended 30 June 2010: HK5 cents per ordinary share).

### 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	
	2011 HK\$ million (unaudited)	2010 HK\$ million (unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<b>2,665.9</b>	1,567.0
Effect of dilutive potential ordinary shares — imputed interest on convertible bonds	<b>2.7</b>	48.0
Earnings for the purpose of diluted earnings per share	<b>2,668.6</b>	1,615.0

	Six months ended 30 June	
	2011 (unaudited)	2010 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>5,491,295,084</b>	5,017,944,828
Effect of dilutive potential ordinary shares on — share options — conversion of convertible bonds	<b>45,779,248</b> <b>16,616,860</b>	59,628,971 373,860,702
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>5,553,691,192</b>	5,451,434,501

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 11. PROPERTY AND EQUIPMENT

	<b>At 30 June 2011 HK\$ million (unaudited)</b>	At 31 December 2010 HK\$ million (audited)
<i>Carrying value</i>		
Land and buildings	<b>4,203.5</b>	4,305.0
Chips	<b>45.6</b>	43.0
Furniture, fixtures and equipment	<b>3,186.5</b>	3,363.5
Gaming equipment	<b>129.2</b>	143.0
Leasehold improvements	<b>1,570.1</b>	1,621.6
Motor vehicles	<b>8.6</b>	7.2
Vessel	<b>2.0</b>	2.7
Total	<b>9,145.5</b>	9,486.0

During the period, the Group incurred HK\$224.1 million for the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$302.8 million) on acquisition of property and equipment to expand and upgrade its facilities.

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

Also, at 30 June 2011, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate carrying value of HK\$3,086.7 million (31 December 2010: HK\$3,192.6 million) in respect of the Group's gaming business have to be returned to the MSAR government upon completion of the term of the concession in 2020.

### 12. LAND USE RIGHTS

	<b>For the six months ended 30 June 2011 HK\$ million (unaudited)</b>	For the year ended 31 December 2010 HK\$ million (audited)
<i>Carrying value</i>		
At 1 January	<b>804.9</b>	845.8
Additions during the period/year	<b>9.0</b>	—
Released and capitalised under construction in progress during the period/year	<b>—</b>	(0.7)
Released to profit or loss during the period/year	<b>(20.5)</b>	(40.2)
At 30 June/31 December	<b>793.4</b>	804.9

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 2011

### 13. ART WORKS AND DIAMONDS

	<b>For the six months ended 30 June 2011 HK\$ million (unaudited)</b>	For the year ended 31 December 2010 HK\$ million (audited)
<i>Cost and carrying value</i>		
At 1 January	<b>290.4</b>	289.2
Additions during the period/year	<b>—</b>	1.2
At 30 June/31 December	<b>290.4</b>	290.4

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

### 14. DEPOSITS MADE ON ACQUISITIONS

	<b>At 30 June 2011 HK\$ million (unaudited)</b>	At 31 December 2010 HK\$ million (audited)
Deposits made on acquisitions of		
— land use rights (note 32)	<b>65.5</b>	65.5
— property and equipment	<b>141.7</b>	57.1
	<b>207.2</b>	122.6

### 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 STD, under a back-to-back arrangement set out in note 23. The receivables carry variable rates with effective interest ranging from 2.45% to 5.86% (31 December 2010: 2.29% to 6.10%) per annum.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 16. AMOUNTS DUE FROM INVESTEE COMPANIES

The amounts represent loans to the investees which are unsecured, interest-free and have no fixed repayment terms. At 30 June 2011, the management of the Group does not expect that the amounts will be realised within 12 months from end of the reporting period. Hence the amounts were reclassified to non-current assets.

### 17. PLEDGED BANK DEPOSITS

At 30 June 2011, deposits amounting to HK\$145.6 million (31 December 2010: 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 1 April 2007 to the earlier of 180 days after the expiry of the gaming concession contract or 31 March 2020, which is in favour of the MSAR government against the legal and contractual financial obligations of SJM under the gaming concession contract. Given the nature of the facility, the pledged bank deposits are classified as non-current assets.

At 30 June 2011, deposit amounting to HK\$1.0 million (31 December 2010: HK\$1.0 million) under current assets has been pledged in favour of the MSAR court against any future legal proceedings of labour disputes.

In addition, at 30 June 2011, deposit amounting to HK\$0.3 million (31 December 2010: HK\$0.3 million) under current assets 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 2011, the remaining deposits under current assets amounting to HK\$25.1 million (31 December 2010: HK\$25.1 million) have been pledged to a bank for provision of guarantee in favour of the MSAR government for the payment of land premium of a subsidiary which is expected to be released within 12 months from the end of the reporting period.

At 30 June 2011, the pledged bank deposits carried fixed interest rates ranging from 0.08% to 1.08% (31 December 2010: 0.08% to 1.11%) per annum.

### 18. TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2011 HK\$ million (unaudited)</b>	<b>At 31 December 2010 HK\$ million (audited)</b>
Advances to gaming promoters	<b>733.4</b>	744.9
Other receivables from gaming promoters	<b>134.8</b>	189.0
Prepayments	<b>115.7</b>	102.7
Others	<b>220.3</b>	221.6
	<b>1,204.2</b>	1,258.2



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 18. TRADE AND OTHER RECEIVABLES (Continued)

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:

	<b>At 30 June 2011 HK\$ million (unaudited)</b>	At 31 December 2010 HK\$ million (audited)
<b>Age</b>		
0 to 30 days	<b>707.3</b>	670.9
31 to 60 days	<b>13.1</b>	—
61 to 90 days	<b>—</b>	0.3
Over 90 days	<b>13.0</b>	73.7
	<b>733.4</b>	744.9

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 are provided by gaming promoters to SJM.

The directors of the Company generally consider that such credit is temporary credit provided against unpaid commissions to gaming promoters and is granted based on the performance and financial background of the relevant gaming 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 are repayable on demand.

#### Movement in the allowance for doubtful debts

	<b>For the six months ended 30 June 2011 HK\$ million (unaudited)</b>	For the year ended 31 December 2010 HK\$ million (audited)
At 1 January	<b>78.1</b>	24.5
Allowance for doubtful debts	<b>0.1</b>	53.6
At 30 June/31 December	<b>78.2</b>	78.1

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 18. TRADE AND OTHER RECEIVABLES (Continued)

#### Movement in the allowance for doubtful debts (Continued)

Allowance for doubtful debts mainly represent individually impaired receivables from gaming promoters with an aggregate balance of HK\$78.1 million (31 December 2010: HK\$78.1 million) since the management considered the prolonged outstanding balances from these gaming promoters were uncollectible.

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

	<b>At 30 June 2011 HK\$ million (unaudited)</b>	At 31 December 2010 HK\$ million (audited)
STDM and its associates	<b>44.8</b>	56.4
An associate	<b>3.9</b>	4.4
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	<b>54.5</b>	68.0
	<b>103.2</b>	128.8

### 19. LOAN RECEIVABLES

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

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

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

The Revolving Loan Facility is available for a term of 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 at 2.6% over Hong Kong Interbank Offered Rate (“HIBOR”) with effective interest rate from 2.7% to 2.8% (31 December 2010: 2.8% to 2.9%) per annum.

As at 30 June 2011, HK\$246.0 million (31 December 2010: HK\$246.0 million) was utilised and revolving for a term of 3 months.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 20. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company arising from the Chips Agreement as defined in note 34(b) is unsecured, interest-free and is expected to realise within 12 months from the end of the reporting period.

### 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

### 22. TRADE AND OTHER PAYABLES

	At 30 June 2011 HK\$ million (unaudited)	At 31 December 2010 HK\$ million (audited)
Trade payables	2,068.3	1,951.8
Special gaming tax payable	2,257.4	2,117.9
Chips liabilities	4,804.6	4,325.1
Payables for acquisition of property and equipment	82.0	61.4
Construction payables	150.6	222.0
Deposits received from gaming patrons and gaming promoters	924.2	292.5
Accrued staff costs	375.9	484.5
Rentals payables	101.0	104.0
Withholding tax payables	30.8	52.3
Other payables	470.7	409.3
	<b>11,265.5</b>	<b>10,020.8</b>

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

	At 30 June 2011 HK\$ million (unaudited)	At 31 December 2010 HK\$ million (audited)
<b>Age</b>		
0 to 30 days	2,043.2	1,925.2
31 to 60 days	5.0	5.0
61 to 90 days	2.7	1.0
Over 90 days	17.4	20.6
	<b>2,068.3</b>	<b>1,951.8</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 22. TRADE AND OTHER PAYABLES (Continued)

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.

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

	<b>At 30 June 2011 HK\$ million (unaudited)</b>	At 31 December 2010 HK\$ million (audited)
STDM and its associates	<b>230.2</b>	161.0
An associate	<b>20.5</b>	55.5
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	<b>262.4</b>	317.7
	<b>513.1</b>	534.2

### 23. OBLIGATIONS UNDER FINANCE LEASES

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>At 30 June 2011 HK\$ million (unaudited)</b>	At 31 December 2010 HK\$ million (audited)	<b>At 30 June 2011 HK\$ million (unaudited)</b>	At 31 December 2010 HK\$ million (audited)
Amounts payable under finance leases				
— within one year	<b>32.8</b>	34.6	<b>23.5</b>	23.5
— between one to two years	<b>35.8</b>	36.6	<b>26.5</b>	25.7
— between two to five years	<b>107.3</b>	109.9	<b>85.5</b>	83.8
— after five years	<b>182.8</b>	208.5	<b>173.6</b>	195.0
	<b>358.7</b>	389.6	<b>309.1</b>	328.0
Less: Future finance charges	<b>(49.6)</b>	(61.6)		
Present value of lease obligations	<b>309.1</b>	328.0		
Less: Amounts due within one year shown under current liabilities			<b>(23.5)</b>	(23.5)
Amounts due after one year			<b>285.6</b>	304.5

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 23. OBLIGATIONS UNDER FINANCE LEASES (Continued)

In 2007 and 2008, Sky Reach Investments Limited ("Sky Reach"), a wholly-owned subsidiary of the Company, had entered into certain lease agreements each for a term of 10 years (the "Aircraft Agreements") with a finance company and Jet Asia, to lease certain aircraft in MSAR in which the aircraft were then immediately sub-leased to Jet Asia. The Aircraft Agreements have terms of renewal and purchase option clauses. Pursuant to the Aircraft Agreements, the Group is entitled to recover any amounts and charges payable to the finance company under the Aircraft Agreements from Jet Asia. The amounts are denominated in United States dollars and carried variable interest rates with effective interest rate ranging from 2.45% to 5.86% per annum at 30 June 2011 (31 December 2010: 2.29% to 6.10% per annum). The Group's obligations under finance leases are secured by the leased aircraft held by Jet Asia and the 100% shareholding of Sky Reach held by the Group.

At 30 June 2011, 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\$309.1 million (31 December 2010: HK\$328.0 million) out of which HK\$285.6 million (31 December 2010: HK\$304.5 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\$23.5 million (31 December 2010: HK\$23.5 million) is included in trade and other receivables in current assets.

### 24. BANK LOANS

	At 30 June 2011 HK\$ million (unaudited)	At 31 December 2010 HK\$ million (audited)
The syndicated secured bank loans are repayable		
— within one year	1,480.0	1,040.0
— between one to two years	2,112.0	3,072.0
	<b>3,592.0</b>	4,112.0
Less: Amount due within one year shown under current liabilities	<b>(1,480.0)</b>	(1,040.0)
Amount due after one year	<b>2,112.0</b>	3,072.0

At the end of the reporting period, the Group's syndicated secured bank loans carried interest ranging from 1.4% to 2.1% over 3-month HIBOR per annum with effective interest rates ranging from 1.6% to 2.4% (31 December 2010: 1.7% to 2.4%) 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 2011, the loans were secured by certain of the Group's property and equipment, and land use rights with carrying values of HK\$5,627.3 million (31 December 2010: HK\$5,832.3 million) and HK\$737.7 million (31 December 2010: HK\$757.6 million) respectively. In addition, the bank loans are secured by the following:

- (i) an assignment of all receivables and income from hotel operation in Ponte 16;

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 24. BANK LOANS (Continued)

- (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\$3,348.0 million (31 December 2010: HK\$3,845.9 million); and
- (iv) share pledges over the shares of certain subsidiaries.

### 25. CONVERTIBLE BONDS

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

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

	HK\$ million
At 1 January 2010	1,588.2
Imputed interest expense for the year ended 31 December 2010	75.8
Conversion during the year	<u>(1,445.3)</u>
At 31 December 2010 (audited)	<b>218.7</b>
Imputed interest expense for the period	<b>2.7</b>
Conversion during the period	<b><u>(221.4)</u></b>
At 30 June 2011 (unaudited)	<u><u>—</u></u>

The convertible bonds were issued at an initial conversion price of HK\$5.35 per share. With effect from 1 June 2010, the conversion price was adjusted to HK\$5.24 per share after accounting for the 2009 final dividend, which was approved by shareholders at the annual general meeting of the Company held on 31 May 2010, in accordance with the terms and conditions set out in the trust deed relating to the convertible bonds issued on 28 October 2009. No adjustment to the conversion price is required after 2010 interim dividend since the adjustment is less than 1% in accordance with the terms and conditions set out in the trust deed.

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

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

The amount due to non-controlling interests of a subsidiary is unsecured and interest-free. Pursuant to the relevant syndicated secured bank loan agreements, the non-controlling interests shall not, until after the repayment of the relevant bank loans in full, demand any repayment from the subsidiary. The amount is classified as non-current liability as such bank loans will not be fully repaid within 12 months from the end of the reporting period.

During the period, imputed interest on the amount due to the non-controlling interests of the subsidiary of HK\$22.8 million (six months ended 30 June 2010: HK\$20.1 million) has been recognised based on the principal amount of HK\$1,223.9 million (30 June 2010: HK\$1,194.6 million) at weighted average interest rate of approximately 4.80% (six months ended 30 June 2010: 4.86%) per annum.

### 27. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount HK\$ million	Number of shares	Amount HK\$ million
<i>Ordinary shares of HK\$1 each</i>				
At 1 January 2010	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)	15,000,000,000	15,000.0	5,093,089,149	5,093.1
Exercise of share options	—	—	74,060,000	74.0
Conversion of convertible bonds	—	—	287,366,339	287.4
At 31 December 2010 (audited)	<b>15,000,000,000</b>	<b>15,000.0</b>	<b>5,454,515,488</b>	<b>5,454.5</b>
Exercise of share options	—	—	7,645,000	7.7
Conversion of convertible bonds	—	—	49,503,805	49.5
At 30 June 2011 (unaudited)	<b>15,000,000,000</b>	<b>15,000.0</b>	<b>5,511,664,293</b>	<b>5,511.7</b>

### 28. SHARE OPTION SCHEME

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 28. SHARE OPTION SCHEME (Continued)

A summary of the movements of the outstanding options during the six months ended 30 June 2011 under the Option Scheme is as follows:

Type of participants	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options			
					Outstanding at 1.1.2011	Granted during the period	Exercised during the period	Outstanding at 30.6.2011
Directors	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	13,500,000	—	(3,000,000)	10,500,000
	31.8.2010	31.8.2010 to 27.2.2011	28.2.2011 to 27.2.2020	7.48	5,000,000	—	—	5,000,000
	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	—	116,000,000	—	116,000,000
Employees	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	9,260,000	—	(3,755,000)	5,505,000
	13.7.2009	13.7.2009 to 12.1.2011	13.1.2011 to 12.1.2019	2.82	10,000,000	—	—	10,000,000
	13.7.2009	13.7.2009 to 12.1.2012	13.1.2012 to 12.1.2019	2.82	10,000,000	—	—	10,000,000
	19.5.2010	19.5.2010 to 18.11.2010	19.11.2010 to 18.11.2019	5.11	1,500,000	—	(100,000)	1,400,000
	26.5.2010	26.5.2010 to 25.11.2010	26.11.2010 to 25.11.2019	5.03	500,000	—	(240,000)	260,000
Other participants (Note)	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	2,800,000	—	(550,000)	2,250,000
					<b>52,560,000</b>	<b>116,000,000</b>	<b>(7,645,000)</b>	<b>160,915,000</b>
Weighted average exercise price per share					<b>HK\$3.35</b>	<b>HK\$12.496</b>	<b>HK\$2.92</b>	<b>HK\$9.96</b>

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\$15.27 (six months ended 30 June 2010: HK\$5.19). At the end of the reporting period, 34,915,000 (31 December 2010: 27,560,000) share options are exercisable.

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 28. SHARE OPTION SCHEME (Continued)

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

Expected volatility was determined by using the historical volatility of the Company's share price since the Company's shares were listed on the Stock Exchange in July 2008.

The expected life used in the model has been estimated, based on the management's best estimate, the vesting period, exercise period and employee's behavioural considerations.

The Group recognised total expenses of HK\$304.1 million during the period ended 30 June 2011 (six months ended 30 June 2010: HK\$27.7 million) in relation to share options granted by the Company.

During the period, the directors of the Company passed a resolution for a proposed grant of certain share options to employees and other participants of the Group. No such options were granted during the period.

### 29. MAJOR NON-CASH TRANSACTIONS

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

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

### 30. OPERATING LEASE COMMITMENTS

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

	Land use rights		Rented premises	
	At 30 June 2011 HK\$ million (unaudited)	At 31 December 2010 HK\$ million (audited)	At 30 June 2011 HK\$ million (unaudited)	At 31 December 2010 HK\$ million (audited)
Within one year	2.5	2.5	200.6	204.0
In the second to fifth year inclusive	10.0	10.0	550.0	595.4
After five years	41.0	44.1	254.7	261.7
	<u>53.5</u>	<u>56.6</u>	<u>1,005.3</u>	<u>1,061.1</u>

As at 30 June 2011, operating lease rentals committed to STD M and its associates, a jointly controlled entity, and entities in which STD M, certain directors of the Company and their close family members have control/significant influence/beneficial interests amounted to HK\$829.6 million (31 December 2010: HK\$868.3 million).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 31. CAPITAL COMMITMENTS

	<b>At 30 June 2011 HK\$ million (unaudited)</b>	At 31 December 2010 HK\$ million (audited)
Capital expenditure in respect of property and equipment		
— authorised but not contracted for	<b>93.6</b>	118.7
— contracted for but not provided in the financial information	<b>72.0</b>	170.0

As at 30 June 2011, capital expenditure in respect of property and equipment committed to an associate and an entity in which a director of the Company has control was HK\$0.4 million (31 December 2010: HK\$22.2 million).

### 32. 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 2011, a deposit of HK\$65.5 million (31 December 2010: HK\$65.5 million) which was included in deposits made on acquisitions, was paid of which HK\$46.1 million (31 December 2010: HK\$46.1 million) is refundable if the agreement is void pursuant to its terms.

### 33. CONTINGENT LIABILITIES AND GUARANTEES

	<b>At 30 June 2011</b>		At 31 December 2010	
	<b>Maximum guarantees given HK\$ million (unaudited)</b>	<b>Credit facilities utilised HK\$ million (unaudited)</b>	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	<b>67.3</b>	<b>53.8</b>	67.3	60.7
— investee companies	<b>25.3</b>	<b>475.0</b>	25.3	500.0
	<b>92.6</b>	<b>528.8</b>	92.6	560.7

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 is no claim from the third party in both periods.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 34. RELATED PARTY TRANSACTIONS

- (a) Other than the transactions and balances with related parties disclosed in respective notes in the condensed consolidated financial information, during the period, the Group had the following significant transactions with related parties:

Relationship of related companies	Nature of transactions	Six months ended 30 June		
		2011 HK\$ million (unaudited)	2010 HK\$ million (unaudited)	
STDM and its associates, excluding the Group (as defined under Chapter 14A of the Listing Rules)	<i>Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>			
	Property rentals (note 34(d))	<b>85.0</b>	92.0	
	Transportation (note 34(c))	<b>81.7</b>	90.1	
	Dredging services (note 34(c))	<b>66.6</b>	51.6	
	Hotel accommodation (note 34(c))	<b>34.3</b>	35.2	
	Entertainment and staff messing (note 34(c))	<b>33.9</b>	32.1	
	Maintenance services (note 34(c))	<b>31.3</b>	30.0	
	Aircraft sublease rental receipts (note 34(e))	<b>25.2</b>	32.9	
	Promotional and advertising services (note 34(c))	<b>9.0</b>	9.3	
	Hotel management and operation (note 34(c))	<b>7.1</b>	2.8	
	<i>Exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>			
	Share of administrative expenses (note 34(f))	<b>44.1</b>	20.5	
	Cleaning services (note 34(g))	<b>9.8</b>	6.6	
	Promotional and advertising services (note 34(c))	<b>0.7</b>	—	
	Hotel management and operation (note 34(c))	<b>0.6</b>	—	
	Others (note 34(g))	<b>10.8</b>	9.6	
	Certain directors of the Company and of its subsidiaries and their associates (as defined under Chapter 14A of the Listing Rules)	<i>Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>		
Service fees in relation to the promotion of a casino (note 34(h))		<b>662.5</b>	89.1	
Transportation (note 34(i))		<b>21.1</b>	—	
<i>Exempt continuing connected transactions under Chapter 14A of the Listing Rules</i>				
Entertainment and staff messing (note 34(g))		<b>29.7</b>	4.4	
Purchase of property and equipment		<b>—</b>	8.0	
Transportation (note 34(i))		<b>—</b>	3.0	
Others (note 34(g))	<b>20.5</b>	9.8		

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 34. RELATED PARTY TRANSACTIONS (Continued)

Relationship of related companies	Nature of transactions	Six months ended 30 June	
		2011 HK\$ million (unaudited)	2010 HK\$ million (unaudited)
Entities other than above in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	Service fees in relation to the promotion of a casino	744.4	410.0
	Insurance expenses	23.9	22.3
	Promotion and advertising expenses	8.6	10.1
	Service fee in relation to foreign currencies exchange	8.3	7.0
	Property rentals	5.8	5.9
	Construction costs paid	0.1	15.3
	Purchase of property and equipment	—	2.5
	Transportation (note 34(i))	—	16.0
	Others	10.2	14.4
	An associate	Construction costs paid	6.4
Others		—	2.7
A jointly controlled entity	Property rentals	7.2	7.2

- (b) In 2002, SJM was granted a concession to operate casinos in MSAR. For this purpose, STDM transferred its gaming assets to SJM. SJM has been borrowing casino chips from STDM for the purpose of its business operation since SJM, as a new concessionaire from 2002, does 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 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 2011, SJM redeemed approximately HK\$5.3 million of STDM chips (six months ended 30 June 2010: HK\$118.7 million) and did not borrow any STDM chips for its casino operation (six months ended 30 June 2010: HK\$142.5 million).
- (c) The Group entered into a products and services master agreement dated 18 June 2008 with STDM (the "Products and Services Master Agreement") for the provision of products and services by STDM and its associates. The types of products and services includes hotel accommodation, hotel management and operation, entertainment and staff messing, dredging services, transportation, promotional and advertising services, travel agency services and maintenance services. On 19 June 2011, the Company entered into a renewed products and services master agreement with STDM ("Renewed Master Agreement") for the provision of products and services as described in the Products and Services Master Agreement, except for hotel management and operation, promotional and advertising services, and travel agency services, which are regarded as de minimis transactions as described in note 34(g). The Renewed Master Agreement will end on 31 December 2013.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 34. RELATED PARTY TRANSACTIONS (Continued)

- (d) The Group entered into a premises leasing master agreement dated 18 June 2008 with STDM (the "Premises Leasing Master Agreement") for the leasing of properties by STDM or the members of the STDM group to the Group. The term of each implementing lease will be for a term commencing on a date specified in the relevant implementing lease and ending on a date not later than 31 March 2020. The amounts of transactions during the period were disclosed in note 34(a) above.
- (e) Regarding the aircraft lease arrangement as detailed in note 23, the Group charged minimum lease payments of HK\$25.2 million (six months ended 30 June 2010: HK\$32.9 million) to the fellow subsidiary, and repaid the same amount of minimum lease payments to the finance company during the period ended 30 June 2011.
- (f) The Group entered into an agreement with STDM dated 18 June 2008 (the "Administrative Cost Sharing Agreement") whereby STDM and its associates have agreed to continue to share certain administrative services including, among others, general public relations work, promotional functions, arranging ticketing and hotel accommodations, transportation and the provision of storage services with the Group and the Group has agreed to pay for the shared services on a cost basis. The amount of administrative costs shared between the Group and the STDM group is calculated based on an estimate of (i) the actual time spent by each department for providing services to the Group and the STDM group respectively recorded on time sheets and (ii) the floor area occupied, respectively, by the Group and the STDM group for storage services.

On 19 June 2011, the Company entered into an agreement with STDM to renew the Administrative Cost Sharing Agreement in sharing the cost of the above-mentioned administrative services. The renewed agreement will end on 31 December 2013. The amounts of transactions during the period were disclosed in note 34(a) above.

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

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

Pursuant to Rule 14A.11(4)(b)(ii) of the Listing Rules which became effective on 3 June 2010, ST – CITS is a connected person of the Company by virtue of the family interests of Dr. Ho Hung Sun, Stanley, a director of the Company, having control of more than 50% in the voting power of ST – CITS.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2011

### 34. RELATED PARTY TRANSACTIONS (Continued)

- (j) 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 properties in Ponte 16 which include (i) the land premium and all other premiums and sums of money payable to the Governmental Agency of MSAR in respect of properties in Ponte 16; (ii) all construction costs and all operating costs to be incurred; and (iii) all financial costs and expenses, including interest payable in respect of the syndicated secured bank loans facility;
  - (iii) an unconditional and irrevocable undertaking for the purpose of ensuring the completion of the construction of properties in Ponte 16; and
  - (iv) a share pledge over all shares in Pier 16 – Property.
- (k) Compensation of key management personnel  
During the period, the compensation (including equity-settled share-based payments) of the Group's key management personnel, represented by the Company's directors, is HK\$329.6 million (six months ended 30 June 2010: HK\$31.0 million).





**SJM HOLDINGS LIMITED**  
**澳門博彩控股有限公司**

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