



澳門博彩控股有限公司
SJM HOLDINGS LIMITED

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

Stock Code 股份代號 : 880



INTERIM REPORT 中期報告 2014

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 in the first half of 2014.

On 13 February 2014, construction commenced on the Lisboa Palace, SJM's integrated resort on Cotai scheduled for opening in 2017. The Lisboa Palace will feature three hotels with a total of approximately 2,000 rooms, facilities for shopping, dining and entertainment, and a casino with approximately 700 tables and 1,000 slot machines (subject to the obtaining of applicable licences).

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

As at 30 June 2014, SJM operated 18 casinos, comprising more than 1,750 gaming tables and over 2,800 slot machines.



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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 and Adjusted EBITDA for the six months ended 30 June 2014 ("the Reporting Period") each increased, whilst the Group's Adjusted EBITDA Margin (Hong Kong GAAP basis) decreased from the year-earlier period:

Group operating results	For the six months ended 30 June		Increase
	2014 HK\$ million	2013 HK\$ million	
Total revenue	44,446	42,453	4.7%
Gaming revenue	44,112	42,129	4.7%
Profit attributable to owners of the Company	3,902	3,828	1.9%
Adjusted EBITDA ¹	4,444	4,269	4.1%
Adjusted EBITDA Margin ²	10.0%	10.1%	

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

² Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of total revenue.

During the Reporting Period, the Group's gaming revenue amounted to approximately 23.5% of total gaming revenue in Macau, compared with 25.3% in the corresponding period last year, according to figures from the Macau Gaming Inspection and Coordination Bureau ("DICJ").

In the first half of 2013, attributable profit and Adjusted EBITDA reflected income of approximately \$149 million receivable in connection with the Group's investment in Macau Legend Development Limited.

Attributable profit in the Reporting Period was affected by deductions of share-based payments of \$151 million, as compared with zero in the corresponding period last year. Depreciation and amortisation charges in the Reporting Period was \$567 million, as compared to \$597 million in the corresponding period last year.

The Group's operating results for the six months ended 30 June 2014, as compared to the six months ended 30 June 2013, are as follows:

OPERATING RESULTS – VIP GAMING

VIP operations	For the six months ended 30 June		Increase/ (Decrease)
	2014	2013	
Gaming revenue (HK\$ million)	27,719	29,223	(5.1%)
Average daily net-win per VIP gaming table (HK\$)	266,339	244,623	8.9%
VIP chips sales (HK\$ million)	1,003,695	919,008	9.2%
Average number of VIP gaming tables (Average of month-end numbers)	575	660	(12.9%)

BUSINESS REVIEW

VIP gaming operations accounted for 62.8% of the Group's total gaming revenue in the Reporting Period, as compared to 69.4% for the corresponding period last year. As at 30 June 2014, SJM had 564 VIP gaming tables in operation with 36 VIP promoters, as compared with 574 VIP gaming tables and 38 VIP promoters as at 31 December 2013.

The Group's gaming revenue from VIP gaming operations amounted to approximately 23.9% of total VIP gaming revenue in Macau, compared to 26.0% in the corresponding period last year, according to figures from DICJ. During the Reporting Period, the hold rate of VIP gaming operations was 2.76% (Junket VIP), as compared with 2.93% in the corresponding period last year.

In the first half of 2013, VIP gaming revenue included \$2,252 million of revenue from certain high-limit gaming tables located in casino mass market areas that were classified as VIP gaming tables due to game size. If revenue from these tables was not classified as VIP gaming revenue, VIP gaming revenue would have been \$26,971 million in the year earlier period, and would have shown an increase of 2.8% for the Reporting Period. Without such classification of tables, the average number of VIP gaming tables in operation would have been 575 in the year earlier period.

OPERATING RESULTS – MASS MARKET TABLE GAMING

Gaming revenue from mass market table gaming operations comprised 35.7% of the Group's total gaming revenue in the Reporting Period, as compared to 28.9% 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
	2014	2013	
Gaming revenue (HK\$ million)	15,725	12,181	29.1%
Average daily net-win per mass market gaming table (HK\$)	72,702	60,412	20.3%
Average number of mass market gaming tables (Average of month-end numbers)	1,195	1,114	7.3%

In the Reporting Period, the Group's gaming revenue from mass market table gaming operations amounted to approximately 24.6% of total mass market table gaming revenue in Macau, compared to 25.8% in the corresponding period last year, according to figures from DICJ.

SJM operated a total of 1,195 mass market gaming tables in its casinos as at 30 June 2014, as compared with 1,210 mass market gaming tables as at 31 December 2013.

In the first half of 2013, mass market gaming revenue did not include \$2,252 million of revenue from certain high-limit gaming tables located in casino mass market areas that were classified as VIP gaming tables due to game size. If revenue from these tables was classified as mass market gaming revenue, mass market gaming revenue would have been \$14,433 million in the year earlier period, and would have shown an increase of 8.9% for the Reporting Period. Without such classification of tables the average number of mass market gaming tables in operation would have been 1,199 in the year earlier period.

OPERATING RESULTS – SLOT MACHINES AND OTHER GAMING OPERATIONS

Gaming revenue from slot machine operations, which include other electronic gaming machines and the game of Tombola, comprised 1.5% of total gaming revenue in the Reporting Period, compared to 1.7% 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)
	2014	2013	
Gaming revenue (HK\$ million)	668	725	(8.0%)
Average daily net-win per slot machine (HK\$)	1,274	1,138	12.0%
Average number of slot machines (Average of month-end numbers)	2,892	3,519	(17.8%)

In the Reporting Period, the Group's gaming revenue from slot machine operations amounted to approximately 9.1% of total slot machine revenue in Macau, compared to 10.6% in the corresponding period last year, according to figures from DICJ.

SJM had 2,880 slot machines, operating in 11 of SJM's casinos, as at 30 June 2014 as compared with 2,880 slot machines as at 31 December 2013.

OPERATING RESULTS OF CASINO SEGMENTS – CASINO GRAND LISBOA

SJM's flagship Casino Grand Lisboa continued to achieve growth in revenue, Adjusted EBITDA and profit contribution in the first half of 2014, due to increased spending per visitor.

Casino Grand Lisboa	For the six months ended 30 June		Increase
	2014	2013	
Revenue (HK\$ million)	16,208	15,436	5.0%
Profit attributable to the Group (HK\$ million)	2,197	2,150	2.2%
Adjusted Property EBITDA ³ (HK\$ million)	2,425	2,293	5.7%
Adjusted Property EBITDA Margin ⁴	15.0%	14.9%	

³ Adjusted Property EBITDA is earnings after adjustment for non-controlling interests and before accounting for interest income and expense, tax, depreciation and amortisation, donations, loss on disposal of property and equipment and share-based payments, and before elimination of inter-company consumption.

⁴ Adjusted Property EBITDA Margin is Adjusted Property EBITDA as a percentage of total revenue.

BUSINESS REVIEW

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

Casino Grand Lisboa	For the six months ended 30 June		Increase/ (Decrease)
	2014	2013	
VIP operations			
Gaming revenue (HK\$ million)	12,218	12,602	(3.0%)
Average daily net-win per VIP gaming table (HK\$)	379,242	336,346	12.8%
VIP chips sales (HK\$ million)	468,496	397,228	17.9%
Average number of VIP gaming tables (Average of month-end numbers)	178	207	(14.0%)
Mass market operations			
Gaming revenue (HK\$ million)	3,741	2,601	43.8%
Average daily net-win per mass market gaming table (HK\$)	79,499	65,928	20.6%
Average number of mass market gaming tables (Average of month-end numbers)	260	218	19.3%
Slot machine operations			
Gaming revenue (HK\$ million)	248	233	6.7%
Average daily net-win per slot machine (HK\$)	1,775	1,775	0.0%
Average number of slot machines (Average of month-end numbers)	772	724	6.6%

In the first half of 2013, VIP gaming revenue at Grand Lisboa included \$811 million of revenue from certain high-limit gaming tables located in mass market areas that were classified as VIP gaming tables due to game size. If revenue from these tables was not classified as VIP gaming revenue, VIP gaming revenue would have been \$11,791 million in the year earlier period, and would have shown an increase of 3.6% for the Reporting Period. Mass market gaming revenue would have been \$3,413 million in the year earlier period and would have shown an increase of 9.6% for the Reporting Period.

Without such classification of tables, the average number of VIP gaming tables in operation would have been 183 in the year earlier period, and the average number of mass market gaming tables would have been 242 in the year earlier period.

Casino Grand Lisboa received over 6.9 million visitors during the first half of 2014, an average of over 38,000 visitors per day compared with approximately 7.1 million visitors during the first half of 2013, or over 39,000 per day.

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

Other self-promoted casinos are Casino Lisboa, Casino Oceanus at Jai Alai and, until 28 February 2013, Casino Jai Alai. The latter two casinos operate under the same license. During 2013 the Group also operated two self-promoted slot halls: Yat Yuen Canidrome Slot Lounge (suspended on 25 November 2013) and Treasure Hunt Slot Lounge (suspended on 24 May 2013) (collectively, "Other Self-promoted Casinos and Slot Halls").

Other self-promoted casinos and slot halls	For the six months ended 30 June		Increase/ (Decrease)
	2014	2013	
Revenue (HK\$ million)	5,850	6,175	(5.3%)
Profit attributable to the Group (HK\$ million)	775	657	17.9%
Adjusted Property EBITDA (HK\$ million)	884	761	16.1%
Adjusted Property EBITDA Margin	15.1%	12.3%	

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)
	2014	2013	
<i>VIP operations</i>			
Gaming revenue (HK\$ million)	2,989	3,682	(18.8%)
Average daily net-win per VIP gaming table (HK\$)	383,995	317,841	20.8%
VIP chips sales (HK\$ million)	99,360	113,872	(12.7%)
Average number of VIP gaming tables (Average of month-end numbers)	43	64	(32.8%)
<i>Mass market operations</i>			
Gaming revenue (HK\$ million)	2,744	2,263	21.2%
Average daily net-win per mass market gaming table (HK\$)	49,709	42,387	17.3%
Average number of mass market gaming tables (Average of month-end numbers)	305	295	3.4%
<i>Slot machine operations</i>			
Gaming revenue (HK\$ million)	117	230	(49.0%)
Average daily net-win per slot machine (HK\$)	927	1,240	(25.2%)
Average number of slot machines (Average of month-end numbers)	695	1,023	(32.1%)

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As at 30 June 2014, Casino Lisboa operated a total of 131 mass market gaming tables, 41 VIP gaming tables and 162 slot machines.

As at 30 June 2014, Casino Oceanus at Jai Alai operated a total of 175 mass market gaming tables and 527 slot machines.

In the first half of 2013, VIP gaming revenue at other self-promoted casinos included \$172 million of revenue from certain high-limit gaming tables located in mass market areas that were classified as VIP gaming tables due to game size. If revenue from these tables was not classified as VIP gaming revenue, VIP gaming revenue would have been \$3,510 million in the year earlier period, and would have shown a decrease of 14.8% for the Reporting Period. Mass market gaming revenue would have been \$2,436 million in the year earlier period and would have shown an increase of 12.7% for the Reporting Period.

Without such classification of tables, the average number of VIP gaming tables in operation would have been 44 in the year earlier period, and the average number of mass market gaming tables would have been 315 in the year earlier period.

OPERATING RESULTS OF CASINO SEGMENTS – SATELLITE CASINOS AND SLOT HALL

As at 30 June 2014, SJM operated 15 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, Casino Jimei, Casino Kam Pek Paradise, Casino Lan Kwai Fong, Casino L'Arc Macau, Casino Macau Jockey Club, Casino Ponte 16 and Casino Club VIP Legend. The 15 satellite casinos comprised a total of 626 mass market gaming tables, 348 VIP gaming tables and 1,405 slot machines as at 30 June 2014.

Twelve of SJM's satellite casinos are located on the Macau Peninsula whilst three satellite casinos are located on the island of Taipa. The satellite casinos are operated in accordance with service agreements between SJM and third party promoters.

Satellite casinos and slot hall	For the six months ended 30 June		Increase
	2014	2013	
Revenue (HK\$ million)	22,054	20,518	7.5%
Profit attributable to the Group (HK\$ million)	942	863	9.1%
Adjusted Property EBITDA (HK\$ million)	963	864	11.4%
Adjusted Property EBITDA Margin	4.4%	4.2%	

BUSINESS REVIEW

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

Satellite casinos and slot hall	For the six months ended 30 June		Increase/ (Decrease)
	2014	2013	
<i>VIP operations</i>			
Gaming revenue (HK\$ million)	12,512	12,939	(3.3%)
Average daily net-win per VIP gaming table (HK\$)	194,726	183,296	6.2%
VIP chips sales (HK\$ million)	435,839	407,907	6.8%
Average number of VIP gaming tables (Average of month-end numbers)	355	390	(9.0%)
<i>Mass market operations</i>			
Gaming revenue (HK\$ million)	9,240	7,317	26.3%
Average daily net-win per mass market gaming table (HK\$)	81,028	67,146	20.7%
Average number of mass market gaming tables (Average of month-end numbers)	630	602	4.7%
<i>Slot machine operations</i>			
Gaming revenue (HK\$ million)	302	262	15.1%
Average daily net-win per slot machine (HK\$)	1,171	819	43.0%
Average number of slot machine (Average of month-end numbers)	1,426	1,772	(19.5%)

In the first half of 2013, VIP gaming revenue at satellite casinos included \$1,269 million of revenue from certain high-limit gaming tables located in mass market areas that were classified as VIP gaming tables due to game size. If revenue from these tables was not classified as VIP gaming revenue, VIP gaming revenue would have been \$11,670 million in the year earlier period, and would have shown an increase of 7.2% for the Reporting Period. Mass market gaming revenue would have been \$8,586 million in the year earlier period and would have shown an increase of 7.6% for the Reporting Period.

Without such classification of tables, the average number of VIP tables in operation would have been 349 in the year earlier period, and the average number of mass market gaming tables would have been 643 in the year earlier period.

NON-GAMING OPERATIONS

During the Reporting Period, the Grand Lisboa Hotel contributed \$327 million in revenue and \$100 million in Adjusted Property EBITDA to the Group as compared with \$342 million in revenue and \$114 million in Adjusted Property EBITDA for the corresponding period last year. The occupancy rate of the hotel, based on 413 average available rooms, averaged 95.3% for the Reporting Period, as compared with 95.0% for the corresponding period last year. Average room rate during the Reporting Period was approximately \$2,344 as compared with \$2,230 for the corresponding period last year.

Operating results for the Sofitel at Ponte 16, in which SJM's interest is 51%, contributed \$117 million in revenue to the Group, compared with a contribution of \$94 million for the corresponding period last year. The occupancy rate of the 408-room hotel averaged 91.8% for the Reporting Period as compared with 88.2% in the corresponding period last year, and the average room rate was \$1,338 as compared with \$1,167 for the corresponding period last year.

PROSPECTS AND RECENT DEVELOPMENTS

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

MARKET ENVIRONMENT

During the first half of 2014 Macau's total gaming revenue grew by 12.6% over the corresponding period in 2013. According to figures from the Macau Government Statistics and Census Service, visitation to Macau increased by 8.1% to 15,283,847, of which visitors from the Mainland increased by 14.7% to 10,214,304, or 66.8% of the total.

CURRENT AND RECENT INITIATIVES

Lisboa Palace

On 13 February 2014 construction work began on the Lisboa Palace, SJM's future integrated resort on Cotai, expected to be completed in 2017. The land concession contract, pursuant to which SJM leases 70,468 square metres of land from the Macau Government for an initial term of 25 years, had been published in the official gazette of Macau on 15 May 2013. SJM is developing on the site a complex with total gross floor area of 521,435 square metres plus 77,158 square metres parking area, that will encompass three hotels with a total of approximately 2,000 rooms, facilities for shopping, dining and entertainment, and a casino with approximately 700 tables and 1,000 slot machines (subject to the obtaining of applicable licences), at an estimated construction cost of approximately \$30 billion.

On 5 March 2014, a binding Memorandum of Understanding for the KARL LAGERFELD Hotel at Lisboa Palace was signed between SJM and KARL LAGERFELD GREATER CHINA HOLDINGS LIMITED in Paris. As the first hotel in the world fully designed by Karl Lagerfeld, it will comprise up to 270 guestrooms and suites in a 20-storey exclusive tower.

Casino Grand Lisboa

In September 2013, additional space for high-limit baccarat tables was added to the premium mass market area, and a further area for premium mass market gaming called the Tycoon Club with 12 high-limit baccarat tables and 38 high-limit slot machines opened in the first quarter of 2014. In the second half of 2014, work is being undertaken to add up to 14 more premium mass market tables on the mezzanine floor of the casino, to shift 7 tables from other areas to the high-yielding first floor and to add electronic table games on the second floor.

Jai Alai Renovation

SJM suspended operations at Casino Jai Alai on 28 February 2013 and commenced work on the renovation of the Jai Alai Palace building. A subsidiary of the Company had entered into a lease agreement pursuant to which the building would be leased to the Group for the operations of Casino Jai Alai and additional facilities by the Group for three years beginning 1 January 2014. SJM expects to reopen the building in 2015, with new facilities including a hotel with approximately 130 rooms, restaurants and retail shops (to be operated by other service providers) that will enhance the business of the reopened Casino Jai Alai and Casino Oceanus at Jai Alai.

As at 30 June 2014, SJM had entered into capital commitments in connection with the Jai Alai Palace renovation project with a total value approximately \$720 million.

Investment in Macau Legend Development Limited

Macau Legend Development Limited, of which the Group purchased 4% of the total share capital in August 2012 for \$480 million, was listed on the Stock Exchange of Hong Kong on 5 July 2013. Pursuant to related agreements, the Group obtained cash payments totaling approximately \$149 million, recognised as income in June 2013, and as at 30 June 2014 owned 209,068,781 shares of the company, representing approximately 3.25% of its issued share capital.

Joint Venture with eGame Group

On 6 February 2014 the Group announced that a subsidiary of the Company had entered into a joint venture agreement with the eGame Group, a provider of integrated technology and management services for national lotteries, to establish companies to operate national lotteries in each of five different countries, with an initial commitment of US\$20 million.

OUTLOOK

The Group's performance in the second half of 2014 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 \$26,154 million (not including \$680 million pledged bank deposits) as at 30 June 2014. This represented an increase of 0.4% as compared with the position as at 31 December 2013 of \$26,056 million.

Total outstanding balances of bank loans drawn by the Group as at 30 June 2014 amounted to \$1,387 million (as at 31 December 2013: \$1,510 million). The maturity profile of the Group's borrowings as at 30 June 2014 is set out below:

Maturity Profile			
Within 1 year	1–2 years	2–5 years	Total
28.7%	24.5%	46.8%	100.0%

GEARING RATIO

The Group's gearing ratio (defined as the ratio of total outstanding bank loans less bank balances and cash to total assets (excluding bank balances and cash)) was zero at the end of the Reporting Period (as at 31 December 2013: zero).

CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments by the Group amounted to \$28.4 billion at the end of the Reporting Period (as at 31 December 2013: \$29.1 billion), of which \$27.34 billion was for the Lisboa Palace project. As at 30 June 2014, the Group was developing the construction plan for the Lisboa Palace, with an estimated construction cost of approximately \$30 billion, including capital expenditure commitments to date.

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

PLEDGE OF ASSETS

As at 30 June 2014, certain of the Group's property and equipment and land use rights with carrying values of \$1,087 million and \$75 million, respectively (as at 31 December 2013: \$1,160 million and \$77 million, respectively), were pledged with banks for loan facilities. In addition, the Group had pledged bank deposits of \$680 million as at 30 June 2014 (as at 31 December 2013: \$677 million).

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2014, the Group had total guarantees given to banks of \$87 million (as at 31 December 2013: \$87 million), which were guarantees in respect of credit facilities granted to an associate and investee companies. The Group had no material contingent liabilities as at 30 June 2014.

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. As at 30 June 2014 the equivalent of approximately \$496 million of the Group's outstanding borrowings were denominated in Chinese Yuan, of which the foreign exchange rate risk has been fully set off with a matching amount of deposits. The Group's principal operations are primarily conducted and recorded in Hong Kong dollars resulting in minimal exposure to foreign exchange fluctuations. Over 98% of the Group's bank deposits are denominated in Hong Kong dollars, United States dollars or Macau patacas. It is the Group's policy not to engage in speculative trading activity.

MATERIAL ACQUISITIONS AND DISPOSALS

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

HUMAN RESOURCES

As at 30 June 2014, the Group had approximately 21,700 full-time employees. The Group's employee turnover rate was minimal in the first half of 2014.

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

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

COMPARISON WITH UNITED STATES GAAP ACCOUNTING

The Group's results are prepared in compliance with Hong Kong generally accepted accounting principles ("HK GAAP"). In comparing the Group's results to those of companies whose results are prepared under US GAAP, it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An Adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher Adjusted EBITDA Margin than that calculated under HK GAAP. If calculated under US GAAP, the Group's Adjusted EBITDA Margin would be approximately 17.5% for the Reporting Period, as compared to HK GAAP which gives an Adjusted EBITDA Margin of 10.0% 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 HK22 cents per ordinary share of the Company (the "Share") for the six months ended 30 June 2014 (six months ended 30 June 2013: HK20 cents per Share). The interim dividend is expected to be paid on 17 September 2014 to shareholders of the Company whose names appear on the register of members of the Company on 5 September 2014.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS FOR INTERIM DIVIDEND

Book close dates for interim dividend	: 3 September 2014 to 5 September 2014
Record date for interim dividend	: 5 September 2014
Expected payment date	: 17 September 2014
Latest time to lodge transfer documents with the Company's share registrar to entitle interim dividend	: 4:30 p.m. on 2 September 2014
Name and address of the Company's share registrar	: Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

DISCLOSURE OF INTERESTS

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

As at 30 June 2014, 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:

OTHER INFORMATION

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

Name of Director	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued share capital (Note 2)
Cheng Kar Shun	Beneficial owner	Long position	—	3,000,000 (Note 1)	0.05%
Chau Tak Hay	Beneficial owner	Long position	500,000	—	0.01%
Lan Hong Tsung, David	Beneficial owner	Long position	100,000	—	0.002%
	Beneficial owner	Long position	—	500,000 (Note 1)	0.01%
			100,000	500,000	0.012%
Shek Lai Him, Abraham	Beneficial owner	Long position	500,000	—	0.01%
Tse Hau Yin	Beneficial owner	Long position	500,000	—	0.01%
			—	500,000 (Note 1)	0.01%
			500,000	500,000	0.02%
So Shu Fai	Beneficial owner	Long position	153,327,922	—	2.71%
Ng Chi Sing	Beneficial owner	Long position	118,452,922	—	2.10%
Rui José da Cunha	Beneficial owner	Long position	18,107,500	—	0.32%
	Beneficial owner	Long position	—	3,000,000 (Note 1)	0.05%
			18,107,500	3,000,000	0.37%
Fok Tsun Ting, Timothy	Beneficial owner	Long position	—	6,000,000 (Note 1)	0.11%
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	—	8.10%
Shum Hong Kuen, David	Beneficial owner	Long position	3,000,000	—	0.05%
		Long position	—	3,000,000 (Note 1)	0.05%
			3,000,000	3,000,000	0.10%

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 5,655,629,293 Shares in issue as at 30 June 2014.

OTHER INFORMATION

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

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

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

Sociedade de Jogos de Macau, S.A.

Name of Director	Capacity	Long/short position	No. of shares held (Type B Shares)	Approximate percentage of issued share capital
Leong On Kei, Angela	Beneficial owner	Long position	300,000	10.00%

Save as disclosed above, so far as was known to any Director, as of 30 June 2014, 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 2014, 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 2)
Sociedade de Turismo e Diversões de Macau, S.A.	Beneficial owner	Long position	3,049,987,500	—	53.93%
Leong On Kei, Angela	Beneficial owner	Long position	457,950,000	—	8.10%
The Capital Group Companies, Inc.	Interest of controlled corporations	Long position	383,581,000 (Note 1)	—	6.78%
Capital Research and Management Company	Investment manager	Long position	280,606,000 (Note 1)	—	4.96%

Notes:

1. The Capital Group Companies, Inc. is the parent company of Capital Research and Management Company ("CRMC") and Capital Group International, Inc. ("CGII"). CGII is the parent company of Capital Guardian Trust Company ("CGTC"), Capital International, Inc. ("CII"), Capital International Limited ("CIL") and Capital International Sarl ("CIS"). CRMC, CGTC, CII, CIL and CIS altogether directly held 383,581,000 Shares in aggregate as recorded in the Company's register kept under Section 336 of the SFO as at 30 June 2014.
2. The percentage has been calculated based on 5,655,629,293 Shares in issue as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, the Company had not been notified by any persons (other than a Director or the Chief Executive Officer or their respective associate(s)) of any interest or short position in Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

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

Details of the movement in Options granted under the Scheme during the six months ended 30 June 2014 were as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per Share HK\$	Number of Options					Outstanding as at 30 June 2014
				Outstanding as at 1 January 2014	Grant during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors:									
Cheng Kar Shun	8 October 2013 (Note 6)	8 April 2014 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
	8 October 2013 (Note 6)	8 April 2015 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
	8 October 2013 (Note 6)	8 April 2016 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
Chau Tak Hay	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	(500,000)	—	—	—
Lan Hong Tsung, David	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
Shek Lai Him, Abraham	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	(500,000)	—	—	—
Tse Hau Yin	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	500,000	—	—	—	—	500,000
So Shu Fai	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	35,000,000	—	(35,000,000)	—	—	—
Ng Chi Sing	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	32,000,000	—	(32,000,000)	—	—	—
Rui José da Cunha	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
Fok Tsun Ting, Timothy	31 August 2010 (Note 4)	28 February 2011 to 27 February 2020	\$7.48	3,000,000	—	—	—	—	3,000,000
	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	—	—	—	3,000,000
Leong On Kei, Angela	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	30,000,000	—	(30,000,000)	—	—	—
Shum Hong Kuen, David	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	3,000,000	—	—	—	—	3,000,000
	17 March 2011 (Note 5)	17 September 2011 to 16 September 2020	\$12.496	3,000,000	—	(3,000,000)	—	—	—
Sub-total (Directors):				117,000,000	—	(101,000,000)	—	—	16,000,000

OTHER INFORMATION

Name or category of participants	Date of grant	Exercise period	Exercise price per Share HK\$	Number of Options					Outstanding as at 30 June 2014
				Outstanding as at 1 January 2014	Grant during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Employees	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	3,260,000	—	(70,000)	—	—	3,190,000
Employee	19 May 2010 (Note 2)	19 November 2010 to 18 November 2019	\$5.11	600,000	—	(400,000)	—	—	200,000
Employees	26 May 2010 (Note 3)	26 November 2010 to 25 November 2019	\$5.03	260,000	—	—	—	—	260,000
Employees	8 October 2013 (Note 6)	8 April 2014 to 7 April 2023	\$22	14,125,000	—	—	—	(4,000)	14,121,000
Employee	8 October 2013 (Note 6)	8 October 2014 to 7 April 2023	\$22	1,000,000	—	—	—	—	1,000,000
Employees	8 October 2013 (Note 6)	8 April 2015 to 7 April 2023	\$22	14,070,000	—	—	—	(4,000)	14,066,000
Employee	8 October 2013 (Note 6)	8 October 2015 to 7 April 2023	\$22	500,000	—	—	—	—	500,000
Employees	8 October 2013 (Note 6)	8 April 2016 to 7 April 2023	\$22	14,053,000	—	—	—	(4,000)	14,049,000
Employee	8 October 2013 (Note 6)	8 October 2016 to 7 April 2023	\$22	500,000	—	—	—	—	500,000
Employee	8 October 2013 (Note 6)	8 October 2017 to 7 April 2023	\$22	500,000	—	—	—	—	500,000
Employee	8 October 2013 (Note 6)	8 October 2018 to 7 April 2023	\$22	500,000	—	—	—	—	500,000
Sub-total (Employees):				49,368,000	—	(470,000)	—	(12,000)	48,886,000
Other participants	13 July 2009 (Note 1)	13 January 2010 to 12 January 2019	\$2.82	950,000	—	(650,000)	—	—	300,000
Other participants	8 October 2013 (Note 6)	8 April 2014 to 7 April 2023	\$22	734,000	—	—	—	—	734,000
Other participants	8 October 2013 (Note 6)	8 April 2015 to 7 April 2023	\$22	734,000	—	—	—	—	734,000
Other participants	8 October 2013 (Note 6)	8 April 2016 to 7 April 2023	\$22	732,000	—	—	—	—	732,000
Sub-total (Other participants):				3,150,000	—	(650,000)	—	—	2,500,000
Total:				169,518,000	—	(102,120,000)	—	(12,000)	67,386,000

Notes:

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

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

OTHER INFORMATION

2. 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.
3. 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.
4. 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.
5. 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.
6. The vesting period for 47,460,000 Options granted on 8 October 2013 is approximately 34% vesting on six months from the date of grant, then approximately 33% vesting on each of the first and second anniversaries of such date. The vesting period for 3,000,000 Options granted on 8 October 2013 is approximately 34% vesting on one year from the date of grant, then approximately 16.5% vesting on two, three, four and five years from the date of grant respectively. The closing price of the Shares immediately before the date of grant was HK\$21.95. The estimated fair value of each Option granted on that date based on an independent valuation is as follows:

50,460,000 Options granted on 8 October 2013	Exercisable periods	Option unit value
15,863,000	8 April 2014 to 7 April 2023	HK\$8.4299
1,000,000	8 October 2014 to 7 April 2023	HK\$8.5172
15,808,000	8 April 2015 to 7 April 2023	HK\$8.6397
500,000	8 October 2015 to 7 April 2023	HK\$8.7396
15,789,000	8 April 2016 to 7 April 2023	HK\$8.8327
500,000	8 October 2016 to 7 April 2023	HK\$8.8954
500,000	8 October 2017 to 7 April 2023	HK\$8.9801
500,000	8 October 2018 to 7 April 2023	HK\$8.9928

7. The weighted average closing price of the Shares immediately before the dates on which the Options were exercised is HK\$20.26.

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 2014.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. During the period from 1 January 2014 to 30 June 2014, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, except for the deviation from Code Provision E.1.2 that due to health reasons, Dr. Ho Hung Sun, Stanley was absent from the annual general meeting of the Company held on 5 June 2014.

OTHER INFORMATION

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 2014.

DIRECTORS' BIOGRAPHICAL DETAILS UPDATE

Directors' biographical details update since 1 January 2014 and up to 30 June 2014, 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 2014 and up to 30 June 2014
Ho Hung Sun, Stanley	- Received director's special fee of HK\$6,075,244 from the Group for 2013 - Entitled to receive special allowance of HK\$200,000 per month from a subsidiary of the Company since 1 January 2014
Cheng Kar Shun	- Appointed as independent non-executive director of Hang Seng Bank Limited with effect from 26 May 2014 - Received director's special fee of HK\$135,616.33 from the Group for 2013 - Increased by HK\$100,000 per annum as director's base fee of the Company and entitled to receive special allowance of HK\$30,000 per month from a subsidiary of the Company since 1 January 2014
Chau Tak Hay	- Received director's special fee of HK\$135,000 from the Company for 2013 - Increased by HK\$100,000 per annum as director's base fee and increased by HK\$10,000 annual fee to be received from the Company as the chairman of the Nomination Committee since 1 January 2014
Lan Hong Tsung, David	- Received director's special fee of HK\$135,000 from the Company for 2013 - Increased by HK\$100,000 per annum as director's base fee and increased by HK\$10,000 annual fee to be received from the Company as a member of the Nomination Committee since 1 January 2014
Shek Lai Him, Abraham	- Ceased to be independent non-executive director of Titan Petrochemicals Group Limited with effect from 27 February 2014 - Ceased to be independent non-executive director of Hsin Chong Construction Group Ltd. with effect from 13 May 2014 - Received director's special fee of HK\$130,000 from the Company for 2013 - Increased by HK\$100,000 per annum as director's base fee and increased by HK\$10,000 annual fee to be received from the Company as a member of the Nomination Committee since 1 January 2014
Tse Hau Yin	- Received director's special fee of HK\$140,000 from the Company for 2013 - Received special fee of HK\$200,000 from a subsidiary of the Company for 2013 for acting as a member of supervisory committee of that subsidiary - Increased by HK\$100,000 per annum as director's base fee and increased by HK\$10,000 annual fee to be received from the Company as a member of the Nomination Committee since 1 January 2014

OTHER INFORMATION

Name of Director	Biographical details update since 1 January 2014 and up to 30 June 2014
So Shu Fai	- Awarded Comendador da Ordem do Mérito by the president of Portugal on 18 May 2014 - Received director's special fee of HK\$2,848,000 from the Group for 2013 - Increased by HK\$10,000 annual fee to be received from the Company as a member of the Nomination Committee since 1 January 2014 - Increased by HK\$43,050 per month as director's base fee and entitled to receive special allowance of HK\$100,000 per month from a subsidiary of the Company since 1 January 2014
Ng Chi Sing	- Received director's special fee of HK\$2,487,500 from the Group for 2013 - Increased by HK\$39,375 per month as director's base fee and entitled to receive special allowance of HK\$100,000 per month from a subsidiary of the Company since 1 January 2014
Rui José da Cunha	- Awarded Comendador da Ordem do Mérito by the president of Portugal on 18 May 2014 - Received director's special fee in amount of HK\$692,000 from the Group for 2013 - Increased by HK\$9,450 per month as director's base fee and entitled to receive special allowance of HK\$30,000 per month from a subsidiary of the Company since 1 January 2014
Fok Tsun Ting, Timothy	- Elected as Director of Sociedade de Jogos de Macau, S.A. on 31 March 2014 - Received director's special fee of HK\$100,000 from the Company for 2013 - Increased by HK\$100,000 per annum as director's base fee of the Company and entitled to receive special allowance of HK\$30,000 per month from a subsidiary of the Company since 1 January 2014 - Entitled to receive director's base fee of HK\$400,000 per annum since 31 March 2014
Leong On Kei, Angela	- Became chairman of Po Leung Kuk since April 2014 - Received director's special fee of HK\$2,093,000 from the Group for 2013 - Received special fee of HK\$220,500 from a subsidiary of the Company for 2013 for acting as the Chairman of Staff Welfare Consultative Committee of that subsidiary - Increased by HK\$10,000 annual fee to be received from the Company as a member of the Nomination Committee since 1 January 2014 - Increased by HK\$32,550 per month as director's base fee, increased by HK\$3,675 per month as the base fee of the Chairman of Staff Welfare Consultative Committee, and entitled to receive special allowance of HK\$100,000 per month from a subsidiary of the Company since 1 January 2014
Shum Hong Kuen, David	- Received director's special fee of HK\$280,000 from the Group for 2013 - Increased by HK\$100,000 per annum as director's base fee and increased by HK\$10,000 annual fee to be received from the Company as a member of the Nomination Committee since 1 January 2014 - Decreased by HK\$300,000 per annum as director's base fee and entitled to receive special allowance of HK\$30,000 per month from a subsidiary of the Company since 1 January 2014

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 REPORT AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim report of the Company for the six months ended 30 June 2014 has been reviewed by the Audit Committee of the Company. The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2014 has been reviewed by the Audit Committee of the Company and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board of Directors
SJM Holdings Limited

So Shu Fai
Executive Director and Chief Executive Officer

Hong Kong, 13 August 2014

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF SJM HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of SJM Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 23 to 55 which comprises the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim financial reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

13 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$ million (unaudited)	2013 HK\$ million (unaudited)
Gaming, hotel, catering and related services revenues		44,446.3	42,452.8
Gaming revenue	5	44,111.9	42,129.1
Special gaming tax, special levy and gaming premium		(16,950.0)	(16,203.3)
		27,161.9	25,925.8
Hotel, catering and related services income		334.4	323.7
Cost of sales and services on hotel, catering and related services		(136.1)	(139.0)
Other income, gains and losses		164.7	337.7
Marketing and promotional expenses		(19,202.8)	(18,570.6)
Operating and administrative expenses		(4,307.8)	(3,985.7)
Finance costs	6	(39.6)	(46.1)
Share of profits (losses) of an associate		0.2	(4.8)
Share of profits of a joint venture		3.2	2.2
Profit before taxation	7	3,978.1	3,843.2
Taxation	8	(37.7)	(20.5)
Profit for the period		3,940.4	3,822.7
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale investments		(581.2)	11.3
Total comprehensive income for the period		3,359.2	3,834.0
Profit for the period attributable to:			
owners of the Company		3,901.9	3,827.7
non-controlling interests		38.5	(5.0)
		3,940.4	3,822.7
Total comprehensive income for the period attributable to:			
owners of the Company		3,320.7	3,839.0
non-controlling interests		38.5	(5.0)
		3,359.2	3,834.0
Earnings per share:			
Basic	10	HK70.1 cents	HK69.0 cents
Diluted	10	HK69.5 cents	HK68.4 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Non-current assets			
Property and equipment	11	9,205.2	8,325.3
Land use rights	12	2,769.5	2,771.0
Goodwill	33(n)	26.7	—
Intangible asset		17.4	20.5
Art works and diamonds	13	289.2	289.2
Interest in an associate		19.3	19.1
Interest in a joint venture		97.0	93.8
Available-for-sale investments in equity securities	14	1,122.7	1,703.9
Deposits made on acquisitions	15	203.3	426.7
Amount due from a fellow subsidiary	16	—	63.7
Amount due from an associate	17	88.4	88.4
Amount due from a joint venture	17	14.3	14.3
Amount due from an investee company	17	83.0	93.0
Pledged bank deposits	18	594.4	633.7
		<u>14,530.4</u>	<u>14,542.6</u>
Current assets			
Inventories		60.9	62.4
Trade and other receivables	19	1,687.4	1,509.5
Amount due from ultimate holding company	20	0.1	3.4
Financial assets at fair value through profit or loss	21	112.3	151.3
Pledged bank deposits	18	85.3	43.7
Short-term bank deposits		15,147.6	14,910.2
Bank balances and cash		11,006.4	11,145.4
		<u>28,100.0</u>	<u>27,825.9</u>
Current liabilities			
Trade and other payables	22	15,659.4	15,318.9
Payable for acquisition of land use rights	23	319.3	311.5
Obligations under finance leases	24	—	9.3
Taxation payable		29.2	41.1
Current portion of long-term bank loans	25	398.8	318.3
Amount due to non-controlling interests of a subsidiary	26	23.7	22.9
		<u>16,430.4</u>	<u>16,022.0</u>
Net current assets		<u>11,669.6</u>	<u>11,803.9</u>
Total assets less current liabilities		<u>26,200.0</u>	<u>26,346.5</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Non-current liabilities			
Payable for acquisition of land use rights	23	687.9	849.6
Obligations under finance leases	24	—	63.7
Long-term bank loans	25	988.6	1,191.2
Amount due to non-controlling interests of a subsidiary	26	720.8	705.8
Deferred taxation		94.3	81.0
		<u>2,491.6</u>	<u>2,891.3</u>
Net assets		<u>23,708.4</u>	<u>23,455.2</u>
Capital and reserves			
Share capital	27	11,230.7	5,553.5
Reserves		12,385.9	17,849.6
Equity attributable to owners of the Company		23,616.6	23,403.1
Non-controlling interests		91.8	52.1
Total equity		<u>23,708.4</u>	<u>23,455.2</u>

The condensed consolidated financial statements on pages 23 to 55 was approved and authorised for issue by the Board of Directors on 13 August 2014 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 2014

	Share capital HK\$ million	Share premium HK\$ million	Share options reserve HK\$ million	Investment revaluation reserve HK\$ million	Retained profits HK\$ million	Attributable to owners of the Company HK\$ million	Non-controlling interests HK\$ million	Total HK\$ million
At 1 January 2014	5,553.5	3,951.5	608.9	1,223.9	12,065.3	23,403.1	52.1	23,455.2
Change in fair value of available-for-sale investments in equity securities	—	—	—	(581.2)	—	(581.2)	—	(581.2)
Profit for the period	—	—	—	—	3,901.9	3,901.9	38.5	3,940.4
Total comprehensive income for the period	—	—	—	(581.2)	3,901.9	3,320.7	38.5	3,359.2
Exercise of share options before the commencement date of the new Hong Kong Companies Ordinance	0.3	1.9	(0.6)	—	—	1.6	—	1.6
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	3,953.4	(3,953.4)	—	—	—	—	—	—
Exercise of share options after the commencement date of the new Hong Kong Companies Ordinance	1,723.5	—	(458.9)	—	—	1,264.6	—	1,264.6
Recognition of equity-settled share-based payments	—	—	151.1	—	—	151.1	—	151.1
Capital contribution from non-controlling interests	—	—	—	—	—	—	1.2	1.2
Dividends paid (note 9)	—	—	—	—	(4,524.5)	(4,524.5)	—	(4,524.5)
	<u>5,677.2</u>	<u>(3,951.5)</u>	<u>(308.4)</u>	<u>—</u>	<u>(4,524.5)</u>	<u>(3,107.2)</u>	<u>1.2</u>	<u>(3,106.0)</u>
At 30 June 2014 (unaudited)	<u>11,230.7</u>	<u>—</u>	<u>300.5</u>	<u>642.7</u>	<u>11,442.7</u>	<u>23,616.6</u>	<u>91.8</u>	<u>23,708.4</u>
At 1 January 2013	5,547.8	3,894.0	526.3	—	9,910.1	19,878.2	35.8	19,914.0
Change in fair value of available-for-sale investments in equity securities	—	—	—	11.3	—	11.3	—	11.3
Profit for the period	—	—	—	—	3,827.7	3,827.7	(5.0)	3,822.7
Total comprehensive income for the period	—	—	—	11.3	3,827.7	3,839.0	(5.0)	3,834.0
Exercise of share options	2.4	8.2	(3.3)	—	—	7.3	—	7.3
Dividends paid (note 9)	—	—	—	—	(4,440.2)	(4,440.2)	—	(4,440.2)
	<u>2.4</u>	<u>8.2</u>	<u>(3.3)</u>	<u>—</u>	<u>(4,440.2)</u>	<u>(4,432.9)</u>	<u>—</u>	<u>(4,432.9)</u>
At 30 June 2013 (unaudited)	<u>5,550.2</u>	<u>3,902.2</u>	<u>523.0</u>	<u>11.3</u>	<u>9,297.6</u>	<u>19,284.3</u>	<u>30.8</u>	<u>19,315.1</u>

Note: The new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "New CO") came into operation on 3 March 2014. It adopts the mandatory system of no-par and abolishes relevant concepts such as nominal value, share premium, and requirement for authorised capital. The New CO contains a legislative deeming provision for the amalgamation of a company's share capital amount with the amount of its share premium account immediately before the migration to no-par.

To reflect the changes in the New CO, the Company adopted new articles of association at its annual general meeting held on 5 June 2014. No authorised capital, par value and maximum number of shares that the Company may issue are stated in the said new articles.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
Net cash from operating activities	4,679.4	5,377.8
Investing activities		
Interest received	189.2	164.9
Dividend received	—	7.6
Purchase of property and equipment	(1,053.6)	(410.2)
Additions of land use rights	(153.9)	(1.2)
Deposits paid for acquisition of property and equipment	(96.6)	(15.9)
Proceeds from disposal of property and equipment	1.0	—
Advances to ultimate holding company	(0.2)	(0.8)
Repayment from ultimate holding company	3.5	1.4
Repayment from fellow subsidiaries	2.1	25.5
Placement of pledged bank deposits	(7.1)	(7.3)
Placement of bank deposits	(15,464.1)	(14,110.0)
Withdrawal of bank deposits	15,226.7	11,664.6
Acquisition of a subsidiary (note 33(n))	(53.5)	—
Other investing cash flows	10.1	10.1
Net cash used in investing activities	(1,396.4)	(2,671.3)
Financing activities		
Interest paid	(45.6)	(38.4)
Dividends paid	(4,524.5)	(4,440.2)
Proceeds from issue of shares	1,266.2	7.3
Repayment of obligations under finance leases	(2.1)	(25.5)
Repayment of bank loans	(117.2)	(117.2)
Other financing cash flows	1.2	—
Net cash used in financing activities	(3,422.0)	(4,614.0)
Net decrease in cash and cash equivalents	(139.0)	(1,907.5)
Cash and cash equivalents at 1 January	11,145.4	11,931.8
Cash and cash equivalents at 30 June	11,006.4	10,024.3

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL

SJM Holdings Limited (the “Company”) is a public limited company incorporated in Hong Kong and acts as an investment holding company. The Company’s ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its subsidiaries are principally engaged in the development and operation of casinos and related facilities in Macau Special Administrative Region, the People’s Republic of China (“Macau SAR”). Its ultimate holding company is Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”), a company established in Macau SAR. The address of the registered office and principal place of business of the Company is disclosed in the “Corporate Information” section of this report.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Company and its subsidiaries (collectively referred as the “Group”) have applied, for the first time, the following new interpretations and amendments of Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK (IFRIC*) — INT 21	Levies

* IFRIC represents the IFRS Interpretations Committee.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. SUMMARY OF FINANCIAL POSITION OF THE COMPANY

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Non-current assets		
Property and equipment	2.0	2.9
Investments in subsidiaries	4,359.3	4,359.3
	4,361.3	4,362.2
Current assets		
Other receivables, deposits and prepayments	53.0	48.1
Amounts due from subsidiaries	937.2	772.7
Short-term bank deposits	11,646.3	10,826.5
Bank balances and cash	1,524.2	232.1
	14,160.7	11,879.4
Current liabilities		
Other payables and accruals	7.9	5.2
Amount due to a subsidiary	291.6	291.6
	299.5	296.8
Net current assets	13,861.2	11,582.6
Net assets	18,222.5	15,944.8
Capital and reserves		
Share capital (note 27)	11,230.7	5,553.5
Share premium	—	3,951.5
Share options reserve	300.5	608.9
Retained profits	6,691.3	5,830.9
Total equity	18,222.5	15,944.8

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. OPERATING SEGMENTS

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

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

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

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

	Segment revenue		Segment results	
	Six months ended 30 June			
	2014	2013	2014	2013
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gaming operations	44,111.9	42,129.1	4,099.6	3,777.2
Hotel and catering operations:				
external sales	334.4	323.7		
inter-segment sales	182.5	151.8		
	516.9	475.5	(130.5)	(155.7)
Eliminations	(182.5)	(151.8)		
	334.4	323.7		
	44,446.3	42,452.8		
			3,969.1	3,621.5
Reconciliation from segment results to profit before taxation:				
Unallocated corporate income			111.1	100.2
Unallocated corporate expenses			(66.5)	(49.7)
Gain on derivatives arising from available-for-sale investments in equity securities			—	148.7
Change in fair value of financial assets at fair value through profit or loss			(39.0)	25.1
Share of profits (losses) of an associate			0.2	(4.8)
Share of profits of a joint venture			3.2	2.2
Profit before taxation			3,978.1	3,843.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. OPERATING SEGMENTS (Continued)

(a) (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 income and expenses, certain other income, gain on derivatives arising from available-for-sale investments in equity securities, change in fair value of financial assets at fair value through profit or loss, share of results of an associate/a joint venture and income tax expenses. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

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

(b) An analysis of the Group's financial position by operating segments is as follows:

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
ASSETS		
Segment assets:		
gaming operations	17,458.7	19,404.3
hotel and catering operations	6,304.5	6,364.1
	23,763.2	25,768.4
Interest in an associate	19.3	19.1
Interest in a joint venture	97.0	93.8
Unallocated bank deposits, bank balances and cash	13,297.0	11,197.2
Other unallocated assets	5,453.9	5,290.0
Group's total	42,630.4	42,368.5
LIABILITIES		
Bank loans:		
gaming operations	614.3	668.4
hotel and catering operations	773.1	841.1
	1,387.4	1,509.5
Other segment liabilities:		
gaming operations	15,388.1	15,081.2
hotel and catering operations	334.4	304.9
	15,672.5	15,386.1
Total segment liabilities	17,059.9	16,895.6
Unallocated liabilities	1,862.1	2,017.7
Group's total	18,922.0	18,913.3

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. OPERATING SEGMENTS (Continued)

(b) (Continued)

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

- (i) other unallocated assets include mainly certain land use rights, certain property and equipment, available-for-sale investments in equity securities, amounts due from an associate/a joint venture/an investee company, art works and diamonds and financial assets at fair value through profit or loss.
- (ii) unallocated liabilities include mainly amount due to non-controlling interests of a subsidiary and payable for acquisition of land use rights.
- (iii) all assets are allocated to operating segments, other than interest in an associate/a joint venture, unallocated bank deposits, bank balances and cash and those mentioned in (i).
- (iv) all liabilities are allocated to operating segments, other than liabilities not attributable to respective segments.

5. GAMING REVENUE

	Six months ended 30 June	
	2014 HK\$ million (unaudited)	2013 HK\$ million (unaudited)
Gaming revenue from:		
VIP gaming operations	27,719.2	29,222.7
mass market table gaming operations	15,725.0	12,181.0
slot machine and other gaming operations	667.7	725.4
	<u>44,111.9</u>	<u>42,129.1</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2014 HK\$ million (unaudited)	2013 HK\$ million (unaudited)
Interests on:		
bank borrowings wholly repayable within five years	23.5	27.4
finance leases repayable within five years	0.3	1.5
finance leases not wholly repayable within five years	—	1.4
acquisition of land use rights	28.1	8.2
Imputed interest on amount due to non-controlling interests of a subsidiary	15.8	15.8
	<u>67.7</u>	<u>54.3</u>
Less: Amount capitalised in land use rights	<u>(28.1)</u>	<u>(8.2)</u>
	<u>39.6</u>	<u>46.1</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2014 HK\$ million (unaudited)	2013 HK\$ million (unaudited)
<i>Profit before taxation has been arrived at after charging:</i>		
Other staff costs, excluding share-based payments	2,766.9	2,498.9
Share-based payments to staff	135.3	—
Total other staff costs	2,902.2	2,498.9
Directors' remuneration, including share-based payments to directors of HK\$9.1 million (six months ended 30 June 2013: nil)	53.4	39.1
Share-based payments to other participants (included in operating and administrative expenses)	6.7	—
Amortisation of intangible assets (included in operating and administrative expenses)	3.1	3.2
Change in fair value of financial assets at fair value through profit or loss	39.0	—
Depreciation of property and equipment	542.5	573.4
Loss on disposal of property and equipment	23.0	9.2
Operating lease rentals in respect of land use rights	22.5	22.1
<i>and after crediting:</i>		
Interest income from:		
a fellow subsidiary	0.3	2.9
bank deposits	189.9	143.9
	190.2	146.8
Change in fair value of financial assets at fair value through profit or loss	—	25.1
Dividend income	—	7.6
Gain on derivatives arising from available-for-sale investments in equity securities	—	148.7

8. TAXATION

	Six months ended 30 June	
	2014 HK\$ million (unaudited)	2013 HK\$ million (unaudited)
Current period taxation — Macau SAR	29.2	20.5
Deferred taxation — Macau SAR	8.5	—
	37.7	20.5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

8. TAXATION (Continued)

No provision for Macau SAR Complementary Tax ("CT") on gaming related income is made for a subsidiary of the Company, Sociedade de Jogos de Macau, S.A. ("SJM"). Pursuant to the approval notice issued by Macau SAR government dated 23 November 2011, SJM is exempted from CT for income generated from gaming operations for the years from 2012 to 2016.

In addition, pursuant to the approval letter dated 10 August 2012 issued by the Finance Services Bureau of the Macau SAR government, SJM's shareholders were obligated to pay a dividend tax of MOP42.3 million (equivalent to HK\$41.1 million) for dividend distribution by SJM (the "Special Tax") for each of the years from 2012 to 2016. During the six months ended 30 June 2014, the Company, as a shareholder of SJM, was obligated to pay HK\$20.5 million (six months ended 30 June 2013: HK\$20.5 million).

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

No provision for taxation in other jurisdictions was made as the Group's operations outside Macau SAR had no assessable taxable profits arising from the respective jurisdictions.

9. DIVIDENDS

	Six months ended 30 June	
	2014 HK\$ million (unaudited)	2013 HK\$ million (unaudited)
2012 final dividend of HK50 cents per ordinary share	—	2,775.1
2012 special dividend of HK30 cents per ordinary share	—	1,665.1
2013 final dividend of HK50 cents per ordinary share	2,827.8	—
2013 special dividend of HK30 cents per ordinary share	1,696.7	—
	<u>4,524.5</u>	<u>4,440.2</u>

On 13 August 2014, the board of directors of the Company has resolved to declare an interim dividend of HK22 cents per ordinary share amounting to HK\$1,244.3 million in aggregate for the six months ended 30 June 2014 (six months ended 30 June 2013: HK20 cents per ordinary share).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014 HK\$ million (unaudited)	2013 HK\$ million (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>3,901.9</u>	<u>3,827.7</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

10. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2014 (unaudited)	2013 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,565,589,956	5,548,351,177
Effect of dilutive potential ordinary shares on share options	51,142,026	51,329,246
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,616,731,982	5,599,680,423

Since the denomination is calculated by reference to the number of shares and not to the dollar value of the share capital, the abolition at par value of shares (see note 27) in itself has no impact on the basic and diluted earnings per share information.

11. PROPERTY AND EQUIPMENT

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Carrying values		
Leasehold land and buildings	3,541.2	3,638.1
Chips	33.0	34.0
Furniture, fixtures and equipment	2,211.7	2,383.0
Gaming equipment	63.3	63.4
Leasehold improvements	1,018.3	1,169.3
Motor vehicles	12.5	10.8
Vessels	268.9	—
Construction in progress	2,056.3	1,026.7
Total	9,205.2	8,325.3

During the period, the Group incurred HK\$1,446.3 million (six months ended 30 June 2013: HK\$719.1 million) on acquisition of property and equipment to expand and upgrade its facilities.

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

At 30 June 2014, pursuant to the gaming concession held by the Group, certain of the Group's property and equipment with an aggregate carrying value of HK\$2,248.7 million (31 December 2013: HK\$2,423.8 million) in respect of the Group's gaming business have to be returned to the Macau SAR government upon completion of the term of the concession in 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

12. LAND USE RIGHTS

	For the six months ended 30 June 2014 HK\$ million (unaudited)	For the year ended 31 December 2013 HK\$ million (audited)
Carrying values		
At 1 January	2,771.0	739.7
Additions during the period/year	34.4	2,089.1
Interest capitalised	28.1	40.0
Released to profit or loss during the period/year	(21.1)	(41.5)
Released and capitalised to construction in progress during the period/year	(42.9)	(56.3)
At 30 June/31 December	2,769.5	2,771.0

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

In 2012, the Group accepted a land concession contract with Macau SAR government in respect of the lease of a land in Macau SAR for the development and operation of a casino, hotels and entertainment complex for 25 years. Pursuant to the land concession contract, total land premium is HK\$2,087.9 million. The land concession contract was approved and grant of land use rights were finalised by Macau SAR government in 2013. The remaining land premium payable to Macau SAR government would be paid by 8 semi-annual instalments together with a fixed interest of 5% per annum. Details are set out in the Company's announcements dated 19 October 2012 and 15 May 2013.

13. ART WORKS AND DIAMONDS

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

14. AVAILABLE-FOR-SALE INVESTMENTS IN EQUITY SECURITIES

The equity investment was stated at fair value which is the quoted bid price in an active market at the end of both reporting periods.

The equity investment was listed on the Stock Exchange in July 2013 and the Group realised a fair value gain of HK\$148.7 million arising from derivatives of the investment and included in other income, gains and losses for the six months ended 30 June 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. DEPOSIT MADE ON ACQUISITIONS

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Deposits made on acquisition of property and equipment	<u>203.3</u>	<u>426.7</u>

16. AMOUNT DUE FROM A FELLOW SUBSIDIARY

At 31 December 2013, the amount represented the non-current portion of lease receivables from Companhia de Aviação Jet Asia Limitada ("Jet Asia"), a subsidiary of STDM, under a back-to-back arrangement set out in note 24. The amount was fully settled during the period.

17. AMOUNT DUE FROM AN ASSOCIATE/A JOINT VENTURE/AN INVESTEE COMPANY

Amount due from an associate is unsecured, interest-free and has no fixed repayment terms. At 30 June 2014, the management of the Group expects that the amount will not be realised within 12 months from the end of the reporting period, hence, the amount is classified as non-current assets.

Amount due from a joint venture is unsecured, interest-free and has no fixed repayment terms. At 30 June 2014, the management of the Group expects that the amount will not be realised within 12 months from the end of the reporting period, hence, the amount is classified as non-current assets.

Amount due from an investee company represents loan to the investee which is unsecured, interest-free and has no fixed repayment terms. At 30 June 2014, the management of the Group expects that the amount will not be realised within 12 months from the end of the reporting period, hence, the amount was classified as non-current assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. PLEDGED BANK DEPOSITS

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Bank deposits pledged to secure:		
bank facilities (Note (a))	448.8	488.1
bank facilities (Note (b))	145.6	145.6
Amount shown under non-current assets	594.4	633.7
Bank deposits pledged:		
to secure bank facilities (Note (a))	84.0	42.4
in favour of the Macau SAR court against any future legal proceedings of labour disputes	1.0	1.0
others	0.3	0.3
Amount shown under current assets	85.3	43.7
	679.7	677.4

Notes:

- (a) Amount represents deposits pledged to secure the bank facilities granted to a subsidiary of the Company of which HK\$448.8 million (31 December 2013: HK\$488.1 million) would not be released within 12 months from the end of the reporting period until final settlement of respective bank loans. Such deposits are denominated in Renminbi.
- (b) Amount represents deposits pledged to secure the bank facilities granted to a subsidiary of the Company. The bank facilities represent a guarantee amounting to HK\$291.3 million from 1 April 2007 to the earlier of 180 days after the expiry of the gaming concession contract or 31 March 2020, which is in favour of the Macau SAR government against the legal and contractual financial obligations of SJM under the gaming concession contract.

At 30 June 2014, the pledged bank deposits carry fixed interest rates ranging from 1.08% to 2.75% (31 December 2013: 0.8% to 2.75%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

19. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Advances to gaming promoters and patrons	1,043.5	977.0
Other receivables from gaming promoters	58.0	41.0
Prepayments	234.6	127.9
Other receivables	351.3	363.6
	<u>1,687.4</u>	<u>1,509.5</u>

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

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

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

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Age		
0 to 30 days	1,043.5	973.5
Over 90 days	—	3.5
	<u>1,043.5</u>	<u>977.0</u>

Advances to gaming promoters and patrons mainly include pre-approved interest-free revolving credit lines and short-term temporary interest-free advances. All advances to gaming promoters are unsecured, repayable on demand at discretion of the Group and generally require cheques and guarantees. For advances to gaming patrons, the credit period granted to pre-approved gaming patrons with good financial track records is generally 15 days. At 30 June 2014, all of the advances to gaming promoters and patrons (net of allowances) are neither past due nor impaired.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

19. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts

	For the six months ended 30 June 2014 HK\$ million (unaudited)	For the year ended 31 December 2013 HK\$ million (audited)
At 1 January	87.1	87.1
Allowance for doubtful debts	—	—
At 30 June/31 December	87.1	87.1

Allowance for doubtful debts with an aggregate balance of HK\$87.1 million (31 December 2013: HK\$87.1 million) mainly represent individually impaired receivables from gaming promoters as the management considered the outstanding balances from these gaming promoters were uncollectible.

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

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
STDM and its associates, excluding the Group (as defined under Chapter 14A of the Listing Rules)	27.3	39.4
An associate of the Group	1.4	1.2
Entities in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control/significant influence/beneficial interests	125.9	174.6
	154.6	215.2

20. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. TRADE AND OTHER PAYABLES

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Trade payables	2,367.0	2,855.1
Special gaming tax payable	2,529.4	2,962.7
Chips in circulation	7,981.8	7,551.8
Payable for acquisition of property and equipment	60.9	63.8
Construction payables	241.2	216.3
Chips in custody and deposits received from gaming promoters and patrons	1,257.3	352.6
Accrued staff costs	597.8	632.9
Rentals payables	96.9	222.4
Withholding tax payable for gaming promoters and employees	24.0	27.4
Other payables and accruals	503.1	433.9
	15,659.4	15,318.9

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

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Age		
0 to 30 days	2,343.0	2,816.1
31 to 60 days	9.5	25.1
61 to 90 days	1.1	0.9
Over 90 days	13.4	13.0
	2,367.0	2,855.1

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
STDM and its associates, excluding the Group (as defined under Chapter 14A of the Listing Rules)	97.1	265.7
An associate of the Group	35.4	24.3
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	324.9	400.6
	<u>457.4</u>	<u>690.6</u>

23. PAYABLE FOR ACQUISITION OF LAND USE RIGHTS

As at 30 June 2014, total payable for acquisition of land use rights amounted to HK\$1,007.2 million (31 December 2013: HK\$1,161.1 million), of which HK\$319.3 million (31 December 2013: HK\$311.5 million) is included in current liabilities, and the remaining balance of HK\$687.9 million (31 December 2013: HK\$849.6 million) is included in non-current liabilities, which would be payable after 12 months from the end of the reporting period pursuant to the land concession contract (see note 12 for details).

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Amounts payable under finance leases:				
within one year	—	10.8	—	9.3
between one to two years	—	11.8	—	10.4
between two to five years	—	55.2	—	53.3
	—	77.8	—	73.0
Less: Future finance charges	—	(4.8)	—	—
Present value of lease obligations	<u>—</u>	<u>73.0</u>	<u>—</u>	<u>—</u>
Less: Amounts due within one year shown under current liabilities	—	—	—	(9.3)
Amounts due after one year	<u>—</u>	<u>—</u>	<u>—</u>	<u>63.7</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

24. OBLIGATIONS UNDER FINANCE LEASES (Continued)

In 2007 and 2008, Sky Reach Investments Limited ("Sky Reach"), a wholly-owned subsidiary of the Company, had entered into certain lease agreements each for a term of 10 years (the "Aircraft Agreements") with a finance company and Jet Asia, to lease six private jet aircraft in Macau SAR in which the aircraft were then immediately sub-leased to Jet Asia. The Aircraft Agreements have terms of renewal and purchase option clauses. Pursuant to the Aircraft Agreements, the Group is entitled to recover any amounts and charges payable to the finance company under the Aircraft Agreements from Jet Asia. The amounts are denominated in United States dollars and carried variable interest rates with effective interest rate at 2.37% per annum at 31 December 2013. 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.

During the year ended 31 December 2013, Sky Reach and Jet Asia entered into an agreement for the exercise of early buy options at an exercise price of HK\$145.2 million under Aircraft Agreements in respect of four of the six aircraft. Upon exercise of the early buy options, obligations under finance leases amounting to HK\$145.2 million was settled by relevant lease receivables from Jet Asia.

During the six months ended 30 June 2014, Sky Reach and Jet Asia entered into an agreement for the exercise of early buy options at an exercise price of HK\$72.0 million under the Aircraft Agreements in respect of the remaining two aircraft. Upon exercise of the early buy options, obligations under finance leases amounting to HK\$72.0 million was settled by relevant lease receivables from Jet Asia.

25. BANK LOANS

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
The syndicated secured bank loans are repayable:		
within one year	398.8	318.3
between one to two years	339.6	399.7
between two to five years	649.0	791.5
	1,387.4	1,509.5
Less: Amount due within one year shown under current liabilities	(398.8)	(318.3)
Amount due after one year	988.6	1,191.2

At the end of the reporting period, the Group's syndicated secured bank loans carry interest rates ranging from 2.75% to 3.0% (31 December 2013: 2.75% to 3.0%) over 3-month HIBOR per annum with effective interest rates ranging from 3.13% to 3.38% (31 December 2013: 3.13% to 3.38%) per annum and are all denominated in Hong Kong dollars, except for a loan amounting to HK\$495.6 million denominated in Renminbi (31 December 2013: HK\$499.0 million) which carried fixed interest rate of 3.0% per annum. The purpose of the loans is to finance certain construction projects in Macau SAR and settle certain loans from non-controlling shareholders. At 30 June 2014, the loans were secured by certain of the Group's property and equipment and land use right with carrying values of HK\$1,087.4 million (31 December 2013: HK\$1,159.5 million) and HK\$74.7 million (31 December 2013: HK\$77.1 million) respectively. In addition, the other key terms and securities are set out as follows:

- (i) a bank deposit amounting to HK\$532.8 million (31 December 2013: HK\$530.5 million);
- (ii) financial guarantees with promissory notes given by certain subsidiaries and the non-controlling shareholders of a subsidiary amounting to HK\$2,400 million (31 December 2013: HK\$2,400 million) and HK\$1,176 million (31 December 2013: HK\$1,176 million) respectively;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

25. BANK LOANS (Continued)

- (iii) an assignment of all receivables and income from gaming and hotel operation of Pier 16 – Property Development Limited (“Pier 16 – Property”) and its subsidiaries;
- (iv) floating charges over all assets (except immovable property) and legal charges over certain bank accounts of certain subsidiaries with an aggregate carrying value of HK\$2,419.2 million (31 December 2013: HK\$2,400.3 million);
- (v) an unconditional and irrevocable funding and completion undertaking for phase 3 development project in Ponte 16;
- (vi) assignments of all the rights and benefits of insurance policies and construction contracts relating to certain properties held by the Group; and
- (vii) share pledges over the shares of certain subsidiaries.

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

The amount is unsecured, interest-free and to be repaid from surplus funds, which represents the cash available in the relevant subsidiary of the Group after estimated payments of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayments together with the accrued interests.

The relevant bank facility allows the subsidiary to repay shareholders’ loan, subject to certain terms and conditions, including certain leverage ratio requirements. On this basis, the Group agreed with the non-controlling shareholders of that subsidiary on the amounts and timing of the repayment of the amount due to them, taking into account the estimate of amounts and timing of repayment of bank loans pursuant to the new bank facility agreement. Accordingly, carrying amounts of HK\$23.7 million (31 December 2013: HK\$22.9 million) and HK\$720.8 million (31 December 2013: HK\$705.8 million) were classified as current and non-current liabilities respectively at 30 June 2014.

During the period, imputed interest of HK\$15.8 million (six months ended 30 June 2013: HK\$15.8 million) on the amount due to the non-controlling interests of the subsidiary of HK\$744.5 million (31 December 2013: HK\$728.7 million) has been recognised based on the principal amount of HK\$856.4 million (31 December 2013: HK\$856.4 million) at a weighted average original interest rate of approximately 4.4% (six months ended 30 June 2013: 4.4%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

27. SHARE CAPITAL

	Authorised	
	Number of shares	Amount HK\$ million
Ordinary shares of HK\$1 each		
At 1 January 2013, 30 June 2013 (unaudited) and 31 December 2013 (audited)	15,000,000,000	15,000.0
Ordinary shares with no par value		
At 30 June 2014 (unaudited) (Note)	N/A	N/A
	Issued and fully paid	
	Number of shares	Amount HK\$ million
Ordinary shares of HK\$1 each		
At 1 January 2013	5,547,844,293	5,547.8
Exercise of share options	2,365,000	2.4
At 30 June 2013 (unaudited)	5,550,209,293	5,550.2
Exercise of share options	3,300,000	3.3
At 31 December 2013 (audited)	5,553,509,293	5,553.5
Exercise of share options	102,120,000	1,723.8
Transfer from share premium upon abolition of par value (Note)	—	3,953.4
Ordinary shares with no par value		
At 30 June 2014 (unaudited)	5,655,629,293	11,230.7

Note: The new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "New CO") came into operation on 3 March 2014. It adopts the mandatory system of no-par and abolishes relevant concepts such as nominal value, share premium, and requirement for authorised capital. The New CO contains a legislative deeming provision for the amalgamation of a company's share capital amount with the amount of its share premium account immediately before the migration to no-par.

To reflect the changes in the New CO, the Company adopted new articles of association at its annual general meeting held on 5 June 2014. No authorised capital, par value and maximum number of shares that the Company may issue are stated in the said new articles.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

28. SHARE OPTION SCHEME

A summary of the movements of the outstanding options during the six months ended 30 June 2014 under an option scheme adopted on 13 May 2009 is as follows:

Type of participants	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Number of share options			
					Outstanding at 1.1.2014	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2014
Directors	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	3,000,000	—	—	3,000,000
	31.8.2010	31.8.2010 to 27.2.2011	28.2.2011 to 27.2.2020	7.48	3,000,000	—	—	3,000,000
	17.3.2011	17.3.2011 to 16.9.2011	17.9.2011 to 16.9.2020	12.496	108,000,000	(101,000,000)	—	7,000,000
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	1,000,000	—	—	1,000,000
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	1,000,000	—	—	1,000,000
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	1,000,000	—	—	1,000,000
Employees	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	3,260,000	(70,000)	—	3,190,000
	19.5.2010	19.5.2010 to 18.11.2010	19.11.2010 to 18.11.2019	5.11	600,000	(400,000)	—	200,000
	26.5.2010	26.5.2010 to 25.11.2010	26.11.2010 to 25.11.2019	5.03	260,000	—	—	260,000
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	14,125,000	—	(4,000)	14,121,000
	8.10.2013	8.10.2013 to 7.10.2014	8.10.2014 to 7.4.2023	22	1,000,000	—	—	1,000,000
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	14,070,000	—	(4,000)	14,066,000
	8.10.2013	8.10.2013 to 7.10.2015	8.10.2015 to 7.4.2023	22	500,000	—	—	500,000
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	14,053,000	—	(4,000)	14,049,000
	8.10.2013	8.10.2013 to 7.10.2016	8.10.2016 to 7.4.2023	22	500,000	—	—	500,000
	8.10.2013	8.10.2013 to 7.10.2017	8.10.2017 to 7.4.2023	22	500,000	—	—	500,000
	8.10.2013	8.10.2013 to 7.10.2018	8.10.2018 to 7.4.2023	22	500,000	—	—	500,000
Other participants (Note)	13.7.2009	13.7.2009 to 12.1.2010	13.1.2010 to 12.1.2019	2.82	950,000	(650,000)	—	300,000
	8.10.2013	8.10.2013 to 7.4.2014	8.4.2014 to 7.4.2023	22	734,000	—	—	734,000
	8.10.2013	8.10.2013 to 7.4.2015	8.4.2015 to 7.4.2023	22	734,000	—	—	734,000
	8.10.2013	8.10.2013 to 7.4.2016	8.4.2016 to 7.4.2023	22	732,000	—	—	732,000
					<u>169,518,000</u>	<u>(102,120,000)</u>	<u>(12,000)</u>	<u>67,386,000</u>
Weighted average exercise price per share					<u>HK\$14.79</u>	<u>HK\$12.40</u>	<u>HK\$22.00</u>	<u>HK\$18.40</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

28. SHARE OPTION SCHEME (Continued)

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\$19.21 (six months ended 30 June 2013: HK\$21.35). At the end of the reporting period, 32,805,000 share options are exercisable (31 December 2013: 119,070,000 share options).

The Group recognised total expenses of HK\$151.1 million during the six months ended 30 June 2014 (six months ended 30 June 2013: nil) in relation to share options granted by the Company.

29. 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 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Within one year	3.5	4.6	284.2	287.1
In the second to fifth year inclusive	25.7	22.4	445.2	529.6
After five years	199.1	204.7	43.7	72.8
	<u>228.3</u>	<u>231.7</u>	<u>773.1</u>	<u>889.5</u>

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

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

As at 30 June 2014, operating lease rentals committed to related parties amounted to HK\$706.6 million (31 December 2013: HK\$812.1 million), which fall due as follows:

	Rented premises	
	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Within one year	247.3	241.9
In the second to fifth year inclusive	415.6	497.4
After five years	43.7	72.8
	<u>706.6</u>	<u>812.1</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

30. CAPITAL COMMITMENTS

	At 30 June 2014 HK\$ million (unaudited)	At 31 December 2013 HK\$ million (audited)
Capital expenditure in respect of property and equipment: authorised but not contracted for:		
Lisboa Palace project	23,315.6	26,164.7
Others	128.1	620.9
	<u>23,443.7</u>	<u>26,785.6</u>
contracted for but not provided in the condensed consolidated financial statements:		
Lisboa Palace project	4,024.4	1,849.2
Others	916.4	490.8
	<u>4,940.8</u>	<u>2,340.0</u>

As at 30 June 2014, capital expenditure in respect of property and equipment committed to related parties amounted to HK\$1,343.3 million (31 December 2013: HK\$885.7 million).

As at 30 June 2014, the estimated total construction cost for Lisboa Palace project will be approximately HK\$30,000 million (31 December 2013: HK\$30,000 million).

31. CONTINGENT LIABILITIES AND GUARANTEES

	At 30 June 2014		At 31 December 2013	
	Maximum guarantees given HK\$ million (unaudited)	Credit facilities utilised HK\$ million (unaudited)	Maximum guarantees given HK\$ million (audited)	Credit facilities utilised HK\$ million (audited)
Guarantees given to banks in respect of credit facilities granted to:				
an associate	67.3	61.1	67.3	56.3
an investee company	20.0	—	20.0	—
	<u>87.3</u>	<u>61.1</u>	<u>87.3</u>	<u>56.3</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

All of the Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Level 1 based on the degree to which the fair value is observable.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

33. RELATED PARTY TRANSACTIONS

- (a) Other than the transactions and balances with related parties disclosed in respective notes in the condensed consolidated financial statements, during the period, the Group had the following significant transactions with related parties and/or connected parties (as defined under Chapter 14A of the Listing Rules):

Relationship	Nature of transactions	Six months ended 30 June	
		2014 HK\$ million (unaudited)	2013 HK\$ million (unaudited)
STDM and its associates, excluding the Group ("STDM group") (as defined under Chapter 14A of the Listing Rules)	Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules		
	Property rentals (note 33(c))	120.4	124.0
	Transportation (note 33(d))	80.4	74.7
	Dredging services (note 33(d))	—	61.7
	Hotel accommodation (note 33(d))	63.9	55.7
	Entertainment and staff messing (note 33(d))	28.5	27.2
	Maintenance services (note 33(d))	—	7.9
	Aircraft sublease rental receipts (note 33(e))	—	28.4
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules		
	Share of administrative expenses (note 33(f))	2.9	0.9
	Cleaning services (note 33(g))	12.9	12.0
	Hotel management and operation (note 33(d) and (g))	13.3	11.2
	Promotional and advertising services (note 33(d) and (g))	8.0	10.7
	Dredging services (note 33(d) and (g))	18.1	—
	Maintenance services (note 33(d) and (g))	9.3	—
	Aircraft sublease rental receipts (note 33(e) and (g))	2.5	—
	Others (note 33(g))	10.1	7.5
	Non-exempt connected transactions under Chapter 14A of the Listing Rules		
	Transfer of dredging department (note 33(m))	290.8	—
Certain directors of the Company and of its subsidiaries and their associates (as defined under Chapter 14A of the Listing Rules)	Non-exempt continuing connected transactions under Chapter 14A of the Listing Rules		
	Service fees in relation to the promotion of a casino (note 33(h))	969.9	977.9
	Transportation (note 33(i))	25.4	23.2
	Property rentals (note 33(o))	79.3	—
	Exempt continuing connected transactions under Chapter 14A of the Listing Rules		
	Entertainment and staff messing (note 33(g))	12.7	37.3
	Others (note 33(g))	19.2	27.8
	Exempt connected transactions under Chapter 14A of the Listing Rules		
	Gain on derivatives arising from available-for-sale investments in equity securities and others (note 33(l))	—	11.3
	Acquisition of a subsidiary (note 33(n))	64.1	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

33. RELATED PARTY TRANSACTIONS (Continued)

Relationship	Nature of transactions	Six months ended 30 June	
		2014 HK\$ million (unaudited)	2013 HK\$ million (unaudited)
Entities other than the above in which STDM, certain directors of the Company and of its subsidiaries and/or their close family members have control /significant influence /beneficial interests	Service fees in relation to the promotion of a casino (note 33(j))	774.1	769.2
	Insurance expenses	43.0	27.3
	Promotion and advertising expenses	1.2	0.2
	Service fee in related to foreign currencies exchange	10.5	9.6
	Property rentals	—	0.1
	Others	6.9	8.2
An associate	Construction costs and management fee paid	144.0	8.8
A joint venture	Property rentals	7.2	7.2

- (b) In 2002, SJM was granted a concession to operate casinos in Macau SAR. For this purpose, STDM transferred its gaming assets to SJM. SJM has been borrowing casino chips from STDM for the purpose of its business operation since SJM, as a new concessionaire from 2002, did not have sufficient casino chips to meet its business needs. According to the gaming concession contract, SJM is permitted to use STDM's casino chips, both in treasury and those put in circulation by STDM prior to 1 April 2002 and should honour such casino chips. In order to regulate the borrowing and use of STDM chips, the Group entered into a chips agreement with STDM dated 18 June 2008 (the "Chips Agreement") regarding the honouring and borrowing of STDM chips. Under the Chips Agreement, the Group has agreed to honour the STDM chips in circulation upon their redemption by patrons or clients. In addition, STDM has agreed to reimburse the STDM chips presented by the Group to STDM, by paying to the Group in cheque the aggregate face value of chips so presented within the same quarter when such presentation takes place. During the six months ended 30 June 2014, the net amount received or receivable on reimbursement of STDM chips in circulation amounted to HK\$0.2 million (for the six months ended 30 June 2013: HK\$0.8 million).
- (c) The Group entered into an agreement dated 18 June 2008 with STDM for the leasing of properties by STDM or the members of the STDM group to the Group. The 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 33(a) above.
- (d) The Group entered into an agreement dated 18 June 2008 with STDM for the provision of products and services by STDM and its associates (the "Products and Services Master Agreement"). The types of products and services include hotel accommodation, hotel management and operation, entertainment and staff messing, dredging services, transportation, promotional and advertising services, travel agency services and maintenance services. On 19 June 2011, the Company entered into a renewed products and services master agreement with STDM ("Renewed Master Agreement") for the provision of products and services as described in the Products and Services Master Agreement, except for hotel management and operations, promotional and advertising services, and travel agency services, which are regarded as de minimis transactions as described in note 33(g). The Renewed Master Agreement expired on 31 December 2013, and was renewed on 6 January 2014 for a term of three years from 1 January 2014 with similar terms for the provision of products and services for five categories: hotel accommodation, entertainment and staff messing, transportation, hotel management and operation, and maintenance services. Due to the transfer of dredging department mentioned in note 33(m), provision of dredging services is excluded from the renewed agreement. The transaction amounts for the dredging services, hotel management and operations and maintenance services during the period were de minimis as described in note 33(g).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

33. RELATED PARTY TRANSACTIONS (Continued)

- (e) Regarding the aircraft lease arrangement as detailed in note 24, the Group charged minimum lease payments and related expenses of HK\$2.5 million (six months ended 30 June 2013: HK\$28.4 million) to the fellow subsidiary, and repaid the same amount of minimum lease payments to the finance company during the six months ended 30 June 2014. The transaction amount during the period was de minimis as described in note 33(g).

Upon exercise of early buy option by the fellow subsidiary during the six months ended 30 June 2014 as mentioned in note 24, obligations under finance lease amounting to HK\$72.0 million (31 December 2013: HK\$145.2 million) was settled by the fellow subsidiary.

- (f) The Group entered into an agreement with STDM dated 18 June 2008 (the "Administrative Cost Sharing Agreement") whereby STDM and its associates have agreed to continue to share certain administrative services including, among others, general public relations work, promotional functions, arranging ticketing and hotel accommodations, transportation and the provision of storage services with the Group and the Group has agreed to pay for the shared services on a cost basis. The amount of administrative costs shared between the Group and the STDM group is calculated based on an estimate of (i) the actual time spent by each department for providing services to the Group and the STDM group respectively recorded on time sheets and (ii) the floor area occupied, respectively, by the Group and the STDM group for storage services.

On 19 June 2011, the Company entered into an agreement with STDM to renew the Administrative Cost Sharing Agreement in sharing the above-mentioned administrative services. The renewed agreement expired on 31 December 2013. The amount of transactions during the period was disclosed in note 33(a) above.

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

This master service agreement is for a term of three years, provided that either party may terminate this agreement at any time by giving six months' prior written notice to the other party, however, such termination shall not affect the duration of the contracts entered into prior to 24 June 2011, which shall continue in full force and effect until 31 December 2013. Such agreement expired on 31 December 2013 and was renewed on 6 December 2013 for a term of three years from 1 January 2014 with similar terms as the previous agreement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

33. RELATED PARTY TRANSACTIONS (Continued)

- (j) Service fees in relation to the promotion of a casino were paid to an entity in which certain directors of the Group were the directors and/or key management personnel of the entity.
- (k) Save as disclosed in note 25, in addition to the securities provided by the Group to the relevant bank, the syndicated secured bank loans are also secured by non-controlling interests of a subsidiary of the Group. At the end of the reporting period, the key terms and securities are set out as follows:
 - (i) financial guarantee with promissory note of HK\$1,176 million;
 - (ii) an unconditional and irrevocable funding undertaking for the purpose of satisfying the construction costs of certain properties in Ponte 16 which include (i) the land premium and all other premiums and sums of money payable to the Governmental Agency of Macau SAR in respect of properties in Ponte 16; (ii) all construction costs and all operating costs to be incurred; and (iii) all financial costs and expenses, including interest payable in respect of the syndicated secured bank loans facility;
 - (iii) an unconditional and irrevocable undertaking for the purpose of ensuring the completion of phase 3 development project in Ponte 16; and
 - (iv) share pledges over the shares in Pier 16 – Property and its subsidiaries.
- (l) As disclosed in note 14, an available-for-sale investment was acquired at a consideration of HK\$480 million in 2012. One of the selling shareholders in the acquisition was a connected person of the Company, and hence, the acquisition constituted a connected transaction but was exempted from reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules. The gain on derivatives arising from available-for-sale investments in equity securities, as detailed in note 14, in respect of the portion of the connected person amounted to HK\$11.2 million was settled in July 2013.
- (m) Pursuant to a transfer agreement entered into between SJM and STDM on 22 November 2013, SJM has procured its subsidiary to take over the operation of the dredging department from STDM on 1 January 2014. The takeover will involve, among other things; (i) assignment on transfer of existing employment contracts of STDM's employees; (ii) acquisition of certain assets of the dredging department from STDM for a consideration totalling of HK\$287.5 million; (iii) assignment of certain business contracts; and (iv) entering into lease agreements.

The transfer of the operation of the dredging department from STDM to the Group was to take on the dredging responsibilities for Macau's navigation channel, which is one of the general covenants and obligations of SJM under its gaming concession contracts with the Macau SAR government.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

33. RELATED PARTY TRANSACTIONS (Continued)

(n) Acquisition of subsidiary from a related party

In February 2014, the Group acquired the entire equity interest in New Hop Wo Catering Service Limited ("New Hop Wo") from an associate of a director of SJM. New Hop Wo is principally engaged in the provision of catering service in Macau SAR and was acquired with the objective of improving the Group's catering service.

Consideration transferred

	HK\$ million
Cash	64.1

Acquisition-related costs amounting to HK\$0.7 million have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the 'operating and administrative expenses' line item in the condensed consolidated statement of profit or loss or other comprehensive income.

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	HK\$ million
Current assets	
Bank balances and cash	10.6
Non-current assets	
Property and equipment	7.8
Land use rights	34.4
Current liabilities	
Payable to the former shareholder of New Hop Wo	(10.6)
Non-current liabilities	
Deferred taxation	(4.8)
	37.4

Goodwill arising on acquisition (determined on a provisional basis)

	HK\$ million
Consideration transferred	64.1
Less: recognised amount of identifiable net assets acquired	(37.4)
Goodwill arising on acquisition	26.7

Goodwill arose on the acquisition of New Hop Wo because the acquisition included the assembled workforce of New Hop Wo and enabled the Group to utilise those assembled workforce for its existing catering operation. Since New Hop Wo was the major external service provider for staff catering to the Group before the acquisition, the acquisition offered the Group a cost saving opportunity in providing internal catering service to the Group's casino staff by consolidating the Group's existing catering operation with New Hop Wo. None of the goodwill recognised is expected to be deductible for income tax purpose.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

33. RELATED PARTY TRANSACTIONS (Continued)

- (n) Acquisition of subsidiary from a related party (Continued)

Goodwill arising on acquisition (determined on a provisional basis) (Continued)

The goodwill arising from the acquisition of New Hop Wo amounting to HK\$26.7 million is determined on a provisional basis, awaiting the completion of the identification of separable assets and valuation of the property and equipment and land use rights (including the relevant impact on the deferred taxation) acquired.

Net cash outflow arising on acquisition

	HK\$ million
Consideration paid in cash	64.1
Less: cash and cash equivalent balances acquired	<u>(10.6)</u>
Net cash outflow arising on acquisition	<u><u>53.5</u></u>

Impact of acquisition on the results of the Group

No revenue for the interim period is attributable to New Hop Wo as it solely provides catering service to Group companies, which revenue is eliminated in the Group's condensed consolidated financial statements. Included in the Group's profit for the interim period is HK\$19.1 million of loss attributable to New Hop Wo after the elimination of inter-group sales since the acquisition, as it solely provides catering service to group companies. The loss represents the amounts of cost of sales and operating expenses. New Hop Wo incurred profit for the period of HK\$9.9 million (before the elimination of inter-group sales) for the six months ended 30 June 2014.

Had the acquisition of New Hop Wo been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2014 would have been HK\$44,446.3 million, and the amount of the profit for the interim period would have been HK\$3,942.8 million. This proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had New Hop Wo been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

- (o) The Group entered into an agreement dated 22 November 2013 with a director of the Company for the leasing of properties by the director and her associates to the Group effective from 1 January 2014. 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 December 2016. The amounts of transactions during the period were disclosed in note 33(a) above.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Executive Director

Dr. Ho Hung Sun, Stanley

Non-executive Director

Dr. Cheng Kar Shun

Independent Non-executive Directors

Mr. Chau Tak Hay

Dr. Lan Hong Tsung, David

Hon. 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

Dr. Rui José da Cunha

Mr. Fok Tsun Ting, Timothy

Deputada Leong On Kei, Angela

Mr. Shum Hong Kuen, David

AUDIT COMMITTEE

Mr. Tse Hau Yin (*Committee Chairman*)

Mr. Chau Tak Hay

Dr. Lan Hong Tsung, David

Hon. Shek Lai Him, Abraham

NOMINATION COMMITTEE

Mr. Chau Tak Hay (*Committee Chairman*)

Dr. Lan Hong Tsung, David

Deputada Leong On Kei, Angela

Hon. Shek Lai Him, Abraham

Mr. Shum Hong Kuen, David

Dr. So Shu Fai

Mr. Tse Hau Yin

REMUNERATION COMMITTEE

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

Mr. Chau Tak Hay

Deputada Leong On Kei, Angela

Hon. Shek Lai Him, Abraham

Dr. So Shu Fai

Mr. Tse Hau Yin

CHIEF FINANCIAL OFFICER

Mr. Robert McBain

GROUP LEGAL COUNSEL

Mr. Jonathan Pyne

COMPANY SECRETARY

Ms. Kwok Shuk Chong

REGISTERED OFFICE AND

PRINCIPAL PLACE OF BUSINESS

Suites 3001–3006, 30th Floor

One International Finance Centre

1 Harbour View Street, Central

Hong Kong

Tel: (852) 3960 8000

Fax: (852) 3960 8111

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

Email (Investor Relations): ir@sjmholdings.com

LISTING INFORMATION

Share listing: Hong Kong Stock Exchange
(Main Board)

Listing date: 16 July 2008

Stock short name: SJM Holdings

Stock code: 880 (Hong Kong Stock Exchange)

0880.HK (Reuters)

880:HK (Bloomberg)

Board lot: 1,000 shares

Designated Security Eligible for Short Selling

Constituent of Hang Seng HK35 Index

Constituent of Hang Seng High Dividend Yield Index

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

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

Email: hkinfo@computershare.com.hk

LEGAL ADVISORS

On Hong Kong Law:

Baker & McKenzie

Herbert Smith Freehills

Linklaters

On Macau Law:

C&C Advogados

Riquito Advogados

FINANCIAL ADVISOR

Somerley Capital Limited

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Industrial and Commercial Bank of China

(Macau) Limited

Bank of China Limited

Crédit Agricole Corporate and Investment Bank

BNP Paribas

Industrial and Commercial Bank of China (Asia) Limited

SJM HOLDINGS LIMITED
澳門博彩控股有限公司

Suites 3001 – 3006, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
香港中環港景街1號國際金融中心一期30樓3001 – 3006室

<http://www.sjmholdings.com>