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# 澳門博彩控股有限公司 SJM HOLDINGS LIMITED

*(incorporated in Hong Kong with limited liability)*  
**(Stock Code: 880)**

## **CONTINUING CONNECTED TRANSACTION IN RESPECT OF LEASE OF A PROPERTY FOR OPERATIONS OF CASINO JAI ALAI AND ADDITIONAL FACILITIES**

### **THE LEASE AGREEMENT**

The Board is pleased to announce that on 18 November 2012, Efort, an indirect subsidiary of the Company, and Netlink entered into the Lease Agreement, pursuant to which Netlink will lease the Jai Alai Palace located in Macau to Efort for the operations of Casino Jai Alai and additional facilities by the Group for three years ending 31 December 2016. The monthly rental (including management fee) of the Jai Alai Palace is MOP10.3 million (equivalent to approximately HK\$10 million).

The Group's core business is the development and operation of casinos and related facilities in Macau. The Group currently leases part of the Jai Alai Palace for the operation of Casino Jai Alai and the Existing Lease Agreement will expire on 31 December 2013. Pursuant to the Existing Lease Agreement, the Group is required to give a 12-month notice in advance (i.e. by 31 December 2012) for renewal of the Existing Lease Agreement. It is the intention of the Group to continue operating Casino Jai Alai at the Jai Alai Palace after 2013 and also to expand its presence to the rest of the Jai Alai Palace by providing additional facilities including hotels, restaurants, department stores and others (to be operated by other service providers). In order to secure the venue for the aforesaid business plan after 2013 and given the renewal requirement of the Existing Lease Agreement, the Group considers this is an appropriate time to enter into the Lease Agreement for the lease of the entire Jai Alai Palace. The Board (excluding Ms. Leong but including all independent non-executive Directors) considers the leasing of the Jai Alai Palace under the Lease Agreement allows the Group to continue the operation of Casino Jai Alai and it may also enhance the Group's revenue.

### **LISTING RULES IMPLICATIONS**

Netlink is a connected person of the Company under the Listing Rules by virtue of it being wholly owned by Jai Alai, which is owned as to approximately 97.3% by Ms. Leong, a Director. The transactions contemplated under the Lease Agreement therefore will constitute continuing connected transactions for the Company under the Listing Rules. Since the applicable percentage ratios as defined in the Listing Rules (other than the profits ratio) for the respective Annual Caps exceed 0.1% but are less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirements under the Listing Rules.

## **(A) THE LEASE AGREEMENT**

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### **Date**

18 November 2012

### **Parties**

- (1) Efort (as lessee); and
- (2) Netlink (as lessor).

### **Subject matter**

Pursuant to the Lease Agreement, Netlink will lease the Jai Alai Palace located in Macau to Efort. The Jai Alai Palace will be used for the operations of Casino Jai Alai and additional facilities by the Group.

### **Conditions precedent**

The Lease Agreement will be completed and become effective on the third business day following fulfilment of the following conditions precedent:

- (a) the directors of Netlink and Jai Alai passing respective resolutions approving the Lease Agreement and the transactions contemplated by the Lease Agreement;
- (b) the directors of Efort passing a resolution approving the Lease Agreement;
- (c) Efort entering into an agreement with SJMSA for the lease of part of the Jai Alai Palace by SJMSA for the operation of Casino Jai Alai up to the expiry date of the Lease Agreement and if extended up to the expiry date of the renewed term; and
- (d) Efort obtaining of any other requisite consent, approval or authority in connection with the Lease Agreement or any matters contemplated by it.

Save for conditions (c) and (d) above which are capable of being waived by Efort, none of the conditions precedent is capable of being waived by the parties to the Lease Agreement. If the conditions precedent above are not fulfilled and/or waived (as the case may be) prior to 1 April 2013 or such later date as the parties may agree in writing, the Lease Agreement shall be terminated automatically forthwith, and upon such termination, the Lease Agreement shall cease to have effect between the parties.

## **Term and renewal**

Subject to Completion, the lease of the Jai Alai Palace shall commence from 1 January 2014 to 31 December 2016. Upon the expiry of the Lease Agreement, Efort has the sole discretion to renew the Lease Agreement for further three years at the then open market prices, subject to compliance with the relevant laws and the Listing Rules. Either party is not entitled to early terminate the Lease Agreement.

Save for the area currently used by SJMSA in the Jai Alai Palace under the Existing Lease Agreement, the Jai Alai Palace will be handed over to Efort by no later than 1 April 2013 or such later date as the parties may agree in writing in “as is” condition.

## **Pricing basis**

The monthly rental (including management fee) of the Jai Alai Palace is MOP10.3 million (equivalent to approximately HK\$10 million) and shall be payable on the first business day of each month (save for the month of January 2014 which shall be paid in advance on Completion or prior to the commencement of the term (whichever shall be the earlier)) in cash. Efort shall on Completion or prior to the commencement of the term of the Lease Agreement, whichever is earlier, pay to Netlink a refundable sum of MOP82.4 million (equivalent to approximately HK\$80 million), being the aggregate of a deposit equivalent to two-month rental (including management fee) and a decoration deposit equivalent to six-month rental (including management fee). The monthly rental (including management fee) and payment terms of the Lease Agreement have been negotiated on an arm’s length basis between the parties to the Lease Agreement with reference to prevailing market rents as appraised by an independent property valuer.

## **Right to sub-lease the spaces in the Jai Alai Palace to third parties**

Efort may sub-lease any space located in the Jai Alai Palace to third parties, with Netlink’s prior written consent on the selected third party as the sub-lessee, which consent shall not be unreasonably withheld.

## **(B) THE ANNUAL CAPS**

Set out below are the proposed Annual Caps of the Continuing Connected Transaction for each of the three years ending 31 December 2014, 2015 and 2016.

	<b>For the year ending 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
The Annual Caps	126	126	126

The Annual Caps are determined by reference to (i) the agreed monthly rental (including management fee) of the Jai Alai Palace as set out in the Lease Agreement; and (ii) a buffer of 5% on the monthly rental (including management fee) for other unexpected charges incidental to the transactions contemplated under the Lease Agreement.

**(C) REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE LEASE AGREEMENT**

The Group's core business is the development and operation of casinos and related facilities in Macau. The Group currently leases part of the Jai Alai Palace for the operation of Casino Jai Alai and the Existing Lease Agreement will expire on 31 December 2013. Pursuant to the Existing Lease Agreement, the Group is required to give a 12-month notice in advance (i.e. by 31 December 2012) for renewal of the Existing Lease Agreement. It is the intention of the Group to continue operating Casino Jai Alai at the Jai Alai Palace after 2013 and also to expand its presence to the rest of the Jai Alai Palace by providing additional facilities including hotels, restaurants, department stores and others (to be operated by other service providers). In order to secure the venue for the aforesaid business plan after 2013 and given the renewal requirement of the Existing Lease Agreement, the Group considers this is an appropriate time to enter into the Lease Agreement for the lease of the entire Jai Alai Palace. The Board (excluding Ms. Leong but including all independent non-executive Directors) considers the leasing of the Jai Alai Palace under the Lease Agreement allows the Group to continue the operation of Casino Jai Alai and it may also enhance the Group's revenue. The Board (excluding Ms. Leong but including all independent non-executive Directors) consider that the terms of the Lease Agreement and the Continuing Connected Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors confirmed that, save for Ms. Leong, none of them have a material interest in the Lease Agreement and the Continuing Connected Transaction. Ms. Leong was absent from the Board meeting of the Company while the relevant resolution was being discussed and abstained from voting on the Board resolution on proposing the Lease Agreement and the Continuing Connected Transaction.

**(D) LISTING RULES IMPLICATIONS**

Netlink is a connected person of the Company under the Listing Rules by virtue of it being wholly owned by Jai Alai, which is owned as to approximately 97.3% by Ms. Leong, a Director. Netlink is principally engaged in property leasing and management.

The transactions contemplated under the Lease Agreement therefore will constitute continuing connected transactions for the Company under the Listing Rules. Since the applicable percentage ratios as defined in the Listing Rules (other than the profits ratio) for the respective Annual Caps exceed 0.1% but are less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirements under the Listing Rules.

**(E) DEFINITIONS**

Unless defined otherwise, the terms used in this announcement shall have the following meanings:

- “Annual Caps” : the annual maximum aggregate value for the Continuing Connected Transaction for each of the three financial years ending 31 December 2014, 31 December 2015 and 31 December 2016, details of which are set out in the section headed “The Annual Caps” in this announcement
- “Board” : the board of Directors

“Company”	:	SJM Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Stock Exchange
“Completion”	:	completion of the Lease Agreement
“connected person(s)”	:	has the meaning ascribed to it in the Listing Rules
“Continuing Connected Transaction”	:	the transactions contemplated under the Lease Agreement
“Director(s)”	:	the director(s) of the Company
“Efort”	:	Efort Limited, a company incorporated under the laws of Macau and an indirect subsidiary of the Company
“Existing Lease Agreement”	:	the lease agreement dated 2 January 2006 entered into between the Group (as lessee) and a party who is independent of and not connected with the Company or any of its Directors (as lessor) for the lease of part of the Jai Alai Palace for operation of Casino Jai Alai from 1 January 2006 to 31 December 2013
“Group”	:	the Company and its subsidiaries
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lease Agreement”	:	the lease agreement dated 18 November 2012 entered into between Efort (as lessee) and Netlink (as lessor) in relation to the lease of the Jai Alai Palace
“Jai Alai”	:	Sociedade de Pelota Basca de Macau, S.A., the sole legal and beneficial tenant under the tenancy contract executed with the Macau Government in respect of the Jai Alai Palace and a company owned as to approximately 97.3% by Ms. Leong
“Jai Alai Palace”	:	the shops and areas (as specified in the Lease Agreement) of the entire building located in Macau, at Zona de Aterros do Porto Exterior (ZAPE) N° S/N, Jai Alai (including the building and other ancillaries erected thereon), which is commonly known as “Jai Alai Palace”
“Listing Rules”	:	The Rules Governing the Listing of Securities on the Stock Exchange

“Macau”	:	the Macau Special Administrative Region of the People’s Republic of China
“Ms. Leong”	:	Ms. Leong On Kei, Angela, a Director
“Netlink”	:	Netlink Capital Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Jai Alai
“Shareholder(s)”	:	holder(s) of the ordinary share(s) of HK\$1.0 each in the share capital of the Company
“SJMSA”	:	Sociedade de Jogos de Macau, S.A., a joint stock company “ <i>sociedade anónima</i> ” incorporated under the laws of Macau and a subsidiary of the Company
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“HK\$”	:	Hong Kong dollar(s), the lawful currency of Hong Kong
“MOP”	:	Macau Pataca(s), the lawful currency of Macau
“%”	:	per cent.

*For the purpose of this announcement, amounts in MOP are converted to HK\$ at the conversion rate of MOP1.03 = HK\$1.00 for illustration only. No representation is made that any amounts in MOP could have been or could be converted into HK\$ at such rate or any other rates.*

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

Hong Kong, 18 November 2012

*As at the date of this announcement, the executive Directors are Dr. Ho Hung Sun, Stanley, Dr. So Shu Fai, Mr. Ng Chi Sing, Mr. Rui José da Cunha, Ms. Leong On Kei, Angela, Mr. Shum Hong Kuen, David and Mr. Fok Tsun Ting, Timothy, the non-executive Director is Dato’ Dr. Cheng Yu Tung and the independent non-executive Directors are Mr. Chau Tak Hay, Mr. Lan Hong Tsung, David, Mr. Shek Lai Him, Abraham and Mr. Tse Hau Yin.*