
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SJM Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE TRANSFER OF OCEANUS BUILDING
INVOLVING THE ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
NOTICE OF EGM**

Financial Adviser to the Company



SOMERLEY CAPITAL LIMITED

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

BALLAS
C A P I T A L

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 30 of this circular. A letter from the Independent Board Committee is set out on pages 31 and 32 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 57 of this circular.

A notice convening the EGM of SJM Holdings Limited to be held at Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 22 June 2022 at 10:30 a.m. to approve the matters referred to in this circular is set out in Appendix III to this circular. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.sjmholdings.com>).

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (excluding public holiday in Hong Kong). Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

6 June 2022

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DEFINITIONS

In this circular, unless the context states otherwise, the following expressions shall have the following meanings:

- “2021 Annual Report” : The annual report of the Company for the year ended 31 December 2021
- “Abstained Directors” : Ms. Ho Chiu Fung, Daisy, Deputada Leong On Kei, Angela, Dr. Chan Un Chan, Mr. Shum Hong Kuen, David and Mr. Tsang On Yip, Patrick, who are regarded as having material interests in the Transfer and the issue of the Convertible Bonds in view of their interests in the STDM Group, abstained from voting on the board resolution on such transactions and were absent from the relevant Board meeting of the Company during the time the relevant resolution was being discussed and voted on by the other Directors
- “Additional Tax Amounts” : such additional amounts to be paid by the Issuer or, as the case may be, the Company, as will result in the receipt by the Bondholders of such amounts as would have been received by them had no deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or the British Virgin Islands or any authority thereof or therein having power to tax (unless deduction or withholding of such taxes, duties, assessments or governmental charges is required by law)
- “Announcement” : the announcement of the Company dated 26 May 2022 in respect of the Transfer
- “associate” : has the meaning ascribed to it under the Listing Rules
- “Board” : the board of Directors of the Company
- “Bondholder(s)” : the holder(s) of the Convertible Bonds
- “Business Day” : a day other than a Saturday or Sunday or a day on which a tropical cyclone warning Number 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9 a.m. and 5 p.m. on which banks are ordinarily open for the transaction of normal banking business in Hong Kong and Macau

DEFINITIONS

“Casino Oceanus”	:	Casino Oceanus at Jai-Alai which is located at Macau at Travessa do Reservatório nos. 33 to 95, Rua do Terminal Marítimo nos. 24 to 78, Avenida da Amizade nos. 1565 to 1595, Avenida do Dr. Rodrigo Rodrigues nos. 1470 to 1526
“CB Instrument”	:	the instrument constituting the Convertible Bonds to be entered into by the Issuer and the Company
“close associate(s)”	:	has the meaning ascribed to it under the Listing Rules
“Company”	:	SJM Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	:	completion of the Transfer
“Concession Expiry Date”	:	the date of the expiry of the Gaming Concession Contract, being 26 June 2022
“Concessionaires”	:	the three concessionaires, including SJM Resorts, who have been granted concessions by the Macau Government to operate casinos in Macau and, where the context so requires, includes three sub-concessionaires of the concessionaires
“connected person(s)”	:	has the meaning ascribed to it under the Listing Rules
“Consideration”	:	the consideration for the Transfer in the sum of HK\$1,906 million
“Conversion Period”	:	as defined in the paragraph headed “Conversion Period” in the section (C) headed “Principal terms of the Convertible Bonds” in the letter from the Board contained in this circular
“Conversion Price”	:	HK\$4.07 per Conversion Share, subject to adjustment pursuant to the CB Instrument
“Conversion Rights”	:	the rights pursuant to the CB Instrument attaching to the Convertible Bonds to convert the principal amount or a part thereof into Conversion Shares, and must be exercised within the Conversion Period

DEFINITIONS

“Conversion Share(s)”	:	468,304,668 new Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds
“Convertible Bond(s)”	:	the convertible bonds in the principal amount of HK\$1,906 million at 2.0% coupon rate with 5-year maturity to be issued in accordance with the CB Instrument
“Director(s)”	:	the director(s) of the Company
“EGM”	:	an extraordinary general meeting of the Company to be held on Wednesday, 22 June 2022 at 10:30 a.m. to consider and, if thought fit, approve the Transfer and the issue of the Convertible Bonds and the Conversion Shares issuable on exercise of the Conversion Rights
“First Issue Date”	:	the initial date of issue of the Convertible Bonds under and pursuant to the CB Instrument
“Gaming Concession Contract”	:	the gaming concession contract for the operation of casino games dated 28 March 2002 entered into between the Macau Government and SJM Resorts (as amended and supplemented by supplemental agreements between the same parties dated 19 April 2005, 26 September 2013 and 23 January 2017) and as extended up to 26 June 2022 by a concession extension contract dated 15 March 2019
“Gaming Law”	:	The Macau’s Gaming Laws – Law No. 16/2001 published on 24 September 2001; Administrative Regulation n°26/2001, published on 29 October 2001; which together with other separate laws, regulations and administrative orders regulate gaming activity in Macau
“Group”	:	the Company and its subsidiaries
“HK\$”	:	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

- “Independent Board Committee” : an independent board committee of the Company comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Transfer including the terms of the Transfer Agreement and the issue of the Convertible Bonds
- “Independent Financial Adviser” : Ballas Capital Limited, a licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transfer
- “Independent Shareholder(s)” : Shareholders other than STDM, Ms. Ho Chiu Fung, Daisy, Deputada Leong On Kei, Angela, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David and their respective close associates
- “Issuer” : Champion Power Global Limited 冠威環球有限公司, a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of the Company
- “Latest Practicable Date” : 1 June 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
- “Letter of Commitment” : a letter of commitment to be provided by the Seller and SJM Resorts to the Macau Government ahead of the Concession Expiry Date confirming that the area of Oceanus Building which SJM Resorts operates in for its gaming business will revert to the Macau Government free of charge and free of any encumbrances or burdens at the end of the concession period as may be extended
- “Listing Committee” : has the meaning ascribed to it in the Listing Rules
- “Listing Rules” : The Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Macau”	:	the Macau Special Administrative Region of the People’s Republic of China
“Macau Government”	:	the Government of Macau
“Maturity Date”	:	the maturity date of the Convertible Bonds, being the date which falls on the fifth anniversary of the issue date of the Convertible Bonds
“MOP”	:	Macau Pataca(s), the lawful currency of Macau
“Notice of EGM”	:	the notice dated 6 June 2022 convening the EGM as set out in Appendix III to this circular
“Oceanus Building”	:	the building in which Casino Oceanus resides
“Oceanus Gaming Area”	:	an area of approximately 13,576 sq. m. inside Oceanus Building for the uses of casino gaming business and relevant logistics
“Oceanus Non-gaming Area”	:	an area of approximately 25,666 sq. m. inside Oceanus Building for operation of commercial purpose other than casino gaming business and relevant logistics
“Options”	:	share options which the Directors granted to the participants of the share option scheme of the Company adopted by the Shareholders on 13 May 2009. The scheme lapsed on 13 May 2019 and no further share options can be granted thereunder. However, the outstanding share options granted under the scheme shall continue to be valid and exercisable up to end of the relevant exercise periods
“Purchaser”	:	Harbour Tide Limited 港汐有限公司, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Seller”	:	Centro Comercial Jai-Alai, Limitada (in Portuguese) or Jai-Alai Shopping Centre Company Limited (in English), a company incorporated under the laws of Macau and an indirect wholly-owned subsidiary of STDM
“SFO”	:	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

DEFINITIONS

“Share(s)”	:	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	:	the holder(s) of the Share(s) in issue
“SJM Resorts”	:	SJM Resorts, S.A. (in Portuguese) or SJM Resorts, Limited (in English) (name changed from Sociedade de Jogos de Macau, S.A. on 9 June 2021), a joint stock company “ <i>sociedade anónima</i> ” incorporated under the laws of Macau and a subsidiary of the Company
“sq. ft”	:	square feet
“sq. m.”	:	square metre(s)
“STDM”	:	Sociedade de Turismo e Diversões de Macau, S.A. (in Portuguese) or Macau Tourism and Amusement Company Limited (in English), a joint stock company “ <i>sociedade anónima</i> ” incorporated under the laws of Macau and the controlling shareholder of the Company
“STDM Group”	:	STDM and its subsidiaries (other than the Group) from time to time
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Transfer”	:	the provision of the Letter of Commitment by the Seller to the Macau Government for reversion of the Oceanus Gaming Area to the Macau Government and the acquisition of the Oceanus Non-gaming Area by the Purchaser from the Seller pursuant to the terms and conditions of the Transfer Agreement
“Transfer Agreement”	:	the transfer agreement dated 26 May 2022 entered into among the Purchaser, the Company, the Issuer, the Seller and STDM in relation to the Transfer
US\$:	United States dollars, the lawful currency of the United States
“%”	:	per cent.

For the purpose of this circular, 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.

LETTER FROM THE BOARD



澳門博彩控股有限公司 SJM HOLDINGS LIMITED

incorporated in Hong Kong with limited liability Stock Code : 880

Executive Directors:

Ms. Ho Chiu Fung, Daisy (*Chairman*)
Mr. Fok Tsun Ting, Timothy (*Co-Chairman*)
Deputada Leong On Kei, Angela (*Co-Chairman*)
Dr. So Shu Fai (*Vice-Chairman and
Chief Executive Officer*)
Dr. Chan Un Chan
Mr. Shum Hong Kuen, David

Registered Office:

18th Floor,
China Merchants Tower,
Shun Tak Centre,
Nos. 168 – 200 Connaught Road Central,
Hong Kong

Non-executive Directors:

Mr. Ng Chi Sing
Mr. Tsang On Yip, Patrick

Independent Non-executive Directors:

Mr. Chau Tak Hay
Mr. Tse Hau Yin
Ms. Wong Yu Pok, Marina
Mr. Yeung Ping Leung, Howard

6 June 2022

To Shareholders

Dear Sirs or Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE TRANSFER OF OCEANUS BUILDING
INVOLVING THE ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

(A) INTRODUCTION

Reference is made to the announcement of the Company dated 26 May 2022 in relation to, among other things, the Transfer. It was announced that on 26 May 2022 (after trading hours), the Purchaser (as the purchaser and a subsidiary of the Company), the Company (as the guarantor of the Purchaser and the Issuer for the issue of the Convertible Bonds), the Issuer (as the issuer of the Convertible Bonds and a subsidiary of the Company), the Seller (as the seller and a subsidiary of STDM) and STDM (as the guarantor of the seller) entered into the Transfer Agreement, pursuant to which and at the request of, and for the benefit of, the Company and SJM Resorts, (i) the Seller agreed to provide the Letter of Commitment to the Macau Government for reversion of the Oceanus Gaming Area to the Macau Government

LETTER FROM THE BOARD

as required under the Gaming Concession Contract entered into by SJM Resorts; and (ii) the Seller agreed to sell and the Purchaser agreed to purchase the Oceanus Non-gaming Area, subject to the terms and conditions of the Transfer Agreement. The Consideration for the Transfer of HK\$1,906 million shall be entirely satisfied by the issue of the Convertible Bonds by the Issuer to STD M and represents the sum of the market value of the Oceanus Non-gaming Area of HK\$516 million and the market value of the Oceanus Gaming Area of HK\$1,390 million, as determined by an independent professional valuer.

As the highest applicable percentage ratio as set out in Rule 14.07 of the Listing Rules in respect of the Transfer exceeds 5% but all of the applicable percentage ratios are less than 25%, the Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, STD M is the substantial shareholder of the Company holding an approximate 54.7% interest in the Shares of the Company. The Seller is a subsidiary of STD M. Accordingly, each of STD M and the Seller is a connected person of the Company and the Transfer constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 13.39(6) of the Listing Rules, the Board has established the Independent Board Committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders on the Transfer (including the issue of the Convertible Bonds) and how to vote at the EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further information about the Transfer; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice from the Independent Financial Adviser on the Transfer (including the terms of the Transfer Agreement and the issue of the Convertible Bonds); (iv) a property valuation report of Oceanus Building prepared by an independent professional valuer; and (v) other information as required under the Listing Rules, together with the notice of the EGM.

LETTER FROM THE BOARD

(B) PRINCIPAL TERMS OF THE TRANSFER AGREEMENT

Set out below are the principal terms of the Transfer Agreement:

Date: 26 May 2022

Parties:

- (i) the Purchaser (as the purchaser)
- (ii) the Issuer (as the issuer of the Convertible Bonds)
- (iii) the Company (as the guarantor of the Purchaser and the Issuer for the issue of the Convertible Bonds)
- (iv) the Seller (as the seller)
- (v) STDM (as the guarantor of the Seller)

Subject matter: At the request of, and for the benefit of, the Company and SJM Resorts and for valuable consideration:

- (i) the Seller agreed to provide the Letter of Commitment to the Macau Government for reversion of the Oceanus Gaming Area, being an area of approximately 13,576 sq.m. (subject to adjustment as may be determined by the Macau Government) inside Oceanus Building for the uses of casino gaming business and relevant logistics, to the Macau Government free of charge and free of any encumbrances or burdens at the end of the concession period as may be extended (the “**Reversion**”); and
- (ii) the Seller agreed to sell and the Purchaser agreed to purchase the Oceanus Non-gaming Area, being an area of approximately 25,666 sq. m. inside Oceanus Building for operation of commercial purpose other than casino gaming business and relevant logistics.

Consideration and payment terms:

The Consideration for the Transfer is HK\$1,906 million, which shall be entirely satisfied by the issue of the Convertible Bonds by the Issuer to STDM. The Consideration represents the sum of the market value of the Oceanus Non-gaming Area of HK\$516 million and the market value of the Oceanus Gaming Area of HK\$1,390 million, as determined by an independent professional valuer. Further details of the Convertible Bonds are set out in section (C) headed “Principal terms of the Convertible Bonds” below in this letter.

The original acquisition cost of Oceanus Building paid by STDM amounted to HK\$688.7 million in 1999.

LETTER FROM THE BOARD

Basis of the
Consideration:

The Consideration for and payment terms of the Transfer was determined after arm's length negotiations among the parties to the Transfer Agreement after taking into account, among other things, (i) the preliminary indication of value of Oceanus Building of approximately HK\$1,906 million valued by an independent professional valuer based on, among other things, the projected future cashflows from Oceanus Building for an approximately 10-year period; and (ii) the future prospects of Casino Oceanus. In particular, Casino Oceanus has historically been very profitable before the COVID-19 pandemic and the 10-year projected future cashflows, which the valuation of Oceanus Building is based on, has adopted a discount rate of 11% which is calculated based on a build-up procedure that is based on the rate of return plus long-term growth rate. The rate of return adopted was 6% which represents the yield of property investments that an investor would expect to achieve and the expected long-term growth of future income adopted was 5%. Also, the 10-year projected future cashflows has taken into account, among other things, (i) current and past performance of Casino Oceanus; (ii) projected gross gaming revenues of Casino Oceanus (the "**Projection**"), which are between approximately 44% and 98% of that for the year ended 31 December 2019; and (iii) the additional gaming premium of HK\$100 million per annum which was estimated with reference to the average of historical rent paid by the Group to STDM for the three years ended 31 December 2019. Based on the above, the Company considers the Projection to be conservative and, in the event that market conditions become more favourable, the upside of Casino Oceanus shall be noticeable and substantial to the financial performance of the Group.

While SJM Resorts is not guaranteed to obtain a new gaming concession contract for a further 10 years, the Board is optimistic that SJM Resorts will succeed based on (i) SJM Resorts is the only locally-rooted company among the six concession and sub-concession holders; without it, the key industry in Macau would be without a bona fide local competitor; (ii) SJM Resorts and its controlling Shareholder, STDM, have been mainstays of the gaming industry in Macau for 60 years; (iii) the Macau Government has confirmed on the proposed changes of the gaming bill that only six licences will be awarded at the end of 2022, which coincides with the number of concessionaires and sub-concessionaires currently operating in Macau; (iv) SJM Resorts is the most ideal candidate to operate its portfolio of 18 casinos, which have inter alia a dominant position on Macau Peninsula; and (v) throughout the current concession beginning in 2002, SJM Resorts had been one of the largest employers in Macau, with a current headcount of approximately 20,000.

LETTER FROM THE BOARD

Based on the above, the Board considers the Consideration of HK\$1,906 million fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Guarantee:

Purchaser guarantee:

The Company unconditionally and irrevocably (i) guarantees to the Seller the due performance by the Purchaser of all its obligations under or pursuant to the Transfer Agreement; (ii) guarantees to the Seller the due performance by the Issuer of its obligation to issue the Convertible Bonds; and (iii) agrees that if and each time that the Purchaser fails to make any payment to the Seller when it is due under or pursuant to the Transfer Agreement, the Company shall on demand pay that amount to the Seller.

Seller guarantee:

STDM unconditionally and irrevocably (i) guarantees to the Purchaser the due performance by the Seller of all its obligations under or pursuant to the Transfer Agreement; and (ii) agrees that if and each time that the Seller fails to make any payment to the Purchaser when it is due under or pursuant to the Transfer Agreement, STDM shall on demand pay that amount to the Purchaser.

Conditions precedent:

Completion is conditional upon fulfilment of the following conditions:

- (i) the passing of the relevant resolutions by the Independent Shareholders at the EGM to be convened and held to approve the Transfer Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the specific mandate to allot and issue the Conversion Shares;
- (ii) the approval by the Listing Committee for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights and such approval and permission having not been subsequently revoked; and
- (iii) the issue of a declaration by SJM Resorts to the Seller confirming that SJM Resorts has executed or will execute the Letter of Commitment and that it accepts the terms and conditions of the Transfer Agreement.

LETTER FROM THE BOARD

- Letter of Commitment: Pursuant to the Transfer Agreement, the Seller and SJM Resorts shall execute and deliver the Letter of Commitment on the terms and with the contents required by the Macau Government for consenting on the Reversion.
- The Company expects that the Letter of Commitment shall be delivered to the Macau Government on or before 15 June 2022.
- Closing: Completion shall take place immediately after all conditions precedent have been satisfied.
- After Completion, the Seller and the Purchaser shall enter into a promissory sale and purchase agreement with respect to the transfer of the Oceanus Non-gaming Area. Pursuant to the promissory sale and purchase agreement, the Purchaser shall purchase and the Seller shall sell the Oceanus Non-gaming Area for a consideration of HK\$516 million, or such other price as may be adjusted on a pro rata basis, pursuant to the exercise by the Macau Government of the right of reversion and determination of the Oceanus Gaming Area, and shall be settled by the issuance of the Convertible Bonds by the Issuer to STDM. The terms of the promissory sale and purchase agreement align with those of the Transfer Agreement. The execution and delivery of the promissory sale and purchase agreement shall take place on the date set by the Purchaser in its discretion.
- Long stop date: 24 June 2022 or such later date as may be agreed by the parties to the Transfer Agreement in writing.
- Termination: If the Seller (on the one hand) or the Purchaser or the Issuer (on the other hand, and in either case, the “**Affected Party(ies)**”) fails or is unable to comply with any of its/their obligations on Completion then the Purchaser (if the failure or inability is on the part of the Seller) or the Seller (if the failure or inability is on the part of the Purchaser or the Issuer) (the “**Unaffected Party**”), the Unaffected Party shall have the right to terminate the Transfer Agreement on such date by notice to the Affected Party.

LETTER FROM THE BOARD

(C) PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Set out below are the principal terms of the Convertible Bonds:

Issuer:	Champion Power Global Limited 冠威環球有限公司, a wholly-owned subsidiary of the Company
Guarantor:	The Company
Initial Bondholder:	STDM
Issue:	Hong Kong dollar-denominated 2.0% per annum convertible bonds due on the fifth anniversary of the First Issue Date in an aggregate principal amount of HK\$1,906,000,000 and convertible into fully paid ordinary shares of the Company
Maturity date:	The date which falls on the fifth anniversary of the First Issue Date
Status:	The Convertible Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer.
Issue price:	100% of the principal amount of the Convertible Bonds
Form and denomination of the Convertible Bonds:	The Convertible Bonds will be issued in registered form in the denomination of HK\$100,000 each and integral multiples thereof.
Conversion Price:	Initially HK\$4.07 per Conversion Share, subject to adjustment as follows by multiplying the Conversion Price in force immediately before the relevant adjustment event by the fraction set out below in respect of such adjustment event (other than paragraph 11).

- (1) Alteration to the Shares as a result of consolidation, subdivision or reclassification:

$$\frac{A}{B}$$

where:

A is the aggregate number of Shares in issue immediately before such alteration; and

B is the aggregate number of Shares in issue immediately after such alteration.

LETTER FROM THE BOARD

- (2) Company issuing any Shares credited as fully paid to the holders of Shares by way of capitalisation of profits or reserves (except any scrip dividend):

$$\frac{A}{B}$$

where:

A is the aggregate number of Shares in issue immediately before such issue; and

B is the aggregate number of issued Shares immediately after such issue.

- (3) Company issuing Shares by way of a scrip dividend as determined by reference to the current market price:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such scrip dividend;

B is the aggregate number of Shares which the relevant cash dividend would purchase at such current market price; and

C is the aggregate number of Shares issued pursuant to such scrip dividend.

- (4) Company making distributions to existing shareholders (other than cash dividends or to the extent that the Conversion Price is adjusted under (2) or (3) above):

$$\frac{A - B}{A}$$

where:

A is the current market price of one Share on the date on which the distribution is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the distribution attributable to one Share.

LETTER FROM THE BOARD

- (5) Company issuing Shares by way of rights, options, warrants or other rights to acquire Shares, in each case at less than 95 per cent. of the current market price:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate consideration (if any) receivable for the Shares issued by way of rights, or for the securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Shares deliverable on the exercise thereof would purchase at such current market price per Share; and
- C is the aggregate number of Shares to be issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.
- (6) Company issuing any securities to existing shareholders (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares):

$$\frac{A - B}{A}$$

where:

- A is the current market price of one Share on the date on which the final terms of such issue or grant is publicly announced; and
- B is the fair market value on the date of such announcement of the portion of the rights attributable to one Share.

LETTER FROM THE BOARD

- (7) Company issuing Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares at less than 95 per cent. of the current market price:

$$\frac{A + B}{C}$$

where:

- A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for or purchase or otherwise acquire any Share;
- B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such current market price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.
- (8) Other securities issued carrying rights of acquisition of Shares at less than 95 per cent. of the current market price:

$$\frac{A + B}{A + C}$$

where:

- A is the aggregate number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such current market price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

LETTER FROM THE BOARD

- (9) Modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in the paragraph (8) above so that following such modification the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than the current market price:

$$\frac{A + B}{A + C}$$

where:

- A is the aggregate number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, so modified, would purchase at such current market price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an independent investment bank consider appropriate (if at all) for any previous adjustment under this paragraph or (8) above.

LETTER FROM THE BOARD

- (10) Any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them:

$$\frac{A - B}{A}$$

where:

A is the current market price of one Share on the date on which such issue, sale or distribution is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the rights attributable to one Share.

- (11) Company determining that an adjustment should be made as a result of one or more events or circumstances not specifically referred to above, in accordance with the fair and reasonable adjustment (if any) determined by the independent investment bank which shall be appointed by the independent non-executive Directors of the Company. As at the Latest Practicable Date, the Company does not expect any event(s) or circumstance(s) to occur which will lead to adjustment in the Conversion Price that is not included in aforesaid adjustment events as disclosed above. In the event if such unforeseen event(s) or circumstance(s) occurs which might lead to adjustment of the Conversion Price, the Company will seek separate approval from the Stock Exchange and the Independent Shareholders pursuant to Rule 16.03 of the Listing Rules.

The initial Conversion Price of HK\$4.07 per Conversion Share represents:

- (i) a premium of approximately 24.1% over the closing price of HK\$3.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 35.7% over the closing price of HK\$3.0 per Share as quoted on the Stock Exchange on 26 May 2022, being the date of the Transfer Agreement;

LETTER FROM THE BOARD

- (iii) a premium of approximately 32.6% over the average closing price of approximately HK\$3.07 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Transfer Agreement; and
- (iv) a premium of approximately 30.0% over the average closing price of approximately HK\$3.13 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Transfer Agreement.

The initial Conversion Price was arrived at after arm's length negotiations among the parties to the Transfer Agreement and was determined with reference to the convertible bonds with 5-year maturity issued by other companies listed on the Main Board of the Stock Exchange from 27 May 2021 to 26 May 2022, which the premiums over/discounts to their respective 10-day average closing price ranged from a discount of approximately 2% to a premium of approximately 55% with an average of approximately 27%. Based on the above, the initial Conversion Price was determined to be calculated based on 30% premium over the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 26 May 2022, being the date of the Transfer Agreement. On the basis of above, the Board considers the basis for determining the conversion price fair and reasonable.

468,304,668 Conversion Shares will be issued upon exercise of the Conversion Rights attaching to the Convertible Bonds in full based on the initial Conversion Price of HK\$4.07 per Conversion Share.

The number of 468,304,668 Conversion Shares represent (i) approximately 8.2% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 7.6% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Coupon rate: 2.0% per annum, payable annually

Default interest: If the Issuer fails to pay any sum in respect of the Convertible Bonds when the same becomes due and payable, interest shall accrue on the overdue sum at the coupon rate from the relevant due date.

LETTER FROM THE BOARD

- Conversion rights: The Bondholder(s) has the right to convert their Convertible Bonds into Shares at any time during the Conversion Period, provided that a Conversion Right may not be exercised (i) in respect of any Convertible Bond that shall have been called for redemption prior to the Maturity Date, then up to the close of business on a date no later than seven business days prior to the date fixed for redemption thereof; or (ii) in respect of a Convertible Bond where the holder shall have exercised its right to require the Issuer to redeem such Convertible Bond pursuant to a delisting or suspension (as described below); or (iii) except as such right may be revived and/or survive following a default, then up to, and including, the close of business on the date upon which the full amount of the moneys payable in respect of such Convertible Bond in respect of which the Conversion Right revives or survives has been duly received by the Bondholders.
- Conversion Period: (i) at any time on or after the First Issue Date up to the close of business (at the place where the certificate evidencing such Convertible Bonds is deposited for conversion) on the date falling seven days prior to the Maturity Date (both days inclusive); or (ii) if such Convertible Bonds shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 7 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof.
- Transferability: The Convertible Bonds will be evidenced by way of a definitive certificate and will not be transferable without the prior consent of the Issuer, save for any transfer by a Bondholder to its direct or indirect wholly-owned subsidiaries or any holding company that directly or indirectly owns 100% of the share capital of that Bondholder.
- Maturity: Unless previously redeemed, converted or purchased and cancelled, the Issuer will redeem each Convertible Bond at 100% of its principal amount together with any accrued but unpaid interest on the Maturity Date.
- Ranking of Conversion Shares: The Conversion Shares to be issued upon exercise of the Conversion Rights attaching to the Convertible Bonds will be fully paid and rank *pari passu* in all respects with the Shares then in issue on the date on which the name of the exercising Bondholder is registered as holder of the relevant Conversion Shares in the register of members of the Company.

LETTER FROM THE BOARD

- Redemption for taxation reasons: The Convertible Bonds may be redeemed, at the option of the Issuer in whole, but not some only, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholder(s) (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**") at their principal amount together with any interest and/or premium accrued but unpaid to such date, if (i) the Issuer (or if the guarantee was called, the Company) has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong (in the case of a payment by the Company) or the British Virgin Islands (in the case of a payment by the Issuer) or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 26 May 2022; and (ii) such obligation cannot be avoided by the Issuer (or the Company, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Company, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Convertible Bonds then due.
- Redemption for delisting or suspension: If at any time the Shares (i) cease to be listed or admitted to trading; or (ii) suspended for trading for a period of more than 45 consecutive trading days on, in each case the Stock Exchange or, if applicable, the alternative stock exchange in respect of the Shares, each Bondholder will have the right at such Bondholder's option, to require the Issuer to redeem all or some only of such holder's Convertible Bonds on the relevant event redemption date at their principal amount together with any interest and/or premium accrued but unpaid to such date.
- Listing: The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. The Conversion Shares will be allotted and issued under a specific mandate to be approved by the Independent Shareholders at the EGM.
- An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares issuable upon the exercise of the Conversion Rights.

LETTER FROM THE BOARD

(D) REASONS FOR AND BENEFITS OF THE ENTERING INTO THE TRANSFER AGREEMENT (INCLUDING THE ISSUE OF THE CONVERTIBLE BONDS)

In June 2008, the Seller, STDM and SJM Resorts entered into a long-term lease agreement under which the Seller leased the entire Oceanus Building to SJM Resorts for operation of casinos and gaming areas under the Gaming Concession Contract. Casino Oceanus commenced operation in December 2009. Currently, the agreed rent payable by SJM Resorts to the Seller is approximately HK\$115.2 million per year. Nevertheless, the actual amounts of rent paid by SJM Resorts in relation to (i) the Oceanus Gaming Area, amounted to approximately HK\$36.9 million and HK\$73.5 million for the years ended 31 December 2020 and 2021 respectively; and (ii) the Oceanus Non-gaming Area, amounted to approximately HK\$6.1 million and HK\$7.1 million for the years ended 31 December 2020 and 2021 respectively. The lower rent paid by SJM Resorts was due to rent reductions offered by the Seller as the business of Casino Oceanus was materially impacted by the COVID-19 pandemic. Furthermore, the average net profit attributable to the Group for the five years ended 31 December 2019, the net profit attributable to the Group for the year ended 31 December 2019, being the year prior to the COVID-19 pandemic, and the net loss attributable to the Group for the years ended 31 December 2020 and 2021 of businesses operated by the Group within the Oceanus Building (the “**Oceanus Business**”) amounted to approximately HK\$429 million, approximately HK\$583 million, approximately HK\$289 million and approximately HK\$100 million respectively. The Company considers the Oceanus Business to be important and it is contributive to the Group’s overall profit. Based on the profitability of the Oceanus Business and other factors as discussed in this letter, the Consideration is considered fair and reasonable.

Pursuant to Article 40 of the Gaming Law and the Gaming Concession Contract and based on the recent discussions with the Macau Government, SJM Resorts, like other Concessionaires, is obliged to automatically revert to the Macau Government, free of charge and free of any encumbrances or burdens, its casinos and related equipment without compensation at the end of the concession period. This requirement applies to all the Group’s principal self-operated casinos, in which the Macau Government explicitly included Casino Oceanus, one of such self-operated casinos which is operated in premises not owned by the Group. Therefore, SJM Resorts has a present obligation under the Gaming Concession Contract to revert the Oceanus Gaming Area to the Macau Government, despite the Oceanus Gaming Area being owned by the Seller and not SJM Resorts. Pursuant to the Transfer, the Seller has undertaken to forego its ownership of the Oceanus Gaming Area and revert it to the Macau Government at the end of the concession period as may be extended, i.e. 31 December 2022. Thus the Transfer will allow SJM Resorts to fulfil its obligation to the Macau Government.

In addition, based on its discussions with the Macau Government, the Board is of the view that completion of the Transfer will enable SJM Resorts to fulfill the Macau Government’s requirements for the extension of the Gaming Concession Contract beyond 26 June 2022 and to be eligible to tender for a new gaming concession contract for a further 10 years. In the event that the Transfer cannot be completed and the present obligation of SJM Resorts under the Gaming Concession Contract to revert the Oceanus Gaming Area to the Macau Government cannot be fulfilled, the eligibility of SJM Resorts to tender for a new gaming concession contract for a further 10 years is expected to be severely and materially jeopardised.

The Consideration relating to the Oceanus Gaming Area, being HK\$1,390 million, represents the value for such area as determined by the independent professional valuer and compensates STDM for giving up this area to the Macau Government at the request of SJM Resorts. Pursuant to the recent discussions between the Macau Government, upon having a successful tender, it is expected that SJM Resorts will be able to operate the casino in the Oceanus Gaming Area on such terms as may be agreed with the Macau Government.

LETTER FROM THE BOARD

Pursuant to a promissory sale and purchase agreement which will be executed after Completion, the Purchaser (which is a subsidiary of SJM Resorts) will initiate the formalities (including the payment of stamp duty and scheduling the signing of the notarial deed of transfer) for acquisition of the property right of the Oceanus Non-Gaming Area for HK\$516 million so as to benefit from the synergies of operating in the whole Oceanus Building. The Purchaser after the Transfer will then be a co-owner of Oceanus Building owning approximately 65.4% of the Oceanus Building, and such ownership will be registered with Macau Property Registry. As advised by the Company's Macau legal counsel, the co-ownership by percentage of a building is a concept recognised under Macau law, as stipulated under articles 1299 to 1312 of Macau Civil Code. It is estimated that the cost of the Transfer would amount to approximately MOP42.9 million (equivalent to approximately HK\$41.7 million) which comprises stamp duty for the Transfer, notary cost and registration cost.

The aforesaid percentage of approximately 65.4% corresponds to the Oceanus Non-gaming Area, as evidenced by the Transfer Agreement and the promissory sale and purchase agreement to be signed between the Seller and the Purchaser. After the Transfer, the Seller (and after reversion of the Oceanus Gaming Area, the Macau Government) and the Purchaser will become co-owners of Oceanus Building and can agree between them a usage regulation that regulates the way Oceanus Building should be used by the co-owners.

The entering into the promissory sale and purchase agreement after Completion is for the purpose of having a separate document for the purpose of determining the stamp duty with Macau Tax Department.

By acquiring the Oceanus Non-Gaming Area, the Group will benefit from the synergies of operating in the whole Oceanus Building. The Oceanus Non-Gaming Area has a number of food and beverage operations which are operated by the Group and the Oceanus Building has various access points which are important for the efficient operation of Casino Oceanus. The Group has been operating a casino in the Oceanus Building since December 2009 and Casino Oceanus has consistently been one of the Group's best performing casinos. Accordingly, the Board considers that the Transfer will be of strategic importance to the long-term development of the Group.

The issue of the Convertible Bonds allows the Group to preserve its cash resources in the challenging business environment in Macau due to travel restrictions amid the continuing COVID-19 pandemic and provides protection to the Independent Shareholders from immediate shareholding dilution.

The Board (excluding the Abstained Directors) is of the view that the terms of the Transfer (including the issue of the Convertible Bonds) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The views of the independent non-executive Directors, after considering the advice from the Independent Financial Adviser, are set out in the "Letter from the Independent Board Committee" contained in this circular.

LETTER FROM THE BOARD

(E) THE NEW GAMING CONCESSION CONTRACT

Proposed amendments of the Gaming Law

As at the Latest Practicable Date, the proposed amendments of the Gaming Law are still under discussion at Macau Government and Legislative Assembly and it is subject to further changes. According to the last public bill draft and the discussions of the Legislative Assembly's second standing committee as reported by the media, the key points were as follow:

- (i) The maximum number of concessionaires will be fixed at six, without the possibility of having sub-concessions;
- (ii) The concession term will be fixed at 10 years, while allowing, as an exception, one extension for further 3 years;
- (iii) Each gaming promoter will be attached to one concessionaire only, and the payment to the promotor can only be made by way of commissions;
- (iv) Rules on the demarcation of casino gaming areas, approval of those areas, gaming machines and tables;
- (v) Increased rules on the evaluation of the suitability of the concessionaires;
- (vi) Increase of the minimum share capital of the concessionaire and the shares held by the local individual shareholder;
- (vii) Obligation to communicate to the Macau Government of important financial decisions;
- (viii) Increased rules on the obligations of the concessionaires and the supervision of their activity by the Macau Government;
- (ix) Changes to the sanction provisions;
- (x) Defining the corporate social responsibilities of the concessionaires; and
- (xi) Prohibition of sharing of profits between concessionaires and management companies responsible for satellite casinos.

The extension and the new Gaming Concession Contract

The current Gaming Concession Contract will expire on 26 June 2022, therefore, SJM Resorts shall apply for an extension. In order to be eligible to apply for an extension of the expiry date of its Gaming Concession Contract, SJM Resorts shall, apart from execution and delivery of the Letter of Commitment, also (i) make a formal application for extension as Concessionaire; and (ii) make a payment of a Concession extension premium which will be determined by the Macau Government.

Furthermore, the conditions for entering the tender process for the new 10-year Gaming Concession Contract have not yet been disclosed as the tender announcement is yet to be released by the Macau Government. However, taking into consideration the previous tender, it can be anticipated that the eligibility of the candidates will be focused on (i) suitability; (ii) experience; and (iii) financial capacity.

LETTER FROM THE BOARD

(F) EFFECT OF THE TRANSFER ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately following Completion (assuming no other change in the shareholding structure of the Company after the Latest Practicable Date and upon Completion); and (iii) immediately following full exercise of the conversion rights of the Convertible Bonds (assuming no other change in the shareholding structure of the Company after the Latest Practicable Date and before the allotment and issue of the Conversion Shares):

Shareholders	As at the Latest Practicable Date		Immediately following Completion		Immediately following full exercise of conversion rights of the Convertible Bonds	
	Number of Shares	Approximate% of the issued share capital of the Company	Number of Shares	Approximate% of the issued share capital of the Company	Number of Shares	Approximate% of the issued share capital of the Company
STDM Group	3,105,060,500	54.7%	3,105,060,500	54.7%	3,573,365,168	58.1%
Abstained Directors (Note 1)	472,084,000	8.3%	472,084,000	8.3%	472,084,000	7.7%
Other Directors (Note 2)	215,780,844	3.8%	215,780,844	3.8%	215,780,844	3.5%
Directors of subsidiaries of the Company	21,357,500	0.4%	21,357,500	0.4%	21,357,500	0.3%
Other Shareholders	1,867,161,449	32.8%	1,867,161,449	32.8%	1,867,161,449	30.4%
	<u>5,681,444,293</u>	<u>100.0%</u>	<u>5,681,444,293</u>	<u>100.0%</u>	<u>6,149,748,961</u>	<u>100.0%</u>

Notes:

- The Shares held by the Abstained Directors comprise the Shares beneficially held by Ms. Ho Chiu Fung, Daisy, Deputada Leong On Kei, Angela, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David. No share was held by Mr. Tsang On Yip, Patrick.
- The Shares held by the Directors other than the Abstained Directors comprise the Shares beneficially held by Mr. Fok Tsun Ting, Timothy, Dr. So Shu Fai, Mr. Ng Chi Sing, Mr. Chau Tak Hay and Mr. Tse Hau Yin.
- The above percentage figures are subject to rounding adjustments.

It is expected that the Company will be able to maintain its public float following the full exercise of the Conversion Rights and the issue of the Conversion Shares.

LETTER FROM THE BOARD

(G) INFORMATION ABOUT THE PARTIES TO THE TRANSFER AGREEMENT AND OCEANUS BUILDING

The Company

The Company and its subsidiaries are a leading owner, operator and developer of casinos and integrated entertainment resorts in Macau. Its principal subsidiary, SJM Resorts, is one of the three original Concessionaires in Macau, authorised by the Macau Government to operate casinos and gaming areas. SJM Resorts is also the only casino gaming concessionaire with its roots in Macau. The Company's operations cater to a wide spectrum of patrons, with casino gaming, leisure entertainment and hospitality services including fine and casual dining and luxury accommodation.

The principal activity of the Company is investment holding, whilst its operating subsidiaries are principally engaged in hotel, catering, retail, leasing and related services in Macau.

The Purchaser

Harbour Tide Limited 港汐有限公司 is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company. It is principally engaged in property investment.

The Issuer

Champion Power Global Limited 冠威環球有限公司 is a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of the Company. It is principally engaged in debt issuance activity.

STDM

STDM is a well-known joint stock company "*sociedade anónima*" incorporated under the laws of Macau and the controlling shareholder of the Company. STDM has substantial operations in Macau and it is principally engaged in investment holding, including its investment holding in the Company.

The Seller

Jai-Alai Shopping Company Limited is a company incorporated under the laws of Macau, and an indirect wholly-owned subsidiary of STDM. It is principally engaged in property investment.

LETTER FROM THE BOARD

Oceanus Building

Oceanus Building is located at Macau, at Avenida do Dr. Rodrigo Rodrigues nos. 1470 to 1526 and it is owned by the Seller, a subsidiary of STD. Casino Oceanus commenced operations on 15 December 2009 and has consistently been one of the most successful casinos operated by the Group. Casino Oceanus is a multi-level casino facility in the Outer Harbour District and is linked to the Hong Kong-Macau Ferry Terminal which is the most active ferry terminal in Macau. In addition, Oceanus Building is easily accessible for visitors arriving via the Hong Kong-Zhuhai-Macau bridge and the border gate with Mainland China at Gongbei.

Oceanus Building is a 4-story building comprising approximately 39,242 sq. m. Approximately 34.6% of the area is being used to operate the casino gaming business whilst the remaining area, being the Oceanus Non-gaming Area, mostly represents common areas, food and beverage outlets and retail shops.

The Seller paid government rent on Oceanus Building for a 10-year period up to 31 January 2026 of MOP2,278,880 (equivalent to approximately HK\$2,212,505). This payment was made in respect of the entire Oceanus Building, i.e. both the Oceanus Gaming Area and the Oceanus Non-gaming Area. In addition, the Seller paid an annual government rent of MOP227,888 (equivalent to approximately HK\$221,250) for the entire property started from 2016. Pursuant to Section 53 of Law 10/2013, the renewal of the lease, which is automatic, is subject to payment of a special contribution, for the purposes of which the lessee will be notified in due time by the Macau Government. The special contribution is assessed on the basis of the criteria established in Administrative Regulation 219/93/M, and will correspond to an amount equal to 10 years of the updated amount of government rent. The Board believes that the amount of additional government rent to be paid in future is immaterial for the purpose of the Transfer.

LETTER FROM THE BOARD

(H) LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio as set out in Rule 14.07 of the Listing Rules in respect of the Transfer exceeds 5% but all of the applicable percentage ratios are less than 25%, the Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, STDM is the substantial shareholder of the Company holding an approximate 54.7% interest in the Shares of the Company. The Seller is a subsidiary of STDM. Accordingly, each of STDM and the Seller is a connected person of the Company and the Transfer constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors confirmed that, save for the Abstained Directors, none of them have a material interest in the Transfer (including the issue of the Convertible Bonds). Ms. Ho Chiu Fung, Daisy has beneficial interests in STDM via Lanceford Company Limited (a corporate director of STDM), and she is the representative of Lanceford Company Limited to act as a director of STDM. Deputada Leong On Kei, Angela, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David have beneficial interests in STDM and are directors of STDM. Mr. Tsang On Yip, Patrick's relative has beneficial interests in STDM via Many Town Company Limited (a corporate director of STDM), and Mr. Tsang On Yip, Patrick is the representative of Many Town Company Limited to act as a director of STDM. The Abstained Directors abstained from voting on the Board resolution in relation to the Transfer (including the issue of the Convertible Bonds) and were absent from the relevant Board meeting of the Company during the time the relevant resolution was being discussed and voted on by the other Directors.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Transfer (including the issue of the Convertible Bonds) is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and the terms of the Transfer Agreement (including the issue of the Convertible Bonds) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and to advise the Independent Shareholders on how to vote at the EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

(I) THE EGM AND CLOSURE OF REGISTER OF MEMBERS

The EGM will be held at Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 22 June 2022 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the relevant resolution in relation to the Transfer and the issue of the Convertible Bonds. Notice of EGM is set out on pages III-1 to III-3 of this circular.

STDM, Ms. Ho Chiu Fung, Daisy, Deputada Leong On Kei, Angela, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David and their respective close associates, who, in aggregate, can control or exercise the control of approximately 63.0% of the issued shares of the Company, will abstain from voting on the proposed resolution at the EGM in respect of the Transfer and the issue of the Convertible Bonds. As at the Latest Practicable Date, to the best knowledge and belief of the Directors having made all reasonable enquiries, save as disclosed herein, no other Shareholders will be required to abstain from voting in respect of the relevant resolution.

The register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 June 2022 (last share registration date).

There is enclosed a proxy form for use at the EGM. You are requested to complete the proxy form and return it to the registered office of the Company or deliver it by email to comsec@sjmholdings.com in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting (excluding public holiday in Hong Kong), whether or not you intend to be present at the meeting. The completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you wish to do so.

The chairman of the EGM will demand poll voting for the resolution set out in the Notice of EGM in accordance with the requirements of the Listing Rules and the articles of association of the Company (the "**Articles of Association**"). Pursuant to Article 64(A) of the Articles of Association, on a poll, every member present in person or by proxy or duly authorised representative shall have one vote for each Share of which he is the holder and which is fully paid up. A person entitled to cast more than one vote upon a poll need not use all his votes or cast all the votes he uses in the same way.

The results of the poll will be published by way of an announcement on the Company's website and the website of the Stock Exchange in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

(J) RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee on pages 31 and 32 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 33 to 57 of this circular, consider that the Transfer (including the issue of the Convertible Bonds), although not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. The Independent Board Committee is also of the view that the terms of the Transfer (including the issue of the Convertible Bonds) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Transfer (including the issue of the Convertible Bonds) at the EGM.

The Board considers that the terms of the Transfer Agreement (including the issue of the Convertible Bonds) are fair and reasonable and the entering into of the Transfer Agreement (including the issue of the Convertible Bonds) is in the interests of the Company and the Shareholders as a whole, and recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

(K) ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

The Transfer is subject to the satisfaction of certain conditions, including the approval of the Transfer (including the issue of the Convertible Bonds) by the Independent Shareholders at the EGM. There is no assurance that the Transfer will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board of
SJM Holdings Limited
Ho Chiu Fung, Daisy
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of this circular.



澳門博彩控股有限公司 SJM HOLDINGS LIMITED

incorporated in Hong Kong with limited liability Stock Code : 880

6 June 2022

To the Independent Shareholders

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE TRANSFER OF OCEANUS BUILDING INVOLVING THE ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 6 June 2022 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the Transfer (including the issue of the Convertible Bonds) is in the ordinary and usual course of business of the Group and the interests of the Company and the Shareholders as a whole and the terms of the Transfer Agreement (including the issue of the Convertible Bonds) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the EGM to approve the Transfer (including the issue of the Convertible Bonds). The appointment of Ballas Capital Limited as the Independent Financial Adviser to advise you and us in this regard has been approved by us. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving at such advice, are set out on pages 33 to 57 of the Circular.

Your attention is drawn to the “Letter from the Board” and “Letter from the Independent Financial Adviser” as set out in pages 7 to 30 and pages 33 to 57 of the Circular respectively.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the Transfer (including the issue of the Convertible Bonds) and taking into account the independent advice from Ballas Capital Limited, and in particular, the principal factors and reasons considered and opinion and recommendation as set out in its letter, we are of the opinion that the Transfer (including the issue of the Convertible Bonds), although not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. The Independent Board Committee is also of the view that the terms of the Transfer (including the issue of the Convertible Bonds) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transfer (including the issue of the Convertible Bonds).

Yours faithfully,
for and on behalf of the Independent Board Committee
Tse Hau Yin
Chau Tak Hay
Wong Yu Pok, Marina
Yeung Ping Leung, Howard
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from Ballas Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transfer, which has been prepared for the purpose of inclusion in this circular.



Unit 1802, 18/F,
1 Duddell Street, Central
Hong Kong
6 June 2022

To the Independent Board Committee

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE TRANSFER OF OCEANUS BUILDING INVOLVING ISSUE OF THE CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transfer, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 6 June 2022, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 26 May 2022, the Board announced that Purchaser (as the purchaser and a subsidiary of the Company), the Company (as the guarantor of the purchaser and the Issuer for the issue of the Convertible Bonds), the Issuer (as the issuer of the Convertible Bonds and a subsidiary of the Company) and the Seller (as the seller and a subsidiary of STDM) and STDM (as the guarantor of the seller) entered into the Transfer Agreement, pursuant to which and at the request of, and for the benefit of, the Company and SJM Resorts, (i) the Seller agreed to provide the Letter of Commitment to the Macau Government for reversion of the Oceanus Gaming Area to the Macau Government as required under the Gaming Concession Contract entered into by SJM Resorts; and (ii) the Seller agreed to sell and the Purchaser agreed to purchase the Oceanus Non-gaming Area, subject to the terms and conditions of the Transfer Agreement. The Consideration for the Transfer of HK\$1,906 million shall be entirely satisfied by the issue of the Convertible Bonds by the Issuer to STDM and represents the sum of the market value of the Oceanus Non-gaming Area of HK\$516 million and the market value of the Oceanus Gaming Area of HK\$1,390 million, as determined by an independent professional valuer.

As at the Latest Practicable Date, STDM is the substantial shareholder of the Company holding an approximately 54.7% interest in the Shares of the Company. The Seller is a subsidiary of STDM. Accordingly, each of STDM and the Seller is a connected person of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Company and the Transfer constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to the announcement, reporting, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders with respect to the Transfer (including the terms of the Transfer Agreement and the issue of the Convertible Bonds).

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

In relying on the valuation report as set out in Appendix I to the Circular (the "**Valuation Report**"), we have reviewed the fairness and reasonableness of the assumptions or projections made by Savills (Macau) Limited (the "**Valuer**") in arriving at the valuation of Oceanus Building. In relation to the Valuer providing an opinion or valuation relevant to Oceanus Building, we have (i) assessed the Valuer as to its expertise and any current or prior relationships with the Purchaser, the Company, the Issuer, the Seller and STDM or any of their respective subsidiaries or associates; (ii) reviewed the terms of engagement (in particular whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the level of assurance given by the Valuation Report); (iii) reviewed the relevant track record of the Valuer and noted the qualification of the Valuer as stipulated in Appendix I to the Circular; and (iv) discussed with the Valuer in respect of its relevant experience and work done. Based on our discussions with the Valuer and review of the aforesaid information, we understand that the Valuer has the required qualification and experience in performing property valuation in Macau. For details of our due diligence on the Valuation Report, please refer to the sub-section headed "B) Major terms of the Transfer Agreement – (i) Consideration" in our letter below.

The Directors have declared in a responsibility statement set out in Appendix II to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

To reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation, we consider that we have taken reasonable steps and reviewed sufficient information, including

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but not limited to, the Transfer Agreement, the Valuation Report, the announcement of the Company dated 26 May 2022 (the “**Announcement Date**”) in relation to the Transfer Agreement and the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”). Furthermore, we have performed due diligence on the Valuer and the Valuation Report and the details of which are set out above and in the sub-section headed “B) Major terms of the Transfer Agreement – (i) Consideration” in our letter below. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Purchaser, the Company, the Issuer, the Seller, STDM and Oceanus Building or any of their respective subsidiaries or associates.

INDEPENDENCE DECLARATION

We are not associated or connected with the Purchaser, the Company, the Issuer, the Seller and STDM or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for this appointment as the independent financial adviser in relation to the Transfer, we did not have any other relationship with or interests in the Company, the counterparty of the Transfer or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Company that could reasonably be regarded as hindrance to our independence as defined under the Listing Rules. Accordingly, we consider we are eligible to give independent advice on the terms of the Transfer.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in relation to the Transfer, we have considered the following principal factors and reasons:

A) **Background and reasons for entering into the Transfer Agreement**

(i) Information on the Group and Oceanus Building

The Group is a leading owner, operator and developer of casinos and integrated entertainment resorts in Macau and its operations cater to a wide spectrum of patrons, with casino gaming, leisure entertainment and hospitality services including fine and casual dining and luxury accommodation.

The Company’s principal subsidiary, SJM Resorts, is one of the six concessionaires in Macau, authorised by the Macau Government to operate casinos and gaming areas. SJM Resorts is also the only casino gaming concessionaire with its roots in Macau. It owns and operates the Grand Lisboa hotel and casino, as well as other casinos located in prime locations on the Macau Peninsula and Taipa, including Casino Oceanus.

Oceanus Building is located at Macau, at Avenida do Dr. Rodrigo Rodrigues nos. 1470 to 1526 and is currently owned by the Seller, a subsidiary of STDM. Casino Oceanus commenced operations on 15 December 2009 and has consistently been one of the most successful casinos operated by the Group. Casino Oceanus is a multi-level

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casino facility in the Outer Harbour District and is linked to the Hong Kong-Macau Ferry Terminal which is the most active ferry terminal in Macau. In addition, Oceanus Building is easily accessible for visitors arriving via the Hong Kong-Zhuhai-Macau bridge and the border gate with Mainland China at Gongbei.

Oceanus Building is a 4-story building comprising approximately 39,242 sq. m.. Approximately 34.6% of the area is being used to operate the casino gaming business whilst the remaining area, being the Oceanus Non-gaming Area, mostly represents common areas, food and beverage outlets and retail shops.

In June 2008, the Seller, STDM and SJM Resorts entered into a long-term lease agreement under which the Seller leased the entire Oceanus Building to SJM Resorts for operation of casinos and gaming areas under the Gaming Concession Contract. Casino Oceanus commenced operation in December 2009. Currently, the agreed rent payable by SJM Resorts to the Seller is approximately HK\$115.2 million per year. Nevertheless, the actual amounts of rent paid by SJM Resorts in relation to (i) the Oceanus Gaming Area, amounted to approximately HK\$36.9 million and HK\$73.5 million for the years ended 31 December 2020 and 2021 respectively; and (ii) the Oceanus Non-gaming Area, amounted to approximately HK\$6.1 million and HK\$7.1 million for the years ended 31 December 2020 and 2021 respectively. The lower rent paid by SJM Resorts was due to rent reductions offered by the Seller as the business of Casino Oceanus was materially impacted by the COVID-19 pandemic and the net loss attributable to the Group for the years ended 31 December 2020 and 2021. Furthermore, the average net profit attributable to the Group for the five years ended 31 December 2019, the net profit attributable to the Group for the years ended 31 December 2019, being the year prior to the COVID-19 pandemic, and the net loss attributable to the Group for the year ended 31 December 2020 and 2021 of the Oceanus Business amounted to approximately HK\$429 million, approximately HK\$583 million, approximately HK\$289 million and approximately HK\$100 million, respectively. The Company considers the Oceanus Business to be important and it is contributive to the Group's overall profit.

The Seller paid government rent on Oceanus Building for a 10-year period up to 31 January 2026 of MOP2,278,880 (equivalent to approximately HK\$2,212,505). This payment was made in respect of the entire building, i.e. both the Oceanus Gaming Area and the Oceanus Non-gaming Area. In addition, the Seller paid an annual government rent of MOP227,888 (equivalent to approximately HK\$221,250) for the entire property starting from 2016. Pursuant to Section 53 of Law 10/2013, the renewal of the lease, which is automatic, is subject to payment of a special contribution, for the purposes of which the lessee will be notified in due time by the Macau Government. The special contribution is assessed on the basis of the criteria established in Administrative Regulation 219/93/M, and will correspond to an amount equal to 10 years of the updated amount of government rent. The Board believes that the amount of additional government rent to be paid in future is immaterial in this transaction.

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According to the Valuation Report as set out in Appendix I to the Circular, the market value of Oceanus Building (the “**Market Value**”) as at 16 May 2022 (the “**Valuation Date**”) was HK\$1,906 million, which is the sum of (i) the market value of Oceanus Gaming Area of HK\$1,390 million; and (ii) the market value of Oceanus Non-gaming Area of HK\$516 million.

Before the COVID-19 outbreak, the Group recorded a net gaming revenue of HK\$33,677 million and HK\$33,159 million respectively for each of the two years ended 31 December 2019. As stated in the annual report for the year ended 31 December 2020, the Group experienced the mandatory shutdown of entertainment facilities during the first quarter and the suspension of practically all tourist arrivals for the second and third quarters, and a cautious, limited recovery began to take hold in the fourth quarter of 2020. As a result, the net gaming revenue of the Group dropped significantly to HK\$7,304 million for the year ended 31 December 2020. For the year ended 31 December 2021, as disclosed in the 2021 Annual Report, Macau’s tourism and leisure industry continued to be severely impacted by the global pandemic, but certain important economic measures have improved from the depths of 2020 including the increment in number of visitors and gross gaming revenue in Macau. The Group recorded a net gaming revenue of approximately HK\$9,608 million, which represented a 31.5% growth as compared with HK\$7,304 million for the year of 2020.

As at 31 December 2021, the Group’s bank balances and cash amounted to HK\$3,201 million (not including HK\$147 million pledged bank deposits), representing a decrease of 47.7% as compared with the position as at 31 December 2020 of HK\$6,126 million. Capital expenditure commitments by the Group amounted to HK\$479 million as at 31 December 2021, of which HK\$311 million were for the Grand Lisboa Palace project. As at 31 December 2021, the Group was in construction of the Grand Lisboa Palace, with an estimated total project cost of approximately HK\$39 billion. The Group’s gearing ratio was 41.3% at the end of 2021 as compared to 26.9% as at 31 December 2020.

(ii) Background of the Transfer

On 26 May 2022, the Board announced that the Purchaser (as the purchaser and a subsidiary of the Company), the Company (as the guarantor of the purchaser and the Issuer for the issue of the Convertible Bonds), the Issuer (as the issuer of the Convertible Bonds and a subsidiary of the Company), the Seller (as the seller and a subsidiary of STDM) and STDM (as the guarantor of the seller), entered into the Transfer Agreement, pursuant to which and at the request, and for the benefit of, the Company and SJM Resorts (i) the Seller agreed to provide the Letter of Commitment to the Macau Government for reversion of the Oceanus Gaming Area to the Macau Government as required under the Gaming Concession Contract entered into by SJM Resorts; and (ii) the Seller agreed to sell and the Purchaser agreed to purchase the Oceanus Non-gaming Area, subject to the terms and conditions of the Transfer Agreement. The Consideration for the Transfer of HK\$1,906 million shall be entirely satisfied by the issue of the Convertible Bonds by the Issuer to STDM and represents

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the sum of the market value of the Oceanus Non-gaming Area of HK\$516 million and the market value of the Oceanus Gaming Area of HK\$1,390 million, as determined by an independent professional valuer.

As disclosed in the Letter from the Board, pursuant to Article 40 of the Gaming Law and the Gaming Concession Contract and based on the recent discussions with the Macau Government, SJM Resorts, like other Concessionaires, is obliged to automatically revert to the Macau Government, free of charge and free of any encumbrances or burdens, its casinos and related equipment without compensation at the end of the concession period. This requirement applies to all the Group's self-operated casinos, in which the Macau Government explicitly included Casino Oceanus, one of such self-operated casinos which is operated in premises not owned by the Group. Therefore, SJM Resorts has a present obligation under the Gaming Concession Contract to revert the Oceanus Gaming Area to the Macau Government, despite the Oceanus Gaming Area being owned by the Seller and not SJM Resorts. Pursuant to the Transfer, the Seller has undertaken to forego its ownership of the Oceanus Gaming Area and revert it to the Macau Government at the end of the concession period as may be extended, i.e. 31 December 2022. Thus the Transfer will allow SJM Resorts to fulfil its present obligation to the Macau Government.

In addition, based on its discussions with the Macau Government, the Board is of the view that completion of the Transfer will enable SJM Resorts to fulfill the Macau Government's requirements for the extension of the Gaming Concession Contract beyond 26 June 2022 and to be eligible to tender for a new gaming concession contract for a further 10 years. In the event that the Transfer cannot be completed and the present obligation of SJM Resorts under the Gaming Concession Contract to revert the Oceanus Gaming Area to the Macau Government cannot be fulfilled, the eligibility of SJM Resorts to tender for a new gaming concession contract for a further 10 years is expected to be severely and materially jeopardised.

The Consideration relating to the Oceanus Gaming Area, being HK\$1,390 million, compensates STDM for giving up this area to the Macau Government at the request of SJM Resorts. Pursuant to the recent discussions between the Macau Government, upon having a successful tender, it is expected that SJM Resorts will be able to operate the casino in the Oceanus Gaming Area on such terms as may be agreed with the Macau Government.

Pursuant to a promissory sale and purchase agreement which will be executed after Completion, the Purchaser (which is a subsidiary of SJM Resorts) will initiate the formalities (including the payment of stamp duty and scheduling the signing of the notarial deed of transfer) for acquisition of the property right of the Oceanus Non-Gaming Area for HK\$516 million so as to benefit from the synergies of operating in the whole Oceanus Building. The Purchaser after the Transfer will then be a co-owner of Oceanus Building owning approximately 65.4% of Oceanus Building, and such ownership will be registered with Macau Property Registry. As advised by the Company's Macau legal counsel, the concept of co-ownership by percentage of a building is a concept recognised under Macau law, as stipulated under articles 1299 to

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1312 of Macau Civil Code. It is estimated that the cost of the Transfer would amount to approximately MOP42.9 million (equivalent to approximately HK\$41.7 million) which comprises stamp duty for the Transfer, notary cost and registration cost.

The aforesaid percentage of approximately 65.4% corresponds to the Non-gaming Area, as evidenced by the Transfer Agreement and the promissory sale and purchase agreement to be signed between the Seller (and after reversion of the Oceanus Gaming Area, the Macau Government) and the Purchaser. After the Transfer, the Seller and the Purchaser will become co-owners of Oceanus Building and can agree between them a usage regulation that regulates the way Oceanus Building should be used by the co-owners.

The entering into the promissory sale and purchase agreement after Completion is for the purpose of having a separate document for the purpose of determining the stamp duty with Macau Tax Department.

By acquiring the Oceanus Non-Gaming Area, the Group will benefit from the synergies of operating in the whole building. The Oceanus Non-Gaming Area has a number of food and beverage operations which are operated by the Group and the Oceanus Building has various access points which are important for the efficient operation of Casino Oceanus. The Group has been operating a casino in the Oceanus Building since December 2009 and Casino Oceanus has consistently been one of the Group's best performing casinos. Accordingly, the Board considers that the Transfer will be of strategic importance to the long-term development of the Group.

In view of the Group's principal business and the reason for the Transfer, while the Transfer does not fall within the ordinary and usual course of business of the Group, it is in the interest of the Shareholders as a whole.

(iii) Overview of the tourism development and the casino business in Macau

As stated in the 2021 Annual Report, the management of the Company is confident that in the post-pandemic world the unique attractiveness of Macau as a tourism and leisure destination will win back an important part of the huge potential market from the Mainland, as well as patrons from the Asian region and the rest of the world.

In this respect, we have reviewed the information sourced from the Macau Government Tourism Office ("MGTO"), in respect of the visitor number and tourism promotion strategies in Macau, where the Group's casino business is located.

According to the press release of MGTO on 2 February 2022 (https://industry.macaotourism.gov.mo/en/pressroom/index.php?page_id=172&id=3480), Macau's visitor numbers increased year-on-year by 30.7% to nearly 7.7 million in 2021 despite the ongoing Covid-19 pandemic and the city's strict entry restrictions. Furthermore, the figures of Statistics and Census Service (https://industry.macaotourism.gov.mo/en/pressroom/index.php?page_id=172&id=3480) indicate that local hotel establishments welcomed around 6.62 million overnight guests

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in 2021, up by 71.0%, and their average occupancy rate was 50.0%, up by 21.4 percentage points. Total visitor expenditure (including gaming expenditure) between January and September 2021 amounted to MOP\$94.1 billion, marking a period-on-period increase of 132.5%. It is also stated that MGTO will continue to orient its efforts to expand the spectrum of visitor source, spurring tourism revival and to stimulate the community economy.

In addition, according to the Gaming Inspection and Coordination Bureau (<https://www.asgam.com/index.php/2022/01/01/macau-ggr-rises-43-7-year-on-year-to-mop86-86-billion-in-2021>), Macau recorded full year gross gaming revenue of MOP\$86.86 billion in 2021, representing a 43.7% improvement on 2020.

As stated in International Monetary Fund's ("IMF") Staff Report dated 12 April 2022 (<https://www.imf.org/en/Publications/CR/Issues/2022/04/12/Peoples-Republic-of-China-Macao-Special-Administrative-Region-2022-Article-IV-Consultation-516538>), Macau's economy is expected to continue recover going forward, but it will take time before the economy fully regains pandemic-induced losses. The gradual return of foreign tourists and the strengthening of domestic demand will support the near-term recovery, while increasing investment linked to the issuance of new gaming concessions, and further integration with the Guangdong-Hong Kong-Macao Greater Bay Area will boost medium-term growth. However, given the depth of the economic losses during the pandemic, the level of Macau's Gross Domestic Product is expected to surpass its pre-crisis level only in 2025.

Taking into account the above, we concur with the view of the management of the Company that the gaming industry of Macau will continue to recover going forward alongside with the rebound of the tourism industry and overall economy of Macau.

Our view

Having taken into consideration the above, in particular, (i) the fact for the year ended 31 December 2021, the Group recorded a year-on-year growth of 31.5% in net gaming revenue, which was in line with the year-on-year growth of 30.7% in Macau's visitor numbers and 43.7% on Macau's gross gaming revenue, indicating that the Group's financial performance was positively correlated to the performance of Macau's tourism and gaming industry; (ii) the gaming and tourism industries and the overall economy of Macau are expected to continue to recover going forward which in turn suggests a positive prospect for the Group; (iii) completion of the Transfer will enable SJM Resorts to fulfill the Macau Government's requirements for the extension of the Gaming Concession Contract beyond 26 June 2022 and to enable SJM Resorts to be eligible to tender for a new gaming concession contract for a further 10 years; and (iv) the Consideration is equivalent to the Market Value (for details of our analysis on the Consideration set out in the sub-section headed "B) Major terms of the Transfer Agreement – (i) Consideration" in our letter below), we consider that the Transfer is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B) Major terms of the Transfer Agreement

The following is our analyses and views on the major terms of the Transfer Agreement:

(i) Consideration

The Consideration and payment terms for the Transfer was determined after arm's length negotiations among the parties to the Transfer Agreement after taking into account, among other things, (i) the preliminary indication of value of Oceanus Building of approximately HK\$1,906 million valued by an independent professional valuer based on, among other things, the projected future cashflows from Oceanus Building for an approximately 10-year period; and (ii) the future prospects of Casino Oceanus. In particular, Casino Oceanus has historically been very profitable before the COVID-19 pandemic and the 10-year projected future cashflows, which the valuation of Oceanus Building is based on, has adopted a discount rate of 11% which is calculated based on a build-up procedure that is based on the rate of return plus long-term growth rate. The rate of return adopted was 6% which represents the yield of property investments that an investor would expect to achieve and the expected long-term growth of future income adopted was 5%. Also, the 10-year projected future cashflows has taken into account, among other things, (i) current and past performance of Casino Oceanus; (ii) projected gross gaming revenues of Casino Oceanus (the "Projection"), which are between approximately 44% and 98% of that for the year ended 31 December 2019; and (iii) the additional gaming premium of HK\$100 million per annum which was estimated with reference to the average of historical rent paid by the Group to STDM for the three years ended 31 December 2019. Based on the above, the Company considers the Projection to be conservative and, in the event the market condition becomes more favourable, the upside of Casino Oceanus shall be noticeable and substantial to the financial performance of the Group.

While SJM Resorts is not guaranteed to obtain a new gaming concession contract for a further 10 years, the Board is optimistic that SJM Resorts will succeed based on (i) SJM Resorts is the only locally-rooted company among the six concession holders; without it, the key industry in Macau would be without a bona fide local competitor; (ii) SJM Resorts and its controlling Shareholder, STDM, have been mainstays of the gaming industry in Macau for 60 years; (iii) the Macau Government has confirmed on the proposed changes of the gaming bill that only six licences will be awarded at the end of 2022, which coincides with the number of concessionaires and sub-concessionaires currently operating in Macau; (iv) SJM Resorts is the most ideal candidate to operate its portfolio of 18 casinos, which have inter alia a dominant position on Macau Peninsula; and (v) throughout the current concession beginning in 2002, SJM Resorts had been one of the largest employers in Macau, with a current headcount of approximately 20,000.

In assessing the fairness and reasonableness of the valuation methodologies and key assumptions adopted by the Valuer in arriving at the Market Value, we have discussed with the management of the Company and the Valuer, who prepared the Valuation Report, and reviewed the Valuation Report, historical financial information of Oceanus and supporting information (such as summary of the discounting cashflow

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model, information on market comparables, relevant valuation standards) provided by the Valuer (collectively, the “**Valuation Supporting Information**”). We note that in performing the valuation for Oceanus Building (the “**Property Valuation**”), the Valuer has adopted different valuation approaches for the Oceanus Gaming Area and the Oceanus Non-gaming Area.

For valuation of the Oceanus Gaming Area, the Valuer has adopted income approach instead of market approach and cost approach. We understand from the Valuer that it is not viable to adopt market approach as there is no precedent case of sale of casinos in Macau historically. Similarly, it is also not viable to adopt cost approach due to the lack of references for relevant land price which is essential for cost approach. In view of the aforesaid, we concur with the view of the Valuer that the income approach is the appropriate method in valuing the Oceanus Gaming Area.

Based on the review of the Valuation Supporting Information, we note that the discounting cashflow method is adopted and the income and expenses from the Valuation Date until 31 December 2032 (the “**Forecast Period**”) are itemized and projected annually taking into account the historical operating results and the expected growth of income and expenses as provided by the Group. The net cash flows are then discounted at the Valuer’s adopted rate that reflects the rate of return that adequately compensate the investors for the risk taken. As advised by the Valuer, the aforesaid methodology is in line with market practice in valuation of property using the income approach.

We have discussed with the Valuer and the Company and reviewed the Valuation Supporting Information to understand the assumptions which they have taken into consideration when performing the valuation for the Oceanus Gaming Area and set out in the Valuation Report. In particular, we note the major assumptions as set out below.

- (i) SJM Resorts’ gaming concession will be initially extended to 31 December 2022, upon expiry of which SJM Resorts will be granted a new gaming concession for a term of 10 years; We concur with the view of the management of the Company and the Valuer that it is reasonable to set the Forecast Period based on this timeframe.
- (ii) Based on the information as set out in the section headed “The New Gaming Concession Contract” in the Letter from the Board, the Company expects that the terms and conditions stated in the new gaming concession will remain substantially in line with the key points disclosed in the last public draft of the proposed amendments of the Gaming Law and not expected to represent a substantial change from the Company’s existing Gaming Concession Contract; Based on the review of the aforesaid information and discussion with the management of the Company, we concur with the view of the Company that such assumption is reasonable.
- (iii) under the new gaming concession and after the reversion of the Oceanus Gaming Area, SJM Resorts is entitled to exploit casino gaming at the gaming portion of Oceanus. It is estimated that the Group shall pay an

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additional gaming premium of HK\$100 million per annum (the “**Additional Gaming Premium**”) for using the Oceanus Gaming Area which will be owned by the Macau Government after the aforesaid reversion. The Additional Gaming Premium is estimated with reference to the average of historical rent paid by the Group to STDM for the three years ended 31 December 2019 (the “**Pre-pandemic Period**”), which represents Oceanus’ rental level before the COVID-19 pandemic in 2020. We concur with the view of the management of the Company and the Valuer that it is prudent to use pre-pandemic rental level as basis given that the rental level is exceptional low during the past two years as a result of the pandemic;

- (iv) Macau will remain the only city in China to offer legalised casino gaming; the new gaming concession fee and/or any administrative fee (if any) will be fully paid and settled by internal source of fund; and
- (v) the number of gaming tables and slots, the rate of special gaming tax, special levy and gaming premium, will remain constant throughout the Forecast Period.

Furthermore, based on our discussion with the Company and the Valuer and our review of the Valuation Supporting Information, we also note that:

- (i) the gross gaming revenue (“**GGR**”) is forecasted as below:
 - (a) the forecasted GGR for the year ending 31 December 2022 (the “**2022 GGR**”) is similar to the annualized amount for the actual GGR for the first quarter of 2022. The 2022 GGR represents (i) a year-on-year growth of approximately 7.3% as compared to the GGR for the previous year, and (ii) approximately 43.4% of the GGR for the year ended 31 December 2019 (the “**2019 GGR**”), which represents Oceanus’ GGR level before the COVID-19 pandemic in 2020;
 - (b) the forecasted GGR for the year ending 31 December 2023 represents (i) a year-on-year growth of approximately 43.8% as compared to the previous year; and (ii) approximately 62.3% of the 2019 GGR. It is expected that the travel restrictions between Macau and Hong Kong will be gradually relieved around late 2022 and early 2023, which will in turn drive improvement in revenue in 2023 as major customers for Oceanus are local Macau citizens and visitors from Hong Kong.

We note that Oceanus’ customers are from mass market and according to an article published by GGRAsia on 9 February 2022 (<https://www.ggrasia.com/macau-2022-ggr-at-40pct-2019-level-at-best-sp-global/>), S&P Global predicts that the mass market may be able to recover to near pre-pandemic levels in 2023. Therefore, the forecasted GGR, which only represents approximately 62.3% of the 2019 GGR, was considered to be prudent. Furthermore, we also note that Oceanus had succeeded in achieving a year-on-year growth of around 44% in 2011;

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- (c) the forecasted GGR for the year ending 31 December 2024 represents
 - (i) a year-on-year growth of approximately 9.5% as compared to the previous year; and
 - (ii) approximately 68.3% of the 2019 GGR. We note that the growth rate is lower than 3-year growth rate of around 11% during the Pre-pandemic Period;

- (d) the forecasted GGR for the year ending 31 December 2025 represents
 - (i) a year-on-year growth of approximately 9.4% as compared to the previous year; and
 - (ii) approximately 74.7% of the 2019 GGR. We note that the growth rate is lower than 3-year growth rate of around 11% during the Pre-pandemic Period; and

- (e) starting from the year ending 31 December 2026 and until the year ending 31 December 2032, the GGR is forecasted to grow by 4% per year. For the year ending 31 December 2032, the forecasted GGR represents around 98% of the 2019 GGR. We note that the growth rate is lower than 3-year growth rate of around 11% during the Pre-pandemic Period.

In this respect, we concur with the management of the Company and the Valuer that the forecasted growth in GGR is reasonable, taking into account the fact that (i) the GGR of Oceanus had been stable during the Pre-pandemic Period; (ii) the forecasted GGR, which only reach to pre-pandemic level in 2032, grows at a much slower rate than the IMF's prediction of full recovery of Macau's GDP in 2025.

- (ii) apart from the Additional Gaming Premium (which as explained above is estimated with reference to the average of historical rent paid by the Group to STDM for the three years ended 31 December 2019), other major costs of the gaming portion of Oceanus are (a) the special gaming tax and special levy and the rate of which is forecasted to remain the same as the current level (i.e. 40%), taking into account the fact that the rate was stable historically and there has been no indication from Macau government on changing such rate as at the Latest Practicable Date; and (b) staff costs which is forecasted to grow at 3% per year from approximately the annualized amount for the staff costs for the first quarter of 2022. We understand that the amount of staff costs is directly related to the number of gaming tables and slots. Although the number of gaming table and slots is forecasted to remain constant, the Valuer has factored in a growth rate of 3% to cater for inflation which is expected to be below 2% and for prudence purpose. Moreover, we note that during the Pre-pandemic Period, the staff costs of Oceanus decreased by approximately 2.1% from 31 December 2017 to 31 December 2018 and increased by 0.6% from 31 December 2018 to 31 December 2019. Therefore, we concur with the view of the management of the Company and the Valuer that the forecasted growth rate of 3% during the Forecast Period is reasonable.

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- (iii) a discount rate of 11% was adopted by the Valuer in discounting the net cashflow during the Forecast Period. As advised by the Valuer, such discount rate is the sum of (a) 6% capitalization rate which is determined with reference to the rental yield of recent transactions of large scale property developments; and (b) a growth rate of 5% which represents the forecasted growth rate of gaming revenue of Oceanus from the year ending 31 December 2026 and until the year ending 31 December 2032 of 4% plus a buffer of 1% for prudence purpose. Based on the review of the rental yield of recent transactions and the discounted cashflows of Oceanus, we concur with the view of the management of the Company and the Valuer that the discount rate of 11% is reasonable.

We have discussed each of the above key assumptions with the Company and the Valuer and consider those assumptions, which are made with due care, are reasonable.

For the Oceanus Non-gaming Area, we note that it consists of food and beverage outlets, parking and back of house facilities. The Valuer has adopted the direct comparison approach by making reference to comparable sales evidences as available in the Macau property market. The Valuer has adopted direct comparison approach and made reference to the recent transactions for similar retail, parking and office premises in the proximity. We have been advised by the Valuer that in light of the particulars of the Oceanus Non-gaming Area, direct comparison approach is commonly used in arriving at the Market Value. Furthermore, we have reviewed and discussed with the Valuer on the market comparables (the “**Valuation Comparables**”) adopted in the market comparison approach and note that the market comparables are all located close to and within 1.6 km from Oceanus Building and are retail, office or parking space transactions from April 2020 to April 2022. We concur with the Valuer that it is reasonable to extend the research period to April 2020 to obtain sample transactions in the locality of Oceanus given the significant drop in number of property transactions during the past year as a result of the COVID-19 pandemic. For retail market comparables, the size ranged from approximately 680 square feet (“**sq.ft.**”) to 1,500 sq.ft. and the value per sq.ft. ranged from HK\$19,400 to HK\$24,900. For the office market comparables, the size ranged from approximately 700 sq.ft. to 1209 sq.ft. and the value per sq.ft. ranged from HK\$7,900 to HK\$9,400. For the parking lot comparables, the transaction prices ranged from HK\$1 million to HK\$1.3 million per parking lot. As advised by the Valuer, the valuation of the Oceanus Non-gaming Area represent the sum of (i) valuation of retail space of approximately HK\$63 million, representing the value per sq. ft. of approximately HK\$18,600; (ii) valuation of office space of approximately HK\$391 million, representing the value per sq. ft. of approximately HK\$7,000; and (iii) valuation of parking spaces of HK\$62 million, representing the value per parking lot of approximately HK\$500,000 for ordinary parking lot and HK\$600,000 for lorry parking lot. According to the Valuer, in valuing the Oceanus Non-gaming Area, downward adjustments were made to the value per sq. ft. or per parking lot (as the case maybe) from the Valuation Comparable to cater for marketability of the Oceanus Non-gaming Area. In view of the location and nature of the market comparables, we consider that the market comparables adopted by the Valuer are fair and representative samples.

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As stated in the Valuation Report, the Property Valuation was carried out in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 to the Listing Rules. Based on the above and our understanding of the particulars of Oceanus Building, we believe that the approaches adopted by the Valuer in performing the valuation of Oceanus Building and the assumptions taken into consideration by the Valuer are appropriate.

Having considered the above, we are of the view that the Consideration is fair and reasonable.

(ii) Terms of payment

The Consideration of HK\$1,906 million shall be entirely satisfied by the issue of the Convertible Bonds by the Issuer to STDM.

Set out below is the extract of the principal terms of the Convertible Bonds. For details of the principal terms, please refer to the section headed “Principal terms of the Convertible Bonds” in the Letter from the Board.

Issuer:	Champion Power Global Limited, a wholly-owned subsidiary of the Company
Guarantor:	The Company
Initial Bondholder:	STDM
Issue:	Hong Kong dollar-denominated 2.0% per annum convertible bonds due on the fifth anniversary of the First Issue Date in an aggregate principal amount of HK\$1,906,000,000 and convertible into the fully paid ordinary shares of the Company
Maturity date:	The date which falls on the fifth anniversary of the First Issue Date
Status:	The Convertible Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer
Issue price:	100% of the principal amount of the Convertible Bonds.
Form and denomination of the Convertible Bonds:	The Convertible Bonds will be issued in registered form in the denomination of HK\$100,000 each and integral multiples thereof.

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Conversion Price: Initially HK\$4.07 per Conversion Share, subject to adjustment terms as set out in details described in the Letter from the Board

The initial Conversion Price of HK\$4.07 per Conversion Share represents:

- (i) a premium of approximately 24.1% over the closing price of HK\$3.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 35.7% over the closing price of HK\$3.00 per Share as quoted on the Stock Exchange on 26 May 2022, being the date of the Transfer Agreement;
- (iii) a premium of approximately 32.6% over the average closing price of approximately HK\$3.07 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Transfer Agreement;
- (iv) a premium of approximately 30.0% over the average closing price of approximately HK\$3.13 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Transfer Agreement;

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The initial Conversion Price was arrived at after arm's length negotiations among the parties to the Transfer Agreement and was determined with reference to the premiums of convertible bonds with 5-year maturity issued by other companies listed on the Main Board of the Stock Exchange from 27 May 2021 to 26 May 2022, which the premiums over/ discounts to their respective 10-day average closing price ranged from a discount of approximately 2% to a premium of approximately 55% with an average of approximately 27%. Based on the above, the initial Conversion Price was determined to be calculated based on 30% premium over the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 26 May 2022, being the date of the Transfer Agreement.

468,304,668 Conversion Shares will be issued upon exercise of the conversion right attaching to the Convertible Bonds in full based on the initial Conversion Price of HK\$4.07 per Conversion Share.

The number of 468,304,668 Conversion Shares represent (i) approximately 8.2% of the issued share capital of the Company as at the Announcement Date; and (ii) approximately 7.6% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Coupon Rate: 2.0% per annum, payable annually

To assess the fairness and reasonableness of the principal terms of the Convertible Bonds, we have identified and reviewed an exhaustive list of recent proposed issue of convertible bonds/notes (including extensions or amendments of terms of the convertible bonds) announced by companies listed on the Stock Exchange with market capitalization of HK\$500 million or above, from 1 December 2021 up to and including the date of the Transfer Agreement (the “**Review Period**”) (the “**Comparable CB Issues**”). The HK\$500 million threshold is set with reference to the latest main board market capitalisation requirement for listing applicants. We consider the Review Period of approximately 6 months to be sufficient and appropriate for our analysis as the Review Period has covered the prevailing market conditions and sentiments in the Hong Kong equity capital market at the time which the terms of the Convertible Bonds

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were determined, such that the Comparable CB Issues could reflect the recent market trends of the terms involved in issuing the convertible bonds. Although the listed issuers in the Comparable CB Issues may have different principal businesses, market capitalisation, profitability, financial position and identities of counterparties as compared to that of the Company, and there were different reasons for issuing the convertible bonds, we consider that the Comparable CB Issues can provide us a general reference on the recent market trend of similar transactions in Hong Kong equity capital market. Based on the aforesaid, we consider the Comparable CB Issues are appropriate as one of the factors we considered for the purpose of assessing the fairness and reasonableness of the principal terms of the Convertible Bonds.

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The table below sets forth the summary of the Comparable CB Issues during the Review Period:

Date of announcement	Name of Company	Stock code	Market Capitalization as of the Latest Practicable Date (million)	Principal business	Principal amount (million)	Maturity (years)	Interest rate per annum	Premium / (Discount) of conversion price over / (to)	
								the closing price on the last trading day	the average closing price over the last 5 consecutive trading days
9 Dec 2021	Hopson Development Holdings Limited	754.HK	HK\$30,820.0	property development and infrastructure business	US\$250.0	1	8.00%	4.56%	7.92%
12 Dec 2021	China VAST Industrial Urban Development Company Limited	6166.HK	HK\$2,910.0	provision of services in the planning, development and operation of large-scale industrial towns in China	US\$50.0	1	8.00%	74.07%	69.88%
13 Dec 2021	Asiaray Media Group Limited	1993.HK	HK\$551.8	development and operation of out-of-home advertising media	HK\$37.5	Nil	3.50%	7.70%	7.70%
6 Jan 2022	China MeiDong Auto Holdings Limited	1268.HK	HK\$22,350.0	sales of passenger vehicles	HK\$2,750.0	5	0.00%	18.80%	17.40%
21 Jan 2022	Country Garden Holdings Company Limited	2007.HK	HK\$115,740.0	sales of properties	HK\$3,900.0	4.5	4.95%	16.38%	27.76%
1 Apr 2022	CIFI Holdings (Group) Company Limited	884.HK	HK\$31,210.0	property businesses	HK\$1,957.0	3	6.95%	19.96%	32.55%
12 Apr 2022	CIFI Holdings (Group) Company Limited	884.HK	HK\$31,210.0	property businesses	HK\$588.0	3	6.95%	19.18%	19.75%

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Date of announcement	Name of Company	Stock code	Market Capitalization as of the Latest Practicable Date (million)	Principal business	Principal amount (million)	Maturity (years)	Interest rate per annum	Premium / (Discount) of conversion price over / (to)	
								the closing price on the last trading day	the average closing price over the last 5 consecutive trading days
21 Apr 2022	IBO Technology Company Limited	2708.HK	HK\$1,600.0	provision of comprehensive Internet of thing (IoT) intelligent terminal product application and solutions services	HK\$24.5	2	0.00%	3.32%	0.00%
13 May 2022	Huazhang Technology Holding Limited	1673.HK	HK\$585.3	research and development, manufacture and sales of industrial automation systems and sludge treatment products	HK\$90.0	4	12.00%	0.00%	-2.80%
18 May 2022	LVGEM (China) Real Estate Investment Company Limited	95.HK	HK\$4,230.0	property businesses	US\$50.0	1	5.50%	172.28% ⁽¹⁾	194.01% ⁽¹⁾
					Maximum	5	12.00%	74.07%	69.88%
					Minimum	1	0.00%	0.00%	-2.80%
					Median	3	6.95%	16.38%	17.40%
					Average	2.94	5.59%	18.22%	20.02%
					The Convertible Bonds	5	2.00%	35.67%	32.57%

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Note:

- (1) This is an extension of the maturity date of the convertible bonds issued back in November 2016. The conversion price was initially set at HK\$2.76 in November 2016 with a premium of 13.1 % over the closing price of the shares as at the date of respective agreement and 13.5 % over the average closing price over the last 5 consecutive trading days up to and including the date of respective agreement as disclosed in the announcement of LVGEM (China) Real Estate Investment Company Limited dated 6 November 2016. According to the annual report of LVGEM (China) Real Estate Investment Company Limited for the year ended 31 December 2021, since the issuance of the convertible bonds in November 2016, several adjustments had been made to the initial conversion price due to allotment of ordinary shares, allotment of convertible preference shares and the dividends paid etc. After all adjustments, the latest conversion price as at the 18 May 2022, being the date of the announcement of extension of maturity date of the convertible bonds, represented a premium of 172.28% over the closing price of the shares as at the date of respective agreement and a premium of 194.01% over the average closing price over the last 5 consecutive trading days up to and including the date of respective agreement.

As the conversion price was determined back in November 2016 which was far from the Review Period, we had excluded such issue of convertible bond in the comparison of terms of convertible bonds.

Maturity and interest rate

As shown in the table above, (i) the Comparable CB Issues have maturity terms ranged from one year to five years whereas the Convertible Bonds has a maturity term of five years, which is within the range of the Comparable CB Issues; and (ii) the Comparable CB Issues have interest rates ranged from nil to 12.0% per annum, whereas as the Convertible Bonds has an interest rate of 2.0% per annum, which is below the average interest rate of the Comparable CB Issues of 5.59%. Thus, we consider the maturity term and interest rate of the Convertible Bonds to be generally in line with the recent market practice.

Conversion price

The Conversion Price of HK\$4.07 per Conversion Share represents (i) a premium of approximately 35.67% over the closing price of HK\$3.00 per Share as quoted on the Stock Exchange on the date of the Transfer Agreement; (ii) a premium of approximately 32.57% over the average closing price of HK\$3.07 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Transfer Agreement.

As shown in the table above, the conversion prices of the Comparable CB Issues ranged from (i) a premium of approximately 0.0% to a premium of approximately 74.07% over the closing prices of the respective shares on the date of the respective agreements; and (ii) a discount of approximately 2.80% to a premium of approximately 69.88% over the average closing prices of respective shares for the last five consecutive trading days immediately prior to or up to and including the date of the respective agreements.

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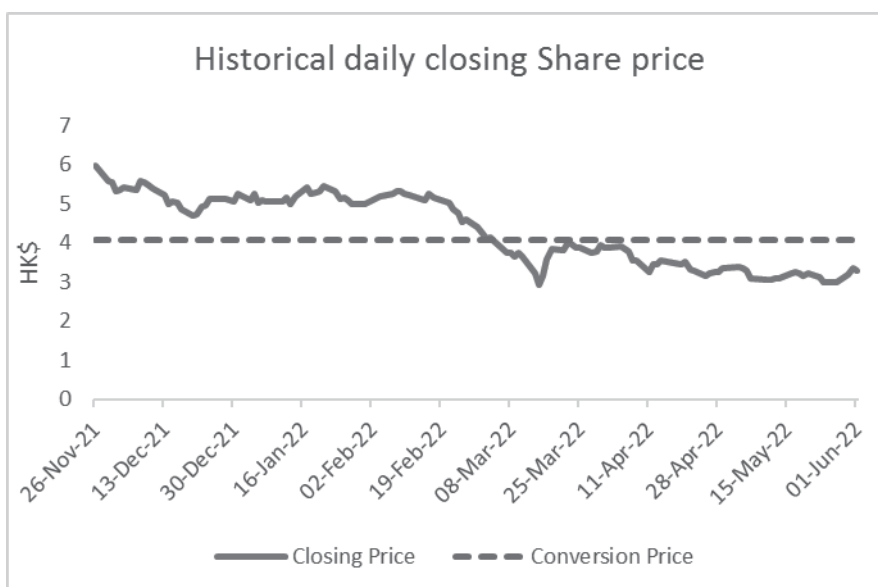
Therefore, the premiums as represented by the Conversion Price over the closing price of the Shares on the date of the Transfer Agreement; and the average closing price of the Shares for the last five consecutive trading days up to and including the date of the Transfer Agreement of approximately 35.67% and 32.57% respectively, are considered to be within respective ranges and above the average of the Comparable CB Issues.

Adjustments to conversion price

In assessing the fairness and reasonableness of the adjustment terms of the Convertible Bonds as regards the Conversion Price, we have compared such adjustment terms with the relevant adjustment terms of the Comparable CB Issues being disclosed and noted that the conversion prices of majority of the Comparable CB Issues are subject to the similar adjustments terms as for the Convertible Bonds upon occurrence of dilutive events, including consolidation or subdivision; capitalisation of profits or reserves; capital distribution; rights issues of shares; and options, warrants or other rights to subscribe for or purchase shares.

Historical Share performance

Set out below is a chart showing the movement of the closing prices of the Shares against the Conversion Price during the period (i) from 26 November 2021 (being six months prior to the date of the Transfer Agreement) up to the date of the Transfer Agreement (the “**Pre-Agreement Period**”); and (ii) from 27 May 2022 up to and including the Latest Practicable Date. We consider that a review period of around six months is a reasonable length of time to illustrate the historical Share price performance.



Source: Bloomberg

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Notes:

1. On 4 November 2021, the Company issued the announcement in relation to the unaudited key performance indicators for the third quarter of 2021.
2. On 28 February 2022, the Company issued the announcement in relation to the annual results for the year ended 31 December 2021.
3. On 21 April 2022, the Company issued the annual report for the year ended 31 December 2021.
4. On 3 May 2022, the Company issued the announcement in relation to the unaudited key performance indicators for the first quarter of 2022.
5. The Announcement Date (i.e. 26 May 2022)

During the Pre-Agreement Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.92 per Share recorded on 15 March 2022 and HK\$5.98 per Share recorded on 26 November 2021. The Conversion Price had been above the closing prices of the Shares on 54 trading days out of 120 trading days (representing approximately 45.0% of the total number of trading days) during the Pre-Agreement Period.

In respect of the more recent Share price performance, during the period of one month from 26 April 2022 and up to the Announcement Date, the closing prices of the Shares as quoted on the Stock Exchange ranged from HK\$2.98 per Share to HK\$3.38 per Share, with an average closing price of HK\$3.19 per Share. The Conversion Price had been above the closing prices of all trading days during the period from 26 April 2022 and up to the Announcement Date.

Following the Announcement Date, the recent closing prices of the Shares from 27 May 2022 and up to the Latest Practicable Date were at a range between HK\$3.01 per Share to HK\$3.34 per Share.

We also note that the Conversion Price is above the consolidated net asset value of the Company attributable to the Shareholders of approximately HK\$3.58 per Share as at 31 December 2021.

Other alternative settlement methods considered

We have discussed with the Management and was advised that the Company has considered various possible alternative settlement methods to finance the Transfer.

Having considered the Group's profitability and financial position as well as the prevailing market condition, we concur with the Directors' view that settlement of the Consideration by way of the Convertible Bonds is an appropriate financing option for the Group. On the other hand, if the Consideration is settled by the Convertible Bonds, the debt component of the Convertible Bonds will be

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eventually transferred to equity upon conversion, which implies that there will be no increase in the borrowing and therefore no impact to the gearing ratio of the Group if conversion takes place.

With respect to equity financing such as placing, right issue or open offer, the Board is of the view and we concur that, these methods are considered to be relatively costly as the Group will have to engage more professional parties which would incur additional professional fees such as underwriting fee and/or placing commissions, etc. In addition, fund raising by placing, right issue or open offer are often conducted that a discount to recent closing prices of the shares. Furthermore, in view of the net loss position of the Group and relatively high gearing ratio, it would also be difficult for the Company to pursue an equity financing in the equity capital market without providing considerable discount to the prevailing market price of the Share and/or placing/underwriting fees, leading to more dilution impact to the Shareholders as compared to that of the Convertible Bonds.

Furthermore, as stated in the Letter from the Board, the issue of the Convertible Bonds allows the Group to preserve its cash resources in the challenging business environment in Macau due to travel restrictions amid the continuing COVID-19 pandemic and provides protection to the Independent Shareholders from immediate shareholding dilution.

Based on all of the above, having considered that (i) the maturity of the Convertible Bonds falls within range of the Comparable CB Issues; (ii) the interest rate of the Convertible Bonds is below the average of the Comparable CB Issues; and (iii) the premium of the Conversion Price over the closing price on the last trading day and the average of the closing price over the last 5 consecutive trading days are above the average of the Comparable CB Issues; (iv) the adjustment mechanisms to the Conversion Price are similar to those as disclosed under the Comparable CB Issues; and (v) the Consideration settlement alternatives being considered by the Directors, we are of the view that the principal terms of the Convertible Bonds are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

Effect of the Transfer of the shareholding of the Company

The number of 468,304,668 Conversion Shares represent (i) 8.2% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 7.6% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. As stated in the Letter from the Board, for illustrative purpose, immediately following full exercise of the conversion rights of the Convertible Bonds (assuming no other change in the shareholding structure of the Company after the Latest Practicable Date and before the allotment and issue of the Conversion Shares), (i) STDM Group will be interested in approximately 58.1% of the then issued share capital of the Company as compared to its current interests of approximately 54.7%; (ii) the shareholding held by the public will be approximately 30.4% of the then issued share capital of

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the Company as compared to the current shareholding of approximately 32.8%. It is expected that the Company will be able to maintain its public float following the full exercise of the Conversion Rights and the issue of the Conversion Shares. For details, please refer to the sub-section headed “Effect of the Transfer on the shareholding of the Company” in the Letter from the Board.

(iii) Conditions precedent

Please refer to the sub-section headed “Principle Terms of the Transfer Agreement” in the Letter from the Board.

(iv) Completion

Completion shall take place immediately after all the conditions precedent have been satisfied.

(v) Financial Impact of the Transfer

We understand from the Company that upon Completion up to the end of year 2022, the fair value of the property will be booked as property and equipment. Starting from January 2023, the fair value of Oceanus Gaming Area will be booked as either property and equipment or rights of use assets of the Group depending of the terms described in the new gaming concession contract. The Group currently expects that the property and equipment or rights of use assets will be amortized for at least 10 years assuming the new gaming concession contract for a further 10 years will be granted to the Group. The Oceanus Non-gaming Area will be booked as property of the Group and amortized over the years in line with the accounting policy adopted by the Company, i.e. over 25 years to 50 years using the straight line method, which represents the shorter of the original and renewal lease terms or estimated useful life of the building.

Our view

Having considered the above, we are of the view that the terms of the Transfer Agreement and the Convertible Bonds are normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, in particular the following:

- (a) the Transfer can enable the Group to meet the Property Ownership Requirement and be eligible to tender for a new gaming concession contract, which we consider to be in the interests of the Company and the Shareholders as a whole;

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- (b) the Consideration is based on the market value of Oceanus Building (subject of the Transfer) as valued by an independent professional valuer, which we consider to be fair and reasonable; and
- (c) we consider the principal terms of the Convertible Bonds, in particular the interest rate, which is below the average of the interest rates of the Comparable CB Issues, and the premium of the conversion price, which is higher than the average of the premium of the Comparable CB Issues, fair and reasonable,

we are of the opinion that the Transfer Agreement and the issue of the Convertible Bonds (i) fall outside the ordinary and usual course of business of the Company; (ii) are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, (iii) and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Transfer Agreement and the issue of the Convertible Bonds under specific mandate.

Yours faithfully,
For and on behalf of
Ballas Capital Limited
Heidi Cheng **Cathy Leung**
Managing Director *Director*

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Savills (Macau) Limited, an independent property valuer, in connection with their opinion of value of Oceanus Building held by the Centro Comercial Jai Alai, Limitada as at 16 May 2022.



The Board of Directors
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Savills (Macau) Limited
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555 Avenida da Amizade
Macau

T: (853) 2878 0623
F: (853) 2878 1805

savills.com.mo

6 June 2022

Dear Sirs,

RE: OCEANUS BUILDING (FORMERLY KNOWN AS NEW YAOHAN), TRAVESSA DO RESERVATORIO NOS. 33 – 95, MACAU (THE “PROPERTY”)

INSTRUCTION

In accordance with the instructions from SJM Holdings Limited and its subsidiary, SJM Resorts, S.A. (hereinafter together referred to as the “Group”) for us to value the Property situated in Macau to be acquired by the Group for owner occupation purpose, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as at 16 May 2022 (the “**Valuation Date**”) for the purposes of inclusion in a public circular to be issued by the Group on 6 June 2022 in relation to a connected party transaction.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the Property which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors (“**HKIS**”), which incorporates the International Valuation Standards (“**IVS**”), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr. Franco Liu (“**Mr. Liu**”) who is the Managing Director of Savills (Macau) Limited (“**SML**”). Mr. Liu is a Member of the HKIS with about 25 years’ experience in valuation of properties in China, Hong Kong and Macau and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation service in respect of the Property, SML and Mr. Liu had not been involved in valuation of the Property in the last 12 months.

We are independent of the Group and Centro Comercial Jai Alai, Limitada. We are not aware of any instances which would give rise to potential conflict of interest from SML or Mr. Liu in the subject exercise. We confirm SML and Mr. Liu are in the position to provide objective and unbiased valuation for the Property.

VALUATION METHODOLOGIES

In valuing the non-gaming portion of the Property, we have adopted the market approach assuming sales with benefit of vacant possession in its existing states by reference to sales and leasing transactions of comparable properties as available in the market.

In valuing the gaming portion of the Property, we have adopted the income approach, which is effectively based on discounting future amounts of cash flow to present value. In preparing our analysis, the income and expenses receivable from the Valuation Date until 31 December 2032 are itemized and projected annually taking into account the historical operating accounts and the expected growth of income and expenses as provided by the Group. The net cash flows are then discounted at our adopted rate that reflect the rates of return that adequately compensate the investors for the risk taken.

TITLE INVESTIGATION

We have not been provided with copies of title documents relating to the Property, but we have caused title search to be made at the Real Estate Registry (物業登記局). We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisors.

SOURCE OF INFORMATION

We have relied to a considerable extent on the information and advice from the Group on such matters as tenure, floor plans, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We are also advised by the Group that no material facts have been omitted from the information supplied. We shall undertake no responsibility as their accuracy. We consider that we have been provided with sufficient information to reach an informed view.

VALUATION ASSUMPTIONS

In undertaking our valuation, we have assumed that Centro Comercial Jai Alai, Limitada has good legal title to the Property and has free and uninterrupted rights to occupy, use, transfer, lease or assign the Property for the whole unexpired term granted without legal impediment. Unless otherwise stated, upon the expiration of the term, it is assumed that the legal title is renewable for further consecutive periods of 10 years until 19 December 2049, subject to the applicable legislation in Macau, however, we have not taken into account the cost to be expended to that effect.

Unless otherwise stated, we have assumed that the Property can be sold in the open market in its existing state without any effect of deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the value of the Property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no allowance is made for the Property to be sold to a single party and/or as a portfolio or portfolios.

In addition, no allowance has been made in our valuation for any charges, mortgages or amounts owing on any property interests nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Other special assumptions have been stated in the footnotes of the valuation report.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Property. The inspection was carried out on 13 May 2022 by our Associate Director, Mr. Ken Leong, who is a member of the Royal Institution of Chartered Surveyors with over 10 years' experience in valuation of properties in Macau. In the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot, infestation or any other defects. No tests were carried out on any of the services. We have not carried out on-site measurements to verify the correctness of the site and floor areas in respect of the Property concerned.

Our valuation is prepared on the assumption that these aspects are satisfactory, and that the Property is finished and maintained in reasonable condition commensurate with its uses and age, without any unauthorised structures or alterations, and no reinstatement cost nor additional premium has been taken into account, and that all consents, approvals and licenses from the relevant government authorities for the operation of the Property have been granted. Nevertheless, it is recommended to consult professional building surveyors and or other relevant professionals as necessary.

LIMITING CONDITIONS

In accordance with our standard practice, we must state that this letter and valuation report are for the use of the Group for the purposes of inclusion in a public circular to be issued by the Group on 6 June 2022 in relation to a connected party transaction. Neither the whole or any part of this letter and valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars ("HK\$"). The exchange rate adopted in this report is HK\$1 to MOP1.03, which is prevailing as of the Valuation Date.

Our valuation report is enclosed herewith.

Yours faithfully,
For and on behalf of
Savills (Macau) Limited

Franco P L Liu
BSc (Hons), MRICS, MHKIS, RPS(GP), MCIREA
Managing Director
Valuation and Professional Services

Notes:

- 1) Mr. Franco Liu is a professional surveyor who has over 25 years' experience in the valuation of properties in China, Hong Kong and Macau and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.
- 2) Prior to the subject valuation exercise, we have not been involved in valuation of the Property for the past 12 months.

VALUATION REPORT

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 16 May 2022								
Oceanus Building (formerly known as New Yaohan), Travessa do Reservatorio Nos. 33 – 95, Macau	<p>The Property is a commercial development currently operated as a casino known as “Oceanus Building”, being erected on a parcel of land with a site area of approximately 6,952.00 sq m.</p> <p>It is bounded by Avenida da Amizade (友誼大馬路) to the east, Rua do Terminal Marítimo (海港街) to the south, Travessa do Reservatorio (水塘巷) to the west and Avenida do Dr. Rodrigo Rodrigues (羅理基博士大馬路) to the north, Macau.</p> <p>According to the information provided by the Group, the Property is a 5–storey (including a basement level) commercial development currently occupied as a casino. The basement level is mainly occupied for parking, loading and unloading purposes, whilst the ground floor, first, second and third floor are designated for gaming uses together with food and beverage outlets and back of house facilities. Two overhead footbridges leading to Macau Ferry Terminal (外港客運碼頭) and Jai Alai (回力) are connected to the first floor.</p> <p>As per the Group’s specific instruction, the total gross floor area of the Property is approximately 39,242.00 sq m, the breakdown of which is set out below:-</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Portion</th> <th style="text-align: right;">Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Gaming</td> <td style="text-align: right;">13,576.00</td> </tr> <tr> <td>Non – Gaming</td> <td style="text-align: right;">25,666.00</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>39,242.00</u></td> </tr> </tbody> </table>	Portion	Approximate Gross Floor Area (sq m)	Gaming	13,576.00	Non – Gaming	25,666.00	Total	<u>39,242.00</u>	<p>As advised by the Group, the Property was subject to a tenancy expiring on 31 December 2022 at a monthly rental of approximately HK\$9,602,000 (MOP9,890,060) (exclusive of government rates and rent, utility charges and other outgoings, with the Group being responsible for internal and facade repairing obligations).</p>	<p>HK\$1,906,000,000 HONG KONG DOLLARS ONE BILLION NINE HUNDRED AND SIX MILLION</p>
Portion	Approximate Gross Floor Area (sq m)										
Gaming	13,576.00										
Non – Gaming	25,666.00										
Total	<u>39,242.00</u>										
	<p>The Property is held under Concessão Por Arrendamento (政府租賃批地) for a lease term of 10 years commencing on 1 February 2016.</p>										

Notes:

1. Pursuant to the title search (物業登記書面報告) as obtained from the Real Estate Registry (物業登記局), the Property is registered as no. 22169. The registered concessionaire of the Property is Centro Comercial Jai Alai, Limitada, whereas the occupation permit of the Property was granted in 1992, and no material encumbrance is registered against the Property.
2. The gaming and non-gaming portions, which make up the entirety of the Property, are both registered at the Real Estate Registry (物業登記局) as no. 22169, which cannot be transferred on a standalone base as at the Valuation Date. In accordance with the Company's legal opinion, in the absence of a strata title for both the gaming and non-gaming portions of the Property, both the reversion to the Government of the gaming portion, and the acquisition of the non-gaming portion will have to be made by reference to an ideal quota of the Property correspondent to a percentage of the total property area for each portion, calculated in the present case in accordance with the area size of the gaming portion to be determined by the Government. The Property will be owned in the regime of co-ownership, by both co-owners, and this is a concept well understood and accepted in Macau. We have not taken into account the cost to be expended to that effect.
3. As per the Group's specific instruction, the Property is currently occupied as a casino by SJM Resorts, S.A. ("SJM Resorts"), the gaming concessionaire. There is no reasonable ground to believe that SJM Resorts will not be able to extend or obtain a new gaming concession after the date of the expiration of its current gaming licensed period. In the course of our valuation, upon expiry of the SJM Resorts gaming concession on 26 June 2022, it is assumed that:-
 - i) the gaming concession will be extended to 31 December 2022, then;
 - ii) a new gaming concession to be granted to SJM Resorts for a term of 10 years;
 - iii) the terms and conditions stated therein the gaming concession will remain substantially unchanged;
 - iv) the new gaming concession fee and/or any administrative fee (if any) will be fully paid and settled by internal source of fund. In the course of valuation, the fee for the new gaming concession and any administrative fee were not taken into account because the aforesaid fees cannot be reasonably estimated since the relevant information has not been disclosed by the Macau Government. In any event, such fees would be payable by SJM Resorts in respect of all its gaming operations and there is no separate fee for the gaming portion of the Property;
 - v) under the new gaming concession, SJM Resorts is entitled to exploit casino gaming at the gaming portion of the Property;
 - vi) upon expiry of the SJM Resorts gaming concession in 2032, it is assumed that the gaming portion of the Property shall revert to the Macau government without compensation;
 - vii) most importantly, Macau will remain the only city in China to offer legalised casino gaming; and
 - viii) all financial documents (include but not limited to summary of profit and loss account, budget forecast, etc.) and area schedule and floor plans as provided by SJM Resorts are true, accurate and reliable.
4. We caution you that the First Draft of Reversion Bill to Macau Gaming Law (Law no. 16/2001) is currently under discussion in Macau Legislative Assembly, for example, address the following partial proposed amended issues in the aforesaid draft Bill:-
 - **Concession term:** maximum concession term is 10 years plus 3 years after the completion of the concession with a reasonable reason approved by the Chief Executive.
 - **Scope of casino portion:** scope of casino portion that it should be located in the property of the relevant concessionaire and which area and relevant facilities stipulated in accordance with the Gaming Law should be clearly identified and defined.
 - **Casino portion operation:** prohibited to impose, in any title, transfer or transfer of the right to operate casino portion in whole or in part to a third party, and prohibited to transfer or transfer of the right of concessionaire which statutory rights and obligations in relation to gaming or concession contract in whole or in part to a third party.

- **Reverse assets:** upon the expiry of the concession, the casino portion with all facilities and equipment should be reversed to the government.

The above terms of assumption of this valuation report will be subject to change in accordance with the final approved Revision Law of Macau Gaming Law. We will not take any liability in the event that there is a material difference between the assumptions and the final approved Revision Law of Macau Gaming Law. You and your company are fully aware and agree that you and your company have no rights to claim against us because of a situation where the terms of assumption are materially different to the final approved Revision Law of Macau Gaming Law, you and your company also completely waive any relevant rights of claim (if any) in any jurisdiction.

5. As per the Group's specific instruction, in the course of our valuation, we have assumed that the gaming portion of the Property together with its 181 gaming tables and 289 slot machines would have been approved by the government and be retained for their continuous operation as at the Valuation Date until 31 December 2032 (approximately 10.6 years), subject to the above-mentioned specific assumptions as stated. Furthermore, fixtures, fittings, furniture and stock together with the equipment and utensils, as well as all necessary licenses, fire certificates, etc., which are necessary for the operation of a casino in Macau under the provisions of relevant legislation are to be included in any sale.
6. As per the Group's specific instruction, in the course of our valuation, we have assumed that general commercial uses for the non-gaming portion of the Property would be continuous to be permitted as at the Valuation Date until 19 December 2049, subject to the applicable legislation in Macau.
7. The breakdown of Market Value for the two portions of the Property as at the Valuation Date are set out below:-

Portion	Market Value (HK\$) as at 16 May 2022
Gaming	\$1,390,000,000
Non-Gaming	<u>\$ 516,000,000</u>

8. As per the Group's specific instruction, as at the Valuation Date, there is no plans for substantial construction, renovation, improvement, development or change of uses of the Property. In the course of our valuation, it is assumed that the Property is without any unauthorised structures or alterations, and no reinstatement cost nor additional premium has been taken into account.
9. In the course of our valuation, we have assigned no commercial value to the roof of the Property.
10. In the course of our valuation, we have not taken into account the cost to be expended (if any) to bring the existing tenancy for the Property to an end as at the Valuation Date.
11. The outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, and the measures taken to tackle COVID-19 have impacted many aspects of daily life and continues to affect Macau's economy – with the real estate market experiencing significantly lower level of transactional activity and liquidity. If any party intends to make reference to our valuation when entering into any transaction, he must beware of the high market volatility during this period. Consequently, a higher degree of caution should be attached to our valuation than would normally be the case. For the avoidance of doubt, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the Valuation Date.
12. According to Macau SAR Urban Master Plan (2020-2040) (澳門特別行政區城市總體規劃(2020-2040)), the Property falls within one of the defined areas designated for tourism purposes.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The Company does not have any authorised share capital nor any nominal value in its Shares. The number of issued Shares (i) as at the Latest Practicable Date; and (ii) immediately following full exercise of conversion rights of the Convertible Bonds are set out as follows:

(i) As at the Latest Practicable Date

Type	Number	Status
Existing Shares	5,681,444,293	Issued and fully paid-up

(ii) Immediately following full exercise of conversion rights of the Convertible Bonds

Type	Number	Status
Existing Shares	5,681,444,293	Issued and fully paid-up
Conversion Shares	<u>468,304,668</u>	To be issued and fully paid-up
Total	<u><u>6,149,748,961</u></u>	

The Conversion Shares shall rank pari passu in all respects with the fully paid Shares in issue on the relevant date of conversion of the Conversion Shares on the Company's register of members (after issue of the Conversion Shares upon conversion of the Convertible Bonds) and shall accordingly entitle the holders thereof to participate in full in all future dividends or other distributions the record date for which falls on a date on or after the relevant conversion date. No Shares have been issued since 31 December 2021, being the date on which the latest audited financial statements of the Group were made up.

As at the Latest Practicable Date, the Company had outstanding Options convertible into 149,013,000 Shares. Save for the Options, the Company has no other outstanding options, warrants, derivatives or other convertible securities in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

(a) Directors' and chief executives' interests and short positions in the Shares, underlying shares or debentures of the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or are required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) contained in the Listing Rules are listed as follows:

Interests in Shares, underlying Shares and debentures of the Company

Name of Directors	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued shares (Note 2)
Ho Chiu Fung, Daisy	Beneficial owner	Long position	5,700,000	–	0.10%
	Beneficial owner	Long position	–	1,500,000 (Note 1)	0.03%
			<u>5,700,000</u>	<u>1,500,000</u>	<u>0.13%</u>
Fok Tsun Ting, Timothy	Beneficial owner	Long position	3,000,000	–	0.05%
	Beneficial owner	Long position	–	3,000,000 (Note 1)	0.05%
			<u>3,000,000</u>	<u>3,000,000</u>	<u>0.10%</u>
Leong On Kei, Angela	Beneficial owner	Long position	458,350,000	–	8.07%
	Beneficial owner	Long position	–	30,000,000 (Note 1)	0.53%
			<u>458,350,000</u>	<u>30,000,000</u>	<u>8.60%</u>

APPENDIX II
GENERAL INFORMATION

Name of Directors	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued shares (Note 2)
So Shu Fai	Beneficial owner	Long position	153,327,922	–	2.70%
	Beneficial owner	Long position	–	35,000,000 (Note 1)	0.62%
			<u>153,327,922</u>	<u>35,000,000</u>	<u>3.32%</u>
Chau Tak Hay	Beneficial owner	Long position	500,000	–	0.01%
	Beneficial owner	Long position	–	500,000 (Note 1)	0.01%
			<u>500,000</u>	<u>500,000</u>	<u>0.02%</u>
Tse Hau Yin	Beneficial owner	Long position	500,000	–	0.01%
	Beneficial owner	Long position	–	500,000 (Note 1)	0.01%
			<u>500,000</u>	<u>500,000</u>	<u>0.02%</u>
Chan Un Chan	Beneficial owner	Long position	2,034,000	–	0.04%
	Beneficial owner	Long position	–	3,000,000 (Note 1)	0.05%
			<u>2,034,000</u>	<u>3,000,000</u>	<u>0.09%</u>
Shum Hong Kuen, David	Beneficial owner	Long position	6,000,000	–	0.11%
	Beneficial owner	Long position	–	3,000,000 (Note 1)	0.05%
			<u>6,000,000</u>	<u>3,000,000</u>	<u>0.16%</u>
Ng Chi Sing	Beneficial owner	Long position	58,452,922	–	1.03%
	Beneficial owner	Long position	–	22,000,000 (Note 1)	0.9%
			<u>58,452,922</u>	<u>22,000,000</u>	<u>1.42%</u>

Notes:

- These represent the interests in underlying Shares in respect of Options granted by the Company.
- Each percentage has been calculated based on 5,681,444,293 Shares in issue as at the Latest Practicable Date.

*Interests in shares, underlying shares and debentures of associated corporations**Sociedade de Turismo e Diversões de Macau, S.A.*

Name of Directors	Capacity	Long/ short position	No. of shares held		Total	Approximate percentage of issued share capital
			Ordinary	Privileged		
Leong On Kei, Angela	Beneficial owner	Long position	637	5,215	5,852	6.86%
Chan Un Chan	Beneficial owner	Long position	5,204	8,271	13,475	15.81%
Shum Hong Kuen, David	Beneficial owner	Long position	1,004	–	1,004	1.18%

SJM Resorts, 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%

Champion Path Holdings Limited (“Champion Path”)

Name of Directors	Debentures	Capacity	Amount of debentures held	Approximate percentage to the total amount of debentures in issue
Ho Chiu Fung, Daisy	2026 US\$ Senior Notes (Note 1)	Beneficial owner	US\$5,000,000	1.0%
	2028 US\$ Senior Notes (Note 2)	Beneficial owner	US\$5,000,000	1.0%
Leong On Kei, Angela	2026 US\$ Senior Notes (Note 1)	Beneficial owner	US\$10,000,000	2.0%
	2028 US\$ Senior Notes (Note 2)	Beneficial owner	US\$5,000,000	1.0%
		Founder of a discretionary trust (Note 3)	US\$21,000,000	4.2%

Name of Directors	Debentures	Capacity	Amount of debentures held	Approximate percentage to the total amount of debentures in issue
So Shu Fai	2026 US\$ Senior Notes (<i>Note 1</i>)	Beneficial owner	US\$10,000,000	2.0%
	2028 US\$ Senior Notes (<i>Note 2</i>)	Beneficial owner	US\$5,000,000	1.0%
Chan Un Chan	2028 US\$ Senior Notes (<i>Note 2</i>)	Beneficial owner	US\$12,500,000	2.5%
Ng Chi Sing	2026 US\$ Senior Notes (<i>Note 1</i>)	Beneficial owner	US\$4,000,000	0.8%

Notes:

1. These debentures (US\$500,000,000 4.50% Senior Notes Due 2026) issued by Champion Path (“**2026 US\$ Senior Notes**”) are listed on the Stock Exchange and are freely transferable but not convertible into shares of Champion Path or any other corporation. The minimum denomination of the 2026 US\$ Senior Notes is US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof. The 2026 US\$ Senior Notes are senior unsecured obligations in registered form.
2. These debentures (US\$500,000,000 4.85% Senior Notes Due 2028) issued by Champion Path (“**2028 US\$ Senior Notes**”) are listed on the Stock Exchange and are freely transferable but not convertible into shares of Champion Path or any other corporation. The minimum denomination of the 2028 US\$ Senior Notes is US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof. The 2028 US\$ Senior Notes are senior unsecured obligations in registered form.
3. These 2028 US\$ Senior Notes are beneficially owned by Dr. Stanley Ho Foundation, a founder of which is Deputada Leong On Kei, Angela.

Save as disclosed above, so far as was known to any Director, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or 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.

(b) Substantial Shareholders who have an interest and/or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as it is known to the Directors and chief executive officer of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive officer of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholders	Capacity	Long/short position	No. of Shares held	No. of underlying Shares held	Approximate percentage of issued Shares (Note 3)
Sociedade de Turismo e Diversões de Macau, S.A.	Beneficial owner and its controlled corporation (Note 1)	Long position	3,105,060,500	–	54.7%
	Beneficial owner (Note 2)	Long position	–	468,304,668	8.2%
			<u>3,105,060,500</u>	<u>468,304,668</u>	<u>62.9%</u>

Notes:

- 55,073,000 Shares are directly held by Konrad Investments Limited, an indirect wholly-owned subsidiary of STDM through Bounty Rich Holdings Limited.
- These represent the interest in underlying shares in respect of the Convertible Bond(s).
- Each percentage has been calculated based on 5,681,444,293 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, the Directors and the chief executive officer of the Company were not aware of any party who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above and in the section headed “4.(c) Interests in competing business”, as at the Latest Practicable Date, none of the Directors or the proposed Directors of the Company was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS**(a) Interests in contract or arrangement**

Save as disclosed below, no contract of significance to which the Company, its holding company or any of their subsidiaries was a party, and in which a Director was materially interested, whether directly or indirectly, subsisted as at the Latest Practicable Date.

Agreements with STDM and/or its subsidiaries/associates***Nature and extent of the connected person's interest in the transaction:***

Ms. Ho Chiu Fung, Daisy has beneficial interests in STDM via Lanceford Company Limited, a corporate director of STDM, and she is the representative of Lanceford Company Limited to act as a director of STDM. Deputada Leong On Kei, Angela, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David have beneficial interests in STDM and are directors of STDM. Mr. Tsang On Yip, Patrick's relative has beneficial interests in STDM via Many Town Company Limited, a corporate director of STDM, and Mr. Tsang On Yip, Patrick is the representative of Many Town Company Limited to act as a director of STDM.

Connected relationship:

STDM is the controlling Shareholder and therefore STDM and/or its subsidiaries/associates (as defined in the Listing Rules) are connected persons of the Company under the Listing Rules.

*Premises Leasing Master Agreement**Parties to the agreement:*

STDM and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2021
23 December 2019	1 April 2020 to 31 December 2022 (the Company may terminate the agreement by giving at least three months' prior written notice)	<ul style="list-style-type: none"> For the leasing of premises by STDM Group to the Group for use as casinos, offices, or for other business purposes. Payments for the premises comprised rental, utility charges, air conditioning service charges and building management fees where the relevant rental must be fair and reasonable, and may not be higher than the rental for the same or comparable type of premises provided by independent third parties in the ordinary course of business; the utility charges payable are based on actual utility consumption; and the air conditioning expenses and building management fees are determined in accordance with and not exceeding the relevant market prices. The terms and conditions on which such premises are to be provided should be no less favourable to the Company than those offered by independent third parties. 	See "Annual Caps and Aggregate Amount Table" on page II-11 of this circular.

Further details of the above transactions were set out in the announcement of the Company dated 23 December 2019.

*Products and Services Master Agreement**Parties to the agreements:*

STDM and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2021
23 December 2019	1 January 2020 to 31 December 2022	<ul style="list-style-type: none"> • For the provision of the following categories of products and services by the STDM Group to the Group: <ul style="list-style-type: none"> (i) hotel accommodation (ii) entertainment (iii) transportation (including jetfoil tickets supplied by Far East Hydrofoil Company, Limited through STDM) (iv) hotel management and operation (v) maintenance services • The provision of each relevant product or service by the STDM Group shall be on normal commercial terms and made with reference to the prevailing market price after arm's length negotiation between the relevant parties or, where there is no relevant market price, on terms negotiated between the relevant parties at arm's length. • The price of the products and services to be provided by the STDM Group including the basis of the calculation of the payments to be made shall be set out in the relevant implementation agreements and must be fair and reasonable. 	See "Annual Caps and Aggregate Amount Table" on page II-11 of this circular.

Further details of the above transactions were set out in the announcement of the Company dated 23 December 2019.

*Chips Agreement**Parties to the agreement:*

STDM and SJM Resorts

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2021
18 June 2008	No fixed term (may be terminated by mutual agreement or upon termination of SJM Resorts gaming concession contract, whichever is earlier)	<ul style="list-style-type: none"> For regulating the honouring, borrowing and use of the casino chips of STDM for the purposes of its gaming operations. Since 1 April 2002, SJM Resorts had been borrowing casino chips from STDM for the purpose of its business operation. STDM agreed to reimburse SJM Resorts for the aggregate face value of the chips honoured by SJM Resorts which were not sold by SJM Resorts. The arrangements are now being phased out as explained below. 	See “Annual Caps and Aggregate Amount Table” on page II-11 of this circular.

Further details of the above transactions were set out in the section “Connected Transactions” in the Prospectus of the Company dated 26 June 2008 and the announcements of the Company dated 30 December 2010, 6 January 2014, 26 January 2017 and 23 December 2019.

Since SJM Resorts has secured its own supply of chips and is no longer borrowing any STDM chips starting from 2011, the overall value of STDM chips redeemed in 2021 has declined substantially from the historical levels seen in earlier years. Furthermore, all casino chips of STDM have been withdrawn from circulation and procedures were put in place for those holding such chips to redeem them for cash or for casino chips of SJM Resorts.

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2021 HK\$ million (audited)	Annual cap for the year ended 31 December 2021 HK\$ million	Annual cap for the year ending 31 December 2022 HK\$ million
Premises Leasing Master Agreement (<i>Note 1</i>)	28.4	119.5	29.3
Products and Services Master Agreement (<i>Note 2</i>)			
(i) Hotel accommodation	N/A	N/A	N/A
(ii) Entertainment	N/A	N/A	N/A
(iii) Transportation	2.2	198	238
(iv) Maintenance services	N/A	N/A	N/A
(v) Hotel management and operation	N/A	N/A	N/A
Chips Agreement (<i>Note 3</i>)	0.1	77	77

Notes:

- In December 2019, STDM and the Company renewed the Premises Leasing Master Agreement and the Board approved the annual caps for this category of continuing connected transactions for the three financial years of 31 December 2020, 2021 and 2022 at HK\$790.2 million, HK\$119.5 million and HK\$29.3 million respectively. These annual caps have been determined by reference to (i) the existing leases entered into between the Group and the STDM Group under the Premises Leasing Master Agreement dated 18 June 2008; (ii) the expected renewals of certain existing leases during the period from 1 April 2020 to 31 December 2022; (iii) the estimated rental adjustments to be made to the renewed leases; (iv) the adoption of HKFRS 16 “Lease” for renewed leases; and (v) a buffer for additional and unexpected demand of the Group for the premises owned by the STDM Group for the Group’s business operations up to 31 December 2022.
- In December 2019, STDM and the Company renewed the Products and Services Master Agreement and the Board approved the annual caps for a category of continuing connected transactions (i.e., transportation) for the three financial years of 31 December 2020, 2021 and 2022. These annual caps were determined by reference to a number of factors including (i) the historical consumption of the transportation service by the Group; (ii) the projected number of gaming patrons in casinos operated by the Group and, in particular, the expected opening of the Grand Lisboa Palace in 2020; (iii) the business, marketing and promotion plans of the Group; and (iv) the inflation rate in Macau. The other four categories of continuing connected transactions (i.e., hotel accommodation, entertainment, maintenance services, and hotel management and operation) under the Products and Services Master Agreement are de minimis transactions under the Listing Rules and no annual cap has been set.
- In December 2019, the Board set the annual caps for this category of continuing connected transactions for the three financial years of 31 December 2020, 2021 and 2022 at HK\$77 million each year. These annual caps for the STDM chips to be redeemed were determined by reference to the outstanding amount of STDM chips in circulation.

Right to use a Shop Agreement for the Operation of New Yaohan Department Store at the Grand Lisboa Palace

Parties to the agreement:

Owner: SJM Resorts
 User: NYH Gestão de Vendas a Retalho Limitada (“NYH”), an indirect wholly-owned subsidiary of STDM

Details of the transaction:

Date of agreement	Description of the transaction and its purpose	Annual caps HK\$ million
21 January 2020	<ul style="list-style-type: none"> • SJM Resorts granted the rights to use the shop to NYH for the purpose of operating a department store under the brand name or style of “New Yaohan” or any other name as approved by SJM Resorts at a shop located on the second floor of the shopping mall, amounting to approximately 166,490 sq.ft, in the Grand Lisboa Palace (the “Premises”). • The Right to Use a Shop Agreement (“NYH Agreement”) has a term of 12 years and 6 months (the “Term”), which shall begin on the commencement date, which is 27 July 2021 (the “Commencement Date”). • Neither SJM Resorts nor NYH is entitled to terminate the NYH Agreement within the first 6 years (after the initial 6-month fee-free period) of the Term. Within the remaining 6-year period of the Term, unilateral termination will be applied upon fulfillment of certain terms. • The NYH Agreement will be automatically renewed for a period of 18 months upon the expiry of the Term, if neither SJM Resorts nor NYH serves a termination notice to the other party 18 months prior to the end of the Term. • Grand opening date would be the later date on which: (i) the overall fit-out works related to the shopping mall having been finished, ready for business and open to the public completed to NYH’s satisfaction; (ii) no less than 60% of the total gross area of the shopping mall (excluding the area of the Premises) has been opened to the public for business; (iii) the casino on the ground floor in the Grand Lisboa Palace is in operation; (iv) the majority of the hotels and/or rooms in the Grand Lisboa Palace has been opened to the public for business; and (v) all the entrances and escalators in the shopping mall connecting to the Premises are open to public. SJM Resorts would confirm the grand opening date of the shopping mall, which shall be at least 6 months after the Commencement Date, with NYH at least 1 month in advance by writing. 	2021: 86.6 2022: 91.2 2023: 99.2 2024: 105.5 2025: 109.8 2026: 118.3 2027: 130.2 2028: 134.9 2029: 144.7 2030: 157.4 2031: 161.6 2032: 125.4

Date of agreement	Description of the transaction and its purpose	Annual caps <i>HK\$ million</i>
21 January 2020	<ul style="list-style-type: none"> <li data-bbox="563 321 1203 406">• Starting from the Commencement Date, the monthly base fee for the rights of use of the Premises (the “Base Fee”) payable by NYH shall be as set out below: <p data-bbox="595 438 746 466">Fee-free period</p> <p data-bbox="595 470 1171 525">Commencing from the Commencement Date, SJM Resorts shall give NYH a fee-free period of 6 months.</p> <p data-bbox="595 557 708 585">Years 1 – 3</p> <p data-bbox="595 589 1203 674">The Base Fee for each month will be the turnover fee which will be an amount equivalent to 4% of the monthly sales turnover.</p> <p data-bbox="595 706 708 734">Years 4 – 6</p> <p data-bbox="595 738 1203 844">The Base Fee for each month will be an amount equivalent to 4% of the monthly sales turnover, subject to the minimum Base Fee of the average turnover fee of years 2 – 3 plus 10% increment.</p> <p data-bbox="595 876 708 904">Years 7 – 9</p> <p data-bbox="595 908 1187 1015">The Base Fee for each month will be an amount equivalent to 4.5% of the monthly sales turnover, subject to minimum Base Fee of the average turnover fee of years 4 – 6 plus 10% increment.</p> <p data-bbox="595 1046 1155 1110">Years 10 – 12 (or until the end of the Term, if the NYH Agreement is automatically renewed)</p> <p data-bbox="595 1115 1187 1221">The Base Fee for each month will be an amount equivalent to 5% of the monthly sales turnover, subject to minimum Base Fee of the average turnover fee of years 7 – 9 plus 10% increment.</p> <p data-bbox="595 1259 1155 1315"><i>Note:</i> Years 1 – 12 above commence after the end of the 6-month fee-free period.</p> <li data-bbox="563 1353 1203 1493">• A fixed monthly management fee of approximately HK\$2.1 million (equivalent to HK\$12.66 per sq.ft.) per month for the first 3 years of the Term shall be payable by NYH and it shall be increased by an amount equivalent to 7.5% at the end of each 3-year period. <li data-bbox="563 1530 1203 1666">• A fixed monthly promotion levy of approximately HK\$333,000 (equivalent to HK\$2.00 per sq.ft.) per month for the first 3 years of the Term shall be payable by NYH and it shall be increased by an amount equivalent to 7.5% at the end of every 3-year period. 	

Further details of the above transaction were set out in the announcement of the Company dated 21 January 2020.

Since the department store of NYH has commenced business starting from 22 November 2021, the aggregate amount of transactions under NYH Agreement in 2021 is HK\$21.0 million.

Premises Leasing Master Agreement with Deputada Leong On Kei, Angela and/or her associates

Nature and extent of the connected person's interest in the transaction:

Deputada Leong On Kei, Angela and/or her associates lease certain premises to members of the Group at rental fixed between the parties.

Connected relationship:

Deputada Leong On Kei, Angela, a Director, and/or her associates which leases certain premises to the members of the Group are connected persons of the Company under the Listing Rules.

Parties to the agreement:

Deputada Leong On Kei, Angela and the Company

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2021
23 December 2019	1 January 2020 to 31 December 2022 (the " Relevant Period ") (the Company shall have the right in its sole discretion to renew the agreement for further three years)	<ul style="list-style-type: none"> Deputada Leong On Kei, Angela agrees to lease and procure her associates to lease certain premises to members of the Group subject to the terms and conditions of the Premises Leasing Master Agreement and the relevant lease implementation agreements. The relevant rental of each premises shall not be higher than the rental for the same or comparable type of premises provided by independent third parties in the ordinary course of business. The terms and conditions on which such premises are to be provided should be no less favourable to the Group than those offered by independent third parties. 	See "Annual Caps and Aggregate Amount Table" on page II-15 of this circular.

Date of agreement	Term	Description of the transaction and its purpose	Annual caps and aggregate amount of transactions in 2021
		<ul style="list-style-type: none"> The costs of maintenance and repair of the premises shall be borne, as set out in the lease implementation agreements, by the relevant member of the Group as tenant/ lessee in the case of regular maintenance and repair of usage deterioration and by Deputada Leong On Kei, Angela and/or her relevant associate as landlord/lessor in the case of structural repair required to maintain the integrity of the premises. 	

Further details of the said transaction were set out in the announcement of the Company dated 23 December 2019.

Annual Caps and Aggregate Amount Table:

	Aggregate amount for the year ended 31 December 2021 <i>HK\$ million (audited)</i>	Annual cap for the year ended 31 December 2021 <i>HK\$ million</i>	Annual cap for the year ending 31 December 2022 <i>HK\$ million</i>
Annual rentals (<i>Note</i>)	7.8	9	9

Notes:

The annual caps for 2020 to 2022 were determined by reference to:

- (i) the leases entered into between the Group and Deputada Leong On Kei, Angela and/or her associates under the Premises Leasing Master Agreement dated 14 December 2016;
- (ii) the expected renewals of certain existing leases under the Premises Leasing Master Agreement dated 14 December 2016 during the Relevant Period;
- (iii) the estimated rental adjustments to be made to the renewed leases;
- (iv) the adoption of HKFRS 16 "Lease" for renewed leases;
- (v) the estimated premises related fees and charges payable to Deputada Leong On Kei, Angela and/or her associates; and
- (vi) a buffer for any unanticipated fluctuations of market rental (including property management fee, if applicable) and any unexpected fees and charges incidental to the transactions contemplated under the Premises Leasing Master Agreement as well as any additional leases to be entered pursuant to the Premises Leasing Master Agreement during the Relevant Period.

L’Arc Services Agreement for the Provision of Services and Licensing for Occupation and Use of Spaces in L’Arc Hotel for the Operation of a Casino

Nature and extent of the connected person’s interest in the transaction:

Deputada Leong On Kei, Angela indirectly wholly owned L’Arc Entertainment Group Company Limited (“**L’Arc Entertainment**”) which is one of the Group’s service providers for its casino operations in Macau. L’Arc Entertainment provides support services in relation to marketing, promotion, customer development and introduction, etc. to SJM Resorts as well as to authorise SJM Resorts to occupy and use the designated area of the L’Arc Hotel for the operation of a casino in return of a monthly fee pursuant to a prescribed formula agreed between the parties.

Connected relationship:

After completion of acquisition of the remaining shareholding in holding companies of L’Arc Entertainment by Deputada Leong On Kei, Angela, a Director, on 17 May 2021, L’Arc Entertainment becomes indirectly wholly owned by Deputada Leong and is a connected person of the Company under the Listing Rules.

Parties to the agreement:

SJM Resorts and L’Arc Entertainment

Details of the transaction:

Date of agreement	Term	Description of the transaction and its purpose	Aggregate amount of transactions from 17 May 2021 to 31 December 2021 <i>HK\$ million (audited)</i>
21 September 2009 (as supplemented by addendums dated 27 January 2010, 22 October 2010, 4 February 2016, 4 January 2017, 18 December 2017 and 6 May 2020)	Until 26 June 2022	<ul style="list-style-type: none"> • L’Arc Entertainment agreed to provide support services to SJM Resorts in relation to marketing, promotion, customer development and introduction, etc. (the “Services”), as well as to authorize SJM Resorts to occupy and use the designated area of the L’Arc Hotel for the operation of a casino, including mass market, VIP room and slot machines. • L’Arc Entertainment is entitled to a monthly fee pursuant to a prescribed formula set forth in the L’Arc Services Agreement, which is determined based on a fixed percentage of the gross gaming revenue of the relevant gaming sectors in the casino and after deducting all relevant costs and expenses for provision of the Services. • Given the extra costs incurred by SJM Resorts to maintain its concession contract until June 2022, L’Arc Entertainment agreed to pay to SJM Resorts a fee of approximately MOI17.5 million (equivalent to approximately HK\$17.0 million) upon the execution of the addendum to the L’Arc Services Agreement dated 6 May 2020. 	(114.7)

Further details of the above transaction were set out in the announcement of the Company dated 17 May 2021.

(b) Interests in assets

Save as disclosed above in section headed “4.(a) Interest in contract or arrangement, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2021, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in competing business

The Group recognises revenue from customers by conducting the following principal businesses:

- gaming operations
- hotel, catering and retail operations

As at the Latest Practicable Date, the following Directors of the Company had interests in the following businesses (apart from the businesses of the Group) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Group conducted during the year required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Name of Directors	Name of Company/ Partnership/ Sole Proprietorship	Interest in the Competing Business	Nature of Competing Business
Ho Chiu Fung, Daisy	Sociedade de Turismo e Diversões de Macau, S.A.	<ul style="list-style-type: none"> Appointed representative of Lanceford Company Limited, a corporate director of STDM 	Hospitality, catering and retail business in Macau
	Shun Tak Holdings Limited	<ul style="list-style-type: none"> Executive director and deputy managing director 	Hospitality, catering and retail business in Macau
Leong On Kei, Angela	Sociedade de Turismo e Diversões de Macau, S.A.	<ul style="list-style-type: none"> Director 	Hospitality, catering and retail business in Macau
	Macau Horse Racing Company Limited	<ul style="list-style-type: none"> Director Substantial shareholder 	Catering business in Macau
	Arc of Triumph Development Company Limited	<ul style="list-style-type: none"> Director Substantial shareholder 	Hospitality and catering business in Macau
	L'Arc Entertainment Group Company Limited	<ul style="list-style-type: none"> Director Substantial shareholder 	Provision of gaming services
	Macau Hotel Company Limited (Trade name "Regency Art Hotel")	<ul style="list-style-type: none"> Director Substantial shareholder 	Hospitality and catering business in Macau
	Macau Theme Park and Resort Limited	<ul style="list-style-type: none"> Director Substantial shareholder 	Hospitality, catering and retail business in Macau
	Sociedade Hoteleira e de Turismo S.Tiago, Limitada	<ul style="list-style-type: none"> Director Substantial shareholder 	Hospitality and catering business in Macau
	Wise Bro. Dessert (Macau) Limited	<ul style="list-style-type: none"> Director 	Catering business in Macau
	Angela (Macau) Star Dessert Limited	<ul style="list-style-type: none"> Director Substantial shareholder 	Catering business in Macau
	New Mario Bakery Limited	<ul style="list-style-type: none"> Director 	Catering business in Macau

Name of Directors	Name of Company/ Partnership/ Sole Proprietorship	Interest in the Competing Business	Nature of Competing Business
So Shu Fai	Macau Horse Racing Company Limited	<ul style="list-style-type: none"> • Director 	Catering business in Macau
Chan Un Chan	Sociedade de Turismo e Diversões de Macau, S.A. Macau Legend Development Limited	<ul style="list-style-type: none"> • Director • Substantial shareholder • Substantial shareholder 	Hospitality, catering and retail business in Macau <ul style="list-style-type: none"> • Provision of gaming services • Hospitality, catering and retail business in Macau
Shum Hong Kuen, David	Sociedade de Turismo e Diversões de Macau, S.A. Shun Tak Holdings Limited	<ul style="list-style-type: none"> • Director • Executive director 	Hospitality, catering and retail business in Macau Hospitality, catering and retail business in Macau
Ng Chi Sing	Macau Horse Racing Company Limited	<ul style="list-style-type: none"> • Director 	Catering business in Macau
Tsang On Yip, Patrick	Sociedade de Turismo e Diversões de Macau, S.A. Chow Tai Fook Enterprises Limited	<ul style="list-style-type: none"> • Appointed representative of Many Town Company Limited, a corporate director of STDM • Director and chief executive officer 	Hospitality, catering and retail business in Macau Hospitality and catering business in Macau

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is interested in any businesses apart from the businesses of the Company or its subsidiaries, which competes or is likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries during the year which is required to be disclosed pursuant to the Listing Rules.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Group save for the following arbitration proceedings.

Together Decoration (Macao), Limited was one of the contractors involved in the construction of Grand Lisboa Palace and was contracted to perform fitting out works for two of the hotel towers, the wedding pavilion and certain back-of-house areas. The relevant contracts were terminated by Cotai Magnific View-Property Company Limited (“CMV”, an indirect wholly-owned subsidiary of SJM Resorts) in March 2020. The two parties to the contracts commenced Arbitration proceedings on 5 July 2021 under which Together Decoration (Macao), Limited is claiming from CMV the amount of approximately MOP316.2 million and CMV has submitted a counter-claim of approximately MOP250 million. It is anticipated that a conclusion to the Arbitration proceedings will be reached in the first quarter of 2023.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. EXPERT AND CONSENT

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Ballas Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Savills (Macau) Limited	an independent professional valuer

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which it appears. Each of the above experts has further confirmed that as at the Latest Practicable Date, it did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. It did not have any direct or indirect interest in any assets of the Group which have, since 31 December 2021, being the date to which the latest published audited consolidated

accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

9. GENERAL

The registered office and principal place of business of the Company is at 18th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168 – 200 Connaught Road Central, Hong Kong.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://www.sjmholdings.com> for not less than fourteen (14) days before the date of the EGM:

- (a) the Transfer Agreement (including the CB Instrument);
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 31 and 32 of this circular;
- (c) the letter from Independent Financial Adviser, the text of which is set out on pages 33 to 57 of this circular;
- (d) the property valuation report from the independent property valuer in relation to Oceanus Building as set out in Appendix I to this circular;
- (e) the letters of consent from each of Independent Financial Adviser and the independent property valuer referred to in the above paragraph headed "Expert and Consent" in this Appendix; and
- (f) this circular.

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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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “EGM”) of SJM Holdings Limited (the “Company”) will be held at Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 22 June 2022 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution.

ORDINARY RESOLUTION

“THAT

- (a) the transfer agreement (the “**Transfer Agreement**”, a copy of which is produced to the meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification) dated 26 May 2022 entered into among Harbour Tide Limited (“**Purchaser**”), Champion Power Global Limited (“**Issuer**”), Jai-Alai Shopping Centre Company Limited (“**Seller**”), the Company and Sociedade de Turismo e Diversões de Macau, S.A. (“**STDM**”) in relation to the acquisition of a portion of the property Casino Oceanus (“**Oceanus Building**”), located at Travessa do Reservatório no. 33 to 95, Rua do Terminal Marítimo no. 24 to 78, at Avenida do Dr. Rodrigo Rodrigues no. 1470 to 1526, Macau, by the Purchaser from the Seller and the disposal by the Seller of the remaining portion of Oceanus Building (collectively, the “**Transfer**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the convertible bond by the Issuer to STDM (the “**Convertible Bond**”) in accordance with the terms and conditions set out in the Transfer Agreement as the consideration for the Transfer be and is hereby approved;
- (c) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the approval for the listing of, and permission to deal in, the new shares (the “**Conversion Shares**”) to be allotted and issued by the Company to STDM upon the exercise of the conversion rights attaching to the Convertible Bond in accordance with

APPENDIX III NOTICE OF EXTRAORDINARY GENERAL MEETING

the terms and conditions of the Convertible Bond, the grant of a specific mandate to the directors of the Company with the power and authority to allot and issue the Conversion Shares be and is hereby approved; and

- (d) any one director of the Company be and is/are hereby authorised to do all such further things and acts and execute all such further documents and take all such steps which he/she considers necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Transfer Agreement, the Convertible Bond and/or the Conversion Shares.”

By order of the Board
SJM Holdings Limited
Ho Chiu Fung, Daisy
Chairman and Executive Director

Hong Kong, 6 June 2022

Registered office:

18th Floor,
China Merchants Tower,
Shun Tak Centre,
Nos. 168 – 200 Connaught Road Central,
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more proxies (excluding those members holding only one share) to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. A proxy form for use at the above meeting (or any adjournment thereof) is enclosed in the circular of the Company dated 6 June 2022. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the registered office of the Company at 18th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168 – 200 Connaught Road Central, Hong Kong or delivered by email to comsec@sjmholdings.com, not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof (excluding public holiday in Hong Kong). The deadline for submission of proxy form for the above meeting is Monday, 20 June 2022 at 10:30 a.m.
3. The register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 June 2022 (last share registration date).
4. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, at the above meeting, the chairman of the meeting will exercise his/her power under article 59(A) of the articles of association of the Company to put the resolution set out in this notice of the meeting to be voted by way of poll. On a poll, every shareholder present in person (or in case of a corporation by its corporate representative) or by proxy shall have one vote for each share of which he/she is the holder.
5. The result of the poll will be published on the Company’s website at <http://www.sjmholdings.com> and the Stock Exchange’s website at <http://www.hkexnews.hk> on the date of the above meeting.

APPENDIX III NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date hereof, the executive directors of the Company are Ms. Ho Chiu Fung, Daisy, Mr. Fok Tsun Ting, Timothy, Deputada Leong On Kei, Angela, Dr. So Shu Fai, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David, the non-executive directors of the Company are Mr. Ng Chi Sing and Mr. Tsang On Yip, Patrick and the independent non-executive directors of the Company are Mr. Chau Tak Hay, Mr. Tse Hau Yin, Ms. Wong Yu Pok, Marina and Mr. Yeung Ping Leung, Howard.

Important Note

In light of ongoing situation of Novel Coronavirus (“**COVID-19**”) pandemic, shareholders may consider appointing Mr. Fok Tsun Ting, Timothy, or failing him, Dr. So Shu Fai, as his/her proxy to vote on the resolution, instead of attending the meeting in person, by completing and return the proxy form attached to this document in order to avoid large gatherings of people. To protect yourself and other participants, shareholders attending the meeting in person are required to wear surgical face mask and to undertake temperature checks before they enter the meeting venue, to maintain a safe distance between seats, and comply with the updated anti-epidemic measures announced by the Hong Kong Government from time to time. Please note that the Company will not provide any gift or refreshment at the meeting.

The Company reserves the right to refuse any shareholder who is found to be suffering from a fever or otherwise unwell or uncooperative in complying with the aforesaid precautionary measures to admit to the meeting venue. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures at short notice. The Company will make further announcements for any update.