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澳門博彩控股有限公司
SJM HOLDINGS LIMITED

incorporated in Hong Kong with limited liability Stock Code : 880

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO
THE RIGHT TO USE A SHOP AGREEMENT
FOR THE OPERATION OF NEW YAOHAN DEPARTMENT STORE
AT THE GRAND LISBOA PALACE**

THE RIGHT TO USE A SHOP AGREEMENT

The Board is pleased to announce that on 21 January 2020, SJMSA (as the owner), a subsidiary of the Company, and NYH (as the user) entered into the Right to Use a Shop Agreement pursuant to which SJMSA shall grant 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 SJMSA at the Premises located in the Grand Lisboa Palace for a term of 12 years and 6 months beginning on the Commencement Date, which is currently expected to be April 2020.

LISTING RULES IMPLICATIONS

NYH is a connected person of the Company under the Listing Rules by virtue of it being an indirect wholly-owned subsidiary of STDM, which is a controlling shareholder of the Company holding approximately 54.06% interest in issued shares of the Company. Accordingly, the transaction contemplated under the Right to Use a Shop Agreement will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio (other than the profits ratio) as defined in the Listing Rules as determined by reference to the Annual Caps, on an annual basis, exceeds 0.1% but all applicable percentage ratios are less than 5%, the Company is required to comply with announcement, reporting and annual review requirements but exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

According to Rule 14A.52 of the Listing Rules, the duration of the Right to Use a Shop Agreement must not exceed three years except in special circumstances where the nature of the transaction requires the Right to Use a Shop Agreement to be of a duration longer than three years. Accordingly, the Independent Financial Adviser has been appointed to explain why a longer period for the Right to Use a Shop Agreement is required and to confirm that it is normal business practice for agreements of such type to be of such duration.

(A) THE RIGHT TO USE A SHOP AGREEMENT

On 21 January 2020, SJMSA (as the owner), a subsidiary of the Company, and NYH (as the user), entered into the Right to Use a Shop Agreement, pursuant to which SJMSA shall grant 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 SJMSA at the Premises located in the Grand Lisboa Palace. Set out below are the principal terms of the Right to Use a Shop Agreement:

Date: 21 January 2020

Parties: (i) SJMSA (as the owner)

(ii) NYH (as the user)

NYH is an indirect wholly-owned subsidiary of STDM incorporated for the principal business of operating the “New Yaohan” department store at the Premises located in the Grand Lisboa Palace. “New Yaohan” has been in operation as the largest and most well-known department store in Macau since 1997.

The STDM Group is a conglomerate principally engaged in, among others, hospitality operation and management in Macau.

Subject matter: Pursuant to the Right to Use a Shop Agreement, SJMSA shall grant the rights of use of the Premises to NYH for the purpose of operating of a department store under the brand name or style of “New Yaohan” or any other name as approved by SJMSA.

Term and renewal:

The Right to Use a Shop Agreement has a term of 12 years and 6 months (the “**Term**”), which shall begin on the Commencement Date, which is currently expected to be April 2020.

Neither SJMSA nor NYH is entitled to terminate the Right to Use a Shop 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, the following terms will apply to unilateral termination:

- (i) if NYH’s sales in year 6 are less than 150% of that in year 1, any of the parties is entitled to terminate the contract, without any penalty, with 12 months’ prior notice; or
- (ii) when there is a need for the extension of the casino at the Grand Lisboa Palace, SJMSA shall have the right to terminate the contract only for the purpose of converting the Premises into gaming area by serving a notice to NYH in 12 months in advance. In such case, neither party shall pay any compensation to the other.

The Right to Use a Shop Agreement will be automatically renewed for a period of 18 months upon the expiry of the Term, if neither SJMSA nor NYH serves a termination notice to the other party 18 months prior to the end of the Term.

Grand opening date:

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.

SJMSA will 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.

Base Fee:

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:

Fee-free period

Commencing from the Commencement Date, SJMSA shall give NYH a fee-free period of 6 months.

Years 1–3

The base fee for each month will be the turnover fee which will be an amount equivalent to 4% of the monthly sales turnover.

Years 4–6

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.

Years 7–9

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.

Years 10–12 (or until the end of the Term, if the Right to Use a Shop Agreement is automatically renewed)

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.

Note: Years 1–12 above commence after the end of the 6-month fee-free period.

Management fee and promotion levy:

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.

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.

Security deposit:

A cash deposit of HK\$33 million shall be paid by NYH to SJMSA upon signing of the Right to Use a Shop Agreement. Commencing from and including year 4, whenever there is an increase in the minimum Base Fee, management fee and/or promotional levy, NYH shall, within 30 days from the date of each increase, top up any amount corresponding to 6 months of the total updated minimum Base Fee, management fee and promotional levy.

No other department stores:

SJMSA warrants that the Premises shall be the sole department store in the Shopping Mall other than the perfume and cosmetics store proposed to be opened on the first floor in the Shopping Mall (the “**Perfume & Cosmetics Store**”). For the purpose of the Right to Use a Shop Agreement, a department store refers to a large retail store with multiple varieties of goods and brands organised into departments or counters under the same management and control, with size similar or over 40,000 sq.ft..

Both parties agree that in any case if the Perfume & Cosmetics Store is no longer operated by the existing entity, NYH shall have the right of first refusal over the use of the Perfume & Cosmetics Store, subject to further negotiation between both parties on the terms and conditions for the use of the Perfume & Cosmetics Store.

Liabilities:

In any event, and without prejudice to any specific compensation, indemnification, or other liability quantified in the Right to Use a Shop Agreement, any other liability arising from negligence or willful conduct of either party or its directors, agents or employees, shall be limited to a capped amount of HK\$50 million.

(B) THE ANNUAL CAPS

Set out below are the Annual Caps of the Continuing Connected Transaction for the 12 years and 6 months of the Term:

For the financial year ending 31 December	The Annual Caps (HK\$ million)
2020	40.4
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

The Annual Caps were determined by reference to, among other things, (i) the projected Base Fee which was referenced to the traffic and sales projections of the Premises; (ii) the projected management fee and promotion levy for the Premises; (iii) the expected growth of the department store's business; and (iv) a buffer for any unanticipated fluctuations of sales turnover, any unexpected fees and charges incidental to the transactions contemplated under the Right to Use a Shop Agreement during the Term.

(C) REASONS FOR AND BENEFITS OF THE ENTERING INTO THE RIGHT TO USE A SHOP AGREEMENT

The Group's core business is development and operation of casinos and related facilities in Macau. The Grand Lisboa Palace, SJMSA's new lifestyle-focused integrated resort in Cotai, began construction in 2014 and is nearing completion such that the application for issuance of the occupation permit can be made shortly. More than 90% of the total area will be devoted to a full range of non-gaming facilities for shopping, dining and entertainment. The entering into of the Right to Use a Shop Agreement is considered strategically important to the success of the Grand Lisboa Palace as (i) "New Yaohan", being a well-known department store brand, is expected to draw traffic to both gaming and non-gaming facilities of the Grand Lisboa Palace; and (ii) the entering into of the Right to Use a Shop Agreement will generate income for the Group from an anchor retailer, who will take up approximately one-third of the retail space of the Grand Lisboa Palace, on a long-term basis.

The terms and conditions of the Right to Use a Shop Agreement were arrived at after an arm's length negotiation between SJMSA and NYH with reference to the prevailing market price for agreements of a similar nature of comparable premises and an opinion letter on the terms of the Right to Use a Shop Agreement prepared by a qualified independent property valuer. The Board (excluding the Abstained Directors but including all independent non-executive Directors) considers the Continuing Connected Transaction is conducted 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 Continuing Connected Transaction (including the Annual Caps) are on normal commercial terms and fair and reasonable so far as the independent Shareholders are concerned.

(D) LISTING RULES IMPLICATIONS

NYH is a connected person of the Company under the Listing Rules by virtue of it being an indirect wholly-owned subsidiary of STDM, which is a controlling shareholder of the Company holding approximately 54.06% interest in issued shares of the Company. Accordingly, the transaction contemplated under the Right to Use a Shop Agreement will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio (other than the profits ratio) as defined in the Listing Rules as determined by reference to the Annual Caps, on an annual basis, exceeds 0.1% but all applicable percentage ratios are less than 5%, the Company is required to comply with announcement, reporting and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

According to Rule 14A.52 of the Listing Rules, the duration of the Right to Use a Shop Agreement must not exceed three years except in special circumstances where the nature of the transaction requires the Right to Use a Shop Agreement to be of a duration longer than three years. Accordingly, the Independent Financial Adviser has been appointed to explain why a longer period for the Right to Use a Shop Agreement is required and to confirm that it is normal business practice for agreements of such type to be of such duration. The opinion of the Independent Financial Adviser has been set out in the section headed “(E) Opinion from the Independent Financial Adviser” in this announcement.

The Directors confirmed that, save for the Abstained Directors, none of them have a material interest in the Right to Use a Shop Agreement and the transactions contemplated thereunder. The Abstained Directors were absent from the relevant Board meeting of the Company while the relevant resolution was being discussed and abstained from voting on the Board resolution on proposing the Right to Use a Shop Agreement and the transactions contemplated thereunder.

(E) OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 14A.52 of the Listing Rules, the period of an agreement governing continuing connected transactions of an issuer must not exceed three years except in special circumstances where the nature of the transaction requires the agreement to be of a longer period. As the term of the Right to Use a Shop Agreement exceeds three years, Ballas Capital has been appointed to explain why a longer period for the Right to Use a Shop Agreement is required and to confirm that it is normal business practice for agreements of such type to be of such duration.

In arriving at its opinion, Ballas Capital has considered the benefits of the Right to Use a Shop Agreement to the Group, in particular the fact that the entering into of the Right to Use a Shop Agreement is beneficial to the Group as it will generate income for the Group from an anchor retailer on a long-term basis, and “New Yaohan”, being a well-known department store brand, is expected to draw traffic to both gaming and non-gaming facilities of the Grand Lisboa Palace. In considering whether it is normal business practice for agreements of a similar nature to the Right to Use a Shop Agreement to have a term of 12 years and 6 months, Ballas Capital has identified and reviewed comparable transactions (the “**Comparable Transactions**”) involving the leasing of properties by department store and hypermarket operators. The Comparable Transactions are selected based on the following criteria: (i) each of the transactions is publicly announced by way of announcement pursuant to the Listing Rules from 1 January 2010 up to the date of this announcement; (ii) one of the parties to each of the transactions involves a company listed on the Main Board of the Stock Exchange; and (iii) each of the transactions relates to the leasing of properties as department stores or hypermarkets by department store or hypermarket operators. From the Comparable Transactions, Ballas Capital noted that the tenures of the relevant agreements range from 2.5 to

25 years with a majority of them having a tenure of at least 10 years. The tenure of the Right to Use a Shop Agreement, being 12 years and 6 months, therefore falls within the aforesaid range and is also comparable to the majority of the Comparable Transactions. Taking into account the above, Ballas Capital is of the view that it is normal business practice for the Right to Use a Shop Agreement to have a tenure of up to 12 years and 6 months.

(F) DEFINITIONS

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

- “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 a material interest in the transaction contemplated under the Right to Use a Shop Agreement in view of their interests in the STDM Group, were absent from the relevant Board meeting of the Company while the relevant resolution was being discussed and have abstained from voting on the board resolution on such transaction
- “Annual Caps” : the annual maximum aggregate values for the Continuing Connected Transaction for each of the 12 years and 6 months of the Term
- “Ballas Capital” or “Independent Financial Adviser” : Ballas Capital Limited, a licensed corporation 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 in respect of the duration of the Right to Use a Shop Agreement
- “Board” : the board of Directors of the Company
- “Commencement Date” : the date after (i) fit-out works of the Premises having been completed to NYH’s satisfaction and NYH has confirmed such satisfaction in writing; and (ii) occupation permit for the Shopping Mall is obtained
- “Company” : SJM Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange

“connected person(s)”	:	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction”	:	the transaction contemplated under the Right to Use a Shop Agreement
“Director(s)”	:	the director(s) of the Company
“Grand Lisboa Palace”	:	the entire areas of the buildings located in the Cotai area of Macau, adjacent to Avenida do Aeroporto and Rua de Ténis (including a casino, the Shopping Mall, hotel and other ancillaries erected thereon)
“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
“Listing Rules”	:	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	:	the Macau Special Administrative Region of the People’s Republic of China
“NYH”	:	NYH Gestão de Vendas a Retalho Limitada, an indirect wholly-owned subsidiary of STDM and the ultimate beneficial owner of which is also STDM
“Premises”	:	a shop located on the second floor of the Shopping Mall, amounting to approximately 166,490 sq.ft.
“Right to Use a Shop Agreement”	:	the agreement dated 21 January 2020 entered into between SJMSA (as the owner) and NYH (as the user) in relation to grant of rights to use the Premises for operating a department store
“Share(s)”	:	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	:	the holder(s) of the Share(s) in issue

- “Shopping Mall” : the retail and commercial area comprised in the first floor and the second floor of the Grand Lisboa Palace (for avoidance of doubt, any commercial, retail, casino or other areas comprised in the basement floor, ground floor and the third floor of the Grand Lisboa Palace are excluded from the definition of Shopping Mall)
- “SJMSA” : Sociedade de Jogos de Macau, S.A., a joint stock company “*sociedade anónima*” incorporated under the laws of Macau and a subsidiary of the Company
- “STDM” : Sociedade de Turismo e Diversões de Macau, S.A., a joint stock company “*sociedade anónima*” incorporated under the laws of Macau and a controlling shareholder of the Company
- “STDM Group” : STDM and its associates (other than the Group) from time to time
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “sq.ft.” : square feet
- “%” : per cent.

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

Hong Kong, 21 January 2020

As at the date of this announcement, 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, Mr. Ng Chi Sing, Dr. Chan Un Chan and Mr. Shum Hong Kuen, David, the non-executive director of the Company is Mr. Tsang On Yip, Patrick and the independent non-executive directors of the Company are Mr. Chau Tak Hay, Hon. Shek Lai Him, Abraham, Mr. Tse Hau Yin and Ms. Wong Yu Pok, Marina.