

## REGULATIONS

### MACAU GAMING REGULATIONS

Under Macau law, operators of casinos in Macau must obtain a concession from the Macau Government. There are also concessions and regulations for other gaming activities in Macau such as horse racing, greyhound racing, sports lottery, instant lottery and Chinese lottery.

#### Gaming Law

By virtue of the enactment of the Gaming Law, the Macau Government granted three casino gaming concessions through public tender in 2002. Subsequently, the Macau Government has approved three sub-concessions. Pursuant to each of the concession contracts, the Macau Government was precluded from granting any additional gaming concessions until 2009.

Each gaming operator is required to obtain a concession from the Macau Government prior to conducting casino gaming business in Macau.

Macau casino gaming operations are governed by the Gaming Law and provisions under the respective concession or subconcession contracts entered into by the concessionaires or subconcessionaires with the Macau Government. The purpose of the Gaming Law is to ensure (i) the adequate processing of casino gaming; (ii) that the persons involved in the casino gaming inspection, management and operation are suitable to carry out those functions and to undertake those responsibilities; (iii) that the management and operation of casino gaming is conducted in a fair and honest manner, free from any criminal influence; and (iv) that the interest of Macau in connection with taxes arising from casino gaming operations is duly protected.

A concessionaire is required to obtain authorization from the Macau Government prior to transferring or assigning any of its rights under the concession, entering into any subconcession, or otherwise transferring or delegating any of its rights to operate casinos or other gaming activities to another person or entity. Any such transaction entered into without the prior authorization of the Macau Government has no effect under Macau law. Our Service Agreement has been authorized by the Macau Government.

Any contract between a concessionaire or subconcessionaire (each an **"Operator"** and collectively, **"Operators"**) and a third party pursuant to which such third party assumes or may assume any management power over the Operators that are entered into without the prior approval of the Macau Government is null and void.

The Operators must enter into all requisite insurance contracts to ensure effective and complete insurance coverage against the risks arising from the development of the licensed services. For auditing purposes, the Operators must also submit their respective financial statements (together with any other required documents) annually to an independent auditing firm of recognized standing that has been approved by the DICJ and the Macau Financial Services Bureau.

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The Operators are accountable to the Macau Government for the activities conducted by their respective gaming promoters who are required to be registered with the Macau Government.

### *The Rules of Casino Games*

The Macau Government has additional rules and regulations for casino games in addition to those set forth in Article 52 of the Gaming Law. These supplemental rules were approved by, among others, the various relevant External Dispatches of the Secretary for Economy and Finance, which set out or renewed the detailed procedures and rules of certain casino games, namely football poker, lucky wheel, baccarat, Texas Holdem poker, blackjack, cussec, roulette, Q poker, fan-tan and stud poker.

### **Gaming Promotion**

Gaming promotion activities in Macau are governed mainly by the Gaming Promoters Regulation, which sets out certain suitability requirements of gaming promoters, conditions for licensing and the registration and liability regimes applicable to gaming promoters.

The Gaming Promoters Regulation defines “gaming promotion” as activities undertaken to promote casino games by way of offering transportation, accommodation, food and beverage, and entertainment in exchange for a commission paid by an Operator.

Subject to Article 19(2) of the Gaming Promoters Regulation, there are currently no legal impediments for the Group to indirectly participate in the gaming promotion business of a licensed gaming promoter provided that the Group and the relevant gaming promoter present all necessary applications and supporting documents to the satisfaction of the DICJ for approval of such arrangements in accordance with the applicable laws in Macau and that such application is authorized by the DICJ.

Gaming promoters’ licenses have to be renewed on an annual basis by September each year and a list of all licensed gaming promoters is published by the DICJ annually in the Macau Official Gazette.

### *Licensing and Registration*

Both individuals and corporate entities may qualify to be gaming promoters. For a corporate gaming promoter, its business purpose is restricted to the promotion of gaming only. Its shareholders must be natural persons (individuals) and no corporate shareholders are allowed. The registration of a company whose purpose is gaming promotion is subject to it obtaining a gaming promotion license (the “License”) from the DICJ.

In order to obtain a License, an applicant must submit its licensing application with a declaration from an Operator. The declaration will state the relevant Operator’s interest in working with the applicant should it be licensed by the DICJ. After the License is granted, the applicant must file its gaming promotion contract with the relevant Operator with the DICJ. A gaming promoter may work with more than one Operator at the same time.

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Corporate gaming promoters must notify the DICJ after completing their company registration at the Companies Registry of Macau. Any change in the shareholding of a corporate gaming promoter requires the Macau Government's prior consent.

After obtaining a License, gaming promotion activity is conducted under the terms agreed in a written contract that has been executed with an Operator and submitted to the DICJ. The contract must provide for the amount and payment method of commissions or other agreed remuneration, the terms in which the gaming promoter may conduct its activities within the relevant casinos, including the designation of any VIP rooms or other premises within the casinos, the securities and guarantees to be provided to the Operator and the obligations of both the Operator and the gaming promoter to submit to the exclusive jurisdiction of the Macau Courts and defer to Macau laws.

The gaming promoter license is valid until the end of the year of its issuance and can be renewed each year upon submission of an application to the DICJ by 30 September. The renewal application must include a declaration duly signed by the legal representative of an Operator stating an interest in working with the gaming promoter in the following year. Any assignment or transfer of a gaming promoter's rights and obligations will be deemed null and void, unless previously approved by the Macau Government.

### ***Suitability Requirements***

Both directors and shareholders holding 5% or more of a corporate gaming promoter's share capital must undergo suitability investigations. For suitability investigations, disclosures are required from all key employees of the relevant gaming promoter.

The DICJ can request any public or private entity to disclose any information deemed necessary for the purpose of the suitability assessment. It may also request at any time other information or data deemed necessary for the same purpose and a credit rating report on the gaming promoter and/or each of its directors and shareholders holding 5% or more of the share capital, to be issued by a reputable international audit firm accepted by the Macau Government. In case the gaming promoter is an individual, a reputable credit institution accepted by the Macau Government may issue the credit rating report.

Suitability must be maintained for as long as the gaming promoter remains active. Gaming promoters that are individuals and its key employees are subject to compulsory suitability assessment by the DICJ every three years, and gaming promoters that are companies and each of its key employees, directors and shareholders holding 5% or more of the share capital are subject to compulsory suitability assessment by the DICJ every six years. The DICJ may at any time request any additional disclosures and documents and conduct such further investigations as it deems fit and convenient, in order to ensure that the gaming promoter, its key employees and, to the extent it is a corporate gaming promoter, its directors, key employees and shareholders, holding 5% or more of the share capital of the corporate gaming promoter, maintain their suitability. All internal documents of a gaming promoter are subject to audit by the relevant Macau authorities.

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### ***Audit and Reporting Obligations of Gaming Promoters***

According to Article 32(3) of the Gaming Promoters Regulation, gaming promoters are subject to audit by the DICJ and the Macau Financial Services Bureau and are required to submit books and accounting records to these two government departments upon request. Gaming promoters, and their shareholders, directors, key employees and collaborators are subject to a secrecy duty in respect of all facts and information which they have accessed through their activities, except in relation to the authorities and bodies of police and judicial authorities, the DICJ and the Macau Financial Services Bureau.

### ***Obligations of Operators***

The Operators must submit a list of all the gaming promoters they work with or intend to work with to the DICJ. Each of the Operators must also control compliance by its gaming promoters with all relevant legal, regulatory and contractual requirements and maintain lists of all its gaming promoters and their respective directors, key employees and collaborators.

### ***Liability of Operators and Gaming Promoters***

The gaming promoters are jointly and severally liable with their employees and collaborators for the activities rendered within the casinos by such employees and collaborators as well as for their noncompliance with applicable laws and regulations.

The Operators are jointly and severally liable with their licensed gaming promoters for the activities rendered within its casinos by such gaming promoters, and their directors and collaborators as well as for their noncompliance with applicable laws and regulations.

### ***Extension of Credit for Gaming***

The Gaming Credit Law became effective on 1 July 2004. The Gaming Credit Law regulates the extension of credit for gaming in Macau and authorizes Operators and gaming promoters to extend credit to patrons for gaming. The Gaming Credit Law contemplates exclusively the following:

- (1) an Operator may grant or extend credit to a patron directly or to a gaming promoter; and
- (2) a gaming promoter that has entered into a credit extension agreement with an Operator may extend credit to a patron.

Pursuant to the Gaming Credit Law, the Operators and gaming promoters may not carry out their credit granting activities through a third party or entity. The Gaming Credit Law thus effectively prohibits the assignment of the gaming creditors' position. It further stipulates the creditors' obligations towards the DICJ and details the scope of the DICJ's supervision of credit granting activities.

Under the Gaming Credit Law, the creditors of gaming debt may legally enforce their rights as a civil debt pursuant to Article 4 of the Gaming Credit Law.

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### ***Gaming Promoters' Commission Cap***

In August 2009, pursuant to Administrative Regulation No. 27/2009, the Macau Government amended the legislation on gaming promoter activities, namely the Gaming Promoters Regulation, permitting the imposition of a cap on the percentage of commissions payable by Operators to gaming promoters under rolling chip arrangements and to promoters' collaborators generally. In September 2009, the Secretary for Economy and Finance issued a dispatch implementing a commission cap of 1.25% of rolling chip volume, effective as at 22 September 2009. Under the amended legislation and the dispatch, any bonuses, gifts, services or other advantages which are subject to monetary valuation and which are granted, directly or indirectly, inside or outside of Macau by any Operators or any company of their respective group to any gaming promoter shall be considered a commission. The commission cap regulations impose fines (ranging from 100,000 Patacas up to 500,000 Patacas) on Operators that do not comply with the cap and other fines (ranging from 50,000 Patacas up to 250,000 Patacas) on Operators that do not comply with their reporting obligations regarding commission payments. If breached, the legislation on commission caps allows the relevant government authority to make public its decision to impose a fine on Operators, by publishing such a decision on the DICJ website and in two Macau newspapers (in Chinese and Portuguese, respectively), and to suspend the gaming promoter for a period of up to six months or cancel its License.

### **Anti-Money Laundering and Anti-Terrorism Financing Regulations**

Law No. 2/2006 ("**Law No. 2/2006**"), Law No. 3/2006 ("**Law No. 3/2006**") and Administrative Regulation No. 7/2006 ("**Regulation 7/2006**") govern money laundering combating activities in Macau. In addition, "money laundering" has been added to Law No. 6/97/M, a law applicable to organized crime in Macau.

#### ***Criminal Regime under Law No. 2/2006 and Law No. 3/2006***

Any person who dissimulates or assists in dissimulating illicit assets may be prosecuted and sentenced to two to eight years' imprisonment under Law No. 2/2006, irrespective of where the money laundering took place, so long as such act of money laundering is punishable by laws in force in the relevant foreign jurisdiction. Any person who dissimulates, among other things, the true nature, origin, location and ownership of assets may also be prosecuted and sentenced to two to eight years' imprisonment under the same law.

The following are examples of the more serious offences governed by Law No. 2/2006 which generally attract a more severe punishment of three to 12 years' imprisonment if convicted:

- money laundering acts committed by criminal syndicate or triad society or those who support or associate with them;
- money laundering of benefits derived from terrorism, illegal drug trafficking, human trafficking or forbidden arms and explosives trading; or
- money laundering by a professional criminal who launders money regularly.

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All entities other than natural persons are also subject to varying degrees of sanctions under Law No. 2/2006, which includes fines, prohibition on conducting certain businesses and loss of benefits and support from the Macau Government (if any). Sanctions imposed on such entity will be published and made public at the expense of that entity.

Law No. 3/2006 envisages the prevention and suppression of the crimes of terrorism and financing of terrorist acts in Macau and sets a penalty of imprisonment between one to eight years for one who makes funds available or gathers funds with the intention of, in whole or in part, financing terrorism. The penalties for corporate legal entities and associations will be similar to those set in Law No. 2/2006.

### ***Administrative Regime under Regulation 7/2006***

Regulation 7/2006 sets out a number of preventive measures in respect of money laundering and terror financing, establishes compliance verification systems and prescribes sanctions for noncompliance with these provisions.

Under Regulation 7/2006, different bodies are responsible for monitoring money laundering activities in different professional and business sectors. The DICJ is responsible for monitoring money laundering activities in the gaming industry and oversees the activities of the Operators, their gaming service providers, and gaming promoters.

The responsibilities of the DICJ include (i) designing compliance mechanisms for their respective regulated entities; (ii) reporting to the Public Prosecutor's Office any facts or events suspected to involve money laundering and/or terror financing; (iii) initiating money laundering investigations; and (iv) imposing sanctions by means of disciplinary actions.

Regulation 7/2006 also requires the Operators, their gaming service providers, and gaming promoters to request their respective contracting parties, clients and patrons (the "**Contracting Parties**") to provide identification documents when they are presented with transactions which, due to their nature, complexity, amounts, volume or other unusual features, are suspicious. If any of the Contracting Parties is suspected as acting for or on behalf of another entity, that other entity shall also be identified. All identification documents shall be kept by the Operators, their gaming service providers, and gaming promoters for five years and all such transactions shall be recorded in writing with particulars of the nature and purpose of the transaction, the amount involved and the method of payment used. The relevant transaction may not proceed if the requirements for identification documents and written records of the transaction are not satisfied.

### ***Sanctions under Regulation 7/2006***

A breach of the provisions of Regulation 7/2006 may attract fines. Where the benefit derived from the prohibited activity exceeds half of the relevant fine limit, such limit shall increase to double the amount of such benefit. The sanctions under Regulation 7/2006 are without prejudice to criminal liability (if any) with respect to the offenses under Law No. 2/2006 and Law No. 3/2006.

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### The DICJ's Role and Authority

The DICJ is the primary regulator and supervisory institution of Macau's gaming industry. The DICJ plays an active role in fulfilling the objectives set forth in the Gaming Law, the Gaming Promoters Regulation, the Gaming Credit Law as well as Law No. 2/2006, Law No. 3/2006 and Regulation 7/2006, with respect to the anti-money laundering and anti-terrorism financing regulations relating to Operators and gaming promoters in collaboration with the Financial Intelligence Bureau.

The main objectives of the Gaming Law are (i) that Operators carry on adequate operation of casino games; (ii) that parties involved in the operation, management and supervision of casino games are suitable to perform their functions and undertake their respective responsibilities; (iii) that operation of casino games authorized by the Macau Government are performed in a just, honest manner and are free from criminal influences; and (iv) that Macau's public interests relating to special gaming tax and other contributions are well protected by maintaining effective controls and procedures.

Pursuant to Administrative Regulation No. 34/2003, the DICJ is entrusted with the responsibility to assist and support the Chief Executive of the Macau Government in the definition and execution of policies for the operation of casino games in Macau. Its key responsibilities are to:

- collaborate in the definition, coordination and execution of economic policies in connection with gaming activities offered to the public;
- examine, supervise and monitor the activities of the Operators, namely compliance with their respective legal, statutory and contractual obligations;
- examine, supervise and monitor the eligibility and financial capability requirements imposed on the Operators;
- assist the Macau Government with the classification and authorization of venues for gaming operations;
- authorize and certify all gaming equipment and systems to be used in Macau;
- examine, supervise and monitor the suitability of gaming promoters, and their collaborators and key employees;
- issue Licenses;
- examine, supervise and monitor the activities of gaming promoters, especially relating to their compliance with the applicable legal and contractual obligations;
- investigate and sanction administrative offenses according to the applicable laws;
- ensure that the relationship between the Operators, the Macau Government and the public is in compliance with applicable regulations and is in the best interest of Macau; and

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- perform any such tasks and actions not specifically identified above but that are of a similar nature, as ordered by the Chief Executive of the Macau Government or applicable laws.

The DICJ is further responsible for assessing the gross daily income of the Operators. Daily operations and tabulation of net-win generated from casino games (including casino table games and slot machines) are monitored through various control procedures conducted in the casinos.

### **The Gaming Commission**

The Gaming Commission was created in 2000 and restructured in 2010, and is a specialized commission reporting directly to and chaired by the Chief Executive of the Macau Government. Its responsibility is to survey and monitor the development of Macau's gaming operations and the relevant regulatory framework and to supervise and design policies for gaming operations in Macau.

### **Minimum Age for Casino Admission and Employment**

Certain minimum age regulations became effective on 1 November 2012. The main implications of these laws are set forth below. Operators must ensure that adequate measures, such as screening procedures, are in place to comply with these regulations, or face administrative fines ranging from MOP10,000 to MOP500,000.

#### ***Casino Admission***

Persons who are under 21 years of age are not allowed to enter casinos in Macau, in addition to other persons who could be denied admission, such as interdicted persons, those that suffer from notorious psychic impairment, public officials (with exceptions), individuals visibly under the influence of alcohol or drugs and individuals carrying guns, or explosive devices or materials, and individuals with unauthorized sound and image recording devices.

Casino interdiction may be requested by an individual (or his or her spouse, ancestor, descendant or sibling, but in these cases it must be confirmed by the restricted person) to the DICJ, for a maximum of two years. Withdrawal or renewal is allowed under certain circumstances.

The Macau Government may seize the wagers, prizes or other benefits arising from gambling earned by those not allowed to gamble.

#### ***Casino Employment***

Casino employees, including dealers and gaming floor workers, must also be at least 21 years of age. There are some limited exceptions. Current employees under 21 years of age may maintain their positions while in the process of reaching the minimum required age, and the Director of the DICJ may authorize persons under 21 years of age to temporarily work in casinos on a case-by-case basis, taking into consideration their special technical qualifications and the casino's need for their services.



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### **SMOKING AND AIR QUALITY REGULATIONS**

Smoking control legislation came into effect in Macau on 1 January 2012 and prohibits smoking in casinos from 1 January 2013 onward, except for designated smoking areas occupying up to 50% of the public casino area, provided that such areas are separate from the remaining casino areas and comply with certain other requirements set by the Macau Government. The law requires designated smoking areas to be created and the smoking ban to be implemented in casinos before January 2013. Detailed rules for the setting-up of the designated smoking areas and the maintenance of prescribed air quality standards in casinos and mandatory submission of monthly air quality verification reports to the Macau Health Services Bureau came into effect on 30 October 2012. The smoking areas of the casinos may be reduced or cancelled, and/or fines may be imposed on the Operator for breach of such requirements regarding statutory signage of the non-smoking areas, failure to enforce the prohibition to smoke in those areas and/or the failure to comply with the prescribed air quality standards or to submit any monthly air quality verification reports.

### **GAMING MACHINES AND EQUIPMENT REGULATIONS**

Administrative Regulation No. 26/2012 sets out the Macau legal framework and requirements applicable to the supply of gaming machines, equipment and gaming systems. Starting from 1 January 2013, manufacturers of gaming machines will only be allowed to supply gaming machines approved under the terms of this regulation. In turn, Operators already operating gaming machines will have a term of six months starting on 27 November 2012 to adjust their procedures and ensure compliance with this regulation.

The regulation defines “gaming machine” as any device partially or totally operated by electric, electronic and/or mechanical means, conceived, adapted or programmed for games, which result depends principally or exclusively on chance and for payment of a prize in cash, tokens, redeemable tickets or effects convertible into tokens, cash or equivalent value.

The regulation sets out the requirements to be observed by manufacturers and specifications of the gaming machines, as well as the suitability assessment of the suppliers, to be verified and authorized by the DICJ, the same entity that authorizes the locations where gaming machines may be installed. It regulates new gaming equipment and systems, such as TITO machines, defined as gaming machines connected to an electronic monitoring system with a central validation mechanism and equipped with a ticket printer, and mobile gaming devices, that use new information technology such as WiFi, microwave or computerized data networks and provide gaming information to the player. These mobile gaming devices can only be activated in gaming areas authorized by the DICJ and cannot be used anywhere else. To be able to use a mobile gaming device, a player’s identity and photograph would have to be registered with the Operator who operates the relevant gaming area. The gaming systems regulated include “computer based games”, integrated gaming systems that comprise a computer server or device and a gaming terminal that is dependent upon the computer server or device, and “computer supported games”, games that may be downloaded to individual terminals that can operate independently after the download is complete.

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All gaming machines, equipment and systems must be connected at all times to an electronic monitoring system installed by each Operator. The regulation attributes joint responsibility to manufacturers and Operators of the gaming machines, equipment and systems for any damages caused by defects in them.

### **LABOR REGULATIONS**

#### **Labor Quotas**

All companies operating in Macau must apply to the Macau Human Resources Office for labor quotas to import non-resident unskilled workers. The employment of non-resident skilled workers is also regulated and subject to authorization by the Macau Human Resources Office, which grants such employment authorizations on a case-by-case basis. Skilled non-residents may apply for residency through the Macau Trade and Investment Promotion Institute as specialized workers. There are no quota-based restrictions for Macau residents. Businesses are free to employ Macau residents in any position without any type of quota, as all Macau residents have the right to work in Macau.

As a matter of public policy, employment of non-Macau residents as dealers and gaming supervisors is not permitted. Therefore, SJM only employs Macau residents as dealers and gaming supervisors.

#### **Mandatory Social Security Fund**

Macau employers must register their employees under the mandatory Social Security Fund. Macau employers are required to pay social security contributions for each of its resident employees and pay a special duty for each of its non-resident employees on a quarterly basis.

### **LAND USE AND TITLE PROCESS LAWS IN MACAU**

Macau land is divided into and registered as numbered lots. Small areas of private freehold land still exist in Macau and are typically found in the original area of the Macau territory (non-reclaimed), in the Macau Peninsula and Taipa and Coloane Islands. Where the land is private freehold land, no Government rent is payable and there are no time limits to the ownership of the land or the buildings erected on the land. The majority of land, however, belongs to the Macau Special Administrative Region.

The Macau Government may dispose of its land by various legal means, the most common being land concessions that are akin to leases and are published in the Macau Official Gazette. Land concessions may impose special development conditions, payment of land premium and also a nominal amount of annual Government rent. The land is initially granted on a provisional basis and registered as such with the Macau Property Registry, subject to completion of the proposed development and only upon completion of the development is the land concession converted into definitive status and registered with the Macau Property Registry.

Land concessions are granted for terms of 25 years and may be renewed successively for 10-year periods. The application for renewal of the concession may be requested in writing not earlier than six months prior to expiry. Such a renewal application may be made to the Land,

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Public Works and Transport Bureau of Macau by a proprietor, co-owner or mortgagee, or any other person having an interest in the land, a building or unit built on such land whose title is registered, as well as any holder of rights that could be affected by the expiration of the land concession.

All ownership rights over the properties or buildings subject to a land concession (being strata title for residential units or full ownership of any building or fraction thereof) are also registered with the Macau Property Registry and fall under a private ownership regime.

Title to land, buildings or property units can be established by reference to the title register. The person registered as owner of a right is presumed to be the legal holder of the right/title registered. The records in the Macau Property Registry are public and anyone who applies for searches against the records can rely on the registered information.

Rights over property in Macau can normally be registered as *rights in rem*, making the property right enforceable against anyone. Accordingly, following the registration of title in Macau, the registered holder will be officially recognized and able to enforce his rights vis-à-vis any third parties.

### ENVIRONMENTAL REGULATIONS

Law No. 2/91/M sets forth, in broad terms, the environmental policies of Macau, determining that further legislation shall be enacted to regulate specific areas of environmental concern.

Environmental protection and safety regulations that are in force in Macau can be found in various pieces of legislation. All new projects and projects in construction have to comply with Macau environmental ordinances and international conventions applicable in Macau. As such, construction projects that may affect the environment and health of Macau citizens must complete and submit an environmental impact study to the Land, Public Works and Transport Bureau of Macau before construction can commence. After analyzing the environmental impact study, the Land, Public Works and Transport Bureau of Macau may authorize the relevant construction projects, as well as require alterations to be made to the projects. These construction regulations are established in Decree-Law No. 79/85/M as amended by Decree-Law No. 6/99/M and Regulation No. 24/2009 and Decree-Law No. 44/91/M.

Untreated sewage discharges into water bodies from vessels or waterside properties are regulated under Decree-Law No. 35/97/M and infractions supervised by the Macau Maritime Administration. Decree-Law No. 34/93/M regarding noise pollution levels determines what noise levels are acceptable within the relevant time period.

### CONSTRUCTION REGULATIONS

Property development projects in Macau require generic licenses and parties seeking to commence construction and renovation projects are required to first obtain a license from the Land, Public Works and Transport Bureau of Macau. The application for licenses must be accompanied with relevant project plans that conform to applicable regulations.

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After a project is completed, a final inspection is made by the Land, Public Works and Transport Bureau of Macau to determine whether the construction or renovation has been made according to the license issued and the approved plans. Where discrepancies are claimed by the Land, Public Works and Transport Bureau of Macau, parties will have an opportunity to present their case against such purported discrepancies or take corrective actions to ensure compliance to previously submitted project plans and/or applicable regulations. Upon a successful inspection, Macau Public Works Department will issue the occupation permit. There are no general legal impediments for the Group to obtain licenses or permits for its projects.

### **BUSINESS LICENSES**

Certain business operations are subject to prior licensing procedures, such as hotels, bars and restaurants. Such business licenses are renewable annually. Different types of businesses require licensing from different entities. The licensing requirements for certain business operations are set out in the table below.

Casinos and tables. . . . .	Authorization from the DICJ
Hotels. . . . .	License from the Macau Government Tourism Office
Restaurants, bars and lounges . . . . .	License from the Macau Government Tourism Office
Other food and beverage outlets (such as coffee shops and food stalls). . . .	License from the Institute for Civic and Municipal Affairs
Yacht club and harbor cruises . . . . .	License from the Macau Maritime Administration (the vessels are also subject to mandatory liability insurance)
Spa and fitness center. . . . .	License from the Macau Government Tourism Office
Advertising on signboards and billboards. . .	License from the Institute for Civic and Municipal Affairs

Save for passing random inspections made by the relevant Macau Government authorities from time to time during the validity period of the relevant license and applying for renewals of licenses within the prescribed time periods, there are no scheduled inspections by any Macau Government authorities or required procedures the Group has to perform to maintain the licenses it currently holds. The Group expects to be able to obtain the licenses required for all planned business operations and maintain the ones currently held.

### **TAXATION**

The following are general descriptions of certain issues relating to Macau tax law and are based upon laws, regulations and practices in effect as at the Latest Practicable Date. Subsequent legislative or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor. In addition, practices currently in force may change.

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The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor.

The following general descriptions do not purport to be a comprehensive description of the Macau tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Shares under applicable tax laws of other applicable jurisdictions and the specific Macau tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Shares in such other jurisdictions.

### **Complementary Tax**

Income received in Macau is taxable under Macau's complementary tax provisions, irrespective of the beneficiary being an individual or a corporation, its particular line of business, its nationality or domiciliation, without prejudice to the particular deductions and allowances each tax payer enjoys.

Companies are required to declare their annual profit and such profit is subject to complementary tax. If dividend is declared, taxable profit is based on taxable profit (after dividends have been paid).

Law No. 17/2012 (the 2013 Budget Law) extends the exempted portion of income to MOP200,000 and determines that the excess of taxable income be taxed at the relevant brackets (9% from MOP200,000 to MOP300,000 and 12% on the excess). These measures implemented through the 2013 Budget Law are extraordinary and there can be no assurances that the exemption limit will increase, decrease or stay at its present level.

These rates apply to the declared taxable profit (gross income less allowable deductions) from all income generating sources, except professional tax and property income, taxed separately under different regulations.

Accordingly, dividends received by individuals or corporate shareholders are income for the purposes of complementary tax and, likewise, will be subject to complementary tax as above described.

Non-Macau residents and companies not incorporated in Macau will usually not be registered with the Macau Financial Services Bureau as taxpayers and therefore will not submit their income tax returns in Macau.

This event has led to the institution of a practice at the Macau Financial Services Bureau where Macau companies, when paying dividends to Non-Macau residents or companies not incorporated in Macau, withhold the sum that would otherwise be payable as income tax on dividends paid out to these shareholders. If dividends are paid and the otherwise payable tax is not withheld, the Macau company is to subtract such dividends from its taxable profit and disclose details of the dividends distributed and the shareholders receiving such dividends in its tax form, otherwise the Macau Financial Services Bureau would consider that no dividends were paid and tax the Macau company for its full taxable profit (before dividends were paid).

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The accuracy of income statements may be challenged by the Macau taxation authorities, which will then compute the amounts due on the basis of prior results or estimations. In such event, appeals are available for unsatisfied parties.

### **Documentary Stamp Duty**

Other than complementary tax, the transfer of shares by way of written instrument attracts stamp duty of MOP20.0 for the first original and MOP5.0 for each additional original.

The transfer of shares of our Macau subsidiaries that are incorporated by shares ("SA" companies), such as Hong Hock and MFW Investment, does not, however, depend on the execution of written instruments — the endorsement of the certificates and registration on the shareholder's book suffices to validly transfer the shares, in which case, no documentary stamp duty is levied.

### **Stamp Duty on Transactions — Sale, Donations and Estate**

While the sale of shares of our Macau subsidiaries incorporated by shares ("SA" companies) is not subject to stamp duty, the sale of quotas in companies incorporated by quotas ("Limitada" companies), which require executed written instruments, is subject to registration with the Macau Companies and Movable Assets Registry and payment of a stamp duty of 0.5% of the sale price. In addition, where a shareholder obtains over 80% of the share capital of any Macau company which owns real estate, the shareholder is required to pay stamp duty upon the transfer of such real estate. As the stamp duty regulation deems such a transfer of shares/quotas as an actual transfer of real estate, the duty will be levied on the value of the real estate, pro rata the shareholding obtained, at the same rate applicable for real estate (3% of value plus 5% of the stamp duty due, that is a total of 3.15%).

The donation of shares is subject to the stamp duty levied on all donations at the rate of 5% over the donated shares' nominal value or the value stated by the donor.

### **TAXATION ON TRANSACTIONS OUTSIDE MACAU**

Macau complementary tax laws apply to all income received in Macau. Considering that some of our subsidiaries are incorporated in Macau, any dividends paid by those subsidiaries would be deemed to be received in Macau; hence, such income is subject to Macau complementary tax. The transfer of such subsidiaries' shares by gift (donation) or succession is subject to the stamp duty stated above and net capital gains are not taxed as income.

Macau does not have a stock exchange for the public trading of listed shares. Accordingly, the taxation of net capital gains may prove difficult or unrealistic. The practice currently in force to tax dividends by requiring Macau companies to withhold the applicable amounts otherwise due may or may not be extended in order to tax net capital gains arising from the sale of shares.

The tax treatment of a non-resident shareholder in jurisdictions outside Macau may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation.