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MIRAMAR GROUP

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

美麗華酒店企業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 71)

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RESPECT OF THE NEW SUB-LEASE AT IFC MALL AND LICENCE AGREEMENTS

Reference is made to the announcement of the Company dated 4 December 2019 relating to the 2019 Renewed Sub-Lease between Profit Advantage Limited (a wholly-owned subsidiary of the Company) (the former tenant) and IFC Development Limited (an associate of the holding company of the Company) (the landlord) in respect of the Premises. The 2019 Renewed Sub-Lease had expired on 6 July 2022 and the Parties had been in discussion regarding the terms of the renewal thereof. The Premises will continue to be used for the purpose of operating two existing up-market Chinese restaurants trading under the names of “Cuisine Cuisine 國金軒” and “Chinesology 唐述” respectively under the New Sub-Lease. As the Parties required more time to reach consensus on the terms of the New Sub-Lease, they had only on 5 October 2022 entered into the New Sub-Lease in relation to the leasing of the Premises for a term of 4 years and 11 months commencing from 7 July 2022 to 6 June 2027 (both days inclusive) at a Basic Rent of (i) HK\$878,405.00 per calendar month for the first two years, HK\$958,260.00 per calendar month for the third and fourth year and (iii) HK\$1,038,115.00 per calendar month for the last eleven months of the lease term, plus the Turnover Rent (if any) (exclusive of rates, air-conditioning and management charges, promotional levy and all other outgoings (if any)). In connection with the use of the Premises under the New Sub-Lease, the Tenant (as licensee) had also executed two Licence Agreements with the Landlord (as the licensor) on the same day in respect of the grant of the use of certain floor space near the Premises to the Tenant for the same period of the New Sub-Lease at a consideration of HK\$1 under each of the Licence Agreements.

As the Landlord is an associate of Henderson Land Development Company Limited, which in turn is the holding company of the Company, the Landlord is a connected person of the Company under the Listing Rules. Therefore, under Chapter 14A of the Listing Rules, (a) the payment of the Basic Rent under the New Sub-Lease and the Licence Fees under the Licence Agreements (both being fixed payments) constitute one-off connected transactions for the Company; and (b) the payment of the Turnover Rent (if any), air-conditioning and management charges, promotional levy and all

other outgoings (if any) under the New Sub-Lease (being variable payments) constitutes a continuing connected transaction for the Company.

Given that (i) the applicable percentage ratios in respect of the New Sub-Lease on the basis of the value of the right-of-use asset, being the aggregate discounted amount of the Basic Rent in the amount of approximately HK\$52,154,000.00 together with the Licence Fees, exceed 0.1% but are all less than 5%; and (ii) some of the applicable percentage ratios in respect of the New Sub-Lease on the basis of the highest annual cap amount of the aggregate of Turnover Rent, air-conditioning and management charges, promotional levy and all other outgoings (if any) exceed 0.1% but all of them are less than 5%, the New Sub-Lease (when aggregated with the Licence Agreements) and the transactions contemplated thereunder are exempt from the shareholders' approval requirement, but are subject to the reporting, announcement and (to the extent constituting continuing connected transaction for the Company) annual review requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the New Sub-Lease (part of which constituting a continuing connected transaction) exceeds three years, the Company has appointed the IFA to explain why a period exceeding three years is required and to confirm that it is normal business practice for agreement of this type to be of such duration.

Reference is made to the announcement of the Company dated 4 December 2019 relating to the 2019 Renewed Sub-Lease between Profit Advantage Limited (a wholly-owned subsidiary of the Company) (the former tenant) and IFC Development Limited (an associate of the holding company of the Company) (the landlord) in respect of the Premises. The 2019 Renewed Sub-Lease had expired on 6 July 2022 and the Parties had been in discussion regarding the terms of the renewal thereof. The Premises will continue to be used for the purpose of operating two existing up-market Chinese restaurants trading under the names of “Cuisine Cuisine 國金軒” and “Chinesology 唐述” respectively. As the Parties required more time to reach consensus on the terms of the New Sub-Lease, they had only on 5 October 2022 entered into the New Sub-Lease in relation to the leasing of the Premises. In connection with the New Sub-Lease, the Tenant (as licensee) had also executed two Licence Agreements with the Landlord (as the licensor) on the same day in respect of the grant of the use of certain floor space near the Premises to the Tenant for the same period of the New Sub-Lease at a consideration of HK\$1 under each of the Licence Agreements. The principal terms of the New Sub-Lease and the Licence Agreements are set out below.

DETAILS OF THE NEW SUB-LEASE

Date:	5 October 2022
Parties:	Shahdan Limited, a wholly-owned subsidiary of the Company, as tenant; and IFC Development Limited, an associate of Henderson Land Development Company Limited, as landlord
Premises:	Shop Nos. 3101-3107 on Level Three of ifc Mall

Term:	4 years and 11 months commencing from 7 July 2022 to 6 June 2027 (both days inclusive)
Rent:	A Basic Rent of (i) HK\$878,405.00 per calendar month for the first two years, (ii) HK\$958,260.00 per calendar month for the third and fourth year and (iii) HK\$1,038,115.00 per calendar month for the last eleven months of the lease term, plus the Turnover Rent (exclusive of rates, air-conditioning and management charges, promotional levy and all other outgoings (if any)).
Payment term:	The Basic Rent shall be payable in advance by the Tenant to the Landlord on the first day of each calendar month. The Turnover Rent (if applicable) shall be payable by the Tenant to the Landlord on the fifteenth day of the following month.
Rental deposit:	A rental deposit in the sum of HK\$4,712,730.60, (equivalent to the aggregate of the highest pre-determined Basic Rent, air-conditioning and management charges, government rates (or, if applicable, provisional rates) and promotional levy currently payable in respect of the Premises for three months and subject to review by the Landlord when there is any increase in the aforesaid charges during the lease term) is payable by the Tenant to the Landlord and subject to the terms of the New Sub-Lease, and is refundable to the Tenant without interest within forty-five days after the expiry or sooner determination of the New Sub-Lease and delivery of vacant possession of the Premises.
Other charges:	The aggregate of the air-conditioning and management charges and promotional levy payable by the Tenant in advance on the first day of each calendar month in respect of the New Sub- Lease shall be HK\$498,295.20 per month (subject to review by the Landlord from time to time). Extra air-conditioning charges may also be applied if air-conditioning supply is required by the Tenant outside of 10 a.m. to 10 p.m. from Monday to Sunday.
User:	For the operation of an up-market Chinese restaurant serving Cantonese cuisine under the name “Cuisine Cuisine 國金軒” and a contemporary Chinese restaurant under the name “Chinesology 唐述”.

DETAILS OF THE TWO LICENCE AGREEMENTS

Date:	5 October 2022
Parties:	Shahdan Limited, a wholly-owned subsidiary of the Company, as licensee; and IFC Development Limited, an associate of Henderson Land Development Company Limited, as licensor
Licence Area:	Certain floor space on Level Three of ifc Mall near the Premises

Term:	4 years and 11 months commencing from 7 July 2022 to 6 June 2027 (both days inclusive)
Licence Fee:	HK\$1.00 for each Licence Agreement during the licence period
User:	For the decoration of the Licenced Area in connection with the licensee's restaurant business at the Premises

ACCOUNTING IMPLICATION AND TREATMENT UNDER LISTING RULES

In accordance with the HKFRS 16 applicable to the Group, since the payments to be made by the Group contemplated under the New Sub-Lease comprise different components (i.e. fixed payments and variable payments), different accounting treatments will apply. The Group will recognize the Basic Rent (being fixed payments) as an acquisition of right-of-use asset taking into account the aggregate discounted amount of the Basic Rent initially measured to be in the amount of approximately HK\$52,154,000.00 in accordance with HKFRS 16. As the Licence Fees are only HK\$2, its right-of-use asset value (if any) is immaterial. Such acquisition of right-of-use asset will constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules. The Turnover Rent, air-conditioning and management charges, promotional levy and all other outgoings (if any) to be paid by the Group under the New Sub-Lease (being variable payments) will be recognized as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses will be regarded as a continuing connected transaction for the Company under Chapter 14A.31 of the Listing Rules.

BASIS OF DETERMINATION OF THE ANNUAL CAPS

As the payment of the Turnover Rent (if any), air-conditioning and management charges, promotional levy and all other outgoings (if any) under the New Sub-Lease (being variable payments) constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules, the Company is required to set annual caps for the aggregate amount of the Turnover Rent, air-conditioning and management charges, promotional levy and all other outgoings (if any) in respect of the relevant period or financial year. The cap amounts stated below are determined with reference to the estimated aggregate amount of Turnover Rent, air-conditioning charges and management charges, promotional levy and all other outgoings (if any) payable in respect of the relevant period or financial year stated below. In determining the estimated aggregate amount of Turnover Rent, the Company takes into account the estimated Gross Receipts with reference to the total Gross Receipts received in respect of the last financial year and its estimated annual growth in respect of the relevant period or financial year stated below. In determining the estimated aggregate amount of the air-conditioning and management charges, promotional levy and all other outgoings (if any), the Company takes into account the estimated aggregate amount of the said charges with a reasonable buffer to allow for any upward adjustments (including due to inflation) of such charges in respect of the relevant period or financial year stated below.

The relevant cap amounts of the aggregate of Turnover Rent, air-conditioning and management charges, promotional levy and all other outgoings (if any) in respect of the relevant period or financial year are stated below:

For the period from 7 July 2022 to 31 December 2022:	HK\$3,400,000.00
For the financial year ending 31 December 2023 :	HK\$7,700,000.00
For the financial year ending 31 December 2024 :	HK\$8,500,000.00
For the financial year ending 31 December 2025 :	HK\$9,200,000.00
For the financial year ending 31 December 2026 :	HK\$10,100,000.00
For the period from 1 January 2027 to 6 June 2027:	HK\$5,800,000.00

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Group had commenced operating up-market restaurants at the Premises since February 2005 and the Directors (including the independent non-executive Directors) are of the opinion that ifc Mall, being a landmark in Hong Kong located in the city centre, is an ideal location for the Company to continue to operate up-market restaurants and bring profits to the Group.

The terms of the New Sub-Lease (including the rentals payable) were determined after arm's length negotiations between the Parties, and the Basic Rent under the New Sub-Lease was determined with reference to market rental of the Premises endorsed by a valuation certificate dated 23 August 2022 by the Valuer (the "**Rental Valuation Report**").

The Directors (including the independent non-executive Directors) are of the opinion that the New Sub-Lease was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the Parties; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

OPINION FROM THE IFA

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement constituting a continuing connected transaction of an issuer must not exceed three years except in special circumstances. Since the term of the New Sub-Lease exceeds three years, the Company has appointed the IFA to explain why a period exceeding three years is required and to confirm that it is normal business practice for agreement of this type to be of such duration.

In formulating its opinion, the IFA has taken into consideration the following principal factors:

- (1) ifc Mall, being a landmark in Hong Kong located in the city centre, is an ideal location for the Company to continue to operate up-market restaurants and bring profits to the Group;
- (2) the first year and the average of the 5-year Basic Rent under the New Sub-Lease are HK\$55.00 and HK\$59.00 per sq. ft. respectively based on a lettable area of 15,971 sq. ft. The Basic Rent for the year immediately preceding the expiry of the 2019 Renewed Sub-Lease on 6 July 2022 was HK\$1,117,970.00 per month or HK\$70 per sq. ft.. Hence, the HK\$55.00 per sq. ft. Basic Rent payable for the first year of the New Sub-Lease represents a discount of 21.43%, when compared to HK\$70.00 per sq. ft under the 2019 Renewed Sub-lease;

- (3) the Basic Rent payable was determined with reference to market rental of the Premises endorsed by the Rental Valuation Report, and the rate applied for the calculation of the Turnover Rent is the same as that under the 2019 Renewed Sub-Lease. Whilst the definition of Gross Receipts has been revised to include the 10% service charges, which was excluded under the 2019 Renewed Sub-Lease, based on the nature of the Turnover Rent and the circumstances under which the Turnover Rent would become payable, the IFA takes the view that the modest increase in Turnover Rent based on such service charges is substantially out-weighed by the considerable cost saving from the aforesaid reduction in Basic Rent;
- (4) given that the Premises is used to operate high-end restaurants, the Group had over the past years incurred considerable capital expenditures to carry out specific decoration and fitting out works to the Premises to enable the Premises to be fitted out and completed for operating the high-end restaurants in a style and manner appropriate to a first class shopping centre in the Central District in Hong Kong;
- (5) the Group has taken into account, among other factors, the considerable reduction in Basic Rent when compared to the previous basic rent under the 2019 Renewed Sub-Lease and the need to “lock in” such reduced Basic Rent for the new and extended term under the New Sub-Lease. The longer term under the New Sub-Lease also means the aforesaid considerable capital expenditures spent on the specific decoration and fitting out works to the Premises will be better protected. The Tenant’s decision for a longer tenancy term (as compared to the past sub-lease agreements) is also to avoid possible relocation upon expiry of a shorter tenancy term and such longer tenancy term is to reduce unnecessary uncertainties and disruptions to the Group’s first class restaurant operations at the ifc Mall; and
- (6) the Valuer has adopted a “market approach” methodology in the Rental Valuation Report and has arrived at a valuation of the market rent unit rate of HK\$59.00 per sq. ft. (based on 15,971 sq. ft.), which is higher than the first year Basic Rent of HK\$55.00 per sq. ft. and the same as the the average of the 5-year Basic Rent of HK\$59.00 per sq. ft. under the New Sub-Lease. The Basic Rent for the Premises is therefore in line with the prevailing market rent and is fair and reasonable based on the Rental Valuation Report.

The IFA has further reviewed the tenancy announcements of comparable discloseable or continuing connected transactions published by several Hong Kong listed issuers which are engaged in the food and beverage businesses in Hong Kong and other nearby greater China areas and noted that some of those comparable cases precedent also have tenancy duration of longer than three years and in some cases, comparable to the tenancy term under the New Sub-Lease.

Based on the foregoing and in particular, the Premises, which is to be used as two first class restaurants, the IFA is of the view that the tenancy term of 4 years and 11 months under the New Sub-Lease for the Premises is necessary and it is normal business practice for tenancy agreements of this type to be of such duration.

LISTING RULES IMPLICATIONS

As at the date of this announcement, as the Landlord is an associate of Henderson Land Development Company Limited, which in turn is the holding company of the Company, the Landlord is a connected person of the Company under the Listing Rules. Therefore, under Chapter 14A of the Listing Rules, (a) the payment of the Basic Rent under the New Sub-Lease and the Licence Fees under the Licence Agreements (both being fixed payments) constitute one-off connected transactions for the Company; and (b) the payment of the Turnover Rent (if any), air-conditioning

and management charges, promotional levy and all other outgoings (if any) under the New Sub-Lease (being variable payments) constitutes a continuing connected transaction for the Company.

Dr. Lee Ka Shing, the Chairman and Chief Executive Officer, is regarded as materially interested in the transactions contemplated under the New Sub-Lease and the Licence Agreements through his deemed interest in the shares of Henderson Land Development Company Limited. The Board had delegated the power to consider and approve all connected transactions of the Company to the Company's audit committee. As Dr. Lee Ka Shing is not a member of the audit committee, he has not voted on the relevant Board resolution(s) in respect of the transactions contemplated under the New Sub-Lease and the Licence Agreements.

Given that (i) the applicable percentage ratios in respect of the New Sub-Lease on the basis of the value of the right-of-use asset, being the aggregate discounted amount of the Basic Rent in the amount of HK\$52,154,000.00 together with the Licence Fees, exceed 0.1% but are all less than 5%; and (ii) some of the applicable percentage ratios in respect of the New Sub-Lease on the basis of the highest annual cap amount of the aggregate of Turnover Rent, air-conditioning and management charges, promotional levy and all other outgoings (if any) exceed 0.1% but all of them are less than 5%, the New Sub-Lease (when aggregated with the Licence Agreements) and the transactions contemplated thereunder are exempt from the shareholders' approval requirement, but are subject to the reporting, announcement and (to the extent constituting continuing connected transaction for the Company) annual review requirements under Chapter 14A of the Listing Rules.

GENERAL

The principal activity of the Company is investment holding, and the principal activities of its subsidiaries consist of property rental, hotels and serviced apartments, food and beverage operation and travel operation. The principal activities of the Tenant is property rental.

The principal activities of the Landlord are property investment, hotel and serviced apartment operations, and investment holding.

Henderson Land Development Company Limited is an investment holding company and its subsidiaries are principally engaged in the businesses of property development and investment, construction, project management, property management, finance, department store operation, hotel operation and investment holding. The shareholding information of Henderson Land Development Company Limited is available on the Stock Exchange's website (<https://www.hkexnews.hk/>).

DEFINITIONS

Unless otherwise defined, the following expressions have the following meanings in this announcement:

“2019 Renewed Sub-Lease”	the sub-lease dated 4 December 2019 entered into between the Landlord and Profit Advantage Limited (a wholly-owned subsidiary of the Company) as tenant in respect of the Premises for a renewal term of 2 years and ten months commencing from 7 September 2019 to 6 July 2022 (both days inclusive)
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“associate”	has the meaning ascribed thereto under the Listing Rules
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“Basic Rent”	the basic rent under the New Sub-Lease in respect of the Premises payable by the Tenant to the Landlord as disclosed in this announcement
“Board”	the board of Directors
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Company”	Miramar Hotel and Investment Company, Limited (美麗華酒店企業有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 71)
“Directors”	the directors of the Company
“Gross Receipts”	the gross amount of all sums billed or received in the course of the Tenant’s business conducted at the Premises and all other income deriving from or received in the course of the business at the Premises (including any on-line or e-shopping business conducted on or from the Premises and any transactions conducted at the Premises through electronic devices) and all other income deriving from or in respect of the Premises
“Group”	the Company and its subsidiaries
“Head Lease”	the head lease dated 16 September 2003 entered into between MTRC (as lessor) and IFC Development Limited (as lessee) in respect of ifc Mall
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants from time to time
“IFA”	Centurion Corporate Finance Limited, which is registered with the Securities Futures Commission and licensed under types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“ifc Mall”	ifc Mall (retail accommodation on Site R of Inland Lot No.8898) in Hong Kong, being the premises leased to the Landlord from MTRC under the Head Lease
“Landlord”	IFC Development Limited, a company incorporated in British Virgin Islands with limited liability and is an associate of Henderson Land Development Company Limited and a connected person of the Company
“Licence Agreements”	two licence agreements dated 5 October 2022 entered into between the Landlord (as licensor) and the Tenant (as licensee) in respect of the licence to use of certain floor space on Level Three of ifc Mall in connection with the Premises for the same period as the New Sub-Lease

“Licence Fees”	the licence fees payable under the Licence Agreements in the total amount of HK\$2.00.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MTRC”	MTR Corporation Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 66)
“New Sub-Lease”	the confirmation of sub-lease dated 5 October 2022 entered into between the Landlord and the Tenant in respect of the Premises for a term of four (4) years and eleven (11) months commencing from 7 July 2022 to 6 June 2027 (both days inclusive)
“Parties”	the Landlord and the Tenant collectively
“Premises”	Shop Nos. 3101-3107 on Level Three of ifc Mall
“Rental Valuation Report”	has the meaning as defined under the section headed “Reasons for and benefits of entering into the transactions” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	Shahdan Limited (正信有限公司), a wholly-owned subsidiary of the Company
“Turnover Rent”	the additional monthly rent being the sum equivalent to 11% of the Gross Receipts of the relevant month during the lease term which exceeds the Basic Rent payable for that relevant month
“Valuer”	Cushman & Wakefield Limited, an independent property valuer engaged by the Company

By Order of the Board
Chu Kwok Sun
Corporate Secretary

Hong Kong, 5 October 2022

As at the date of this announcement, (i) the executive Directors are Dr. Lee Ka Shing, Mr. Richard Tang Yat Sun, Dr. Colin Lam Ko Yin, Mr. Norman Ho Hau Chong and Mr. Eddie Lau Yum Chuen; (ii) the non-executive Directors are Dr. Patrick Fung Yuk Bun and Mr. Dominic Cheng Ka On; (iii) the independent non-executive Directors are Dr. David Sin Wai Kin, Mr. Wu King Cheong, Dr. Timpson Chung Shui Ming, Mr. Howard Yeung Ping Leung, Mr. Thomas Liang Cheung Biu and Mr. Alexander Au Siu Kee.