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MIRAMAR GROUP
美麗華集團

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 71)

CONTINUING CONNECTED TRANSACTION

LEASE AGREEMENT

The Board announces that on 5 December 2013, the Lease Agreement was entered into between Intelligent House Limited as landlord and Mira Moon Limited (a wholly-owned subsidiary of the Company) as tenant, whereby the Landlord agreed to lease to the Tenant the Premises for a term of 10 years and 6 months commencing from 21 November 2013 to 20 May 2024 (both days inclusive) at a base rent of HK\$1,320,000 per month plus the Additional Rent (inclusive of government rent and property tax and exclusive of rates, outgoings and other charges).

As at the date of this announcement, the Landlord is an indirect wholly-owned subsidiary of Henderson Land Development Company Limited which in turn is a substantial shareholder of the Company, therefore the Landlord is a connected person of the Company under the Listing Rules. Accordingly, the entering into the Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since the highest of the Annual Cap Amounts exceeds HK\$1,000,000 and certain of the relevant applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but all such applicable percentage ratios are below 5%, the entering into of the Lease Agreement is only subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules.

As the term of the Lease Agreement exceeds 3 years, pursuant to Rule 14A.35(1) of the Listing Rules, the Company has engaged the Independent Financial Adviser to review the Lease Agreement, who has confirmed that it is in the normal business practice for contracts of this type to be of such duration.

THE LEASE AGREEMENT

On 5 December 2013, the Tenant and the Landlord entered into the Lease Agreement in respect of the leasing of the Premises. The principal terms of the Lease Agreement are summarised as follows:

- Date : 5 December 2013
- Parties : Intelligent House Limited as landlord
Mira Moon Limited as tenant
- Premises : the Premises, being a building now known as “MIRA MOON” located at No.388 Jaffe Road, Wanchai, Hong Kong
- Term : 10 years and 6 months, commencing from 21 November 2013 to 20 May 2024 (both days inclusive)
- Termination by sale and redevelopment : If, at any time during the Term, the Landlord shall resolve to (i) sell the Premises or any part of it; (ii) assign any of its rights and interests in the Premises or any part of it to any third party(ies); or (iii) re-develop the Premises or any part of it by demolition, rebuilding, renovation, refurbishment or otherwise, the Landlord shall have the right upon giving 6 months written notice to the Tenant to terminate the Lease Agreement; provided that such notice of termination shall not be given by the Landlord to the Tenant on or before the expiry date of the 5th year of the Term (i.e. on or before 30 June 2018).
- Rent : A base rent of HK\$1,320,000 per month (the “**Base Rent**”) plus the Additional Rent, which is calculated in the following manner:

Additional Rent

The Additional Rent in respect of each Relevant Year for the Term (“**Annual Additional Rent**”) shall be:

- (i) where the Gross Annual Room Revenue is less than or equal to HK\$80,000,000, the amount of the Additional Rent payable shall be 22.5% of the Gross Annual Room Revenue exceeding HK\$15,840,000 for the Relevant Year; or
- (ii) where the Gross Annual Room Revenue is more than HK\$80,000,000 but less than or equal to HK\$100,000,000, the amount of the Additional Rent payable shall be 25% of the Gross Annual Room Revenue exceeding HK\$15,840,000 for the Relevant Year; or
- (iii) where the Gross Annual Room Revenue is more than HK\$100,000,000 but less than or equal to HK\$130,000,000, the amount of the Additional Rent payable shall be 27.5% of the Gross Annual Room Revenue exceeding HK\$15,840,000 for the Relevant Year; or
- (iv) where the Gross Annual Room Revenue is more than

HK\$130,000,000, the amount of the Additional Rent payable shall be 30% of the Gross Annual Room Revenue exceeding HK\$15,840,000 for the Relevant Year.

If the amount of Annual Additional Rent calculated based on the above formula is a negative figure, then no Annual Additional Rent shall be payable by the Tenant to the Landlord for that Relevant Year.

The Annual Additional Rent in respect of any Relevant Year shall be paid annually in arrears by the Tenant to the Landlord within 90 days immediately following the end of the Relevant Year subject to the terms and conditions of the Lease Agreement.

Food and Beverage Charges : The Tenant shall pay to the Landlord 15% of the monthly Food and Beverage Revenue of the Tenant's business at the Food and Beverage Outlets without any deduction (the "**Food and Beverage Charges**").

Provisional Food and Beverage Charges in respect of any calendar month shall be paid in arrears by the Tenant in respect of the monthly Food and Beverage Revenue of the Tenant's business during the relevant calendar month by the 15th day of the immediately following calendar month.

Within 90 days after the expiration of each calendar year, the Tenant shall supply a statement certified by its auditors or external accountants (the "**Certified Statement**") as to the actual amount of the Food and Beverage Revenue for the relevant calendar year.

If the actual sum paid as provisional Food and Beverage Charges payable for any calendar month is less than the actual Food and Beverage Charges payable for the relevant calendar month calculated based on the Certified Statement, the shortfall shall be paid by the Tenant to the Landlord within 30 days of the Landlord's notice to the Tenant on such shortfall. If the actual sum paid as provisional Food and Beverage Charges payable for any calendar month is more than the actual Food and Beverage Charges payable for the relevant calendar month calculated based on the Certified Statement, such excess sum shall be refunded by the Landlord to the Tenant within 30 days of the Landlord's receipt of the Certified Statement.

Rates, outgoings and other charges : The Tenant shall pay and discharge all rates, taxes, assessments, duties, impositions, charges and outgoings levied on the Premises by the Government of Hong Kong or other lawful authority, save that the Government rent and property

tax in respect of the Premises shall be paid by the Landlord.

The Tenant shall also pay to the suppliers and indemnify the Landlord against all deposits and charges in respect of electricity, gas, water and telephone and other services consumed or used at or in relation to the Premises.

Deposit : A sum of HK\$1,320,000 payable by the Tenant to the Landlord on the signing of the Lease Agreement

Rent-free period : Three respective rent free periods for a total of 6 months during the Term as follows:

(i) the 3rd and 4th months of the Term (i.e. commencing from 21 January 2014 to 20 March 2014 (both days inclusive));

(ii) the 15th and 16th months of the Term (i.e. commencing from 21 January 2015 to 20 March 2015 (both days inclusive)); and

(iii) the 27th and 28th months of the Term (i.e. commencing from 21 January 2016 to 20 March 2016 (both days exclusive));

during which the Tenant shall not be obliged to pay the Base Rent but shall pay the rates, all outgoings and utility charges in respect of the Premises.

The Gross Annual Room Revenue received by the Tenant during each of the rent-free periods will be counted for the purpose of calculation of the Additional Rent for that relevant year of the Term and the Tenant shall also pay to the Landlord the Food and Beverage Charges during the rent-free periods.

User : To use the Premises for the purpose of a high class hotel and providing such types of services that are normally provided by other high class hotels in Hong Kong.

Commencement of business at the Premises : The Tenant shall commence business as a hotel at the Premises on or before 21 November 2013.

Opening contribution : The Landlord shall contribute a sum in a total amount of HK\$9.7 million towards the actual cost incurred by the Tenant in setting up a first class design hotel at the Premises and such Opening Contribution shall be paid by the Landlord to the Tenant within 60 days after signing of the Lease Agreement by the Tenant.

Transfer of restaurant licence : At the expiration or sooner determination of the Term, the Tenant shall at the request of the Landlord assign or transfer or procure to assign or transfer the general restaurant licence and

the liquor licence or related licences (collectively the “**Licences**”) for operating the then existing Food and Beverage Outlets at the Premises to the Landlord or such person or corporation nominated by the Landlord without any consideration, compensation or payment. The Tenant shall not transfer or assign the Licences to any person or corporation for consideration or otherwise during the Term without the consent of the Landlord. All charges relating to the aforesaid assignment or transfer of the Licences shall be borne by the Landlord.

Transfer of hotel licence : At the expiration or sooner determination of the Term, the Tenant shall at the request of the Landlord assign or transfer or procure and ensure the assignment or transfer of the hotel licence used in the operation of the Premises as a hotel (the “**Hotel Licence**”) to the Landlord or such person or corporation nominated by the Landlord (the “**Transferee**”) without any consideration, compensation or payment. Without the consent of the Landlord, the Tenant or the holder of the Hotel Licence shall not transfer or assign the Hotel Licence to any person or corporation for consideration or otherwise. All charges relating to the aforesaid assignment or transfer of the Hotel Licence shall be borne by the Landlord.

ANNUAL CAP AMOUNTS

The annual aggregate maximum amounts payable by the Tenant to the Landlord under the Lease Agreement for each of the 12 financial years ending 31 December 2024 will be subject to the following cap amounts (the “**Annual Cap Amounts**”):

For the year ending	Annual Cap Amount (HK\$)
31 December 2013	2,300,000
31 December 2014	20,000,000
31 December 2015	25,000,000
31 December 2016	28,000,000
31 December 2017	35,300,000
31 December 2018	37,000,000
31 December 2019	38,200,000
31 December 2020	40,000,000
31 December 2021	41,300,000
31 December 2022	43,000,000
31 December 2023	45,000,000
31 December 2024	20,000,000

The Annual Cap Amounts were determined with reference to the annual Base Rent, together with the estimated Annual Additional Rent and the estimated annual Food and Beverage Charges. The Base Rent was determined with reference to the market rental of the Premises endorsed by a valuation certificate dated 28 November 2013 prepared by DTZ Debenham Tie Leung Limited, an independent property valuer. The estimated

Annual Additional Rent was determined with reference to the estimated Gross Annual Room Revenue; and the estimated annual Food and Beverage Charges was determined with reference to the projected number of customers and the average bill amount for each customer in the Food and Beverage Outlets and its estimated annual growth.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

With the aim to realize the synergy effect among the hotel business of the Group in Hong Kong, it is expected that the entering into of the Lease Agreement and the operation of a new designer lifestyle hotel in Wanchai on the Hong Kong Island will facilitate the Group to formulate a long-term strategic plan for the development of business of the Hotel. The Board is of the view that the entering into of the Lease Agreement is consistent with the Group's development strategies and business plans to diversify its hotel business, and will contribute to the expansion of the Group's hotel business, with a view to improving the income stream of, and providing additional revenue to, the Group.

The terms of the Lease Agreement (including the Base Rent, Additional Rent and Food and Beverage Charges) were determined after arm's length negotiations between the parties, taking into account the market rental of the Premises endorsed by a valuation certificate dated 28 November 2013 prepared by DTZ Debenham Tie Leung Limited, an independent property valuer, as well as with reference to standard terms of lease agreements adopted for lease of similar properties in relation to hotel business.

In light of the above, the Directors (including the independent non-executive Directors) are of the opinion that the Lease Agreement 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 were fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Landlord is an indirect wholly-owned subsidiary of Henderson Land Development Company Limited which in turn is a substantial shareholder of the Company, therefore the Landlord is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since the highest of the Annual Cap Amounts exceeds HK\$1,000,000 and certain of the relevant applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but all such applicable percentage ratios are below 5%, the entering into of the Lease Agreement is only subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules.

As the duration of the Lease Agreement exceeds 3 years, pursuant to Rule 14A.35(1) of the Listing Rules, the Company has engaged an Independent Financial Adviser to review the Lease Agreement, who has confirmed that it is in the normal business practice for contracts of this type to be of such duration. Please refer to the section headed "The View of the Independent Financial Adviser" below for further details of the Independent

Financial Adviser's opinion in this regard.

Since both Dr. Lee Shau Kee and Mr. Lee Ka Shing, being Directors, through companies indirectly controlled by the private trust of the family of Dr. Lee Shau Kee, are deemed to be interested in the shares in Henderson Land Development Company Limited, they have material interest in the Lease Agreement and the transactions contemplated thereunder. The Board had delegated the power to consider and approve all connected transactions of the Company to the Company's Audit Committee. As both Dr. Lee Shau Kee and Mr. Lee Ka Shing are not members of the Audit Committee, they have not voted on the relevant board resolution(s) in respect of the Lease Agreement and the transactions contemplated thereunder.

THE VIEW FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser considers that owing to the unique nature of the hotel industry, hotel lease contracts are commonly long term transactions. A contract of a three-year duration is not practical and commercially sensible because from the perspective of the hotel tenants, they usually incur substantial initial outlay for the marketing and branding of new hotels and it may take several years to establish systems which fit in particular requirements of the hotels to achieve the desired results. In addition, having a longer duration of more than three years for the Lease Agreement will allow the Group to formulate long term strategic plan for the development of the Hotel, which aims to realise the synergy effect among the hotel business of the Group in Hong Kong. Tenancies of a short duration might give rise to business uncertainties and may be commercially disadvantageous to the Hotel.

Having taken into account the factors set out above, together with a review of long term hotel lease agreements entered into by various companies listed on the Stock Exchange, the Independent Financial Adviser was of the opinion that the duration of the Lease Agreement, being 10 years and 6 months, is justifiable and in the normal business practice for contracts of this type to be of such duration.

GENERAL

The Company's principal activities consist of hotel business, food and beverage operations, travel operation and property business.

The Tenant is principally engaged in the operation of hotel business.

The principal business of the Landlord is property development and investment.

DEFINITIONS

“Additional Rent” being the additional rent payable by the Tenant to the Landlord with reference to the amount of the Gross Annual Room Revenue, the calculation of which is summarized in the sub-section headed “Rent” under the section headed “THE LEASE AGREEMENT” in this announcement

“Annual Additional Rent” the Additional Rent in respect of each Relevant Year for the Term, the calculation of which is summarized in the

	sub-section headed “Rent” under the section headed “THE LEASE AGREEMENT” in this announcement
“Annual Cap Amounts”	the annual aggregate maximum amounts payable by the Tenant to the Landlord under the Lease Agreement for each of the 12 financial years ending 31 December 2024 as set out under the section headed “ANNUAL CAP AMOUNTS” in this announcement
“Base Rent”	the base rent payable by the Tenant to the Landlord under the Lease Agreement, being a sum of HK\$1,320,000 per month
“Board”	the board of Directors
“Company”	Miramar Hotel and Investment Company, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Food and Beverage Charges”	15% of the monthly Food and Beverage Revenue of the Tenant’s business at the Food and Beverage Outlets, payment of which is summarized in the sub-section headed “Food and Beverage Charges” under the section headed “THE LEASE AGREEMENT” in this announcement
“Food and Beverage Outlets”	the restaurants and food and beverage outlets at the Premises
“Food and Beverage Revenue”	the aggregate of all sums of money or other consideration received or receivable in each month for all goods, food, beverages, liquors and drinks of any kinds sold consumed or otherwise disposed of and for all services sold or performed and from all business of any nature whatsoever conducted or operated by the Tenant at in from or upon the Food and Beverage Outlets at the Premises (save and except the minibar services provided in each hotel room)(inclusive of service charge but exclusive of tax (if any) paid or accounted for by the Tenant to the taxing authority or any discount promotional or complimentary bills arising from the normal course of the Tenant’s business at the Food and Beverage Outlets)
“Gross Annual Room Revenue”	in relation to any Relevant Year, the aggregate of the amount or the value of the consideration received or receivable by the Tenant in respect of such period from all business carried on in upon or from the Premises

including, among others, (a) the consideration received or receivable for the provision of accommodation and the performance of other services (such as laundry, telephone, dry cleaning services, etc.) and all other sales related to the operation or the use of the Premises as an hotel, (b) all commissions; and (c) all rents, licence fees or other value or consideration from any part of the Premises operated for the purpose of retail, other sales, business centres, facilities for fitness, health and sports, function rooms, exhibition facilities or conference facilities or in respect of machines and other devices providing services or amusement of any kind in the Premises (excluding the provision of catering, food and beverage services) and from any licensees or concessionaries in any part of the Premises

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hotel”	a 33-storey hotel with 91 rooms known as “MIRA MOON” located at No.388 Jaffe Road, Wanchai, Hong Kong
“Independent Financial Adviser”	Platinum Securities Company Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed for the purposes of Rule 14A.35(1) of the Listing Rules
“Landlord”	Intelligent House Limited, a company incorporated in Hong Kong with limited liability
“Lease Agreement”	the lease agreement dated 5 December 2013 entered into between the Landlord and the Tenant in respect of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Premises”	the remaining portion of section A of Marine Lot No.436 together with the building erected thereon now known as “MIRA MOON” at No.388 Jaffe Road, Wanchai, Hong Kong
“Relevant Year”	each and every year of the Term
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Tenant”	Mira Moon Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“Term”	the term of the Lease Agreement, being a period commencing from 21 November 2013 to 20 May 2024 (both days inclusive)
“%”	per cent

By Order of the Board
 Chu Kwok Sun
Corporate Secretary

Hong Kong, 5 December 2013

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