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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

Reference is made to the announcement of the Company dated 7 June 2016 relating to the 2016 Renewed Sub-Lease between Profit Advantage Limited (a wholly-owned subsidiary of the Company) (as tenant) and IFC Development Limited (an associate of the substantial shareholder of the Company) (as landlord) in respect of the Premises. The 2016 Renewed Sub-Lease had expired on 6 July 2019. As the Parties were unable to reach consensus on the rent for a further term of three years, the Parties had on 4 July 2019 entered into a letter agreement whereby the Landlord continued to permit the Tenant to use the Premises for a short term of 2 months (from 7 July 2019 to 6 September 2019) at a Basic Rent of HK\$1,117,970 per calendar month together with the Turnover Rent (exclusive of rates, air-conditioning and management charges, promotional levy and all other outgoings (if any)). The purpose of the Short Term Sub-Lease is to allow time for the Parties to continue to negotiate on the terms of a longer sub-lease. The Short Term Sub-Lease is a de minimis transaction for the Company under Chapter 14A of the Listing Rules.

On 4 December 2019, the Parties have reached consensus on the rent for a longer sub-lease and the Parties together with MTRC (being the lessor of the Head Lease pursuant to which the Landlord is permitted to enter into sub-leases in respect of the Premises subject to the Head Lease) entered into the New Sub-Lease in relation to the leasing of the Premises for a further term of 2 years and 10 months commencing from 7 September 2019 to 6 July 2022 (both days inclusive) at a Basic Rent of HK\$1,038,115 per calendar month for the first six months and HK\$1,117,970 per calendar month for the seventh to thirty-fourth months plus the Turnover Rent (exclusive of rates, air-conditioning and management charges, promotional levy, utility and other charges and all other outgoings (if any)).

As the Landlord is an associate of Henderson Land Development Company Limited, which in turn is a substantial shareholder 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 (being fixed payments) constitutes a one-off connected transaction for the Company; and (b) the payment of the Turnover Rent, air-conditioning and management charges and promotional levy 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 (when aggregated with the Short Term Sub-Lease) on the basis of the value of the right-of-use asset, being the aggregate discounted amount of the Basic Rent, exceed 0.1% but are less than 5%; and (ii) one of the applicable percentage ratios in respect of the New Sub-Lease (when aggregated with the Short Term Sub-Lease) on the basis of the highest annual cap amount of the aggregate of Turnover Rent, air-conditioning and management charges and promotional levy exceeds 0.1% but all of them are less than 5%, the New Sub-Lease 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.

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#### **DETAILS OF THE NEW SUB-LEASE**

The principal terms of the New Sub-Lease are set out as follows: -

Date:	4 December 2019
Parties:	Profit Advantage 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:	Two years and ten months commencing from 7 September 2019 to 6 July 2022 (both days inclusive)

- Rent: A Basic Rent payable on a monthly basis (exclusive of rates, air-conditioning and management charges, promotional levy, utility and other charges and all other outgoings (if any)) during the lease term is HK\$1,038,115 per calendar month for the first six months and HK\$1,117,970 per calendar month for the seventh to thirty-fourth months, plus the Turnover Rent representing the amount by which 11% of the Gross Receipts exceeds the Basic Rent per calendar month.
- 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\$4,967,630.40 (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) 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 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\$491,906.80 per month (subject to revision from time to time).
- Option to renew sub-lease: Subject to the New Sub-Lease, the Tenant has an option to renew the New Sub-Lease for a further term of three years from the expiry of the New Sub-Lease on 6 July 2022 (the “**Initial Term**”) by giving the Landlord prior written notice not earlier than seven months but not later than six months before the expiry of the Initial Term and provided that the monthly basic rent for the renewed term shall be further agreed between the Parties which shall not be less than HK\$1,117,970 per calendar month. The parties to the New Sub-Lease will enter into a renewal sub-lease upon the Tenant exercising the renewal option.
- Break clause: If the average of the Gross Receipts of the Tenant for any 12 consecutive calendar months is less than HK\$500 per square foot per calendar month (i.e. approximately HK\$7,985,500 per calendar month based on approximately 15,971 square feet lettable area), the Landlord shall have the right to terminate the New Sub-Lease by giving not less than 90 days’ written notice to the Tenant.

## 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 in accordance with HKFRS 16. 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 and promotional levy 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, air-conditioning and management charges and promotional levy 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 and promotional levy 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 and promotional levy 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 and promotional levy, 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 table below sets out the relevant cap amounts of the aggregate of Turnover Rent, air-conditioning and management charges and promotional levy in respect of the relevant period or financial year stated below:

<b>For the period from 7 July 2019 to 31 December 2019 <sup>(Note)</sup></b>	<b>For the financial year ending 31 December 2020</b>	<b>For the financial year ending 31 December 2021</b>	<b>For the period from 1 January 2022 to 6 July 2022</b>
HK\$3,100,000	HK\$6,900,000	HK\$7,400,000	HK\$3,900,000

*Note:*

*For this period, the cap amount takes into account the aggregate amount of Turnover Rent, air-conditioning and management charges and promotional levy (i) paid in respect of the period from 7 July 2019 to 6 September 2019 under the Short Term Sub-Lease and (ii) estimated to be payable from 7 September 2019 to 31 December 2019 under the New Sub-Lease (on an aggregated basis).*

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS**

The Company, through its wholly-owned subsidiary, Profit Advantage Limited, has commenced operating two 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 the two up-market restaurants and bring profits to the Group.

The terms of the New Sub-Lease were determined after arm's length negotiations between the Parties. The Basic Rent under the New Sub-Lease was determined with reference to market rental of the Premises endorsed by a valuation certificate dated 24 October 2019 by Cushman & Wakefield Limited, an independent property valuer.

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.

## **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 a substantial shareholder 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 (being fixed payments) constitutes a one-off connected transaction for the Company; and (b) the payment of the Turnover Rent, air-conditioning and management charges and promotional levy under the New Sub-Lease (being variable payments) constitutes a continuing connected transaction for the Company.

Mr. Lee Ka Shing, the Chairman and Chief Executive Officer, is regarded as materially interested in the transactions contemplated under the New Sub-Lease 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 Mr. 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.

Given that (i) the applicable percentage ratios in respect of the New Sub-Lease (when aggregated with the Short Term Sub-Lease) on the basis of the value of the right-of-use asset, being the aggregate discounted amount of the Basic Rent, exceed 0.1% but are less than 5%; and (ii) one of the applicable percentage ratios in respect of the New Sub-Lease (when aggregated with the Short Term Sub-Lease) on the basis of the highest annual cap amount of the aggregate of Turnover Rent, air-conditioning and management charges and promotional levy exceeds 0.1% but all of them are less than 5%, the New Sub-Lease 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 transactions for the Company) annual review requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Group's principal activities consist of property rental, hotels and serviced apartments, food and beverage operation and travel operation. The principal activities of the Landlord are property investment, hotel and serviced apartment operations, and investment holding. The principal activities of Henderson Land Development Company Limited and its subsidiaries are property development and investment, construction, hotel operation, finance, department store operation,

project management, property management and investment holding.

## DEFINITIONS

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

“2016 Renewed Sub-Lease”	the sub-lease dated 7 June 2016 entered into between the Landlord and the Tenant in respect of the Premises for a renewal term of 3 years commencing from 7 July 2016 to 6 July 2019
“associate”	has the meaning ascribed thereto under the Listing Rules
“Basic Rent”	the basic rent under the Short Term Sub-Lease or the basic rent under the New Sub-Lease (as the case may be) in respect of the Premises paid/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 in respect of the Premises excluding 10% service charges
“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 the Premises
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants from time to time
“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

“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”	a sub-lease dated 4 December 2019 entered into between the Landlord and the Tenant in respect of the Premises for a term of two years and ten months commencing from 7 September 2019 to 6 July 2022 (both days inclusive)
“Parties”	the Landlord and the Tenant collectively
“Premises”	Shop Nos. 3101-3107 on Level Three of ifc Mall
“Short Term Sub-Lease”	a short term sub-lease pursuant to a letter agreement dated 4 July 2019 entered into between the Landlord and the Tenant in respect of the Premises for a term of 2 months commencing from 7 July 2019 to 6 September 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	Profit Advantage Limited (億萬全有限公司), a wholly-owned subsidiary of the Company
“Turnover Rent”	the additional rent calculated as the excess of 11% of the Gross Receipts against the Basic Rent under the Short Term Sub-Lease or the New Sub-Lease (as the case may be)

By Order of the Board  
**Chu Kwok Sun**  
Corporate Secretary

Hong Kong, 4 December 2019

*As at the date of this announcement, (i) the executive Directors are Mr. 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, Mr. Dominic Cheng Ka On and Mr. Alexander Au Siu Kee; and (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 and Mr. Thomas Liang Cheung Bui.*