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)

Executive Directors
Dr. Lee Ka Shing *(Chairman and CEO)*
Dr. Colin Lam Ko Yin
Mr. Richard Tang Yat Sun
Mr. Eddie Lau Yum Chuen
Mr. Norman Ho Hau Chong

Non-Executive Directors
Dr. Patrick Fung Yuk Bun
Mr. Dominic Cheng Ka On

Independent Non-Executive Directors
Dr. Timpson Chung Shui Ming
Mr. Howard Yeung Ping Leung
Mr. Thomas Liang Cheung Biu
Mr. Wu King Cheong
Mr. Alexander Au Siu Kee
Mr. Benedict Sin Nga Yan
Ms. Wong Yeung Fong

Registered Office:
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132 Nathan Road
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Kowloon
Hong Kong

12 March 2025

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED ACQUISITION OF INTERESTS IN
SOLUTION RIGHT LIMITED
AND
NOTICE OF THE EGM

Reference is made to the announcement of the Company dated 15 January 2025. The purpose of this circular is (i) to provide the Shareholders with further information on the S&P Agreement and the Transaction; (ii) to set out the recommendations from the Independent Board Committee to the Independent Shareholders; (iii) to set out the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) to give the Shareholders a notice of the EGM and other information in accordance with the requirements of the Listing Rules.

INTRODUCTION

On 15 January 2025, the Board announced that the Purchaser (a wholly-owned subsidiary of the Company), the Vendor (a wholly-owned subsidiary of Henderson Land) and Henderson Land (as guarantor of the Vendor) entered into the S&P Agreement, pursuant to which the Purchaser has agreed conditionally to acquire from the Vendor the Sale Interest, which comprises the Sale Share (representing the one and only issued share in the Target Company) and the Sale Loan, at the total consideration of HK$3,120,000,000 (subject to adjustments).

THE S&P AGREEMENT

The principal terms of the S&P Agreement are set out below:

Date:

15 January 2025

Parties:

(i) The Vendor (a wholly-owned subsidiary of Henderson Land) as vendor;

(ii) the Purchaser (a wholly-owned subsidiary of the Company) as purchaser; and

(iii) Henderson Land as the guarantor of the Vendor.

Subject matter:

The Vendor agreed to sell and assign, and the Purchaser agreed to purchase and take the assignment of, the Sale Interest (comprising the Sale Share and the Sale Loan) free from all encumbrances.

Consideration and payment:

The Consideration for the Sale Interest is the Initial Consideration in the amount of HK$3,120,000,000 (which is equal to the Agreed Acquisition Value), plus or minus any adjustment(s) based on the Completion NAV of the Target Company.

The Purchaser will pay the Consideration to the Vendor in cash in the following manner:

(i) HK$312,000,000 (the "**Deposit**"), representing 10% of the Initial Consideration, has been paid to the Vendor upon signing of the S&P Agreement as the deposit;

(ii) HK$727,896,000, representing 23.33% of the Initial Consideration, as adjusted by either adding the Completion NAV (if it is a positive figure) of the Target Company or deducting the absolute value of the Completion NAV (if it is a negative figure) of the Target Group calculated with reference to the Pro Forma Completion Accounts as prepared by the Vendor, will be payable to the Vendor on Completion;

(iii) subject to Completion having taken place, HK$1,039,896,000, representing 33.33% of the Initial Consideration, will be payable to the Vendor within seven (7) business days after the day on which the Building Authority issues its consent to the commencement of building works of the New Hotel;

(iv) HK$1,015,208,000, being the sum representing 33.34% of the Initial Consideration less the Retention Money, will be payable to the Vendor at Handover; and

(v) HK$25,000,000 ("**Retention Money**") (being the balance of the Consideration) will be payable to the Vendor within 5 business days after the Purchaser receives the Defects Rectification Certificate.

The Pro Forma Completion Accounts will be audited by the auditors within sixty (60) days after Completion (the "**Audited Completion Accounts**"), and any difference in the amount of the Completion NAV of the Target Company based on the Pro Forma Completion Accounts and the Audited Completion Accounts (the "**NAV Difference**") will be determined. The NAV Difference will be payable by the Vendor or the Purchaser, as the case may be, to the other in cash within five (5) business days after the delivery of the Audited Completion Accounts.

The Consideration will be funded through internal resources of the Group.

As at 10 January 2025, the Appraised Gross Development Value of the Target Property was HK$3,120,000,000, according to the valuation performed by the Independent Property Valuer. The Initial Consideration was determined after arm's length negotiations between the parties to the S&P Agreement with reference to the Appraised Gross Development Value. The full text of the valuation report of the Target Property is set out in Appendix V to this circular.

Conditions:

Completion of the Acquisition is conditional upon the satisfaction (or waiver, where applicable) of the following Conditions no later than the Long Stop Date:

(i) the Independent Shareholders having approved the entering into and the performance of the S&P Agreement and the Transaction; and

(ii) the Purchaser being satisfied with Far Union's good title to the Target Property.

The Condition in (i) above cannot be waived by any party to the S&P Agreement. The Purchaser may, at its sole discretion, waive the Condition in (ii) above by written notice to the Vendor.

As at the Latest Practicable Date, none of the Conditions have been fulfilled. With respect to Condition in (ii) above, based on the due diligence performed by the Company's legal advisers, as at the Latest Practicable Date, the Purchaser is satisfied with Far Union's good title to the Target Property. Notwithstanding the above, up to Completion, the Purchaser shall be entitled to raise requisition or objection to Far Union's title to the Property in respect of any encumbrance, title deed or other document which has not been disclosed to the Purchaser.

If the Conditions shall not be fulfilled or waived (where applicable) on or before the Long Stop Date, the S&P Agreement may be terminated by the Vendor or the Purchaser and be of no further effect and force. Upon such termination, the Vendor shall return the Deposit to the Purchaser in full forthwith without interest, and no party to the S&P Agreement shall be entitled to any rights or benefits or be under any obligations or have any liability under or in respect of the S&P Agreement save in respect of any antecedent breach.

Completion:

Completion shall take place on the 5th business day after the Conditions are fulfilled or waived, where applicable (or such other date as the Vendor and the Purchaser may agree in writing).

Upon Completion, the companies within the Target Group (including Far Union which is the sole owner of the Target Property) will become indirect wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Group's financial statements.

Construction of the New Hotel:

The Target Property will not be handed over to the Purchaser at Completion. The Vendor shall procure the demolition of the existing building erected on the Target Property, and the redevelopment of the Target Property into the New Hotel based on the approved general building plans, incorporating the Key Features and on Mira Moon Standard or better, and in accordance with all applicable laws and regulations. The Vendor shall procure the completion of the Redevelopment with all due expedition, and on or before the Latest Handover Date. Apart from the Purchaser's payment obligation for the Consideration, the Group (including the Target Group upon Completion) shall not be required to make any other payment to the Vendor or any other company within the HLD Group in relation to the Redevelopment or to any building contractors in relation to the redevelopment contracts.

The New Hotel will be adjoining to the Old Wing, a hotel operated by the Group. Based on the relevant general building plans which have been approved by the Building Authority, the New Hotel will be a 23-storey hotel cum commercial complex erected above two basement storeys with a total GFA of approximately 137,885 square feet, comprising 99 hotel guestrooms, shops, restaurants, banquet halls, and approximately 21 private car parking spaces and 2 motor parking spaces.

The Vendor will have the right to amend or alter the building plans and/or the Key Features of the New Hotel and submit the amended building plans to the Building Authority for approval at such time(s) and in such manner as the Vendor reasonably considers necessary or expedient. The prior written consent of the Purchaser will be required for such amendment or alteration which constitutes a Major Amendment.

As soon as practicable after Completion, the Vendor shall procure a company within the HLD Group to act as the Project Manager in relation to the Redevelopment and the Purchaser shall procure Far Union to appoint the Project Manager. The appointment of the Project Manager shall be for a term ending on the date on which the Defects Rectification Certificate is delivered to the Purchaser. No remuneration or any other fee shall be payable to the Project Manager by Far Union or any other company within the Target Group or the Group.

The Project Manager shall be authorised by Far Union to, on behalf of Far Union, negotiate and enter into contracts, agreements and arrangements in connection with the Redevelopment with any third party entities. The Vendor undertakes in favour of the Purchaser to assume, duly perform, discharge and be liable for all duties, obligations (including without limitation, the payment obligations) and liabilities on the part of any company within the Target Group pursuant to all and any such redevelopment contracts entered into by Far Union or the Project Manager at any time (whether prior to, on or after the date of the S&P Agreement), in accordance with their respective terms.

Key Features of the New Hotel:

1. Total GFA	:	Approximately 137,885 square feet	
2. Number of hotel guestrooms	:	99 hotel guestrooms	
3. Number of storeys	:	23 storeys above 2 basement storeys	
4. Number of carparking spaces	:	Approximately 21 private carparking spaces and 2 motor parking spaces	
5. Details of layout	:	**Floor**	**Layout**
		Basement Floor 2	Driveway, car parking spaces and plant rooms
		Basement Floor 1	Driveway, car parking spaces and plant rooms

Ground Floor	Driveway, drop-off area, shop, entrance lobby and plant rooms
1st Floor	Shop, plant rooms and ancillary accommodation
2nd Floor	Hotel lobby, shop, back-of-house area, plant rooms and ancillary accommodation
Each of 3rd to 9th Floors	Function room, kitchen, back-of-house area, plant rooms and ancillary accommodation
10th Floor	Back-of-house area, plant rooms and ancillary accommodation
Each of 11th to 22nd Floors	9 hotel guestrooms; plant rooms and ancillary accommodation
23rd Floor	5 hotel guestrooms; plant rooms and ancillary accommodation
25th to 26th Floors	2 hotel guestrooms; plant rooms and ancillary accommodation
Roof and Upper Roofs	Plant rooms and ancillary accommodation

Note: The designations of 4th, 13th, 14th and 24th Floors are to be omitted.

6. Building materials, fittings, finishings and appliances adopted, used or included	On Mira Moon Standard, except that the function room and kitchen (which are not present in Mira Moon) shall be on the Old Wing Standard and the shops shall be in bare shell

Handover:

Vacant possession of the New Hotel will be delivered by the Vendor to the Purchaser on or before the Latest Handover Date, which is currently expected to fall on the last quarter of 2029, or such other date as the Vendor and the Purchaser may agree in writing.

The Vendor will procure all permits, licences and certificates (the "**Applicable Hotel Licences**") which are required to be issued by competent authorities under the applicable laws and regulations for the operation of all reasonable and proper functions of the New Hotel as a fully operational hotel in Hong Kong (including but not limited to the hotel licence but excluding any liquor licence, for which the Group intends to apply on its own) will be issued in the name of Far Union (or any other person designated by the Purchaser) before the Handover and no later than the Latest Handover Date. Therefore, the New Hotel will be fit for use as a hotel upon Handover.

Accordingly, the Purchaser will indirectly acquire the New Hotel under the Transaction.

If Handover does not take place on or before the Latest Handover Date (subject to any Unforeseeable Circumstance Time Extension) other than solely due to the default of the Purchaser, the Vendor shall pay to the Purchaser upon Handover interest accrued on all part(s) of the Consideration already paid by the Purchaser to the Vendor under the S&P Agreement, calculated at the rate of 0.5% per annum below the prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited in Hong Kong Dollars from time to time, for the period from the Latest Handover Date until the day on which Handover actually takes place (both days inclusive).

Defects Liability Period:

The Vendor shall procure the Authorized Person to produce and deliver to the Vendor and the Purchaser within fourteen (14) days after the expiration of the Defects Liability Period a list (the "**Defects List**") containing (i) all such defects, shrinkages and other faults to the Target Property, the Redevelopment works and/or the New Hotel or the fittings, finishes or appliances therein as notified in writing by the Purchaser or any company within the Target Group to the Vendor from time to time and no later than the expiry of the Defects Liability Period, and (ii) in addition to those referred to in (i) above, all such defects, shrinkages and other faults to the Target Property, the Redevelopment works and/or the New Hotel or the fittings, finishes or appliances therein which shall appear before the expiry of the Defects Liability Period and shall be considered by the Authorized Person as necessary to be remedied and rectified.

The Vendor shall, as soon as reasonably practicable after the receipt of the written notification given by the Purchaser or the relevant company within the Target Group which is delivered no later than the expiry of the Defects Liability Period and/or the Defects List from the Authorized Person, remedy and rectify all such defects, shrinkages and other faults so notified or specified and deliver to the Purchaser a certificate (the "**Defects Rectification Certificate**") issued by the Authorized Person confirming that all such defects, shrinkages and other faults have been made good to his/her satisfaction.

Warranties and indemnities:

The Vendor has provided customary warranties, undertakings, and indemnities for a transaction of this nature in favour of the Purchaser. In particular, the Vendor shall indemnify the Purchaser and the Target Group for any losses, damages, costs and expenses suffered or incurred as a result of or in connection with any breach or non-compliance of the agreements, obligations or undertakings on the part of the Vendor under the S&P Agreement in relation to the Redevelopment; any failure of the Vendor in procuring the redevelopment of the Target Property be completed and made fit for occupation (including the issuance of the Occupation Permit) in accordance with the Order for Sale within the Statutory Redevelopment Period and/or the completion of the Redevelopment, the issuance of all Applicable Hotel Licences and/or the delivery of vacant possession of the New Hotel to the Purchaser on or before the Latest Handover Date.

Payment relating to utilised profits tax credit:

The Purchaser shall pay to the Vendor an amount equivalent to the profits tax credit which arises from the accumulated tax loss of each of Far Union and Ever East as at the Completion Date to the extent that it is utilised by Far Union or Ever East in offsetting its assessable profits for profits tax payable after Completion, within fourteen (14) business days after the relevant notice of assessment is received by Far Union or Ever East (as the case may be) from the Inland Revenue Department. As at 31 October 2024, the Target Group had an accumulated tax loss in the aggregate amount of HK$177,954,508 as shown in the accountants' report on the Target Group in Appendix II to this circular, which represents a profits tax credit of HK$29,362,494 using the current profits tax rate of 16.5%.

Payment relating to Stamp Duty Refund:

As at 31 October 2024, the Target Group had prepaid the Prepaid Stamp Duty in the aggregate amount of approximately HK$133,062,546, which formed part of its consolidated current assets of the Target Group as shown in the accountants' report on the Target Group in Appendix II to this circular. The Completion NAV will disregard any Prepaid Stamp Duty and therefore, the Prepaid Stamp Duty will not be taken into account in the calculation of the Consideration.

The Purchaser has provided an undertaking in favour of the Vendor that subject to Completion taking place, the Purchaser shall pay to the Vendor an amount equivalent to the Stamp Duty Refund within sixty (60) days after the Purchaser or any member of the Target Group actually receives such Stamp Duty Refund from the Inland Revenue Department.

Refund of Prepaid Building Order Costs:

As at 31 October 2024, Far Union had paid the Prepaid Building Order Costs to the Trustee's solicitors as stakeholders in the aggregate amount of HK$932,000, which formed part of the consolidated current assets of the Target Group as shown in the accountants' report on the Target Group in Appendix II to this circular. The Completion NAV will disregard any Prepaid Building Order Costs and therefore, the Prepaid Building Order Costs will not be taken into account in the calculation of the Consideration.

Pursuant to an undertaking given by the Trustee's solicitors, the Prepaid Building Order Costs (or the balance thereof) shall be released and refunded to Far Union within seven (7) business days upon production of documentary evidence on either compliance with the relevant building orders and notices affecting the Lot or the Target Property or demolition of the building(s) on the Lot. The Purchaser has provided an undertaking in favour of the Vendor that subject to Completion taking place, the Purchaser shall pay to the Vendor an amount equivalent to the refund of the Prepaid Building Order Costs (or the balance thereof) received from the Trustee's solicitors within thirty (30) days after the actual receipt of the same by the Purchaser or any member of the Target Group.

Vendor's guarantor:

The Vendor's obligations under the S&P Agreement are guaranteed by Henderson Land.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The acquisition of the New Hotel will form an important part of the Group's strategic development plan which will benefit the Group's hotel operation as well as its property rental operation. The New Hotel will attract high-end patrons and achieve a higher average room rate. The acquisition will improve the commercial value of Mira Place through relocating approximately 60,000 square feet in the Old Wing to the New Hotel, enabling the retail cluster to reach its critical mass and strengthening the 5-star hotel status of the Old Wing. It is expected that the operational efficiency of the Group's hotel operation will be enhanced and the New Hotel will bring synergistic benefits to the surrounding businesses of the Group. Furthermore, there is a possibility that the plot ratio and the maximum building height applicable to the New Hotel may be increased in the future, thereby enhancing the value of the New Hotel.

More specifically, the Company considers that the Transaction will be beneficial to the Company and the Shareholders as a whole as a result of the following:

(1) The New Hotel will attract high-end patrons and achieve a higher average room rate

The New Hotel will be adjoining to the Old Wing. Based on the relevant general building plans which have been approved by the Building Authority, the New Hotel will comprise a 23-storey hotel cum commercial complex erected above two basement storeys with a total GFA of approximately 137,885 square feet and a total Construction Floor Area of approximately 196,161 square feet, comprising 99 hotel guestrooms, shops, restaurants, banquet halls, and approximately 21 private car parking spaces and 2 motor parking spaces.

The New Hotel is expected to offer a total of eight suites (including four presidential suites) and 91 standard guestrooms. Certain rooms at the higher floors of the New Hotel will enjoy the scenic view of the neighboring Kowloon Park or the harbour view. The average size of the standard guestrooms of the New Hotel will be approximately 350 square feet, being about 30% higher than that of the Old Wing (which is approximately 270 square feet). The floor-to-floor height of the standard guestrooms of the New Hotel will be approximately 25% higher as compared to the Old Wing. The New Hotel will have a covered drop-off area on the ground floor, from which vehicles can access the car parks on the two basement floors. The reception lobby on 2/F of the New Hotel will have a floor-to-floor height of approximately 9 metres *(see artist's impression on page 21 of this circular)*. The Company believes that the New Hotel will attract high-end patrons, thereby achieving a higher average room rate of the hotel.

For comparison purpose only, if all the guestrooms of the New Hotel were of standard guestroom size and if the GFA of the New Hotel currently designated for retail, food and beverage and event function use was also made use to offer additional guestrooms, the total number of standard guestrooms that the New Hotel could provide would rise to 222, representing an increase of around 1.2 times from the 99 standard guestrooms and suites currently expected to be provided.

Floor-to-floor height of the reception hall of the New Hotel measures 9 metres, highlighting the hotel's deluxe 5-star status.
(Artist's impression for illustration purposes only)

(2) Increasing the commercial value of Mira Place by relocating approximately 60,000 square feet in the Old Wing to the New Hotel, enabling the retail cluster to reach its critical mass and strengthening the 5-star hotel status of the Old Wing

After the Handover, the restaurants, function rooms and common areas which are currently located on the ground floor, 3/F and 5/F of the Old Wing may be considered to be relocated to 2/F to 9/F of the New Hotel. Accordingly, an aggregate of approximately 60,000 square feet on the ground floor, 3/F and 5/F of the Old Wing, which is similar to that of 2/F to 9/F of the New Hotel, can be vacated and rented out, thereby increasing the total retail area of Mira Place 2 by more than 50% to approximately 160,000 square feet. Such relocation will unlock the business potential for a comprehensive reconfiguration of the podium of the Old Wing. Taking into consideration such retail area released and the considerably higher unit rent expected to be generated from such space in view of its prime location, the rental income of Mira Place 2 can be significantly enhanced. Moreover, the replanning can further strengthen the 5-star hotel status of the Old Wing.

After relocating approximately 60,000 square feet in the Old Wing to the New Hotel, the aggregate retail area of Mira Place 1 and Mira Place 2 will increase to approximately 530,000 square feet. This will enable the retail cluster to reach its critical mass, creating a more vibrant shopping environment for consumers and increasing its attractiveness to tenants.

(3) Enhancing operational efficiency of the hotel operation and bringing synergistic benefits to the surrounding businesses of the Group

As the New Hotel will be adjoining to the Old Wing, it will benefit from being managed under the same management team of the Old Wing and utilize the operational capability of the Old Wing. It is expected that no additional staffing is required for the back office and administration and hotel management functions of the New Hotel, and there will only be a relatively marginal increase in headcounts for the hotel operation (such as the front office, housekeeping and security). On the other hand, costs can be saved through discounts on bulk purchase of hotel amenities and increased contract sums with suppliers. Therefore, it is expected that the operational efficiency of both the New Hotel and the Old Wing will be enhanced.

The New Hotel will form an important part of the Group's strategic development plan. Not only will the New Hotel leverage on the Group's expertise in hotel management and operation, it is expected to drive business growth of the Group and bring synergistic benefits to the surrounding businesses of the Group (including the Old Wing and Mira Place).

(4) The New Hotel could help relieve the supply pressure of guestrooms of the Old Wing

The New Hotel could help relieve the supply pressure of guestrooms of the Old Wing, as well as expanding the Group's overall capacity to meet the potential growth in hotel demand. Moreover, after the acquisition of the New Hotel, the Group can have greater flexibility in allocating guestrooms between the New Hotel and the Old Wing to manage patrons demand.

(5) There is a possibility that the plot ratio and the maximum building height applicable to the New Hotel may be increased in the future

Currently, the maximum plot ratio and the maximum building height applicable to the district where the Target Property is located are 12.0 and 110 metres above Principal Datum ("**mPD**") respectively.

Following the Chief Executive's 2023 Policy Address published on 25 October 2023, the Government has implemented the recommendation from the District Study for Yau Ma Tei and Mong Kok as commissioned by the Urban Renewal Authority in relation to the increase of permissible plot-ratio in the commercial zone along Nathan Road. According to the Yau Ma Tei Outline Zoning Plan No. S/K2/26 approved by the Chief Executive in Council in July 2024, the maximum plot ratio for the commercial zones along Nathan Road was increased from 12 to 15, and the maximum building height for the commercial zones along Nathan Road was increased from 110mPD to 140mPD. Although such relaxation of restrictions on plot ratio and building height is not applicable to the site where the Target Property is situated, as the Target Property is located in a commercial area in the vicinity of the commercial zone along Nathan Road which is covered by the aforesaid District Study and outline zoning plan, there is a possibility of relaxation of the maximum plot ratio, the maximum building height and the maximum site coverage applicable to the New Hotel in the future, which is subject to the government approval. Currently, no timetable has been indicated by the government as to if and when any such relaxation may be extended to Tsim Sha Tsui.

If the maximum plot ratio applicable to the New Hotel is increased from 12 to 15, subject to the relaxation of the maximum building height and the maximum site coverage, the maximum GFA of the New Hotel may increase by approximately 25% from 137,885 square feet to approximately 172,000 square feet. The Company may, at its absolute discretion, request the Vendor to make use of any such additional plot ratio before the issue of the occupation permit of the New Hotel, and in such case, pursuant to the Deed of Undertaking, the Vendor has undertaken to comply with such request and the Company shall pay the construction costs, consultancy fees and related costs and expenses to be incurred as a result of the increase in GFA. In determining whether to make use of any such additional plot ratio, the Board will take into consideration, among other things, the amount of costs and expenses to be incurred, the benefits which will be brought to the Group and the relevant compliance requirements.

The Directors (excluding the members of the Independent Board Committee whose views will be expressed in the Letter from the Independent Board Committee in this circular) are of the opinion that the S&P Agreement and the Transaction are (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties to the S&P Agreement; and (iii) on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET PROPERTY

The Target Property comprises the Lot and a composite building of 10 storeys with an additional roof floor erected thereon now known as "Champagne Court (香檳大廈)" completed in 1957 and located at No.16 Kimberley Road, Kowloon, Hong Kong. The site area of the Target Property is approximately 12,283 sq. ft.

In response to an application made by Far Union, Ever East and certain members of the HLD Group, the Order For Sale was made by the Lands Tribunal. Far Union, being the bidder who submitted the only bid at the Auction held on 5 January 2024, entered into a memorandum of agreement on the same date with the Trustee, pursuant to which Far Union agreed to purchase the Target Property at the Bidding Price. The time constraint for complying with the connected transaction requirements including the circular and independent shareholders' approval requirements under the Listing Rules before the bid submission deadline fixed for the Auction had rendered it impossible for the Group to submit a bid at the Auction to acquire HLD Group Units and Target Group Units. Accordingly, the Group did not submit any bid at the Auction.

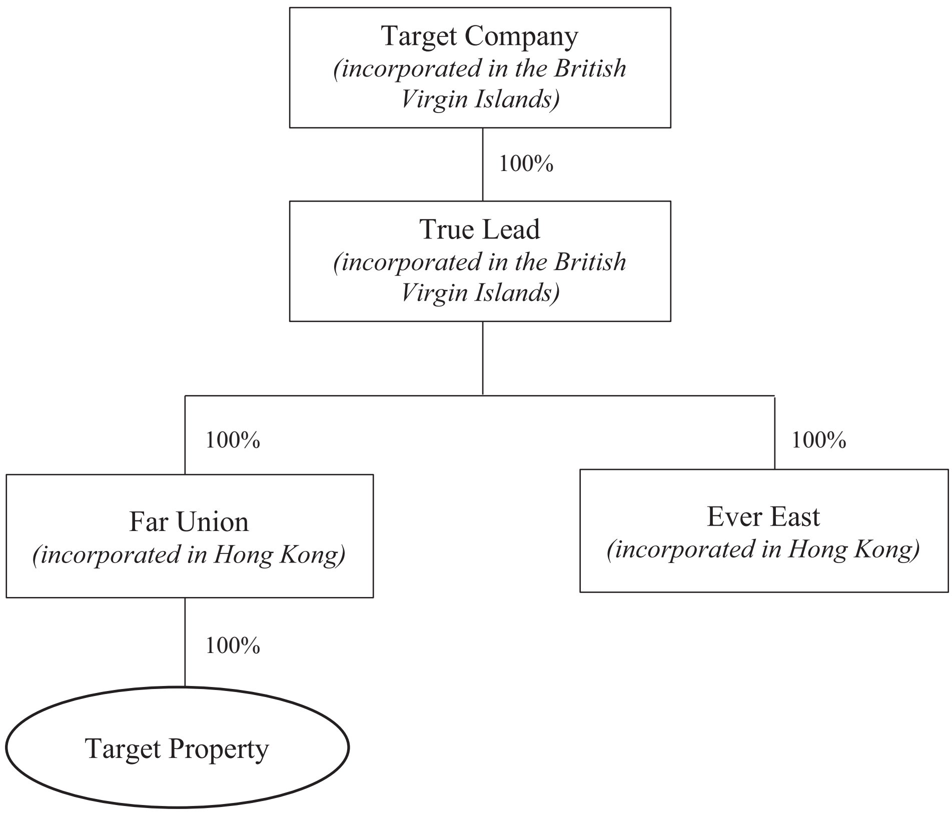
Immediately before the completion of the Compulsory Sale, the Target Property comprises (a) the Target Group Units owned by Far Union (representing approximately 74.95% of all the undivided shares of the Target Property); (b) the HLD Group Units owned by the HLD Group (representing approximately 8.75% of all the undivided shares of the Target Property); (c) the Group Units owned by the Group (representing approximately 10.00% of all the undivided shares of the Target Property); and (d) the Other Units owned by other third parties (representing approximately 6.30% of all the undivided shares of the Target Property). Completion of the Compulsory Sale took place on 7 February 2024, upon which the ownership of the Target Property was consolidated by Far Union and Far Union has become the sole owner of the Target Property.

The total acquisition costs of the Target Property attributable to the Target Group (after transaction costs) were approximately HK$2,115,000,000. Such acquisition costs include (i) the total purchase prices paid by Far Union in acquiring the Target Group Units (inclusive of the 8 units previously owned by Ever East) up to but immediately before the Auction; and (ii) the actual purchase price paid by Far Union to the Trustee, being the aggregate of the apportioned value of the Bidding Price attributable to the HLD Group Units (being HK$88,869,000), the Group Units (being HK$190,050,000, which was subsequently received by the Group from the Trustee) and the Other Units (HK$281,835,000), as determined pursuant to the Order For Sale.

The Initial Consideration payable by the Purchaser for the Sale Interest is HK$3,120,000,000. After netting off the apportioned sales proceeds of approximately HK$190,050,000 (before transaction costs) which the Group received from Far Union for the sale of the Group Units under the Compulsory Sale, the Group will effectively be paying only HK$2,929,950,000 (subject to adjustment based on the Completion NAV) as consideration for the Acquisition. The sale of the Group Units by the Group to the Target Group pursuant to the Compulsory Order did not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, for the reasons that (i) the Group was statutorily bound to sell the Group Units to the successful bidder (being Far Union) pursuant to the Order for Sale; (ii) the Group was not an applicant and had no involvement in the application for the Order for Sale, other than being made a respondent in such application same as the other minority owners of the Target Property; and (iii) the Group did not negotiate or determine any terms (including the reserve price) of the Compulsory Sale and the amount of sales proceeds received by the Group was determined on a pro rata basis in accordance with the values of the respective units pursuant to the Compulsory Sale Ordinance. As none of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the sale of the Group Units by the Group to the Target Group pursuant to the Compulsory Sale exceeds 5%, it did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

INFORMATION ON THE TARGET GROUP

The following diagram illustrates the existing holding structure of the Target Property and the Target Group:



Each of the Target Company and True Lead was incorporated on 19 July 2023. True Lead became a direct wholly-owned subsidiary of the Target Company on 31 July 2023, upon which the financial results of True Lead were consolidated into the financial statements of the Target Company. Each of Far Union and Ever East became indirect subsidiaries of the Target Company on 1 August 2023, upon which the financial results of Far Union and Ever East were consolidated into the financial statements of the Target Company. The Target Company and True Lead have not conducted any business activities since their incorporation other than the indirect and direct holding of the interests in Far Union and Ever East respectively. Far Union is a property investment company and Ever East currently has no operations.

Set out below is the consolidated net loss (both before and after taxation and extraordinary items) of the Target Group for each of the two financial years ended 31 December 2023 and from 1 January 2024 to 31 October 2024, as shown in the accountants' report on the Target Group in Appendix II of this circular (for the basis of preparation and presentation of such financial information, please refer to Note 1 to the historical financial information in Appendix II):

	For the financial year ended 31 December 2022	**For the financial year ended 31 December 2023**	**From 1 January 2024 to 31 October 2024**
Net (loss) before taxation and extraordinary items	HK$(33,533,000)	HK$(421,567,000)	HK$(161,076,000)
Net (loss) after taxation and extraordinary items	HK$(33,533,000)	HK$(421,567,000)	HK$(161,076,000)

The consolidated total assets of the Target Company as at 31 October 2024 was HK$1,758,798,000 (comprising non-current asset of HK$1,624,788,000 and current assets of HK$134,010,000) as shown in the accountants' report on the Target Company in Appendix II of this circular. As at 31 October 2024, the Target Group had no material assets apart from the Target Property and the Prepaid Stamp Duty and had no material liabilities other than the shareholder's loan owing to the Vendor.

The original book acquisition cost of the Sale Share to the Vendor is the insignificant nominal value of the Sale Share of US$1.

INFORMATION ON THE PARTIES TO THE S&P AGREEMENT

The Group and the Purchaser

The principal activity of the Company is investment holding, and the principal activities of its subsidiaries are property rental, hotels and serviced apartments, food and beverage operation and travel operation. The Purchaser has not commenced any business operation since its incorporation other than entering into the S&P Agreement.

The HLD Group and the Vendor

Henderson Land is an investment holding company and the principal activities of its subsidiaries are property development and investment, construction, project management, property management, hotel operation, department store operation and investment holding. The shareholding information of Henderson Land is available on the Stock Exchange's website (https://www.hkexnews.hk/). The principal activity of the Vendor is investment holding.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the companies within the Target Group will become indirect wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Group's financial statements.

Effect on earnings

It is expected that the Group will recognise transaction expenses of HK$4.9 million on its profit and loss account in connection with the Transaction, which include fees to its legal advisers, independent financial advisers, reporting accountants, valuer, financial printer and other related expenses. Also, the Purchaser essentially is acquiring the Target Property at the Appraised Gross Development Value of HK$3,120,000,000, together with the asset and liabilities of the Target Group included in the computation of the Completion NAV, for the Consideration amount of HK$3,120,000,000 plus or minus any adjustment based on the Completion NAV. Save for the aforementioned transaction expenses borne by the Group, the Transaction is not expected to give rise to any gain or loss on the Enlarged Group's profit and loss account upon Completion.

Given that the Handover will not happen immediately upon Completion (but only before the Latest Handover Date), and that other than the Consideration, the Enlarged Group shall not be required to make any other payment to the Vendor or any other company within the HLD Group in relation to the Redevelopment or to any building contractors in relation to the redevelopment contracts, save for any impairment loss of the Target Property subsequent to Completion, the Group is not expected to derive other operating profit or loss from the Target Property during the period of Redevelopment and before the Handover.

Meanwhile, as the New Hotel would not be handed over immediately upon the Completion, the quantitative impact on the earnings of the Enlarged Group will depend on the business and financial performance of the New Hotel after the Handover. As the Acquisition would help the Group to expand its hotel presence in Tsim Sha Tsui area, the Group's source of revenue base will be broadened, but the quantitative impact on the earnings of the Enlarged Group will depend on the business and financial performance of the New Hotel and materialisation of synergies with the existing operations of the Group after the Handover.

Effects on the assets and liabilities

As the Consideration for the Sale Interest is the Initial Consideration in the amount of HK$3,120,000,000, which is equal to the Agreed Acquisition Value, plus or minus any adjustment(s) based on the Completion NAV, and the Agreed Acquisition Value is determined based on the Appraised Gross Development Value of the Target Property (without any premium on such appraised fair value), it is expected the Transaction will not give rise to any recognition of goodwill in the Enlarged Group's consolidated statement of assets and liabilities.

Upon Completion, the Target Property will be redeveloped into the New Hotel. Accordingly, the Target Property is expected to be reclassified from "investment properties" to "other property, plant and equipment" of the Group as non-current assets upon Completion. The carrying value of the Target Property will be marked to its prevailing market value at the time of Completion as its original cost, and will be stated at cost less depreciation and/or impairment loss going forward. Meanwhile, a substantial portion of the Target Group's liabilities, being the Sale Loan, shall be assigned to the Purchaser and eliminated in the Enlarged Group's consolidated financial statements upon Completion.

Based on the Pro Forma Completion Accounts, the net assets of the Enlarged Group is expected to decrease by HK$4.9 million, which is attributable to the aforementioned transaction expenses payable in connection with the Transaction.

After the Completion, additions in the item "other property, plant and equipment" in respect of the New Hotel shall be commensurate with the progress of the Redevelopment, whilst the cash balance of the Enlarged Group is expected to decrease in line with the settlement of the remaining Consideration payable to the Vendor pursuant to the payment terms set out in the S&P Agreement. Based on the foregoing, the Transaction is also not expected to bring any material effect to the Enlarged Group's net asset value position post-Completion.

The details of the financial effect of the Acquisition on the financial position together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix IV to this circular.

LISTING RULES IMPLICATIONS

As the Vendor is an indirect wholly-owned subsidiary of Henderson Land, which in turn is the holding company of the Company holding 345,999,980 Shares (representing approximately 50.08% of the total number of issued Shares as at Latest Practicable Date), each of the Vendor and Henderson Land is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the S&P Agreement and the Transaction constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Transaction exceeds 25% but is less than 100%, the Transaction also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

Accordingly, the entering into of the S&P Agreement and the Transaction are subject to the announcement, reporting, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS

As at the Latest Practicable Date, (i) each of Dr. Lee, Dr. Lam, Mr. Wu and Mr. Au, being a Director, was also a director of Henderson Land, (ii) Dr. Lee was taken to be interested in approximately 72.50% of the total issued share capital of Henderson Land under Part XV of the Securities and Futures Ordinance by virtue of him being a director of Henderson Land and one of the discretionary beneficiaries of certain discretionary trusts, and (iii) Mr. Liang, an independent non-executive Director, was taken to be interested in approximately 0.02% of the total issued share capital of Henderson Land.

Dr. Lee is regarded as having a material interest in the S&P Agreement and the Transaction, and has abstained from voting on the relevant resolution at the Board meeting convened to consider, among other things, the S&P Agreement and the Transaction. While the interest (if any) of Dr. Lam, Mr. Wu, Mr. Au and Mr. Liang in the S&P Agreement and the Transaction might not be regarded as material or significant, as a good corporate governance practice, all of them have voluntarily abstained from voting on the relevant resolution at the Board meeting convened to consider, among other things, the S&P Agreement and the Transaction.

Save as disclosed above, no other Director has a material interest in the S&P Agreement and the Transaction or has abstained from voting on the relevant Board resolution approving the S&P Agreement and the Transaction.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Dr. Timpson Chung Shui Ming, Mr. Howard Yeung Ping Leung, Mr. Benedict Sin Nga Yan and Ms. Wong Yeung Fong, all being independent non-executive Directors, has been established to consider the terms of the S&P Agreement and the Transaction, and to advise the Independent Shareholders as to whether the terms of the S&P Agreement and the Transaction are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Mr. Wu and Mr. Au, each being an independent non-executive Director, are also independent non-executive directors of Henderson Land, and Mr. Liang, being an independent non-executive Director, is taken to be interested in approximately 0.02% of the total issued share capital of Henderson Land. Therefore, Mr. Wu, Mr. Au and Mr. Liang may not be independent to advise the Independent Shareholders on the S&P Agreement and the Transaction, and are not members of the Independent Board Committee. A letter from the Independent Board Committee is set out on pages 33 to 34 of this circular.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the S&P Agreement and the Transaction. A letter from the Independent Financial Adviser is set out on pages 35 to 72 of this circular.

EGM

Set out on pages EGM-1 to EGM-3 of this circular is a notice convening the EGM to be held at The Ballroom, 18/F, The Mira Hong Kong, 118–130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 31 March 2025 at 3:00 p.m. at which an ordinary resolution will be proposed to consider and, if thought fit, approve the S&P Agreement and the Transaction.

At the EGM, any Shareholders with a material interest in the S&P Agreement and the Transaction and their respective associates are required to abstain from voting on the proposed ordinary resolution for approving the S&P Agreement and the Transaction. As Henderson Land is the indirect holding company of the Vendor and acts as the guarantor of the Vendor under the S&P Agreement, Henderson Land and its associates shall abstain from voting on the ordinary resolution to be put forward at the EGM approving the S&P Agreement and the Transaction.

As at the Latest Practicable Date, Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which being wholly-owned subsidiaries of Henderson Land, held 120,735,300 Shares, 128,658,680 Shares and 96,606,000 Shares respectively. Accordingly, Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited will abstain from voting on the ordinary resolution for approving the S&P Agreement and the Transaction at the EGM in respect of an aggregate of 345,999,980 Shares, representing approximately 50.08% of the total issued Shares.

Apart from the above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the S&P Agreement or the Transaction and accordingly, no other Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the S&P Agreement and the Transaction at the EGM.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM (i.e. at or before 3:00 p.m., Friday, 28 March 2025) or any adjournment or postponement thereof. The return of a form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution that relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the EGM will exercise his power under the articles of association of the Company to demand a poll in relation to the proposed ordinary resolution to approve the S&P Agreement and the Transaction at the EGM. An announcement will be made by the Company following the conclusion of the EGM to inform you of the results of the EGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 27 March 2025 to Monday, 31 March 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, unregistered holders of Shares should ensure that all transfer documents together with the relevant share certificates are lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration, no later than 4:30 p.m. on Wednesday, 26 March 2025.

RECOMMENDATION

Your attention is drawn to (i) the advice of the Independent Board Committee set out in its letter set out on pages 33 to 34 of this circular; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 35 to 72 of this circular in respect of the S&P Agreement and the Transaction and the principal factors considered by the Independent Financial Adviser in formulating its advice.

The Directors (other than members of the Independent Board Committee whose views are set out in its letter included in this circular) are of the opinion that the S&P Agreement and the Transaction are (i) entered into in the ordinary and usual business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties to S&P Agreement; and (iii) on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, such Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the S&P Agreement and the Transaction.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,

LEE KA SHING
Chairman and CEO