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WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

*(Incorporated in Hong Kong
with limited liability)*

Stock Code: 4



WHARF

Established 1886

**WHARF REAL ESTATE INVESTMENT
COMPANY LIMITED**

*(Incorporated in the Cayman Islands
with limited liability)*

Stock Code: 1997



HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

JOINT ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS – LEASING

Wheelock Group, including *inter alia* Wharf Group, WREIC Group and HCDL Group, owns or holds various Premises in Hong Kong, Mainland China and Singapore for leasing and/or licensing purposes in the usual and ordinary course of business. On the other hand, each of Wharf Group, WREIC Group and HCDL Group has corporate needs for renting Premises in pursuit of their respective business activities. Transactions relating to the leasing and/or licensing of Premises by and amongst Wheelock Group Members may arise from time to time where they are in the interests of the relevant Wheelock Group Members as the landlords or the tenants of the Premises under concern.

On 13 December 2019, the New Leasing Framework Agreement was entered into by and amongst Wheelock, Wharf, WREIC and HCDL for the purpose of, *inter alia*, regulating the leasing and/or licensing of Premises by and amongst Wheelock Group Members as continuing connected transactions of Wharf, WREIC and HCDL respectively, for a term of three years commencing on 1 January 2020 and expiring on 31 December 2022.

Wheelock is the ultimate holding company of Wharf, WREIC and HCDL. From Wharf's perspective, Wheelock Group (excluding Wharf Group) and its associates (as defined under the Listing Rules) including *inter alia* WREIC Group and HCDL Group are regarded as its connected persons under the Listing Rules. From WREIC's perspective, Wheelock Group (excluding WREIC Group) and its associates including *inter alia* Wharf Group are regarded as its connected persons under the Listing Rules. From the perspective of HCDL which in turn is a listed subsidiary of WREIC, WREIC Group (excluding HCDL Group) and its associates including *inter alia* Wheelock Group (excluding HCDL Group) and Wharf Group are regarded as its connected persons under the Listing Rules.

Consequently, the New Leasing Framework Agreement and the relevant transactions contemplated and/or governed thereunder constitute continuing connected transactions for each of Wharf, WREIC and HCDL under the Listing Rules. The entering into of the New Leasing Framework Agreement, with the respective Annual Cap Amounts adopted accordingly, are subject to the announcement, reporting and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for each of Wharf, WREIC and HCDL.

INTRODUCTION

Wheelock Group, including *inter alia* Wharf Group, WREIC Group and HCDL Group, owns or holds various Premises in Hong Kong, Mainland China and Singapore for leasing and/or licensing purposes in the usual and ordinary course of business. On the other hand, each of Wharf Group, WREIC Group and HCDL Group has corporate needs for renting Premises in pursuit of their respective business activities. Transactions relating to the leasing and/or licensing of Premises by and amongst Wheelock Group Members may arise from time to time where they are in the interests of the relevant Wheelock Group Members as the landlords or the tenants of the Premises under concern.

On 8 November 2017, the Existing Wheelock Leasing Framework Agreement was entered into between Wheelock and WREIC for a fixed period commencing on 23 November 2017, the listing date of Wharf REIC, and expiring on 31 December 2019. Details of the Existing Wheelock Leasing Framework Agreement and the relevant cap amounts were disclosed in the listing document of Wharf REIC issued on 9 November 2017.

On 8 November 2017, the Existing Wharf Leasing Framework Agreement was entered into between Wharf and WREIC for a fixed period commencing on 23 November 2017, the listing date of Wharf REIC, and expiring on 31 December 2019. Details of the Existing Wharf Leasing Framework Agreement and the relevant cap amounts were disclosed in the listing document of Wharf REIC issued on 9 November 2017 and the announcement issued by Wharf on 8 November 2017.

NEW LEASING FRAMEWORK AGREEMENT

In view of the forthcoming expiry of the Existing Agreements, the New Leasing Framework Agreement was entered into by and amongst Wheelock, Wharf, WREIC and HCDL for the purpose of, *inter alia*, regulating the leasing and/or licensing of Premises by and amongst Wheelock Group Members as continuing connected transactions of Wharf, WREIC and HCDL respectively, for a term of three years commencing on 1 January 2020 and expiring on 31 December 2022.

Major terms and conditions of the New Leasing Framework Agreement are summarised as follows:

Signing Date	:	13 December 2019
Parties	:	(1) Wheelock (2) Wharf (3) WREIC (4) HCDL
Term	:	A fixed term of three years commencing on 1 January 2020 and expiring on 31 December 2022, unless terminated earlier in accordance with the New Leasing Framework Agreement.

- Scope : All forms of leases, tenancies or licences in respect of Premises by and amongst Wheelock Group Members.
- Annual Cap Amount(s) : Each of Wharf, WREIC and HCDL may in accordance with the requirements of the Listing Rules determine for itself such maximum annual aggregate amounts for rental receivable or Capitalised Rent to be recognised by its respective group members in respect of all Transactions which constitute its connected transactions for the financial years ending 31 December 2020, 2021 and 2022 respectively.
- In the event that for any year during the Term, any Annual Cap Amount(s) as adopted is/are being exceeded, the relevant parties (viz. Wharf, WREIC and/or HCDL) must take appropriate action to comply with the relevant requirements under the Listing Rules regarding the payment and/or receipt of any and all amounts in excess of the relevant Annual Cap Amount(s) as adopted by WREIC Group and/or HCDL Group and/or Wharf Group.
- Individual Agreement(s) : During the Term, Individual Agreement(s) may be entered into by and amongst Wheelock Group Members upon and subject to such terms and conditions as may be agreed, provided:
- (1) each Individual Agreement is entered in the ordinary and usual course of business;
 - (2) the term of each Individual Agreement must be fixed and not exceed three years;
 - (3) the consideration under each Individual Agreement will on each occasion be negotiated and determined on an arm's length basis to ensure that the relevant pricing term is fair and reasonable in accordance with prevailing market conditions and on normal commercial terms; and
 - (4) the terms and conditions of each Individual Agreement must be, from Wharf's perspective, no less favourable to the relevant Wharf Group Member(s) when compared with similar lease, tenancy or licence agreements available from independent third parties, and from WREIC's perspective, no less favourable to the relevant WREIC Group Member(s) when compared with similar tenancy agreements available from independent third parties, and from HCDL's perspective, no less favourable to the relevant HCDL Group Member(s) when compared with similar tenancy agreements available from independent third parties.

- Pricing Policy : The rental and/or licence fee chargeable shall be at market rates and based on the then prevailing rental rates or licence fee rates for properties of similar size and with similar attributes within the same building charged by Wheelock Group Member(s) to other independent third parties, or if no direct comparable available, the then prevailing rental rates or licence fee rates for properties of similar size and with similar attributes in the vicinity of the subject premises to be leased, let or licensed by Wheelock Group Member(s) to other independent third parties.
- Termination : The New Leasing Framework Agreement is terminable, among others, by any one of the parties:
- (1) giving not less than two months' prior written notice to the other parties;
 - (2) if any one of the other parties fails to rectify any breach of provisions of the New Leasing Framework Agreement within 28 days from receipt of written notice from other parties;
 - (3) if any one of the other parties commits a material breach of any provision of the New Leasing Framework Agreement which is not capable of rectification; or
 - (4) with immediate effect and without notice if any one of the other parties goes into liquidation, or has a receiver appointed over all or any material part of its assets, or becomes subject to any insolvency proceedings.

HISTORICAL AMOUNTS

Historical amounts of rental received in respect of the Transactions during the financial year ended 31 December 2018 and the period of ten months ended 31 October 2019 respectively were as follows:

	Financial year ended 31 December 2018 (HK\$ million)	Ten months ended 31 October 2019 (HK\$ million)
Rental received by WREIC Group	124	111
Rental received by HCDL Group	5	4

Historical amounts of Capitalised Rent in respect of the Transactions during the financial year ended 31 December 2018 and the period of ten months ended 31 October 2019 respectively were as follows:

	Financial year ended 31 December 2018 (HK\$ million) (Note)	Ten months ended 31 October 2019 (HK\$ million)
Capitalised Rent recognised by Wharf Group	118	118

Note: on hypothetical assumption that the HKFRS 16 applicable to Wheelock Group Members would have become effective from 1 January 2018 versus the actual effective date of 1 January 2019

ANNUAL CAP AMOUNTS

Each of Wharf, WREIC and HCDL has adopted the respective Annual Cap Amounts of rental receivable or Capitalised Rent to be recognised by itself in respect of the Transactions as follows:

	Financial year ending 31 December 2020 (HK\$ million)	Financial year ending 31 December 2021 (HK\$ million)	Financial year ending 31 December 2022 (HK\$ million)
WREIC Rental Receivable Cap	195	195	195
HCDL Rental Receivable Cap	10	10	10
Wharf Capitalised Rent Cap	150	150	150

Such Annual Cap Amounts are arrived at on the basis of and by reference to, *inter alia*:

- (1) the historic rental records in respect of the relevant premises under the existing lease, tenancy or licence agreements by and amongst Wheelock Group Members;
- (2) the anticipated changes in the rental and/or licence fees under the current economic conditions;
- (3) taking into account a suitable and adequate buffer on the estimated rental receivable or payable as prudent contingency in case of events such as adjustments to business plans, cost overruns and inflation.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Wheelock Group, including *inter alia* Wharf Group, WREIC Group and HCDL Group, owns or holds various Premises in Hong Kong, Mainland China and Singapore for leasing and/or licensing purposes as one of its principal business activities. On the other hand, each of Wharf Group, WREIC Group and HCDL Group has corporate needs for renting Premises in pursuit of their respective business activities. Transactions relating to the leasing and/or licensing of Premises by and amongst Wheelock Group Members may arise from time to time where they are in the interests of the relevant Wheelock Group Members as the landlords or the tenants of the Premises under concern.

The Transactions are expected to be of a recurrent nature and may occur on a regular and continuing basis in the ordinary and usual course of business of Wharf Group, WREIC Group and HCDL Group. It is in the interests of Wharf Group, WREIC Group and HCDL Group to enter into the New Leasing Framework Agreement with the respective Annual Cap Amounts adopted accordingly, which shall provide a common framework in compliance with the Listing Rules for purpose of administrative convenience to regulate, *inter alia*, the Individual Agreements and the relevant transactions as contemplated thereunder.

REGULATORY ASPECTS

The entering into of the New Leasing Framework Agreement and the relevant transactions contemplated and/or governed thereunder constitute continuing connected transactions for each of Wharf, WREIC and HCDL under the Listing Rules.

(1) In respect of Wharf

With Wheelock being its ultimate holding company, Wheelock Group (excluding Wharf Group) and its associates (as defined under the Listing Rules) including *inter alia* WREIC Group and HCDL Group are regarded as connected persons of Wharf under the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of Wharf Annual Cap Amounts as adopted for the Transactions under the New Leasing Framework Agreement are greater than 0.1% while all such ratios are below 5%, the New Leasing Framework Agreement (with Wharf Annual Cap Amounts as adopted) are subject to the announcement, reporting and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) In respect of WREIC

With Wheelock being its ultimate holding company, Wheelock Group (excluding WREIC Group) and its associates including *inter alia* Wharf Group are regarded as connected persons of WREIC under the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of WREIC Annual Cap Amounts as adopted for the Transactions under the New Leasing Framework Agreement are greater than 0.1% while all such ratios are below 5%, the New Leasing Framework Agreement (with WREIC Annual Cap Amounts as adopted) are subject to the announcement, reporting and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3) In respect of HCDL

With WREIC being its substantial shareholder, WREIC Group (excluding HCDL Group) and its associates including *inter alia* Wheelock Group (excluding HCDL Group but including Wharf Group) are regarded as connected persons of HCDL under the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of HCDL Annual Cap Amounts as adopted for the Transactions under the New Leasing Framework Agreement are greater than 0.1% while all such ratios are below 5%, the New Leasing Framework Agreement (with HCDL Annual Cap Amounts as adopted) are subject to the announcement, reporting and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

For Wharf, all its directors (including independent non-executive directors) are of the view that the terms of the New Leasing Framework Agreement as well as Wharf Annual Cap Amounts as adopted accordingly are fair and reasonable, on normal commercial terms with reference to the prevailing market conditions, entered into in the ordinary and usual course of business of the Wharf Group, and in the interests of Wharf and its shareholders as a whole.

For WREIC, all its directors (including independent non-executive directors) are of the view that the terms of the New Leasing Framework Agreement as well as WREIC Annual Cap Amounts as adopted accordingly are fair and reasonable, on normal commercial terms with reference to the prevailing market conditions, entered into in the ordinary and usual course of business of the WREIC Group, and in the interests of WREIC and its shareholders as a whole.

For HCDL, all its directors (including independent non-executive directors) of HCDL are of the view that the terms of the New Leasing Framework Agreement as well as HCDL Annual Cap Amounts as adopted accordingly are fair and reasonable, on normal commercial terms with reference to the prevailing market conditions, entered into in the ordinary and usual course of business of the HCDL Group, and in the interests of HCDL and its shareholders as a whole.

None of the directors of Wharf, WREIC and HCDL had a material interest in the New Leasing Framework Agreement and the transactions contemplated thereunder which would require him/her to abstain from voting on the respective board resolutions.

The principal business activities of the Wheelock Group are ownership of properties for development and letting, investment holding and container terminals.

The principal business activities of the Wharf Group are investment properties and development properties in Hong Kong and Mainland China, hotels ownership and management, and logistics.

The principal business activities of the WREIC Group are development, ownership and operation of properties and hotels in Hong Kong for investment purposes.

The principal business activities of the HCDL Group are ownership of hotels and investment properties as well as development properties in Mainland China for which an orderly exit is in progress.

As at the date of this announcement, the Board of Wharf comprises Mr. Stephen T. H. Ng, Mr. Andrew O. K. Chow, Ms. Doreen Y. F. Lee, Mr. Paul Y. C. Tsui and Mr. Kevin K. P. Chan, together with five Independent Non-executive Directors, namely Professor Edward K. Y. Chen, Mr. Vincent K. Fang, Mr. Hans Michael Jebsen, Ms. Elizabeth Law and Mr. David Muir Turnbull.

As at the date of this announcement, the Board of Wharf REIC comprises Mr. Stephen T. H. Ng, Ms. Doreen Y. F. Lee, Mr. Paul Y. C. Tsui and Ms. Y. T. Leng, together with five Independent Non-executive Directors, namely Mr. Alexander S. K. Au, Hon. Andrew K. Y. Leung, Mr. Andrew J. Seaton, Mr. R. Gareth Williams and Professor E. K. Yeoh.

As at the date of this announcement, the Board of HCDL comprises Mr. Stephen T. H. Ng, Hon. Frankie C. M. Yick, Mr. Kevin C. Y. Hui and Mr. Peter Z. K. Pao, together with five independent non-executive directors, namely Mr. David T. C. Lie-A-Cheong, Mr. Roger K. H. Luk, Mr. Michael T. P. Sze, Mr. Brian S. K. Tang and Mr. Ivan T. L. Ting.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Annual Cap Amount(s)”	such maximum annual aggregate amount of rental receivable or Capitalised Rent to be recognised during a financial year
“associate(s)”	has the meaning as defined under Chapter 14A of the Listing Rules
“Board”	board of directors
“Capitalised Rent”	the value of right-of-use asset as recognised at the inception of lease term in respect of the rental payable by a lessee in accordance with HKFRS 16
“Existing Agreements”	the Existing Wheelock Leasing Framework Agreement and the Existing Wharf Leasing Framework Agreement collectively
“Existing Wharf Leasing Framework Agreement”	the leasing framework agreement dated 8 November 2017 entered into between WREIC and Wharf for the purpose of, <i>inter alia</i> , regulating continuing connected transactions involving various leasing and/or licensing of Premises between WREIC Group Member(s) as landlords and Wharf Group Member(s) as tenants
“Existing Wheelock Leasing Framework Agreement”	the leasing framework agreement dated 8 November 2017 entered into between WREIC and Wheelock for the purpose of, <i>inter alia</i> , regulating continuing connected transactions involving various leasing and/or licensing of Premises between WREIC Group Member(s) as landlords and Wheelock Group Member(s) (excluding Wharf Group Member(s)) as tenants
“HCDL”	Harbour Centre Development Limited (stock code: 51), a subsidiary of Wharf REIC incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“HCDL Annual Cap Amounts”	the annual amounts of HCDL Capitalised Rent Cap and HCDL Rental Receivable Cap in aggregate
“HCDL Capitalised Rent Cap”	Annual Cap Amount as adopted by HCDL in respect of Capitalised Rent to be recognised for each financial year ending 31 December 2020, 2021 and 2022 respectively and tabulated under the section headed “Annual Cap Amounts”
“HCDL Rental Receivable Cap”	Annual Cap Amount as adopted by HCDL in respect of rental receivable for each financial year ending 31 December 2020, 2021 and 2022 respectively and tabulated under the section headed “Annual Cap Amounts”
“HCDL Group”	HCDL together with its subsidiaries
“HCDL Group Member(s)”	HCDL and its subsidiaries from time to time or any one of them

“HKFRS 16”	Hong Kong Financial Reporting Standard 16, “Lease”, issued by the Hong Kong Institute of Certified Public Accountant from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Individual Agreement(s)”	individual agreement(s) relating to leases, tenancies or licences in respect of Premises entered into between Wheelock Group Members as landlords or tenants from time to time during the Term
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Leasing Framework Agreement”	the leasing framework agreement dated 13 December 2019 entered into by and amongst Wheelock, Wharf, WREIC and HCDL for the purpose of, <i>inter alia</i> , regulating various leasing and/or licensing of Premises by and amongst Wheelock Group Members as continuing connected transactions of Wharf, WREIC and/or HCDL for a term of 3 years from 1 January 2020 to 31 December 2022
“Premises”	Including office premises, car parking spaces and building areas but excluding hotel premises
“PRC” or “Mainland China”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	has the meaning as mentioned in the section headed “New Leasing Framework Agreement” in this announcement
“Transactions”	All forms of leases, tenancies or licences in respect of Premises by and amongst Wheelock Group Members entered into or subsisting during the Term which constitute continuing connected transactions under the Listing Rules for Wharf, WREIC and/or HCDL, where the context is applicable
“Wharf”	The Wharf (Holdings) Limited (stock code: 4), a subsidiary of Wheelock incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Wharf Annual Cap Amounts”	the annual amounts of Wharf Capitalised Rent Cap
“Wharf Capitalised Rent Cap”	Annual Cap Amounts as adopted by Wharf in respect of Capitalised Rent to be recognised for each financial year ending 31 December 2020, 2021 and 2022 respectively and tabulated under the section headed “Annual Cap Amounts”
“Wharf Group”	Wharf together with its subsidiaries
“Wharf Group Member(s)”	Wharf and its subsidiaries from time to time or any one of them

“WREIC”	Wharf Real Estate Investment Company Limited (stock code: 1997), a subsidiary of Wheelock incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“WREIC Annual Cap Amounts”	the annual amounts of WREIC Rental Receivable Cap
“WREIC Rental Receivable Cap”	Annual Cap Amount as adopted by WREIC in respect of rental receivable for each financial year ending 31 December 2020, 2021 and 2022 respectively and tabulated under the section headed “Annual Cap Amounts”
“WREIC Group”	Wharf REIC together with its subsidiaries including <i>inter alia</i> HCDL Group, unless excluded as indicated
“WREIC Group Member(s)”	Wharf REIC and its subsidiaries from time to time or any one of them including <i>inter alia</i> HCDL Group, unless excluded as indicated
“Wheelock”	Wheelock and Company Limited (stock code: 20), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Wheelock Group”	Wheelock and its subsidiaries including <i>inter alia</i> Wharf Group, WREIC Group and HCDL Group, unless excluded to the extent as indicated
“Wheelock Group Member(s)”	Wheelock and its subsidiaries from time to time or any one of them, including <i>inter alia</i> Wharf Group Members, WREIC Group Members and HCDL Group Members, unless excluded to the extent as indicated

By Order of the Board
The Wharf (Holdings) Limited
Kevin C. Y. Hui
Company Secretary

By Order of the Board
Wharf Real Estate Investment Company Limited
Kevin C. Y. Hui
Company Secretary

By Order of the Board
Harbour Centre Development Limited
Kevin C. Y. Hui
Director and Company Secretary

Hong Kong, 13 December 2019