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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 – PROPERTY SERVICES

Wheelock Group, including *inter alia* Wharf Group, WREIC Group and HCDL Group, owns or holds various properties for purposes of development and/or investment in Hong Kong, Mainland China and Singapore. Each of Wharf Group, WREIC Group and HCDL Group, in its usual and ordinary course of business from time to time, provides or engages Property Services to/from other Wheelock Group Member(s).

On 13 December 2019, the New Master Property Services Agreement was entered into by and amongst Wheelock, Wharf, WREIC and HCDL for the purpose of *inter alia* regulating the provision of or engagement in Property Services 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 Master Property Services 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 Master Property Services 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 properties for purposes of development and/or investment in Hong Kong, Mainland China and Singapore. Each of Wharf Group, WREIC Group and HCDL Group, in its usual and ordinary course of business from time to time, provides or engages Property Services to/from other Wheelock Group Member(s).

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

On 11 November 2016, the Existing HCDL Master Property Services Agreement was entered into between Wharf and HCDL for a fixed term of three years commencing on 1 January 2017 and expiring on 31 December 2019. Details of the Existing HCDL Master Property Services Agreement and the relevant cap amounts were disclosed in the announcement issued by HCDL on 11 November 2016.

NEW MASTER PROPERTY SERVICES AGREEMENT

In view of the forthcoming expiry of the Existing Agreements, the New Master Property Services Agreement was entered into by and amongst Wheelock, Wharf, WREIC and HCDL for the purpose of *inter alia* regulating the provision of or engagement in Property Services 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 Master Property Services 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 Master Property Services Agreement.

Scope of Property Services : All forms of property services comprising property project management services, property sales and marketing services, property management services, leasing agency services and/or any other property related services to certain investment properties and/or development properties owned or held by 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 of Service Fees payable and/or receivable by its respective group members in respect of all Transactions which constitute its continuing 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 Services Agreement(s) : During the Term, Individual Services 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 Services Agreement is entered into in the ordinary and usual course of business;
- (2) the term of each Individual Services Agreement must be fixed and not exceed three years;
- (3) the remuneration payable under each Individual Services 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 Services Agreement must be, from Wharf's perspective, no less favourable to the relevant Wharf Group Member(s) when compared with similar services available from/ provided to independent third parties, from WREIC's perspective, no less favourable to the relevant WREIC Group Member(s) when compared with similar services available from/ provided to independent third parties, and from HCDL's perspective, no less favourable to the relevant HCDL Group Member(s) when compared with similar services available from independent third parties.

Pricing Policy : Wheelock Group, Wharf Group and WREIC Group generally adopt a standard package of Service Fees including:-

- (1) a project management fee which comprises a fee charged according to total construction costs for relevant property development, payable by stage payments in cash in arrears once every three months, and a fee charged according to project costs for relevant renovation works, payable in full upon completion;
- (2) a sales and marketing fee charged according to actual sale value of any unit of the relevant property, payable by stage payments in cash in arrears once every three months;
- (3) a property management fee charged according to gross rents, payable on a monthly basis;
- (4) a building administration fee which comprises a fixed administration fee according to monthly operating expense actually incurred and/or additional manager fee according to the budgeted annual operating expenses relating to the particular investment property;
- (5) a work supervision fee charged on a sliding scale of the relevant contract sum of the work;
- (6) a leasing agency fee charged according to the actual number of months of the lease tenancy or licence and the average monthly rent or licence fee.

In accordance with the procurement policy and procedures of Wheelock Group, the terms and conditions of each Individual Services Agreement including, *inter alia*, Service Fees and payment terms will be determined on the basis of commercial negotiations and, where applicable or appropriate, through a tendering/quotation procedure on an arm's length basis by reference to terms available to or from other third parties for similar services in the market.

Termination : The New Master Property Services 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 Master Property Services 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 Master Property Services 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 Services Fees 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)
Service Fees received by Wharf Group	8	8
Service Fees received by WREIC Group	1	1
Service Fees paid by Wharf Group	7	6
Service Fees paid by WREIC Group (including HCDL Group)	22	22
Service Fees paid by HCDL Group	19	18

ANNUAL CAP AMOUNTS

Each of Wharf, WREIC and HCDL has adopted the respective Annual Cap Amounts of Service Fees payable and/or receivable 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)
Wharf Service Fees Receivable Cap	61	10	10
WREIC Service Fees Receivable Cap	28	28	28
Wharf Service Fees Payable Cap	160	160	160
WREIC Service Fees Payable Cap (Including HCDL Group)	126	75	75
HCDL Service Fees Payable Cap	75	25	26

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

- (1) the expected aggregate construction costs, sale values and gross rents etc. of the relevant properties and/or property projects to be incurred/received by each of Wharf Group and WREIC Group;
- (2) the possible change of property market conditions during the Term;
- (3) the possible entering into of further individual services agreement(s) during the Term; and
- (4) taking into account a suitable and adequate buffer on the estimated aggregate expenses payable by each of Wharf Group, WREIC Group (including HCDL Group) and HCDL Group as prudent contingency in case of events such as adjustments to business plans, cost overruns and inflation.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

For Wharf and WREIC, the provision of Property Services to Wheelock Group Member(s) will generate stable income and can further advance the business growth of Wharf Group and WREIC Group, which is considered beneficial to both groups.

For Wharf, WREIC and HCDL, the engagement of other Wheelock Group Member(s) to provide Property Services from time to time would enable Wharf Group, WREIC Group and HCDL Group to benefit from the brand, experience and resources of relevant Wheelock Group Member(s) in property businesses in the relevant markets.

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 from time to time. It is in the interests of Wharf Group, WREIC Group and HCDL Group to enter into the New Master Property Services 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 Services Agreements and the relevant transactions as contemplated thereunder.

REGULATORY ASPECTS

The entering into of the New Master Property Services 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 Master Property Services Agreement are greater than 0.1% while all such ratios are below 5%, the New Master Property Services 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 Master Property Services Agreement are greater than 0.1% while all such ratios are below 5%, the New Master Property Services 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 Amount as adopted for the Transactions under the New Master Property Services Agreement are greater than 0.1% while all such ratios are below 5%, the New Master Property Services Agreement (with HCDL Annual Cap Amount 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 Master Property Services 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 Master Property Services 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) are of the view that the terms of the New Master Property Services Agreement as well as HCDL Annual Cap Amount 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 Master Property Services 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 WREIC 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 Service Fees payable or receivable during a financial year
“associate(s)”	has the meaning as defined under Chapter 14A of the Listing Rules
“Board”	board of directors
“Existing Agreements”	collectively the Existing HCDL Master Property Services Agreement and the Existing WREIC Master Property Services Agreement
“Existing HCDL Master Property Services Agreement”	the master property services agreement dated 11 November 2016 entered into between Wharf and HCDL for the purpose of <i>inter alia</i> regulating various continuing connected transactions involving the provision of Property Services by Wharf Group to HCDL Group
“Existing WREIC Master Property Services Agreement”	the master property services agreement dated 8 November 2017 entered into between Wheelock and WREIC for the purpose of <i>inter alia</i> regulating various continuing connected transactions involving the provision of Property Services by Wheelock Group (including Wharf Group) to the WREIC Group (including HCDL Group)
“HCDL”	Harbour Centre Development Limited (stock code: 51), a subsidiary of WREIC incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“HCDL Annual Cap Amount”	Annual Cap Amount as adopted by HCDL 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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Individual Services Agreement(s)”	individual property services agreement(s) entered into between the Wheelock Group Members from time to time in respect of the provision of Property Services during the Term
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Master Property Services Agreement”	the property services 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 continuing connected transactions involving the provision of or engagement in Property Services by and amongst Wheelock Group Members for a term of 3 years from 1 January 2020 to 31 December 2022
“PRC” or “Mainland China”	the People’s Republic of China
“Property Services”	property services comprising property project management services, property sales and marketing services, property management services, leasing agency services and/or any other property related services
“Service Fees”	Remunerations for provision of Property Services by Wheelock Group Member(s) under Individual Services Agreement(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	has the meaning as mentioned in the section headed “New Master Property Services Agreement” in this announcement
“Transactions”	All subsisting Individual Services Agreements and the relevant transactions contemplated thereunder 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 Amount”	Annual Cap Amount as adopted by Wharf 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 Amount”	Annual Cap Amount as adopted by WREIC for each financial year ending 31 December 2020, 2021 and 2022 respectively and tabulated under the section headed “Annual Cap Amounts”

“WREIC Group”	WREIC together with its subsidiaries including <i>inter alia</i> HCDL Group, unless excluded as indicated
“WREIC Group Member(s)”	WREIC 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 together with 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