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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 – HOTEL SERVICES

WREIC Group and HCDL Group own various hotel properties and/or projects in Hong Kong and Mainland China. Wharf Group provides hotel-related services and acts as manager for a portfolio of hotels, comprising, *inter alia*, certain hotel properties and/or projects owned by WREIC Group and HCDL Group respectively.

On 13 December 2019, the New Master Hotel Services Agreement was entered into by and amongst Wharf, WREIC and HCDL for the purpose of, *inter alia*, regulating certain continuing connected transactions relating to the provision of Hotel-related Services by Wharf Group to WREIC Group and HCDL Group respectively, for a term of three years commencing on 1 January 2020 and expiring on 31 December 2022.

As Wharf and WREIC are both listed subsidiaries of Wheelock Group with Wheelock as their ultimate holding company, Wharf and WREIC are regarded as connected person to each other under the Listing Rules. Furthermore, as HCDL is a listed subsidiary of WREIC, Wharf and HCDL are also regarded as connected person to each other under the Listing Rules. Consequently, the New Master Hotel 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 Hotel 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

WREIC Group and HCDL Group own various hotel properties and/or projects in Hong Kong and Mainland China. Wharf Group provides hotel-related services and acts as manager for a portfolio of hotels, comprising, *inter alia*, certain hotel properties and/or projects owned by WREIC Group and HCDL Group respectively.

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

On 11 December 2017, the Existing HCDL Master Hotel Services Agreement was entered into between HCDL and Wharf for a term of two years commencing on 1 January 2018 and expiring on 31 December 2019. Details of the Existing HCDL Master Hotel Services Agreement and the relevant cap amounts were disclosed in the announcement issued by HCDL on 11 December 2017.

NEW MASTER HOTEL SERVICES AGREEMENT

In view of the forthcoming expiry of the Existing Agreements, the New Master Hotel Services Agreement was entered into by and amongst Wharf, WREIC and HCDL for the purpose of, *inter alia*, regulating certain continuing connected transactions relating to the provision of Hotel-related Services by Wharf Group to WREIC Group and HCDL Group respectively.

Major terms and conditions of the New Master Hotel Services Agreement are summarised as follows:

Signing Date	:	13 December 2019
Parties	:	(1) Wharf (2) WREIC (3) 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 Hotel Services Agreement.
Scope of Hotel-related Services	:	All forms of hotel-related services including general management, marketing, technical services, procurement, training, financial services, reservation and/or any other services relating to the development and/or operations of hotels and/or serviced apartments property(ies) owned by WREIC Group Member(s) and/or HCDL Group Member(s).
Annual Cap Amounts	:	Each of Wharf, WREIC and HCDL may in accordance with the requirements of the Listing Rules determine for itself such maximum annual aggregate amount 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, Wharf Group Member(s) may from time to time separately enter into such Individual Services Agreement(s) with the WREIC Group Member(s) and/or HCDL Group Member(s), upon and subject to such terms and conditions as may be agreed, provided:

- (1) each Individual Services Agreement is entered 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 provided to independent third parties, and from WREIC's perspective, no less favourable to the relevant WREIC Group Member(s) when compared with similar services available from 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 : Wharf Group generally adopts a standard package of Service Fees applicable to the hotel portfolio under its management, including:-

- (1) a hotel management fee which comprises a basic fee charged according to hotel gross revenue and an incentive fee on a sliding scale of hotel gross operating profit, payable once every month in arrear;
- (2) a marketing fee charged according to gross rooms revenue payable once every month in arrear;

- (3) a technical service fee at a fixed fee set with reference to the number of hotel rooms; and
- (4) other services fees relating to the development and/or operations of the hotel at a fixed percentage of the costs and expenses actually incurred.

The exact rates of Service Fees shall be determined case by case according to the specific quality and pricing conditions of the hotel under concern.

In accordance with the procurement policy and procedures of WREIC Group and/or HCDL 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 Hotel 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 Hotel 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 Hotel 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)
Amount received by Wharf Group	107	61
Amount paid by WREIC Group (including HCDL Group)	107	61
Amount paid by HCDL Group	57	34

ANNUAL CAP AMOUNTS

Each of Wharf, WREIC and HCDL has adopted the respective Annual Cap Amounts of Service Fees payable 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 Annual Cap Amount (receivable by Wharf Group Members)	95	140	147
WREIC Annual Cap Amount (payable by WREIC Group Members, including HCDL Group Members)	95	140	147
HCDL Annual Cap Amount (payable by HCDL Group Members)	55	75	75

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

- (1) the historic trading records and anticipated performance of the hotels owned by WREIC and/or HCDL respectively, projected on the basis of operating under normal business operations and of the current economic conditions, taking into account the possible economic growth in Hong Kong and Mainland China;
- (2) the possible change of hotel market conditions during the Term;
- (3) the possible new entries into of further individual services agreement(s) during the Term; and

- (4) taking into account a suitable and adequate buffer on the estimated Service Fees 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, the provision of Hotel-related Services by Wharf Group Member(s) to WREIC Group Members (including HCDL Group Members) will generate stable income and can further advance the business growth of Wharf Group, which is considered beneficial to Wharf Group.

For WREIC and HCDL, the engagement of Wharf Group Member(s) to provide the Hotel-related Services from time to time would enable their respective group members to benefit from the brand, experience and resources of the Wharf Group in hotel 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. Individual Service Agreements may be negotiated or contemplated between Wharf Group Members and WREIC Group Members/HCDL Group Members from time to time. It is in the interests of Wharf Group, WREIC Group and HCDL Group to enter into the New Master Hotel 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

As Wharf and WREIC are both listed subsidiaries of Wheelock Group with Wheelock as their ultimate holding company, Wharf and WREIC are regarded as connected person to each other under the Listing Rules. Furthermore, as HCDL is a listed subsidiary of WREIC, Wharf and HCDL are also regarded as connected person to each other under the Listing Rules. Consequently, the New Master Hotel 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

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 Amount as adopted for the Transactions under the New Master Hotel Services Agreement are greater than 0.1% while all such ratios are below 5%, the New Master Hotel Services Agreement (with Wharf 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.

(2) In respect of WREIC

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 Amount as adopted for the Transactions under the New Master Hotel Services Agreement are greater than 0.1% while all such ratios are below 5%, the New Master Hotel Services Agreement (with WREIC 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.

(3) In respect of HCDL

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 Hotel Services Agreement are greater than 0.1% while all such ratios are below 5%, the New Master Hotel 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 Hotel Services Agreement as well as Wharf 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 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 Hotel Services Agreement as well as WREIC 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 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 Master Hotel 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 Hotel 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 by WREIC Group and/or HCDL Group or receivable by Wharf Group during a financial year
“Board”	board of directors
“Existing Agreements”	the Existing HCDL Master Hotel Services Agreement and the Existing WREIC Master Hotel Services Agreement collectively
“Existing HCDL Master Hotel Services Agreement”	the master hotel services agreement dated 11 December 2017 entered into between Wharf and HCDL for the purpose of, <i>inter alia</i> , regulating various continuing connected transactions involving the provision of Hotel-related Services by Wharf Group Member(s) to HCDL Group Member(s)
“Existing WREIC Master Hotel Services Agreement”	the master hotel services agreement dated 8 November 2017 entered into between Wharf and WREIC for the purpose of, <i>inter alia</i> , regulating various continuing connected transactions involving the provision of Hotel-related Services by Wharf Group Member(s) to WREIC Group Member(s)
“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

“Hotel-related Services”	services relating to management, marketing and technical services and/or any other services relating to the development and/or operations of hotel and/or serviced apartments property(ies) owned by WREIC Group or HCDL Group
“Individual Services Agreement(s)”	individual hotel services agreement(s) entered into between any WREIC Group Member(s) or HCDL Group Member(s) and any Wharf Group Member(s) from time to time in respect of the provision of Hotel-related Services
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Master Hotel Services Agreement”	the master hotel services agreement dated 13 December 2019 entered into by and amongst Wharf, WREIC and HCDL for the purpose of, <i>inter alia</i> , regulating various continuing connected transactions involving the provision of Hotel-related Services by Wharf Group Members to WREIC Group Members and/or HCDL 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
“Service Fees”	Remunerations receivable by Wharf Group Member(s) under Individual Services Agreement(s) for provision of Hotel-related Services
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	has the meaning as mentioned in the section headed “New Master Hotel Services Agreement” in this announcement
“Transactions”	All subsisting Individual Service 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
“WREIC Group Member(s)”	WREIC and its subsidiaries from time to time or any one of them
“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

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