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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

## **JOINT ANNOUNCEMENT**

### **CONTINUING CONNECTED TRANSACTIONS – TENANCY**

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

On 16 December 2022, the New Master Tenancy Agreement was entered into by and amongst WAC, Wharf and WREIC for the purpose of, *inter alia*, regulating various continuing connected transactions relating to the renting and/or licensing of Premises amongst WAC Group Members for a fixed term of three years commencing on 1 January 2023 and expiring on 31 December 2025.

Wharf is a subsidiary of WAC, and WREIC is owned as to over 30% by WAC. From Wharf's perspective, WAC Group (excluding Wharf Group) and its associates including, *inter alia*, WREIC Group are regarded as its connected persons under the Listing Rules. From WREIC's perspective, WAC Group and its associates including, *inter alia*, Wharf Group but excluding WREIC Group itself, are regarded as its connected persons under the Listing Rules.

Consequently, the New Master Tenancy Agreement and the relevant transactions contemplated and/or governed thereunder constitute continuing connected transactions for each of Wharf and WREIC under the Listing Rules. The entering into of the New Master Tenancy Agreement, with the respective Annual Cap Amounts adopted accordingly, is 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 and WREIC.

## INTRODUCTION

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

On 13 December 2019, the Existing Agreement was entered into by and amongst, *inter alia*, WAC, Wharf and WREIC for a fixed term of three years commencing from 1 January 2020 and expiring on 31 December 2022. Details of the Existing Agreement and the relevant cap amounts were disclosed in the joint announcement issued by Wharf and WREIC on 13 December 2019.

## NEW MASTER TENANCY AGREEMENT

In anticipation of the expiration of the Existing Agreement, the New Master Tenancy Agreement was entered into by and amongst WAC, Wharf and WREIC for the purpose of, *inter alia*, regulating various continuing connected transactions relating to the renting and/or licensing of Premises amongst WAC Group Members.

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

Signing Date	:	16 December 2022
Parties	:	(1) WAC (2) Wharf (3) WREIC
Term	:	A fixed term of three years commencing on 1 January 2023 and expiring on 31 December 2025, unless terminated earlier in accordance with the New Master Tenancy Agreement.
Scope	:	All forms of leases, tenancies or licences in respect of Premises amongst WAC Group Members.
Annual Cap Amounts	:	Each of Wharf and WREIC may in accordance with the requirements of the Listing Rules determine for itself such maximum annual aggregate amounts of Capitalised Rent to be recognised or rental receivable by its respective group members in respect of all Transactions which constitute its continuing connected transactions for the financial years ending 31 December 2023, 2024 and 2025 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 and/or WREIC) 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 Wharf and/or WREIC.

- Individual Agreement(s) : During the Term, Individual Agreement(s) may be entered into between WAC Group Members, upon and subject to such terms and conditions as may be agreed, provided that:
- (1) each Individual Agreement is entered into 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 leases, tenancies or licences available from independent third parties, and from WREIC's perspective, no less favourable to the relevant WREIC Group Member(s) when compared with similar leases, tenancies or licences provided to independent third parties.
- Pricing Policy : The rental and/or licence fee 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 WAC 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 WAC Group Member(s) to other independent third parties.
- Termination : The New Master Tenancy 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 Tenancy 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 Tenancy 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

The economy was decimated by the COVID-19 pandemic. Against that backdrop, historical amounts of the rental received and the Capitalised Rent recognised in respect of the Transactions during the financial years ended 31 December 2020, 31 December 2021 and the period of ten months ended 31 October 2022 respectively were as follows:

	Financial year ended 31 December 2020 (HK\$ million)	Financial year ended 31 December 2021 (HK\$ million)	Ten months ended 31 October 2022 (HK\$ million)
Rental received by WREIC Group	135	136	106
Capitalised Rent recognised by Wharf Group	111	111	137

## ANNUAL CAP AMOUNTS

Assuming progressive market normalisation after the pandemic, each of Wharf and WREIC has adopted the respective Annual Cap Amounts of Capitalised Rent to be recognised or rental receivable by itself in respect of the Transactions as follows:

	Financial year ending 31 December 2023 (HK\$ million)	Financial year ending 31 December 2024 (HK\$ million)	Financial year ending 31 December 2025 (HK\$ million)
WREIC Rental Receivable Cap	137	140	144
Wharf Capitalised Rent Cap	178	187	195

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

- (1) the historic rental records (both before and during the pandemic) in respect of the relevant premises under the existing leases, tenancies or licences amongst WAC Group Members;
- (2) the anticipated changes in the rental and/or licence fees (on progressive market normalisation after the pandemic) under the otherwise normal economic conditions; and
- (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.

The projected increase in the Annual Cap Amounts for 2023, 2024 and 2025, as compared to the historical amounts of rental received / Capitalised Rent recognised in respect of the Transactions for 2020, 2021 and 2022, is mainly due to the expected progressive recovery of market conditions from the pandemic and ultimately the full reopening of the border both in Hong Kong and Mainland China.

## REASONS FOR AND BENEFITS OF THE TRANSACTIONS

WAC Group, Wharf Group and WREIC Group own or hold various Premises in Hong Kong, Mainland China and Singapore for renting and/or licensing purposes as one of its principal business activities. On the other hand, each of WAC Group, Wharf Group and WREIC Group has corporate needs for using the Premises in pursuit of their respective business activities. Transactions relating to the renting and/or licensing of Premises amongst WAC Group Members may arise from time to time where they are in the interests of the relevant WAC Group Members as landlords or 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 and WREIC Group. Individual Agreements may be negotiated or contemplated between WAC Group Members from time to time. It is in the interests of Wharf and WREIC to enter into the New Master Tenancy Agreement with the respective Annual Cap Amounts adopted accordingly, which shall provide a common framework in compliance with the Listing Rules for the purpose of administrative convenience to regulate, *inter alia*, the Individual Agreements and the relevant transactions contemplated thereunder.

## REGULATORY ASPECTS

Wharf is a subsidiary of WAC, and WREIC is owned as to over 30% by WAC. Consequently, the New Master Tenancy Agreement and the relevant transactions contemplated and/or governed thereunder constitute continuing connected transactions for both Wharf and WREIC under the Listing Rules.

### (1) In respect of Wharf

As WAC is a substantial shareholder of Wharf, WAC Group (excluding Wharf Group) and its associates including, *inter alia*, WREIC 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 Amount as adopted for the Transactions under the New Master Tenancy Agreement are greater than 0.1% while all such ratios are below 5%, the New Master Tenancy Agreement (with Wharf Annual Cap Amount as adopted) is 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

As WAC is a substantial shareholder of WREIC, WAC Group and its associates including, *inter alia*, Wharf Group but excluding WREIC Group itself, 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 Amount as adopted for the Transactions under the New Master Tenancy Agreement are greater than 0.1% while all such ratios are below 5%, the New Master Tenancy Agreement (with WREIC Annual Cap Amount as adopted) is 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, its Board (including independent non-executive directors) is of the view that the terms of the New Master Tenancy 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 Wharf Group, and in the interests of Wharf and its shareholders as a whole.

For WREIC, its Board (including independent non-executive directors) is of the view that the terms of the New Master Tenancy 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 WREIC Group, and in the interests of WREIC and its shareholders as a whole.

None of the directors of Wharf and WREIC had a material interest in the New Master Tenancy 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 Wharf Group are investment properties and development properties in Hong Kong and Mainland China, hotels ownership and management, logistics and investment.

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

*As at the date of this announcement, the Board of Wharf comprises Mr. Stephen T. H. Ng, Mr. Paul Y. C. Tsui, Ms. Y. T. Leng, Mr. Kevin K. P. Chan and Mr. Kevin C. Y. Hui, together with seven independent non-executive directors, namely, Professor Edward K. Y. Chen, Mr. Vincent K. Fang, Mr. Hans Michael Jebsen, Ms. Elizabeth Law, Mr. Richard Y. S. Tang, Ms. Nancy S. L. Tse and Mr. David Muir Turnbull.*

*As at the date of this announcement, the Board of WREIC comprises Mr. Stephen T. H. Ng, Mr. Paul Y. C. Tsui, Ms. Y. T. Leng and Mr. Horace W. C. Lee, together with eight independent non-executive directors, namely, Mr. Alexander S. K. Au, Mr. Tak Hay Chau, Ms. Lai Yuen Chiang, Hon. Andrew K. Y. Leung, Mr. Desmond L. P. Liu, Mr. R. Gareth Williams, Dr. Glenn S. Yee and Professor E. K. Yeoh.*

## 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 and/or Capitalised Rent to be recognised during a financial year
“associate(s)”	has the meaning ascribed to it under 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 Agreement”	the leasing framework agreement dated 13 December 2019 entered into by and amongst, <i>inter alia</i> , WAC, Wharf and WREIC for the purpose of, <i>inter alia</i> , regulating various continuing connected transactions relating to the renting and/or licensing of Premises amongst WAC Group Members as landlords or tenants for a fixed term of three years from 1 January 2020 to 31 December 2022
“HKFRS 16”	Hong Kong Financial Reporting Standard 16, “Lease”, issued by the Hong Kong Institute of Certified Public Accountants 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 WAC Group Members as landlords or tenants from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Master Tenancy Agreement”	the master tenancy agreement dated 16 December 2022 entered into by and amongst WAC, Wharf and WREIC for the purpose of, <i>inter alia</i> , regulating various continuing connected transactions relating to the renting and/or licensing of Premises amongst WAC Group Members for a fixed term of three years from 1 January 2023 to 31 December 2025
“Premises”	including office premises, car parking spaces, building areas and residential units 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 Master Tenancy Agreement” in this announcement
“Transactions”	all forms of leases, tenancies or licences in respect of Premises amongst WAC Group Members entered into or subsisting during the Term which constitute continuing connected transactions under the Listing Rules for Wharf and/or WREIC, where the context is applicable
“WAC”	Whelock and Company Limited, a company incorporated in Hong Kong with limited liability
“WAC Group”	WAC together with its subsidiaries, unless excluded to the extent as indicated
“WAC Group Member(s)”	WAC together with its subsidiaries and associates from time to time or any one of them, including, <i>inter alia</i> , Wharf Group Members and WREIC Group Members, unless excluded to the extent as indicated

“Wharf”	The Wharf (Holdings) Limited (stock code: 4), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Wharf Annual Cap Amount”	the annual amount of Wharf Capitalised Rent Cap
“Wharf Capitalised Rent Cap”	Annual Cap Amount as adopted by Wharf in respect of Capitalised Rent to be recognised for each financial year ending 31 December 2023, 2024 and 2025 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 company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“WREIC Annual Cap Amount”	the annual amount of WREIC Rental Receivable Cap
“WREIC Group”	WREIC together with its subsidiaries
“WREIC Group Member(s)”	WREIC and its subsidiaries from time to time or any one of them
“WREIC Rental Receivable Cap”	Annual Cap Amount as adopted by WREIC in respect of rental receivable for each financial year ending 31 December 2023, 2024 and 2025 respectively and tabulated under the section headed “Annual Cap Amounts”

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

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

Hong Kong, 16 December 2022