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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

REVISION OF ANNUAL CAP AMOUNTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023 CONTINUING CONNECTED TRANSACTIONS – HOTEL SERVICES

Reference is made to the joint announcement dated 16 December 2022 (“**Joint Announcement**”) in relation to the Master Hotel Services Agreement entered into between Wharf and WREIC for the purpose of, *inter alia*, regulating various continuing connected transactions relating to the provision of Hotel-related Services by Wharf Group Members to WREIC Group Members for a fixed term of three years commencing on 1 January 2023 and expiring on 31 December 2025. Details of the Master Hotel Services Agreement and the Annual Cap Amounts were disclosed in the Joint Announcement. Unless otherwise defined in the section headed “Definition” hereunder, capitalised terms herein shall have the same meaning as defined in the Joint Announcement.

Owing to the unbudgeted recovery of market conditions after the COVID-19 pandemic and the reopening of borders, hotel occupancies and room rates had exceeded the budget which had been formulated prudently according to pandemic market conditions. The Service Fees which are determined on basis of hotel business performance have increased correspondingly. It is now expected that the Original Annual Cap Amounts of 2023 will not be sufficient to cover the Service Fees receivable by Wharf and payable by WREIC during the financial year ending 31 December 2023. On 8 December 2023, the respective Boards of Wharf and WREIC have resolved to increase the Original Annual Cap Amounts of 2023.

HISTORICAL AMOUNTS

Historical amounts of Service Fees in respect of the Transactions for the period of nine months ended 30 September 2023 were as follows:

	Nine months ended 30 September 2023 (HK\$ million)
Service Fee received by Wharf Group	41
Service Fee paid by WREIC Group	41

As at the date of this announcement, the Service Fees receivable by Wharf and payable by WREIC have not exceeded the Original Annual Cap Amounts of 2023.

REVISED ANNUAL CAP AMOUNTS OF 2023

The respective original and revised Annual Cap Amounts of Service Fees receivable by Wharf and payable by WREIC in respect of the Transactions are as follows:

	Original Annual Cap Amounts for the financial year ending 31 December 2023 (HK\$ million)	Revised Annual Cap Amounts for the financial year ending 31 December 2023 (HK\$ million)
Wharf Annual Cap Amount (receivable by Wharf Group Members)	44	70
WREIC Annual Cap Amount (payable by WREIC Group Members)	44	70

Such Revised Annual Cap Amounts of 2023 are arrived at on the basis of and by reference to, *inter alia*:

- (1) the actual Transactions from 1 January to 30 September 2023 and the anticipated performance of the hotels owned by WREIC Group, operating under prevailing market conditions; and
- (2) taking into account a suitable and adequate buffer on the estimated Service Fees as prudent contingency in view of the seasonal pattern of hotel revenue during the remainder of the year of 2023.

Save for the Revision of 2023 Annual Cap, the Annual Cap Amounts applicable to the financial years ending 31 December of 2024 and 2025, and all other terms and provisions (including the Pricing Policy) applicable to the Master Hotel Services Agreement, remain unchanged.

REASONS AND BENEFITS

Owing to the progressive improvement of hotel business performance following the COVID-19 pandemic and the reopening of borders, the Service Fees received by Wharf and paid by WREIC for the nine months ended 30 September 2023 were HK\$41 million, representing 93% of the Original Annual Cap Amounts of 2023. The Service Fees receivable by Wharf and payable by WREIC for the financial year ending 31 December 2023 are expected to exceed the Original Annual Cap Amounts of 2023.

The Revision of 2023 Annual Cap is necessary to enable Wharf to receive and WREIC to pay the full amount of Service Fees in accordance with the Individual Services Agreements previously negotiated and determined on an arm's length basis.

REGULATORY ASPECTS

As Wharf is a subsidiary of WAC and WREIC is owned as to over 30% by WAC, Wharf and WREIC are regarded as connected persons to each other under the Listing Rules. Consequently, the relevant transactions contemplated and/or governed under the Master Hotel Services Agreement (with the

Revised Annual Cap Amounts of 2023 to be adopted) constitute continuing connected transactions for both Wharf and WREIC under the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, both Wharf and WREIC are required to re-comply with the provisions of Chapter 14A of the Listing Rules for the Revision of 2023 Annual Cap.

(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 Revised Annual Cap Amount of 2023 are greater than 0.1% while all such ratios are below 5%, Wharf Revised Annual Cap Amount of 2023 as adopted is subject to 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 Revised Annual Cap Amount of 2023 are greater than 0.1% while all such ratios are below 5%, WREIC Revised Annual Cap Amount of 2023 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 Wharf Revised Annual Cap Amount of 2023 as adopted is 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 WREIC Revised Annual Cap Amount of 2023 as adopted is 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 respective directors of Wharf and WREIC had a material interest in the Revision of 2023 Annual Cap which would require him/her to abstain from voting on the respective board resolutions. For good corporate governance practices, Mr. Stephen T. H. Ng and Mr. Paul Y. C. Tsui who are also directors of Wharf Hotels Management Limited and/or various hotel owning companies under WREIC Group, have abstained from voting in the respective board resolutions of Wharf and WREIC in relation to the Revision of 2023 Annual Cap.

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, the following terms used in this announcement shall have the meanings as follows:

“Joint Announcement”	the joint announcement dated 16 December 2022 issued by Wharf and WREIC in relation to the Master Hotel Services Agreement entered into between Wharf and WREIC
“Master Hotel Services Agreement”	the master hotel services agreement dated 16 December 2022 entered into between Wharf and WREIC for the purpose of, <i>inter alia</i> , regulating various continuing connected transactions relating to the provision of Hotel-related Services by Wharf Group Members to WREIC Group Members for a fixed term of three years from 1 January 2023 to 31 December 2025
“Original Annual Cap Amount(s) of 2023”	original Annual Cap Amount of HK\$44 million receivable by Wharf Group and payable by WREIC Group for the financial year ending 31 December 2023
“Pricing Policy”	The standard package of Service Fees applicable to the hotel portfolio under management of Wharf Group which was stated as “Pricing Policy” in the Joint Announcement.
“Revised Annual Cap Amount(s) of 2023”	revised Annual Cap Amount of HK\$70 million receivable by Wharf Group and payable by WREIC Group for the financial year ending 31 December 2023
“Revision of 2023 Annual Cap”	Collectively or separately in the context where applicable (i) the adoption by Wharf of Wharf Revised Annual Cap Amount of 2023 in place of Wharf Original Annual Cap Amount of 2023, and (ii) the adoption by WREIC of WREIC Revised Annual Cap Amount of 2023 in place of WREIC Original Annual Cap Amount of 2023, on the Service Fees receivable by Wharf and payable by WREIC, in respect of the Transactions
“Wharf Hotels Management Limited”	a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Wharf, which provides Hotel-related Services as governed by the Master Hotel Services Agreement

“Wharf Original Annual Cap Amount of 2023”	original Annual Cap Amount of HK\$44 million as adopted by Wharf for the financial year ending 31 December 2023
“Wharf Revised Annual Cap Amount of 2023”	revised Annual Cap Amount of HK\$70 million as adopted by Wharf for the financial year ending 31 December 2023
“WREIC Original Annual Cap Amount of 2023”	original Annual Cap Amount of HK\$44 million as adopted by WREIC for the financial year ending 31 December 2023
“WREIC Revised Annual Cap Amount of 2023”	revised Annual Cap Amount of HK\$70 million as adopted by WREIC for the financial year ending 31 December 2023

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, 8 December 2023