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WHEELOCK AND COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
Stock Code: 20

THE WHARF (HOLDINGS) LIMITED
(Incorporated in Hong Kong with limited liability)
Stock Code: 4

JOINT ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

The Existing Master Tenancy Agreement dated 21 November 2008 entered into between Wharf and Chesterland for the purpose of regulating certain continuing connected transactions, namely, the leasing of certain Eligible Premises by the Wharf Group Members as landlords to the Chesterland Group Members as tenants will expire on 31 December 2011. On 30 December 2011, Wharf entered into the Renewal Master Tenancy Agreement with WGL (which is an indirect holding company of Chesterland) for a new term of three years commencing from 1 January 2012 and expiring on 31 December 2014. The Renewal Master Tenancy Agreement also provides, *inter alia*, for the Aggregate Annual Cap Amount in relation to the leasing of Eligible Premises by the Eligible Landlords to the Eligible Tenants during the three-year term.

Also on 30 December 2011, Wharf and Chesterland entered into the Supplemental Agreement, which provides for, *inter alia*, the revision of the annual cap amount applicable to the financial year ending 31 December 2011 to HK\$450 million (instead of the Original Annual Cap of HK\$405 million), so as to enable the Wharf Group to receive from the Chesterland Group Members the full amount of the aggregate rents which would be payable by the latter under various Existing Tenancy Agreements and which are expected to exceed the Original Annual Cap.

As both WGL and Chesterland are indirectly wholly-owned by a trust, the settlor of which is the chairman of both Wheelock and Wharf, namely, Mr. Peter K. C. Woo, the Renewal Master Tenancy Agreement and the Supplemental Agreement and various transactions contemplated and/or governed thereunder constitute continuing connected transactions for each of Wheelock and Wharf (which is a 50.39%-owned subsidiary of Wheelock) under the Listing Rules.

For each of Wheelock and Wharf, the relevant transactions, given the size or value thereof, are exempt from the requirement for independent shareholders' approval, but are subject to requirements regarding reporting and announcement etc. under Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules.

INTRODUCTION

Reference is made to the continuing connected transactions previously disclosed in an announcement dated 21 November 2008 made jointly by Wheelock and Wharf relating to the Existing Master Tenancy Agreement entered into between Wharf and Chesterland for the purpose of regulating certain leasing of the Eligible Premises to the Chesterland Group Members.

Set out below are the names of certain major existing Eligible Tenants and the locations of the relevant major existing Eligible Premises:-

Existing Tenants

Locations of the relevant premises

LCHK
City Super
JBL
Ferragamo Retail

Times Square/ Harbour City
Times Square/ Harbour City
Harbour City
Harbour City

For the two financial years ended 31 December 2009 and 31 December 2010, the aggregate annual amounts received by the Wharf Group in respect of the Existing Master Tenancy Agreement amounted to HK\$300.89 million and HK\$342.7 million respectively. The aggregate annual amount receivable by the Wharf Group under the Existing Master Tenancy Agreement for the financial year ending 31 December 2011 is estimated to be HK\$420 million.

The Existing Master Tenancy Agreement will expire on 31 December 2011. Following recent negotiations between Wharf and WGL (which is an indirect holding company of Chesterland), the Renewal Master Tenancy Agreement was entered into on 30 December 2011 for the purpose of regulating, among others, the leasing of the Eligible Premises by the Eligible Landlords to the Eligible Tenants during the three financial years ending 31 December 2014.

Also on 30 December 2011, Wharf and Chesterland entered into the Supplemental Agreement, which provides for, *inter alia*, the revision of the annual cap amount applicable to the financial year ending 31 December 2011 to HK\$450 million (instead of the Original Annual Cap), so as to enable the Wharf Group to receive from the Chesterland Group Members the full amount of the aggregate rents which would be payable by the latter under various Existing Tenancy Agreements and which are expected to exceed the Original Annual Cap.

Details of the Renewal Master Tenancy Agreement and the Supplemental Agreement are set out below:-

DETAILS OF THE RENEWAL MASTER TENANCY AGREEMENT

Major terms of the Renewal Master Tenancy Agreement

- Signing Date : 30 December 2011
- Parties : Wharf
WGL
- Term : The Renewal Master Tenancy Agreement will be for a fixed term of three years commencing from 1 January 2012 and expiring on 31 December 2014.
- Leasing of Eligible Premises : Wharf and WGL will each procure the Eligible Landlords and Eligible Tenants respectively to enter into the leasing of properties within the Eligible Premises during the Term on terms acceptable to the relevant parties and in line with the terms of the Renewal Master Tenancy Agreement, subject in particular to the Aggregate Annual Cap Amount (and if there is Individual Annual Cap Amount (as defined below) applicable to any specific Eligible Premises under a specific Tenancy Agreement, that Individual Annual Cap Amount as well) not being exceeded.
- Aggregate Annual Cap Amount : For each of the three financial years of Wheelock and Wharf ending 31 December 2012, 2013 and 2014, the aggregate annual amount payable by the Eligible Tenants to the Eligible Landlords in relation to leasing of the Eligible Premises will be capped at HK\$900 million (the “**Aggregate Annual Cap Amount**”).
- The Aggregate Annual Cap Amount represents the estimated maximum possible aggregate annual rental amounts payable by the Eligible Tenants to the Eligible Landlords, with reference to (i) the historic rental records in respect of the tenancies under the Existing Master Tenancy Agreement; (ii) the possible buoyant retail sentiment and environment in the next several years as projected by the management of Wharf; (iii) the increase in the total lettable floor area and locations of Eligible Premises during the Term; plus a suitable and adequate cushion.
- Payment Term : Under the relevant terms of the Existing Tenancy Agreements, the rents are payable in advance by cash on a monthly basis (except, where applicable, for the excess turnover rents calculated based on certain percentage of gross sales ranging from 7.25% to 16% which are payable in arrears on monthly or yearly basis) while for future lease arrangements, payment terms will be subject to terms and conditions of the Individual Tenancy Agreements to be agreed between the Eligible Landlords and Eligible Tenants.

Other terms of the Renewal Master Tenancy Agreement

Individual Annual Cap Amount : Notwithstanding the Aggregate Annual Cap Amount, if any specific Eligible Premises is subject to an individual annual cap amount pursuant to the Listing Rules requirements, the relevant annual rental amount payable for such specific Eligible Premises shall not exceed the Individual Annual Cap Amount.

However, for any particular Eligible Premises for which an Individual Annual Cap Amount is applicable, if the actual annual rental amount is higher or lower than the applicable Individual Annual Cap Amount, the same parties to the Tenancy Agreement(s) concerned may, subject to compliance with the applicable requirements under the Listing Rules, adjust the rents payable and/or the applicable Individual Annual Cap Amount, under the Tenancy Agreement(s) concerned based on normal commercial terms, provided that the annual aggregate amount of rents payable under all Tenancy Agreements will not cause the Aggregate Annual Cap Amount being exceeded.

Individual Tenancy Agreement : At any time during the Term of the Renewal Master Tenancy Agreement, the Eligible Landlords and the Eligible Tenants may from time to time enter into Individual Tenancy Agreements on agreed terms in relation to the leasing of the relevant Eligible Premises provided that the following conditions are met:

- (1) the length of each Individual Tenancy Agreements must be for a fixed term of not more than three years, or if otherwise, arrangements for full compliance with applicable requirements under the Listing Rules shall be made in respect of the relevant Individual Tenancy Agreements;
- (2) the terms and conditions of the Individual Tenancy Agreements must be no less favourable to the Wharf Group Members when they are compared with the terms and conditions of similar tenancy agreements available from independent third parties for comparable premises; and
- (3) the annual aggregate amount of the rents for any one year during the Term payable under all of the Tenancy Agreements subsisting at any time must not, unless otherwise agreed to by Wharf, exceed the Aggregate Annual Cap Amount.

Termination : the Renewal Master Tenancy Agreement is terminable, among others, by either party giving not less than two month prior written notice to the other party; or automatically in the event of and upon WGL ceasing to be a connected person (as defined under the Listing Rules) of Wheelock and Wharf; or failure of either party to rectify any breach of provisions of the Renewal Master Tenancy Agreement; or a material breach of non-rectifiable provisions; or immediately without notice in case any party subject to any liquidation or insolvency proceedings.

DETAILS OF THE SUPPLEMENTAL AGREEMENT

On 30 December 2011, Wharf and Chesterland entered into the Supplemental Agreement, whereby the parties agreed as follows:

- (a) the annual cap amount as stipulated under the Existing Master Tenancy Agreement in respect of the financial year ending 31 December 2011 be revised to HK\$450 million (in lieu of the Original Annual Cap of HK\$405 million). For avoidance of doubts, the annual cap amount of HK\$405 million in respect of each of the two financial years ended 31 December 2009 and 2010 would remain unchanged; and
- (b) all other terms and conditions of the Existing Master Tenancy Agreement remain and will remain valid, binding and effective on the parties throughout the term thereof.

The revised annual cap amount as mentioned above is arrived at basically by reference to the estimated amount of the relevant rents for the financial year ending 31 December 2011 in respect of those tenancy agreements regulated by the Existing Master Tenancy Agreement plus a suitable buffer.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

- (a) As regards the Renewal Master Tenancy Agreement:
With ownership of properties for letting being one of the principal business activities of both Wheelock Group and Wharf Group, rental income is an important income source of both groups. The directors of Wheelock and Wharf believe that the entering into of the Renewal Master Tenancy Agreement is necessary for the continuous growth and operations of, and will generate recurrent rental income for, the Wheelock Group and Wharf Group, and is beneficial to Wheelock and Wharf. In addition, for the purposes of administrative convenience, the Renewal Master Tenancy Agreement is, among others, to pre-agree the Aggregate Annual Cap Amount which the total amount of rentals payable for leasing of the Eligible Premises to the Eligible Tenants will be subject to.

(b) As regards the Supplemental Agreement:

The amendments provided in the Supplemental Agreement are necessary for enabling the Wharf Group to receive from the Chesterland Group Members the full amount of the aggregate rents which would be payable by the latter under various Existing Tenancy Agreements and which are expected to exceed the Original Annual Cap. The revision of the final-year cap amount is for the sake of fairness and reasonableness commercially. The ability to receive the amount of rents exceeding the Original Annual Cap for the year 2011 as permitted under the Supplemental Agreement (which would otherwise not be receivable by the Wharf Group) will enhance the profit, cash flow and financial position of the Wheelock Group and Wharf Group and is therefore beneficial to Wheelock and Wharf.

REGULATORY ASPECTS

As both WGL and Chesterland are indirectly wholly-owned by a trust, the settlor of which is the chairman of both Wheelock and Wharf (which is a 50.39%-owned subsidiary of Wheelock), namely, Mr. Peter K. C. Woo, the Renewal Master Tenancy Agreement and the Supplemental Agreement and various transactions contemplated therein and/or governed thereunder constitute continuing connected transactions for each of Wheelock and Wharf under the Listing Rules.

For each of Wheelock and Wharf, since one or more of the applicable percentage ratios in respect of the abovementioned transactions is/are greater than 0.1% while all such ratios are below 5% for the purposes of Rule 14.07 of the Listing Rules, the transactions are exempt from the requirement for shareholders' approval, but are subject to requirements regarding reporting and announcement etc. under Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules. Going forward, no further announcement will be issued by Wheelock and/or Wharf on each occasion any Eligible Landlord(s) and any Eligible Tenant(s) enter into any Individual Tenancy Agreement(s), subject to fulfillment of the terms and/or conditions stipulated in the Renewal Master Tenancy Agreement and as mentioned above, particularly the Aggregate Annual Cap Amount not being exceeded.

GENERAL

The principal business activities of both Wheelock Group and Wharf Group are ownership of properties for development and letting, investment holding, container terminals as well as communication, media and entertainment. The principal business activity of both WGL and Chesterland is investment holding.

The directors (except Mr. Peter K. C. Woo, being the only Director who has a material interest in the relevant transactions and who abstained from participating in the approval of the relevant board resolutions due to conflict of interest), including independent non-executive directors, of both Wheelock and Wharf are of the view that the Renewal Master Tenancy Agreement and the Supplemental Agreement as well as the relevant transactions contemplated thereunder are on normal commercial terms with reference to the prevailing market conditions, and believe that the terms of the Renewal Master Tenancy Agreement (including the Aggregate Annual Cap Amount) and of the Supplemental Agreement (including the revised final-year cap amount) are fair and reasonable and in the interests of Wheelock as well as Wharf and their respective shareholders as a whole. Furthermore, the Renewal Master Tenancy Agreement and the Supplemental Agreement were entered into in

the ordinary and usual course of business of the Wheelock Group and the Wharf Group after due negotiations on an arm's length basis with reference to the prevailing market conditions.

As at the date of this announcement, the board of directors of Wheelock comprises Mr. Peter K. C. Woo, Mr. Stephen T. H. Ng, Mr. Paul Y. C. Tsui and Mr. Ricky K. Y. Wong, together with five independent non-executive directors, namely, Mr. Alexander S. K. Au, Mr. B. M. Chang, Mr. Herald L. F. Lau, Mr. Kenneth W. S. Ting and Mr. Glenn S. Yee, and the board of directors of Wharf comprises Mr. Peter K. C. Woo, Mr. Stephen T. H. Ng, Mr. Andrew O. K. Chow, Ms. Doreen Y. F. Lee, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, together with six independent non-executive directors, namely, Hon. Paul M. P. Chan, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen and Mr. James E. Thompson.

TERMS USED IN THIS ANNOUNCEMENT

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

“Aggregate Annual Cap Amount”	has the meaning as defined in the paragraph “Details of the Renewal Master Tenancy Agreement” of this announcement
“City Super”	means City Super Limited, a company in which WGL is effectively interested as to 39.08%
“Chesterland”	means Chesterland Group Ltd., a company incorporated in the British Virgin Islands, which was formerly known as The Lane Crawford Joyce Group (BVI) Limited, and a party to the Existing Master Tenancy Agreement
“Chesterland Group Members”	means Chesterland and its subsidiaries and all those associated companies of Chesterland which are connected persons (as defined under the Listing Rules) of Wharf during the term of the Existing Master Tenancy Agreement
“Eligible Landlord(s)”	means all Wharf Group Members during the Term, or any one of them
“Eligible Premise(s)”	means spaces / shops / units / landed properties owned and to be owned by the Eligible Landlords during the Term, or any one of them
“Eligible Tenant(s)”	means all WGL Group Members and all those associated companies and/or affiliated companies of WGL which are connected persons (as defined under the Listing Rules) of Wharf during the Term, or any one of them

“Existing Master Tenancy Agreement”	means the master tenancy agreement signed between Wharf and Chesterland on 21 November 2008, as amended and supplemented by the Supplemental Agreement dated 30 December 2011 entered into between the parties
“Existing Tenancy Agreements”	means all the existing tenancy agreements entered into prior to the commencement of the Term between any Eligible Landlords and any Eligible Tenants in respect of any Eligible Premises
“Ferragamo Retail”	means Ferragamo Retail HK Limited, a company in which WGL is effectively interested as to 53%
“Individual Annual Cap Amount(s)”	where applicable, the individual annual rental cap amount(s) stipulated in any Individual Tenancy Agreement(s)
“Individual Tenancy Agreement(s)”	means individual tenancy agreement(s) between Eligible Landlords and Eligible Tenants from time to time in respect of the leasing of Eligible Premises during the Term, or any one of such agreements
“JBL”	means Joyce Boutique Limited, a company incorporated in Hong Kong and an indirect subsidiary of WGL
“LCHK”	means Lane Crawford (Hong Kong) Limited, a company incorporated in Hong Kong and is indirectly wholly-owned by WGL
“Original Annual Cap”	means the aggregate annual cap amount of rentals (i.e. HK\$405 million per annum) as provided in the Existing Master Tenancy Agreement
“Renewal Master Tenancy Agreement”	means the master tenancy agreement signed between Wharf and WGL on 30 December 2011 to regulate the leasing of the Eligible Premises by the Eligible Landlords to the Eligible Tenants
“Supplemental Agreement”	means the supplemental agreement entered into between Wharf and Chesterland on 30 December 2011, as supplement to the Existing Master Tenancy Agreement
“Tenancy Agreements”	means the Existing Tenancy Agreements and the Individual Tenancy Agreements

“Term”	has the meaning as mentioned in the paragraph “Details of the Renewal Master Tenancy Agreement” in this announcement
“WGL”	means Wisdom Gateway Limited, a company incorporated in the British Virgin Islands
“WGL Group Member(s)”	means WGL and its subsidiaries from time to time or any one of them
“Wharf”	The Wharf (Holdings) Limited (stock code: 4), a company incorporated in Hong Kong with limited liability with its shares listed on the Stock Exchange and being a 50.39%-owned subsidiary of Wheelock
“Wharf Group”	means Wharf together with its subsidiaries
“Wharf Group Member(s)”	means Wharf 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 with its shares listed on the Stock Exchange
“Wheelock Group”	means Wheelock together with its subsidiaries

By order of the directors of
WHEELOCK AND COMPANY LIMITED
Wilson W. S. Chan
Company Secretary

By order of the directors of
THE WHARF (HOLDINGS) LIMITED
Wilson W. S. Chan
Company Secretary

Hong Kong, 30 December 2011