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WHEELOCK PROPERTIES

WHEELOCK PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 49

CONTINUING CONNECTED TRANSACTIONS

A master services agreement dated 22 December 2004, as revised by a supplemental agreement dated 7 February 2007, between Wheelock and WPL governing the provision of various services by Wheelock group to WPL group would expire by the end of March 2010.

On 3 March 2010, Wheelock and WPL entered into the Renewal Master Services Agreement for the same purposes as those in respect of the Previous Master Services Agreement for a new fixed term of three years. The Renewal Master Services Agreement also provides, *inter alia*, for various annual cap amounts for the service fees during the three-year term. Wheelock group, including WPL group, changed its financial year end date from 31 March to 31 December with effect from the financial period which commenced on 1 April 2007. Therefore, to keep in line with the commencing date of the present financial year, the initial year of the three-year term covered under the Renewal Master Services Agreement covers the year from 1 January 2010 to 31 December 2010 notwithstanding that the Previous Master Services Agreement would not expire until the end of March 2010.

Also on 3 March 2010, Wheelock and WPL entered into the Second Supplemental Agreement for shortening the duration of the Previous Master Services Agreement to the effect that the term thereunder came to an end at the end of December 2009 so that it would not overlap with the Renewal Master Services Agreement as regards the three-month period from 1 January 2010 to 31 March 2010. Furthermore, the Second Supplemental Agreement provides, *inter alia*, for the annual cap amount for General Management Services for the final year, being from 1 January 2009 to 31 December 2009 as revised, under the Previous Master Services Agreement to be revised to HK\$66.0 million. That will allow for more flexibility so as to enable the possible payment by WPL group to Wheelock group of General Management Services fees of more than HK\$44.0 million (but subject to the revised cap of HK\$66.0 million) in full if (and only if) and in the event the amount of such fees payable for that final year calculated in accordance with the original provisions of the relevant General Managers Agreements governed by the Previous Master Services Agreement exceeding the previously agreed annual cap amount of HK\$44.0 million.

As WPL is a 74%-owned subsidiary of Wheelock, the Renewal Master Services Agreement and the Second Supplemental Agreement and various transactions contemplated and/or governed thereunder constitute continuing connected transactions for WPL under the Listing Rules. The relevant transactions, given the size or value thereof, are exempt from independent shareholders' approval requirement, but are subject to requirements regarding announcement and reporting 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 disclosed in the Previous Announcement dated 7 February 2007 made by WPL relating to the Previous Master Services Agreement entered into between Wheelock and WPL regarding, among other things, the provision by Wheelock group to WPL group of General Management Services and Property Services, and for the governance of the entry into of any further Individual Agreements separately between members of WPL group with members of Wheelock group in respect of the provision of the Services.

The Previous Master Services Agreement would expire by the end of March 2010. To keep in line with the change of financial year end date of Wheelock group, including WPL group, from 31 March to 31 December with effect from the financial period which commenced on 1 April 2007 and for, *inter alia*, renewing the same master services arrangements, Wheelock and WPL entered into the Renewal Master Services Agreement and the Second Supplemental Agreement to the original master services agreement dated 22 December 2004, with the term of the new master services arrangements to commence from 1 January 2010 instead of immediately after the expiration on 31 March 2010 of the Previous Master Services Agreement.

AGREEMENTS FOR SERVICES AND CAP AMOUNTS ETC.

(a) General Managers Agreements

Certain WPL group companies have appointed certain subsidiaries of Wheelock as their general managers to provide General Management Services under various General Managers Agreements.

By way of remuneration, a commission of 5% on the annual net profits before surplus or deficit arising on annual revaluation of investment properties in accordance with Hong Kong Accounting Standards 40 "Investment Property", as referred to in the latest audited accounts of those WPL group companies is payable to the general managers under the General Managers Agreements and will be paid by way of cash in arrear once a year after the release of the audited accounts of the relevant WPL group company. 5% is the percentage agreed between the parties of the General Managers Agreements and has been adopted for over 50 years. WPL believes that 5% is a fair and reasonable fee level for employment of a competent general manager with strong management and financial background, capability and reputation and is no less favourable than the fee level available from other general managers of similar qualification. The relevant agreement, dated 31 March 1992, entered into by WPL is for an indefinite term but subject to termination upon the giving by the relevant

general managers of six months' prior notice to quit. Some of the other agreements entered into by various subsidiaries of WPL are for an indefinite term but subject to termination upon the giving by either party of 12 months' notice to quit, and the remaining agreements are for a fixed term of three years.

(b) Property Services Agreements

Certain WPL group companies which are property owners have appointed certain subsidiaries of Wheelock as their property managers, property agents, and/or leasing agents in respect of various properties in Hong Kong owned by WPL group.

Some of the Property Services Agreements are for an initial fixed term of two years and subject to automatic renewal for successive periods of twelve months each with either party having the right to terminate the relevant agreements by giving to the other party three to six months' prior notice to quit, and the remaining agreements are for a fixed term not exceeding three years.

There are various properties owned by WPL group for which Property Services Agreements were entered into. The levels of remuneration for different properties as provided under the Property Services Agreements are not the same due to the differences in the nature, quality, condition and scope of work required in respect of those properties. The remuneration is on the basis of and within the normal range of normal commercial fee level as would be generally adopted for similar service arrangements between property owners and service providers in respect of comparable properties and services in Hong Kong, and is no less favourable than the terms available from independent service providers. The remuneration is payable in cash monthly in arrear. Set out below are the various levels or ranges of remuneration payable under the Property Services Agreements:-

<u>Nature of Services</u>	<u>Remuneration</u>
Property Leasing	Not exceeding 100% (in the case of new letting) or 50% (in the case of tenancy renewal) of the first month's rent, or 1% (in the case of rent review for existing tenancy) on average annual rent
Property Management	10% of operating expenditure (based on the actual expenditure record as kept and provided by the relevant property manager)
Rent Collection	3% to 5% of rents collected for property units, 2% to 5% for carparks (subject to net carpark income) and 5% of carparks expenditure (subject to monthly cap amounts ranging from HK\$500 to HK\$5,000)
Work Supervision Fee on Capital Works	10% on contract sum of capital works, or if there is no contracted capital works, a work supervision fee, if any, calculated basically according to a sliding scale ranging from 3% to 7%

(c) Renewal Master Services Agreement

The Renewal Master Services Agreement was entered into on 3 March 2010 between Wheelock and WPL, the terms and conditions of which are substantially the same as those in the Previous Master Services Agreement. It is agreed under the Renewal Master Services Agreement, among other things, that the annual aggregate amount of remuneration payable by WPL group to Wheelock group:-

- (i) in relation to the provision of the General Management Services, shall be subject to an annual cap amount of HK\$66.0 million in respect of each of the three financial years of WPL ending 31 December 2010, 2011 and 2012. For reference, the annual cap amount under the Previous Master Services Agreement was HK\$44.0 million for each year in its last three-year term. Such General Management Cap Amount is arrived at basically by reference to the historic profit track record, particularly having regard to the actual amounts of the relevant fees paid by WPL group to Wheelock group under the General Managers Agreements for the nine-month financial period ended 31 December 2007 and the financial year ended 31 December 2008 of HK\$28.2 million and HK\$36.3 million respectively, and also the estimated amount of such fees for the financial year ended 31 December 2009 (such fee being equal to 5% of the relevant annual net profits for that financial year of members of WPL group, regarding which General Managers Agreements have been entered into, and for confidentiality reason would not be disclosed by WPL until it later on publishes its next annual report and accounts for that year) payable to the general managers as mentioned above, the possible profit trend or level for the coming years, plus a reasonable buffer; and
- (ii) in relation to the provision of the Property Services, shall be subject to an annual cap amount of HK\$15.0 million, HK\$17.3 million and HK\$19.8 million respectively for each of the three financial years of WPL ending 31 December 2010, 2011 and 2012. For reference, the previously agreed annual cap amounts for the last three years under the Previous Master Services Agreement were HK\$9.8 million, HK\$11.3 million and HK\$13.0 million respectively, and the actual amounts of service fees paid by WPL group to Wheelock group under the Property Services Agreements for the nine-month financial period ended 31 December 2007 and the financial year ended 31 December 2008 were HK\$7.0 million and HK\$9.4 million respectively, with the estimated amount of such fees for the year ended 31 December 2009 being HK\$10.1 million. Such Property Cap Amounts are arrived at by reference to the historic record, projected on the basis of an upside scenario, and represent the expected maximum possible remuneration payable by WPL group having regard to the possible buoyant property-related business outlook in the next several years, plus a reasonable cushion.

In the event that for any financial year during the term of the Renewal Master Services Agreement, the aggregate amount of remuneration payable by members of WPL group under the General Managers Agreements and the Individual General Managers Agreements and/or the Property Services Agreements and the Individual Property Services Agreements would respectively exceed the General Management Cap Amount or the relevant Property Cap Amounts (as the case may be), Wheelock

agrees to procure one or more of such relevant members of Wheelock group (such relevant members to be nominated by Wheelock in its sole and absolute discretion) to unconditionally waive any such remuneration to the extent and so that such aggregate amount shall remain within the General Management Cap Amount or the relevant Property Cap Amounts (as the case may be). For the avoidance of doubt, for any particular year during the term of the Renewal Master Services Agreement, if so considered appropriate and agreed between Wheelock and WPL, Wheelock and WPL may take appropriate action to comply with the relevant requirements under the Listing Rules regarding the payment of any and all amount(s) in excess of the relevant annual cap amount(s) by WPL group to Wheelock group.

Furthermore, the Renewal Master Services Agreement:

- (i) has a fixed term of three years commencing from 1 January 2010 and expiring on 31 December 2012 (both days inclusive);
- (ii) will automatically be terminated and cease to have any effect in the event of and upon Wheelock ceasing to be a substantial shareholder (as defined in the Listing Rules) of WPL at any time during the term of the Renewal Master Services Agreement, and also provides that in the event of and upon the Renewal Master Services Agreement being otherwise terminated or otherwise ceasing to be effective, Wheelock will use its best endeavours to arrange for all the agreements for the Services covered at the relevant time under the Renewal Master Services Agreement and to which subsidiaries of Wheelock are parties to be terminated as soon as practicable; and
- (iii) includes provisions pursuant to which members of WPL group may, from time to time during the term of the Renewal Master Services Agreement, separately enter into Individual General Managers Agreements and Individual Property Services Agreements with members of Wheelock group in respect of the provision by the latter of any of the Services and/or for renewal of existing and/or future agreements relating to the Services. In that regard, Wheelock and WPL have agreed that:-
 - (1) the terms and conditions of the Individual Agreements must be negotiated on a case-by-case basis and an arm's length basis as well as on normal commercial terms;
 - (2) the term of each Individual Agreement must be fixed and not exceed three years;
 - (3) the remuneration under each Individual Agreement must be no less favourable to the relevant WPL group companies when compared with similar services available from independent third parties;
 - (4) for General Management Services, the annual aggregate amount of the remuneration payable under any and all Individual General Managers Agreements, together with that payable under the existing General Managers Agreements, shall not exceed the General Management Cap Amount as mentioned above; and

- (5) for Property Services, the annual aggregate amount of the remuneration payable under any and all Individual Property Services Agreements, together with that payable under the existing Property Services Agreements, shall not exceed the relevant Property Cap Amounts as mentioned above.

The Renewal Master Services Agreement is not to rectify and/or substantiate the Services Agreements. It is another agreement entered into between WPL and Wheelock to, among other things, provide for an annual aggregate maximum amount payable by WPL group for the Services provided and govern the entry into of any Individual Agreements in respect of the provision of the Services and the Services Agreements are not and will not be terminated upon the entry into of the Renewal Master Services Agreement.

SECOND SUPPLEMENTAL AGREEMENT AND REVISED CAP AMOUNT ETC.

On 3 March 2010, Wheelock and WPL entered into the Second Supplemental Agreement whereby the parties have agreed as follows:-

- (a) The annual cap amount(s) for the General Management Services for the final year and the period(s) to which the annual cap amounts for the General Management Services and the Property Services for the final year as referred to in the Previous Master Services Agreement shall be revised as follows:

<i>Period covered by the annual cap amounts</i>	<i>General Management Cap Amount</i>	<i>Property Cap Amount</i>
1 January to 31 December 2009 <i>(instead of 1 April 2009 to 31 March 2010)</i>	HK\$66.0 Million <i>(instead of HK\$44.0 Million)</i>	HK\$13.0 Million <i>(no change)</i>

- (b) The term of the Previous Master Services Agreement shall end on 31 December 2009, instead of 31 March 2010 as provided for in the Previous Master Services Agreement.

All other terms and conditions of the Previous Master Services Agreement remain unchanged, and the Second Supplemental Agreement does not contain any provisions which would operate to alter and/or vary any provisions as regards the calculation of fees for the General Management Services which are presently provided for under various existing General Managers Agreements and/or Individual General Managers Agreements.

The revised annual cap amount as mentioned above is arrived at basically by reference to the estimated amount of such fee for the year ended 31 December 2009 (such fee being equal to 5% of the relevant annual net profits for that financial year of members of WPL group, regarding which General Managers Agreements have been entered into, and for confidentiality reason would not be disclosed by WPL until it later on publishes its next annual report and accounts for that year) payable to the general managers, plus a suitable buffer.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As stated in the Previous Announcement, for many years up to the present, WPL group has no employees in Hong Kong and all the present employees of WPL group are in Singapore, all being employees of Wheelock Properties (Singapore) Limited, a listed subsidiary of WPL in Singapore. The WPL group has relied on the resources of its parent company in the running of its businesses for over 50 years. The directors of WPL believe that the continuous use of the Services by WPL group for the term of the Renewal Master Services Agreement will continue to be cost effective arrangements, and the entry into of the Renewal Master Services Agreement is beneficial to WPL group.

As regards the Second Supplemental Agreement, the amendments therein provided are to, *inter alia*, keep in line with the change of financial year-end date of Wheelock group, including WPL group, which is needed for practical reason. The revision of the final-year cap amount is for the sake of fairness and reasonableness commercially, and is considered by WPL to be appropriate so as to, *inter alia*, induce Wheelock to agree to enter into the Renewal Master Services Agreements for extending the original arrangements regarding the provision of the Services, which is beneficial to WPL group as mentioned in the last preceding paragraph.

GENERAL

The directors, including independent non-executive directors, of WPL are of the opinion that the terms of the Renewal Master Services Agreement (including the General Management Cap Amount and the Property Cap Amounts) and of the Second Supplemental Agreement (including the revised cap amount for the General Management Services fee for the financial year ended 31 December 2009 as mentioned above) and also the relevant transactions thereunder are on normal commercial terms with reference to the prevailing market conditions, are fair and reasonable, and are in the interests of WPL and its shareholders as a whole. Furthermore, the Renewal Master Services Agreement and the Second Supplemental Agreement were entered into in the ordinary and usual course of business of WPL after due negotiations on an arm's length basis with reference to the prevailing market conditions.

The principal business activities of WPL group are ownership of properties for development and letting as well as investment holding, and those of Wheelock group (excluding WPL group) are ownership of properties for development and letting, investment holding, container terminals as well as communications, media and entertainment.

As at the date of this announcement, the board of directors of WPL comprises Mr. Peter K. C. Woo, Dr. Joseph M. K. Chow, Mr. Gonzaga W. J. Li, Mr. T. Y. Ng, Mr. Paul Y. C. Tsui and Mr. Ricky K. Y. Wong, together with three independent non-executive directors, namely, Mr. Herald L. F. Lau, Mr. Roger K. H. Luk and Mr. Glenn S. Yee.

REGULATORY ASPECTS

Since WPL is a 74%-owned subsidiary of Wheelock, the Transactions constitute continuing connected transactions for WPL under the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the revised cap amount for the General Management Services for the financial year ended 31 December 2009, and in respect of the General Management Cap Amount and the Property Cap Amounts for the relevant or, as the case may be, any one of the relevant financial years would exceed the applicable *de minimis* level, being 0.1%, under Rule 14A.33(3) of the Listing Rules, while all such ratios are below the 2.5% threshold under Rule 14A.34 of the Listing Rules, the Transactions are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules, but are subject to requirements regarding announcement and reporting etc. under Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules. Going forward, during the term of the Renewal Master Services Agreement, no further announcement will be made on each occasion any Wheelock group company(ies) and any WPL group company(ies) enter into any Individual General Managers Agreement(s) and/or Individual Property Agreement(s) as referred to in the paragraph headed "Agreements for Services and Cap Amounts etc.", subject to fulfillment of the conditions as mentioned above, particularly the General Management Cap Amount or Property Cap Amounts (as the case may be) not being exceeded.

DEFINITIONS

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

"General Management Cap Amount"	shall have the same meaning as ascribed to it under the paragraph "Renewal Master Services Agreement" in this announcement
"General Management Services"	general managerial and/or administrative services, including legal, secretarial, human resources, accounting and financial and information technology services
"General Managers Agreements"	general management agreements by which certain subsidiaries of Wheelock were appointed as the general managers of, and providing General Management Services to, certain WPL group companies
"Individual Agreement(s)"	Individual General Managers Agreement(s) and/or Individual Property Services Agreement(s)
"Individual General Managers Agreement(s)"	the individual agreement(s) between member(s) of each of Wheelock group and WPL group from time to time in respect of the provision of General Management Services by member(s) of Wheelock group to member(s) of WPL group during the term of the Renewal Master Services Agreement
"Individual Property Services Agreements"	the individual agreement(s) between member(s) of each of Wheelock group and WPL group from time to time in respect of the provision of Property Services by member(s) of Wheelock group to member(s) of WPL group during the term of the Renewal Master Services Agreement

“Previous Announcement”	an announcement published by WPL dated 7 February 2007
“Previous Master Services Agreement”	the master services agreement dated 22 December 2004, as supplemented by a supplemental agreement dated 7 February 2007, entered into between Wheelock and WPL
“Property Cap Amount(s)”	shall have the same meaning as ascribed to it under the paragraph “Renewal Master Services Agreement” in this announcement
“Property Services Agreements”	property services agreements by which certain WPL group companies which are property owners have appointed certain subsidiaries of Wheelock as their property managers, property agents, and/or leasing agents in respect of various properties in Hong Kong owned by WPL group
“Property Services”	property management and/or leasing and other property related services
“Renewal Master Services Agreement”	the master services agreement dated 3 March 2010 entered into between Wheelock and WPL for the same purposes as those in respect of the Previous Master Services Agreement, effectively renewing the latter for a further term until the end of December 2012
“Second Supplemental Agreement”	the supplemental agreement dated 3 March 2010 entered into between Wheelock and WPL as supplement to the Previous Master Services Agreement
“Services Agreements”	all the agreements entered into between members of Wheelock group and members of WPL group for the Services
“Services”	General Management Services and Property Services
“Transactions”	the entering into of the Renewal Master Services Agreement and the Second Supplemental Agreement, and the relevant transactions contemplated and/or governed thereunder
“Wheelock”	Wheelock and Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“WPL”	Wheelock Properties Limited, a 74%-owned subsidiary of Wheelock incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange

By Order of the Directors
Wilson W. S. Chan
Company Secretary

Hong Kong, 3 March 2010