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WHARF

Established 1886

WHARF REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1997)

ANNOUNCEMENT

CONNECTED TRANSACTION

The Board wishes to announce that on 18 December 2019, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, a wholly-owned subsidiary of Wheelock, to acquire (i) the Sale Shares, being the entire issued share capital in the Target Company and (ii) the Sale Loan, being the aggregate amount of loans and net amounts due and owing by the Target Company to the Vendor as at the Completion Date, at an aggregate consideration of HK\$6,416.7 million, subject to and upon the terms and conditions contained in the Sale and Purchase Agreement.

The Target Company is an investment holding company. The major assets of the Target Group comprise prime investment properties situated in the heart of the renowned Orchard Road belt of Singapore, namely, Scotts Square and Wheelock Place.

The Company is owned as to 66.01% by Wheelock and the Vendor is a wholly-owned subsidiary of Wheelock. As a result, the Vendor is regarded as a connected person of the Company, and the Transaction constitutes a connected transaction for the Company (but not for Wheelock), under Chapter 14A of the Listing Rules. The Transaction, given its size or value, is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 18 December 2019, Wharf Estates Limited (a wholly-owned subsidiary of the Company) as the purchaser entered into a Sale and Purchase Agreement with Wheelock Investments Limited (a wholly-owned subsidiary of Wheelock) as the vendor, for the acquisition of the Sale Shares and the Sale Loan.

THE SALE AND PURCHASE AGREEMENT

Date: 18 December 2019

Parties: Wheelock Investments Limited (a wholly-owned subsidiary of Wheelock) as the vendor

Wharf Estates Limited (a wholly-owned subsidiary of the Company) as the purchaser

Subject Matter:

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell:

- (i) the Sale Shares, i.e. 1,500 shares of the Target Company, representing the entire issued share capital of the Target Company; and
- (ii) the aggregate amount of loans and net amounts due and owing by the Target Company to the Vendor as at the Completion Date, which is non-trade in nature, unsecured, interest-free, with no fixed term of repayment.

Underlying Assets/ Projects:

The Target Company is an investment holding company that has one direct wholly-owned subsidiary, namely, Wheelock Singapore and various indirect wholly-owned subsidiaries held through Wheelock Singapore. The major assets of the Target Group comprise prime investment properties situated in the heart of the renowned Orchard Road belt of Singapore, namely, Scotts Square and Wheelock Place, which are held by the Target Company through Wheelock Singapore and one of its wholly-owned subsidiaries, respectively.

Scotts Square is a residential-cum-retail development situated on a freehold site of approximately 5,215.5 square metres in area at Scotts Road, Singapore. Scotts Square Residential, the residential development portion for sale, comprises two residential towers with a total of 338 units, of which 28 remain unsold and are held by Wheelock Singapore. Scotts Square Retail, the retail development portion for investment, comprises a retail podium, with a total GFA of approximately 12,161 square metres. Scotts Square was redeveloped by Wheelock Singapore from a site acquired in September 2004 at the cost of S\$345 million, and was completed in 2011.

Wheelock Place comprises office building, shopping podium and car parks on a leasehold site of approximately 7,847.3 square metres in area situated at the busy intersection of Orchard Road and Paterson Road, Singapore, with a total GFA of approximately 43,265.6 square metres. The building was completed in 1993 and around 69 years remain under the leasehold. Wheelock Place was acquired by a direct wholly-owned subsidiary of Wheelock Singapore in September 1990 at the land cost of S\$308 million.

Consideration and Payment Terms:

The Consideration for the Transaction is HK\$6,416.7 million, which comprises:

- (i) a sum of HK\$4,302.5 million for the sale and purchase of the Sale Shares; and
- (ii) a sum of HK\$2,114.2 million for the assignment of the Sale Loan from the Vendor to the Purchaser on a dollar to dollar basis.

The Consideration will be payable in full in cash at Completion. The Group will pay the Consideration by using its internal resources and borrowings.

Basis of the Consideration:

The Consideration was negotiated on an arm's length basis between the Purchaser and the Vendor with reference to:

- (i) the consolidated net asset value of the Target Group, as at 18 December 2019 (with the values of Scotts Square and Wheelock Place restated at S\$256.0 million (equivalent to approximately HK\$1,474.6 million) and S\$859.5 million (equivalent to approximately HK\$4,950.7 million), respectively, in accordance with the independent professional valuation as at 16 December 2019), which amounted to HK\$4,302.5 million; and
- (ii) the book value of the Sale Loan, which amounted to HK\$2,114.2 million as at the date of the Sale and Purchase Agreement (being the date of this announcement). As the Sale Loan is interest-free and the Vendor has undertaken to the Purchaser that it will not extend any further loans or make any further advances to the Target Group that may result in any alteration of the amount of the Sale Loan from the date of the Sale and Purchase Agreement up to Completion, the book value of the Sale Loan shall remain unchanged at HK\$2,114.2 million as at the Completion Date.

Conditions:

Completion is conditional on the following conditions being satisfied, or waived by the Purchaser (as the case may be), on or before the Completion Date:

- (a) all necessary consents, licences and approvals required to be obtained by the Vendor and the Target Company for the implementation of all transactions contemplated under the Sale and Purchase Agreement having been obtained and remain in full force and effect at Completion;
- (b) all necessary consents, licences and approvals required to be obtained by the Purchaser for the implementation of all transactions contemplated under the Sale and Purchase Agreement having been obtained and remain in full force and effect at Completion; and
- (c) no event having occurred since the date of the Sale and Purchase Agreement and up to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Company.

The Purchaser may at any time waive the condition in (c) above in whole or in part and on such terms as it may decide. If any of the conditions above are not fulfilled or waived (as the case may be) within 14 days after the date of the Sale and Purchase Agreement (or such other date as mutually agreed by the Vendor and the Purchaser), all rights and obligations of the parties to the Sale and Purchase Agreement shall cease and terminate and no party shall have any claim against the other.

Completion:

Completion shall take place within 14 days after the date of the Sale and Purchase Agreement, or such other date as mutually agreed by the Vendor and the Purchaser. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company duly incorporated under the laws of the British Virgin Islands. As at the date of this announcement, it has an issued share capital of US\$1,500.00 divided into 1,500 shares of US\$1.00 each, fully paid up, which represents the Sale Shares to be sold to the Purchaser under the Sale and Purchase Agreement.

The Target Company is an investment holding company that has one direct wholly-owned subsidiary, namely, Wheelock Singapore and various indirect wholly-owned subsidiaries held through Wheelock Singapore. The major assets of the Target Group comprise properties situated in Singapore, namely, Scotts Square and Wheelock Place, which are held by the Target Company through Wheelock Singapore and one of its wholly-owned subsidiaries, respectively. Based on the independent professional valuation on Scotts Square and Wheelock Place, their respective values as at 16 December 2019 were estimated to be S\$256.0 million (equivalent to approximately HK\$1,474.6 million) and S\$859.5 million (equivalent to approximately HK\$4,950.7 million).

Unsold completed residential units of Scotts Square Residential are held by the Target Group for sale. Scotts Square Retail and Wheelock Place are held by the Target Group for rental, mainly to external customers under operating leases.

The key financial information of the Target Company, based on its consolidated financial statements for each of the two years ended 31 December 2017 and 31 December 2018, is set out below:

	For the year ended 31 December	
	2017	2018
Profit before tax	HK\$491.7 million	HK\$184.9 million
Profit after tax	HK\$473.6 million	HK\$131.7 million

The consolidated net asset value of the Target Group as at the Completion Date is expected to be HK\$6,416.7 million.

The book value of the Sale Loan was HK\$2,114.2 million as at the date of the Sale and Purchase Agreement (being the date of this announcement).

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Transaction offers the Company a rare opportunity to expand its prime investment property portfolio at a favourable yield. Singapore has a stable economy characterised, for investment property, by its small geographical area. The Transaction provides an additional source of revenue and yield generation to the Company.

REGULATORY ASPECTS

The Company is owned as to 66.01% by Wheelock and the Vendor is a wholly-owned subsidiary of Wheelock. As a result, the Vendor is regarded as a connected person of the Company, and the Transaction constitutes a connected transaction for the Company (but not for Wheelock) under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the purposes of Rule 14.07 of the Listing Rules in respect of the Transaction is/are greater than 0.1% whilst all such ratios are below 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

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

The principal business activities of the Wheelock group are ownership of properties for development and letting, investment holding and container terminals.

The principal business of the Vendor, a wholly-owned subsidiary of Wheelock, is investment holding.

The Directors (except two Directors who abstained from participating in the approval of the relevant resolutions of the Board, namely, Mr. Stephen T. H. Ng and Mr. Paul Y. C. Tsui, who are considered as having a conflict of interest in the Transaction by reason of their directorship in Wheelock; no other Director has any material interest in the Transaction), including the Independent Non-executive Directors of the Company, are of the view that the Transaction is on normal commercial terms with reference to the prevailing market conditions after due negotiations on an arm's length basis and is in the ordinary and usual course of business of the Group, and believe that the terms of the Transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole.

TERMS USED IN THIS ANNOUNCEMENT

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

“Board”	board of directors of the Company
“Company”	Wharf Real Estate Investment Company Limited (stock code: 1997), a company owned as to 66.01% by Wheelock and incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Transaction in accordance with the terms of the Sale and Purchase Agreement

“Completion Date”	the date of Completion
“connected person”	shall have the same meaning ascribed to it under the Listing Rules
“Consideration”	the sum of HK\$6,416.7 million, being the consideration for the acquisition of the Sale Shares and the Sale Loan
“Director(s)”	director(s) of the Company for the time being
“GFA”	gross floor area
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Wharf Estates Limited, a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of the Company
“S\$”	Singapore dollars, the lawful currency in Singapore
“Sale and Purchase Agreement”	a sale and purchase agreement dated 18 December 2019 entered into between the Vendor and the Purchaser in relation to the Transaction
“Sale Shares”	1,500 shares of US\$1.00 each of the Target Company, representing the entire issued share capital of the Target Company
“Sale Loan”	the aggregate amount of loans and net amounts due and owing by the Target Company to the Vendor as at the Completion Date, which is non-trade in nature, unsecured, interest-free, with no fixed term of repayment. As at the date of the Sale and Purchase Agreement (being the date of this announcement), the Sale Loan amounted to HK\$2,114.2 million
“Scotts Square”	a residential-cum-retail development situated at Scotts Road, Singapore. For details, please see “The Sale and Purchase Agreement – Underlying Assets/Projects” in this announcement
“Singapore”	the Republic of Singapore

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Star Attraction Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company together with its subsidiaries
“Transaction”	the acquisition by the Purchaser of the entire issued share capital of the Target Company (being the Sale Shares) from the Vendor pursuant to the Sale and Purchase Agreement
“Vendor”	Wheelock Investments Limited, a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of Wheelock
“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 Place”	an investment property comprising office building, shopping podium and car parks situated at the intersection of Orchard Road and Paterson Road, Singapore. For details, please see “The Sale and Purchase Agreement – Underlying Assets/Projects” in this announcement
“Wheelock Singapore”	Wheelock Properties (Singapore) Pte. Ltd., a company incorporated in Singapore with limited liability
“%”	per cent.

Unless otherwise specified in this announcement, amounts denominated in Singapore dollars have been converted into Hong Kong dollars at the rate of HK\$5.76 = S\$1.00. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

By Order of the Board
**WHARF REAL ESTATE INVESTMENT
COMPANY LIMITED**
Kevin C. Y. Hui
Company Secretary

Hong Kong, 18 December 2019

As at the date of this announcement, the Board 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.