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HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 51)

CONTINUING CONNECTED TRANSACTIONS

The Existing Master Property Services Agreement dated 18 August 2010 between the Company and Wharf for the purpose of, *inter alia*, regulating certain continuing connected transactions (including those under the Individual Agreements), which relate to the provision of Property Project Management Services and Property Sales and Marketing Services by member(s) of the Wharf Group for certain property projects in the PRC owned by the Group, will expire on 31 May 2012. On 28 May 2012, the Company entered into a Renewal Master Property Services Agreement for a renewed term commencing on 1 June 2012 and expiring on 31 December 2013.

As the Company is a 71.28%-owned subsidiary of Wharf, the transactions under the Renewal Master Property Services Agreement constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules. The relevant transactions, given the size or value thereof, are exempt from the independent shareholders' approval requirement, 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 18 August 2010 made by the Company relating to, *inter alia*, the Existing Master Property Services Agreement entered into between the Company and Wharf for the purpose of, *inter alia*, regulating various Services Agreement(s) from time to time entered into between member(s) of the Group and member(s) of Wharf Group in respect of the provision by the latter of Property Project Management Services and Property Sales and Marketing Services for various property projects in the PRC owned by the Group. The Existing Master Property Services Agreement has a fixed term of two years commencing on 1 June 2010 and expiring on 31 May 2012.

At present, there are eight Existing Agreements regulated by the Existing Master Property Services Agreement in respect of development projects in (a) China Dinosaur Park, Xinbei District, Changzhou; (b) Xinjiangwancheng of Yangpu District, Shanghai; and (c) Xiandai Da Dao, Suzhou Industrial Park, Suzhou; all situated in the PRC and owned by the Group. The remunerations with respect to Property Project Management Services and Property Sales and Marketing Services under the Existing Agreements are 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 or property project owners and service providers in respect of comparable services, and are no less favourable than the terms available from independent service providers. The Existing Master Property Services Agreement provides,

inter alia, for the amount of fees for the Services to be subject to aggregate annual cap amounts of HK\$16.43 million, HK\$28.31 million and HK\$11.75 million respectively for the three financial years (or, as the case may be, part of a year) of the Company ended or ending 31 December 2010, 2011 and 2012. Fee scale for the Services under the Existing Agreements are set out below:

<u>Nature of Property Services</u>	<u>Remuneration</u>
Project Management	2% on total construction costs, payable in arrear and in cash once every three months as follows: (i) 0.5% on project cost incurred; (ii) 0.5% on completion of the project; and (iii) 1.0% on settlement of all final accounts.
Sales and Marketing	0.5% on the actual sale value of any unit of the property, payable in arrear and in cash once every three months as follows: (i) 0.25% on launch of the property, based on its price list (the "Provisional Payment"); and (ii) balance of the fee, being 0.5% on actual sale value less the Provisional Payment, on completion of sale and purchase.

For the financial years ended 31 December, 2010 and 2011, the aggregate annual fees paid by the Group under the Existing Master Property Services Agreements were HK\$11.6 million and HK\$20.5 million respectively. For the period from 1 January 2012 to 31 May 2012, the aggregate fees paid or payable by the Group under the Existing Master Property Services Agreement are estimated to be HK\$11.7 million.

RENEWAL MASTER PROPERTY SERVICES AGREEMENT

Following recent negotiations between the Company and Wharf, the Renewal Master Property Services Agreement was entered into on 28 May 2012 for the purpose of regulating various Services Agreement(s) which is/are from time to time entered into between member(s) of the Group and member(s) of Wharf Group in respect of the provision by the latter of the Services for various properties and/or property projects owned by the Group. The Renewal Master Property Services Agreement has a fixed term of one year and seven months commencing on 1 June 2012 and expiring on 31 December 2013.

Under the Renewal Master Property Services Agreement, it is agreed, among other things, that the annual aggregate amount of remuneration payable by the Group to Wharf Group in relation to the provision of the Services will be subject to Aggregate Cap Amount(s) of HK\$37.80 million for the 7-month period from 1 June 2012 to 31 December 2012, and of HK\$64.82 million for the year ending 31 December 2013, respectively. Such Aggregate Cap Amounts are arrived at on the basis of and by reference to, *inter alia*, (a) expected aggregate construction costs and sale values of the relevant property development projects to be incurred by the Group; (b) the possible change of property market conditions during the term of the Renewal Master Property Services Agreement; and (c) the possible entry into of further Individual Agreements during the term of the Renewal Master Property Services Agreement; plus a moderate cushion.

In the event that for any year or period (as the case may be) during the term of the Renewal Master Property Services Agreement, the aggregate amount of remuneration payable by the Group under all Services Agreements would exceed the relevant Aggregate Cap Amount,

Wharf agrees to unconditionally procure one or more of such relevant member(s) of Wharf Group (such relevant member(s) to be nominated by Wharf 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 Aggregate Cap Amount. For the avoidance of doubt, for any particular year or part of a year (as the case may be) during the term of the Renewal Master Property Services Agreement, if so considered appropriate and agreed between Wharf and the Company, Wharf and the Company may take appropriate action to comply with the relevant requirements under the Listing Rules regarding the payment of any and all amounts in excess of the relevant cap amount by the Group to Wharf Group.

Furthermore, the Renewal Master Property Services Agreement:

- (i) will automatically be terminated and cease to have any effect in the event of and upon Wharf ceasing to be a substantial shareholder (as defined in the Listing Rules) of the Company at any time during the term of the Renewal Master Property Services Agreement, and also provides that in the event of and upon the Renewal Master Property Services Agreement being terminated or ceasing to be effective for whatever reason, and if so requested by the Company, Wharf will use its best endeavours to arrange for all the agreements for the Services covered at the relevant time under the Renewal Master Property Services Agreement and to which member(s) of Wharf Group is/are party(ies) to be terminated as soon as practicable without compensation; and
- (ii) includes provisions pursuant to which member(s) of the Group may, from time to time during the term of the Renewal Master Property Services Agreement, separately enter into Individual Agreement(s) with member(s) of Wharf 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, Wharf and the Company have agreed that:-
 - (1) the terms and conditions of each Individual Agreement must be negotiated on case-by-case and arm's length bases 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 and other terms and conditions under each Individual Agreement must be no less favourable to the relevant member(s) of the Group when compared with similar services available from independent third parties; and
 - (4) the aggregate amount of the remuneration for any one year or part of a year (as the case may be) during the term of the Renewal Master Property Services Agreement payable under any and all Services Agreements subsisting at any time shall not exceed the relevant Aggregate Cap Amount as mentioned above.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As the Group is engaged in property business, the appointments of member(s) of Wharf Group to provide the Services in respect of existing properties and/or property projects in the PRC held by the Group from time to time are necessary for the Group's business operations. Further Individual Agreements for the provision of the Services by Wharf Group member(s) in respect of various properties and/or property projects in the PRC held by the Group could be negotiated or contemplated. In order to regulate, *inter alia*, the relevant transactions relating to such further Individual Agreements, and for the purpose of administrative convenience, the Renewal Master Property Services Agreement, whereby the Aggregate Cap Amounts are agreed, offers flexibility for further appointments as abovementioned, and is considered beneficial to the Group.

REGULATORY ASPECTS

As the Company is a 71.28%-owned subsidiary of Wharf while the Manager(s)/Agent(s) is/are wholly-owned subsidiary(ies) of Wharf, the Transactions constitute continuing connected transactions for the Company 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 each of the Aggregate Cap Amounts is/are greater than the 0.1% threshold under Rules 14A.33(3), while all such ratios are below the 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 Property Services Agreement, no further announcement will be made on each occasion any member of the Group enters into any Individual Agreement(s) or renew any Existing Agreement(s) with any member of Wharf Group subject to fulfillment of the conditions as mentioned above, particularly the Aggregate Cap Amounts not being exceeded.

GENERAL

The directors, including independent non-executive directors, of the Company are of the view that the terms (including the Aggregate Cap Amounts) of the Renewal Master Property Services Agreement 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 the Company and its shareholders as a whole. Furthermore, the Renewal Master Property Services Agreement was entered into in the ordinary and usual course of business of the Group after due negotiations on an arm's length basis with reference to the prevailing market conditions. Four directors of the Company, namely, Mr. Stephen T. H. Ng, Ms. Doreen Y. F. Lee, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, being also directors of Wharf, are all the directors of the Company who are considered as having conflict of interest in the Transactions and they have abstained from voting on the resolution of the Board approving the Transactions.

The principal business activities of the Group are ownership of hotels and properties and investment. The principal business activities of the Wharf 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 comprises Mr. Stephen T. H. Ng, Ms. Doreen Y. F. Lee, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, together with four independent non-executive directors, namely, Dr. Joseph M. K. Chow, Mr. H. M. V. de Lacy Staunton, Mr. Michael T. P. Sze and Mr. Brian S. K. Tang.

DEFINITIONS

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

“Aggregate Cap Amount(s)”	shall have the same meaning as ascribed to it under the paragraph “Renewal Master Property Services Agreement” in this announcement
“Board”	board of directors of the Company
“Company”	Harbour Centre Development Limited (stock code: 51), a 71.28%-owned subsidiary of Wharf incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Existing Agreements”	the existing property project management agreements and property sales and marketing agreements entered into prior to the commencement of the Renewal Master Property Services Agreement between any member of the Group and any member of the Wharf Group in respect of the latter providing Property Project Management Services and/or Property Sales and Marketing Services
“Existing Master Property Services Agreement”	the master property services agreement dated 18 August 2010 entered into between Wharf and the Company for the purposes of, <i>inter alia</i> , regulating various continuing connected transactions involving the provision of the Services by Wharf Group to the Group
“Group”	the Company together with its subsidiaries
“Individual Agreement(s)”	individual property services agreement(s) whereby the Manager(s)/Agent(s) is/are from time to time appointed by member(s) of the Group for provision of Services, including Individual Project Management Agreement(s) and Individual Sales and Marketing Agreement(s)
“Individual Project Management Agreement(s)”	the individual agreement(s) between member(s) of the Wharf Group and member(s) of the Group from time to time in respect of the provision of Property Project Management Services by member(s) of Wharf Group to member(s) of the Group during the term of the Renewal Master Property Services Agreement
“Individual Sales and Marketing Agreement(s)”	the individual agreement(s) between member(s) of the Wharf Group and member(s) of the Group from time to time in respect of the provision of Property Sales and Marketing Services by member(s) of Wharf Group to member(s) of the Group during the term of the Renewal Master Property Services Agreement
“Manager(s)/Agent(s)”	a body corporate or body corporates which is/are member(s) of Wharf Group and which was/were or would be appointed by member(s) of the Group as the manager(s) or agent(s) for the provision of Services to the Group

“Property Project Management Services”	property project management services in respect of property development, including feasibility study, design work, construction and completion, for the relevant property(ies) owned by the Group and situated in the PRC
“Property Sales and Marketing Services”	services relating to sales and marketing of the relevant property(ies) owned by the Group and situated in the PRC
“PRC”	the People’s Republic of China
“Renewal Master Property Services Agreement”	the master property services agreement dated 28 May 2012 entered into between Wharf and the Company for the purposes of, <i>inter alia</i> , regulating various continuing connected transactions involving the provision of the Services by Wharf Group to the Group effective from 1 June 2012 to 31 December 2013
“Services”	Property Project Management Services, Property Sales and Marketing Services and/or any other property-related services in respect of the Group’s properties or property projects in the PRC
“Services Agreement(s)”	the agreement(s), including the Existing Agreements, entered and/or to be entered into between member(s) of Wharf Group and member(s) of the Group regarding the provision of the Services by member(s) of Wharf Group
“Transactions”	the entering into of the Renewal Master Property Services Agreement and the relevant transactions contemplated and/or governed thereunder
“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 Group”	Wharf together with its subsidiaries other than members of the Group

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

Hong Kong, 28 May 2012