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Hutchison Whampoa Limited



(incorporated in Hong Kong with limited liability)

(Stock Code: 13)

CONNECTED TRANSACTION

THE HPLPI DISPOSAL

The Board announced that on 18 October 2013, HPLPI (an indirect wholly-owned subsidiary of the Company) and ESL as the Sellers, the Purchasers, HPL (an indirect holding company of HPLPI and an indirect wholly-owned subsidiary of the Company) as guarantor of HPLPI, and CKHC as guarantor of ESL entered into the Sale and Purchase Agreement pursuant to which, among others, HPLPI has agreed to sell, and Purchaser B and Purchaser C have agreed to purchase 94% and 6% respectively of the HPLPI Sale Shares (representing 47% and 3% respectively of the issued share capital of Extreme Selection) for an aggregate cash consideration of US\$577.5 million (approximately HK\$4,478 million) (subject to adjustments).

Extreme Selection is the immediate holding company of PRC Co which, in turn, is the developer of the Property which is under construction.

Pursuant to the Sale and Purchase Agreement, ESL has agreed to sell, and Purchaser A and Purchaser C have agreed to purchase 94% and 6% respectively of the ESL Sale Shares (representing the remaining 47% and 3% of the issued share capital of Extreme Selection) for an aggregate cash consideration of US\$577.5 million (approximately HK\$4,478 million) (subject to adjustments).

The obligations and liabilities of HPLPI and ESL as Sellers under the Sale and Purchase Agreement are several (but not joint and several). The obligations and liabilities of HPL as the guarantor of HPLPI and those of CKHC as the guarantor of ESL are also several (but not joint and several).

None of the Sellers or the Purchasers shall be obliged to complete the HPLPI Disposal or the ESL Disposal unless they are completed simultaneously.

LISTING RULES IMPLICATIONS

ESL is an indirect wholly-owned subsidiary of CKH and therefore an associate of CKH. CKH is a controller of the Company by virtue of being a controlling shareholder of the Company holding approximately 49.97% of the issued share capital in the Company.

Given that the HPLPI Disposal involves HPLPI (an indirect wholly-owned subsidiary of the Company) disposing of its shareholding interest in Extreme Selection where ESL (being a substantial shareholder of Extreme Selection) is an associate of a controller of the Company, the HPLPI Disposal constitutes a connected transaction for the Company as defined under Rule 14A.13(1)(b)(i) of the Listing Rules.

As one or more of the applicable percentage ratios for the Company in respect of the HPLPI Disposal is or are more than 0.1% but all of them are less than 5%, the HPLPI Disposal is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PRINCIPAL TERMS OF THE HPLPI DISPOSAL

Date of the Sale and Purchase Agreement

18 October 2013

Parties to the Sale and Purchase Agreement

- (1) HPLPI, as the seller under the HPLPI Disposal
- (2) ESL, as the seller under the ESL Disposal
- (3) Purchaser A, as one of the purchasers under the ESL Disposal
- (4) Purchaser B, as one of the purchasers under the HPLPI Disposal
- (5) Purchaser C, as one of the purchasers under each of the ESL Disposal and the HPLPI Disposal
- (6) HPL, as guarantor of HPLPI to guarantee the due and punctual observance and performance by HPLPI of its obligations under the Sale and Purchase Agreement
- (7) CKHC, as guarantor of ESL to guarantee the due and punctual observance and performance by ESL of its obligations under the Sale and Purchase Agreement

The assets to be disposed of by HPLPI

The assets to be disposed of by HPLPI comprise the HPLPI Sale Shares. At the HPLPI Completion, (i) Purchaser B will acquire from HPLPI 94% of the HPLPI Sale Shares (representing 47% of the total issued share capital of Extreme Selection) and (ii) Purchaser C will acquire from HPLPI the remaining 6% of the HPLPI Sale Shares (representing 3% of the total issued share capital of Extreme Selection).

Extreme Selection owns the entire registered capital of PRC Co which, in turn, is the developer of the Property under construction. The agreed value of the Target Group (before adjustments) for the purposes of the transactions contemplated under the Sale and Purchase Agreement is US\$1,155 million (approximately HK\$8,956 million).

HPLPI Consideration

The HPLPI Consideration (before adjustments) of US\$577.5 million (approximately HK\$4,478 million) representing an amount equal to 50% of the agreed value of the Target Group, shall be paid to HPLPI by Purchaser B and Purchaser C in proportion to the number of HPLPI Sale Shares they have agreed to purchase pursuant to the Sale and Purchase Agreement as follows:

- (i) an amount equal to 10% of the agreed value of the Target Group to be paid upon signing of the Sale and Purchase Agreement as initial deposit;
- (ii) an amount equal to 5% of the agreed value of the Target Group to be paid on or before 31 December 2013 as further deposit;
- (iii) an amount equal to 50% of the agreed value of the Target Group, less the deposits so paid above, 50% of the Post Completion Holdback Amount and 50% of any net debt of the Target Group as calculated and computed from the Completion pro forma consolidated balance sheet of the Target Group, to be paid at the HPLPI Completion; and

- (iv) 50% of the Post Completion Holdback Amount to be paid within 7 Business Days after the issue of the Certificate of Ownership Preliminary Registration as balance of such consideration.

The HPLPI Consideration is subject to adjustments with reference to any net debt of the Target Group as calculated and computed from the consolidated balance sheet of Extreme Selection as at the date of Completion to be prepared in accordance with the Sale and Purchase Agreement. The adjustment amounts shall be settled between Purchaser B and Purchaser C on the one part and HPLPI on the other part within 10 Business Days of the final determination of the net debt position of the Target Group with reference to the consolidated balance sheet mentioned above.

On the date of Completion, each of Purchaser B and Purchaser C will provide an irrevocable bank guarantee in relation to its respective portion of the unpaid Consideration comprising the Post Completion Holdback Amount in favour of HPLPI.

The HPLPI Consideration has been arrived at after arm's length negotiations between HPLPI on the one part and Purchaser B and Purchaser C on the other part, having regard to various factors including with reference to recent market transactions and the prevailing commercial and business conditions in which the Target Group operates.

Conditions precedent

The Completion is subject to the fulfillment of certain conditions including:

- (i) certain warranties given by the Sellers under the Sale and Purchase Agreement remaining true, accurate and not misleading in material respects or in all respects to the extent there is no material adverse effect on the Target Group (as the case may be);
- (ii) any and all shareholder's loans owing by Extreme Selection to each of the Sellers as at Completion having been repaid or capitalised in full;
- (iii) any and all borrowings of PRC Co (including the loan extended by Bank of China Limited to PRC Co but excluding intra-group borrowings and certain entrustment loan) having been repaid in full and the related mortgage over the Property having been discharged together with evidence of such repayment and discharge;
- (iv) any and all other third party borrowings of the Target Group having been repaid in full;
- (v) construction of the Property having been completed as evidenced by PRC Co obtaining the Construction Completion Documents; and
- (vi) the foundation and/or core structure of the Property not having been damaged by any serious event, or, if so damaged, remedial actions having been taken and Shanghai Housing Quality Inspection Station (上海房屋質量檢測站) having certified that the foundation and/or core structure of the Property satisfied the relevant quality standards.

The Sellers have undertaken to use their respective best endeavours to procure the fulfillment of the conditions above as soon as possible.

Completion

Subject to the fulfillment of the conditions, the HPLPI Completion and the ESL Completion will take place simultaneously on a date to be fixed by the Sellers in the completion notice in accordance with the Sale and Purchase Agreement. None of the Sellers and the Purchasers shall be obliged to complete the HPLPI Disposal or the ESL Disposal unless they are completed simultaneously.

Other provisions

Purchaser A and Purchaser B have agreed to assume the obligations of Purchaser C in equal shares should Purchaser C be unable to perform its obligations under the Sale and Purchase Agreement (including, without limitation, the purchase of the relevant ESL Sale Shares and the HPLPI Sale Shares).

The obligations and liabilities of HPLPI and ESL as Sellers under the Sale and Purchase Agreement are several (but not joint and several). The obligations and liabilities of HPL as the guarantor of HPLPI and those of CKHC as the guarantor of ESL are also several (but not joint and several).

With respect to the HPLPI Disposal, the Sale and Purchase Agreement also contains provisions on representations, warranties, undertakings and indemnities which are usual and customary for a transaction of this nature and scale.

On or before Completion, an entrustment loan will be extended to PRC Co by an associated company of the Company in the PRC as contemplated by the Sale and Purchase Agreement.

Rights to terminate the Sale and Purchase Agreement

If any or all of the Sellers sell, transfer, mortgage, encumber or lease the Property or any part thereof at any time after the date of the Sale and Purchase Agreement, Purchaser A and Purchaser B may by notice in writing terminate the Sale and Purchase Agreement.

If Completion has not occurred within 30 days after 30 September 2015 as a result of, among other things, any of the conditions precedent mentioned above not having been fulfilled, Purchaser A and Purchaser B may by notice in writing terminate the Sale and Purchase Agreement at any time before 31 December 2015. In the event that Purchaser A and Purchaser B have not exercised their foregoing right and Completion has not occurred by 30 September 2019, any of the Sellers, Purchaser A and Purchaser B may by notice in writing to the other parties to the Sale and Purchase Agreement terminate the Sale and Purchase Agreement.

If the Purchasers fail to implement the Completion within 10 Business Days after the completion date as specified in the completion notice, the Sellers may terminate the Sale and Purchase Agreement within one month after such scheduled completion date.

INFORMATION ON THE TARGET GROUP

Extreme Selection

Extreme Selection is an investment holding company holding the entire issued share capital of HK Co and the entire registered capital of PRC Co.

HK Co

HK Co is principally engaged in the provision of inter-company financing to PRC Co.

PRC Co

PRC Co, being the developer of the Property under construction, is a wholly foreign owned enterprise established in the PRC with limited liability. The business scope of PRC Co is property development, operations, leasing and sale of commercial buildings and ancillary facilities in PRC.

Financial information of Extreme Selection

Based on the unaudited management accounts of Extreme Selection for the 6 months ended 30 June 2013 prepared in accordance with the generally accepted accounting principles in Hong Kong, the unaudited net assets value of Extreme Selection as at 30 June 2013 was approximately HK\$1,290 million.

Based on the unaudited management accounts of HK Co for the 6 months ended 30 June 2013 prepared in accordance with the generally accepted accounting principles in Hong Kong, the unaudited net assets value of HK Co as at 30 June 2013 was approximately HK\$768 million.

Based on the unaudited management accounts of PRC Co for the 6 months ended 30 June 2013 prepared in accordance with the generally accepted accounting principles in the PRC, the unaudited net assets value of PRC Co as at 30 June 2013 was approximately RMB870 million.

Based on the audited accounts of Extreme Selection for the years ended 31 December 2011 and 2012 prepared in accordance with the generally accepted accounting principles in Hong Kong, the audited losses before and after taxation of Extreme Selection for the year ended 31 December 2011 were approximately HK\$0.2 million and approximately HK\$0.2 million, respectively, and audited profits before and after taxation of Extreme Selection for the year ended 31 December 2012 were approximately HK\$1 million and approximately HK\$0.8 million, respectively.

Based on the audited accounts of HK Co for the years ended 31 December 2011 and 2012 prepared in accordance with the generally accepted accounting principles in Hong Kong, the audited profits before and after taxation of HK Co for the year ended 31 December 2011 were approximately HK\$23 million and approximately HK\$22 million, respectively, and that for the year ended 31 December 2012 were approximately HK\$26 million and approximately HK\$24 million, respectively.

PRC Co did not report any profit or loss for the years ended 31 December 2011 and 2012 based on the audited accounts prepared in accordance with the generally accepted accounting principles in the PRC.

INFORMATION ON THE PROPERTY

The Property is for commercial, trade, office, finance and other integrated use. The Property is currently under construction. Completion of the construction of the Property is targeted to occur around mid of 2014.

REASONS FOR AND BENEFITS OF THE HPLPI DISPOSAL

The Directors consider the HPLPI Disposal to represent a good opportunity of the Company to realise its investment in the Target Group.

The Board expects that upon the HPLPI Completion, the Group will record an unaudited gain of approximately HK\$1,839 million, representing the difference between the HPLPI Consideration and the estimated carrying amount of the Group's interest in the Target Group as at the date of Completion, less any transaction costs and relevant taxes. The actual gain that the Group is able to realise will depend on the actual carrying amount of its interest in the Target Group on the date of Completion. The net proceeds from the HPLPI Disposal are intended to be used by the Group as general working capital.

The Board (including the Independent Non-executive Directors) considers the terms of HPLPI Disposal to be normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

ESL is an indirect wholly-owned subsidiary of CKH and therefore an associate of CKH. CKH is a controller of the Company by virtue of being a controlling shareholder of the Company holding approximately 49.97% of the issued share capital in the Company.

Given that the HPLPI Disposal involves HPLPI (an indirect wholly-owned subsidiary of the Company) disposing of its shareholding interest in Extreme Selection where ESL (being a substantial shareholder of Extreme Selection) is an associate of a controller of the Company, the HPLPI Disposal constitutes a connected transaction for the Company as defined under Rule 14A.13(1)(b)(i) of the Listing Rules.

As one or more of the applicable percentage ratios for the Company in respect of the HPLPI Disposal is or are more than 0.1% but all of them are less than 5%, the HPLPI Disposal is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As none of the Directors has any material interest in the connected transaction herein announced, no Director was required to abstain from voting on the Board resolutions passed in connection with this announcement.

GENERAL

The Group

The Group operates and invests in six core businesses: ports and related services, property and hotels, retail, infrastructure, energy, and telecommunications.

ESL and CKHC

Each of ESL and CKHC has advised that it is an investment holding company.

The Purchasers

Each of the Purchasers, respectively, is principally engaged in investment holding.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchasers and their ultimate beneficial owners are third parties independent of the Company and of its connected persons.

DEFINITIONS

“associate”	shall have the meaning ascribed to such term under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	a day (other than Saturday, Sunday, a public holiday or any Monday to Friday on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning is in force in Hong Kong or an equivalent signal in Shanghai at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong and the PRC;

“BVI”	the British Virgin Islands;
“Certificate of Ownership Preliminary Registration”	the real estate title certificate to be issued by the PRC authorities of competent jurisdiction for the Property upon PRC Co’s application for ownership preliminary registration;
“CKHC”	Cheung Kong Holdings (China) Limited, a company incorporated in Hong Kong with limited liability, being an indirect holding company of ESL and an indirect wholly-owned subsidiary of CKH;
“CKH”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0001);
“Company”	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 13);
“Completion”	the ESL Completion and the HPLPI Completion;
“connected person”	shall have the meaning ascribed to such term under the Listing Rules;
“Construction Completion Documents”	the documentary evidence demonstrating the completion of the construction of the Property pursuant to the terms of the Sale and Purchase Agreement;
“controller”	shall have the meaning ascribed to such term under the Listing Rules;
“controlling shareholder”	shall have the meaning ascribed to such term under the Listing Rules;
“Directors”	the directors of the Company;
“ESL”	Even Spread Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of CKH;
“ESL Completion”	the completion of the ESL Disposal;
“ESL Disposal”	the sale of 94% and 6% of the ESL Sale Shares to Purchaser A and Purchaser C respectively (representing 47% and 3% respectively of all the issued share capital of Extreme Selection) pursuant to the Sale and Purchase Agreement;
“ESL Sale Shares”	all issued shares of US\$1 each in the capital of Extreme Selection owned by ESL as at ESL Completion, representing 50% of all the issued shares of Extreme Selection;
“Extreme Selection”	Extreme Selection Investments Limited, a company incorporated in BVI with limited liability;
“Group”	the Company and its subsidiaries;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HK Co”	Eastford International Holdings Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Extreme Selection;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HPL”	Hutchison Properties Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“HPLPI”	HPL Property Investments Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company;
“HPLPI Completion”	the completion of the HPLPI Disposal;
“HPLPI Consideration”	the total consideration payable by Purchaser B and Purchaser C to HPLPI for the HPLPI Sale Shares pursuant to the Sale and Purchase Agreement;
“HPLPI Disposal”	the sale of 94% and 6% of the HPLPI Sale Shares to Purchaser B and Purchaser C respectively (representing 47% and 3% respectively of all the issued share capital of Extreme Selection) pursuant to the Sale and Purchase Agreement;
“HPLPI Sale Shares”	all issued shares of US\$1 each in the capital of Extreme Selection owned by HPLPI as at HPLPI Completion, representing 50% of all the issued shares of Extreme Selection;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Post Completion Holdback Amount”	US\$173.25 million, being an amount equal to 15% of the agreed value of the Target Group;
“PRC”	the People’s Republic of China excluding Hong Kong, Taiwan and the Macau Special Administrative Regions for the purposes of this announcement;
“PRC Co”	上海長大房地產有限公司 (Shanghai Cheung Tai Property Development Limited*), a company established in the PRC as a wholly foreign owned enterprise;
“Property”	the commercial property development located at No. 333, Lujiazui Ring Road, Pudong New District, Shanghai, the PRC being developed and constructed by PRC Co, as well as the related land use rights of the aforementioned structures;

“Purchaser A”	HYZL Development Co. Limited, a company incorporated in BVI with limited liability, being a third party independent of the Company and its connected persons;
“Purchaser B”	HYZL Investment Co. Limited, a company incorporated in BVI with limited liability, being a third party independent of the Company and its connected persons;
“Purchaser C”	Diamond Gate Group Limited, a company incorporated in BVI with limited liability, being a third party independent of the Company and its connected persons;
“Purchasers”	Purchaser A, Purchaser B and Purchaser C, and “Purchaser” shall mean any one of them;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 18 October 2013 entered into between ESL, HPLPI, CKHC, HPL and the Purchasers in relation to the sale and purchase of the ESL Sale Shares and the HPLPI Sale Shares;
“Sellers”	ESL and HPLPI, and “Seller” shall mean any one of them;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	shall have the meaning ascribed to such term under the Listing Rules;
“substantial shareholder”	shall have the meaning ascribed to such term under the Listing Rules;
“Target Group”	Extreme Selection, HK Co and PRC Co;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

** Name translated for reference purpose only in this announcement.*

In this announcement, US\$ has been converted to HK\$ at the rate of US\$1=HK\$7.7542 for illustration purpose only.

By order of the Board

Edith Shih
Company Secretary

Hong Kong, 18 October 2013

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

Mr LI Ka-shing (*Chairman*)
Mr LI Tzar Kuoi, Victor (*Deputy Chairman*)
Mr FOK Kin Ning, Canning
Mrs CHOW WOO Mo Fong, Susan
Mr Frank John SIXT
Mr LAI Kai Ming, Dominic
Mr KAM Hing Lam

Non-executive Directors:

Mr LEE Yeh Kwong, Charles
Mr George Colin MAGNUS

Independent Non-executive Directors:

The Hon Sir Michael David KADOORIE
Mr Holger KLUGE
Ms LEE Wai Mun, Rose
Mr William Elkin MOCATTA
(*Alternate to The Hon Sir Michael David Kadoorie*)
Mr William SHURNIAK
Mr WONG Chung Hin