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# Hutchison Whampoa Limited



*(incorporated in Hong Kong with limited liability)*  
(Stock Code: 013)

## ACQUISITION OF 23.33% EQUITY INTEREST IN SHENZHEN YANTIAN WEST PORT TERMINALS LIMITED

### CONNECTED TRANSACTIONS

The Directors are pleased to announce that after trading hours on 23 October 2007:

- (i) HPYL, a non wholly-owned subsidiary of the Company, and SYPH, entered into a conditional Equity Interest Transfer Agreement whereby HPYL agrees to acquire, and SYPH agrees to sell, 23.33% equity interest in JV Co at a cash consideration of RMB270,628,000 (or approximately HK\$279 million). Upon completion of the Transfer, the equity interests held by HPYL and SYPH in JV Co will be adjusted from 41.67% and 58.33% to 65% and 35% respectively, and JV Co will be accounted for and consolidated in the audited consolidated accounts of the Company as a subsidiary;
- (ii) HPYL and SYPH entered into the Construction Management Format Agreement, which sets out the principal terms on which JV Co and SYPH will, upon completion of the Transfer, enter into a Formal Construction Management Agreement whereby SYPH will assume the primary responsibility to manage JV Co's construction of Phase II of West Port in return for payment of a Construction Management Fee; and
- (iii) HPYL and SYPH entered into the MOU, to the effect that various parties (including JV Co and YICT) will, upon completion of the Transfer, enter into the Further Supplemental Management Agreement whereby YICT will manage West Port and thereby regulating the operation and development of West Port and the management of West Port, and the facilities at Phases I and II, Phase III, and the expansion of the Shenzhen Yantian Port on a consolidated basis.

The Transfer constitutes a connected transaction of the Company as SYPH is a connected person of the Company by virtue of being a substantial shareholder of YICT, a 73% held subsidiary of the Company. Upon completion of the Transfer, the entering into of (i) the Formal Construction Management Agreement between JV Co and SYPH will constitute a connected transaction for the Company by virtue of JV Co having become a subsidiary of the Company and SYPH being a substantial shareholder of JV Co, and (ii) the Further Supplemental Management Agreement amongst JV Co, YICT and YICT (III) will constitute a connected transaction for the Company by virtue of JV Co, an associate of SYPH, being a connected person of the Company, and each of YICT and YICT (III) being a subsidiary of the Company. As one or more of the relevant percentage ratios in respect of the Transfer and the other transactions contemplated under the Formal Construction Management Agreement and the Further Supplemental Management Agreement, on an aggregated basis, is or are more than 0.1% but below 2.5%, these transactions are exempt from the independent shareholders' approval requirements and are only subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47.

## **EQUITY INTEREST TRANSFER AGREEMENT**

### **Date**

23 October 2007

### **Parties**

- (i) HPYL as the transferee
- (ii) SYPH as the transferor

### **The Transfer**

Subject to the terms and conditions of the Equity Interest Transfer Agreement, SYPH agreed to sell, and HPYL agreed to acquire, 23.33% equity interest in JV Co.

### **Consideration**

A cash consideration for the Transfer of RMB270,628,000 (approximately HK\$279 million) (the “**Consideration**”) is payable by HPYL to SYPH, as to 70% and 30% respectively by reference to the dates upon which the Conditions are fulfilled. The Consideration was determined after arm’s length negotiations between the parties and supported by an independent valuation of JV Co as at 30 June 2007 determined on a costs basis. The Consideration will be satisfied using the Company’s internal resources.

### **Termination**

HPYL (and not SYPH) shall be entitled (but not obligated) to terminate the Equity Interest Transfer Agreement (with neither party having any rights or obligations against the other) if any of the Conditions is not fulfilled within 24 months from the date of execution of the Equity Interest Transfer Agreement by all parties, whereupon SYPH shall refund without interest any part of the Consideration paid by HPYL prior to such termination.

### **Completion**

Completion of the Transfer shall occur on the date on which the JV Co’s New Business Licence is issued.

### **Information on JV Co**

The principal activities of JV Co are the development, operation and management of berthing terminal and the related services at West Port. Currently and prior to completion of the Transfer, HPYL and SYPH hold 41.67% and 58.33% respectively of JV Co’s equity interests and have nominated four and five of the directors of JV Co respectively. On completion of the Transfer, HPYL and SYPH will hold 65% and 35% respectively of the JV Co’s equity interests and will be entitled to nominate seven and four persons as directors of JV Co respectively. Currently and prior to completion of the Transfer, JV Co is being equity accounted for as a jointly controlled entity of the Company. Immediately after the Transfer, JV Co will be accounted for and consolidated in the audited consolidated accounts of the Company as a subsidiary.

The current registered capital of JV Co of RMB1,000 million (approximately HK\$ 1,030 million) was contributed pro rata as to RMB583,300,000 (approximately HK\$601 million) and RMB416,700,000 (approximately HK\$ 429 million) by SYPH and HPYL respectively. Based on such registered capital of JV Co, the initial cost to SYPH of acquiring its 58.33% equity interest in JV Co (including the subject matter of the Transfer) was RMB583,300,000 (or approximately HK\$601 million).

Based on the audited financial statements of JV Co for the financial year ended 31 December 2006, which adopted the generally accepted accounting practice in the PRC, the net asset value of JV Co as at 31 December 2006 was approximately RMB970,865,000 (approximately HK\$1,000 million). Based on the audited financial statements of JV Co for the two financial years ended 31 December 2005 and 31 December 2006 respectively, the net loss before and after taxation and extraordinary items of JV Co for the financial year ended 31 December 2005 was approximately RMB20,017,000 (approximately HK\$21 million) and the net profits both before and after taxation and extraordinary items of JV Co for the financial year ended 31 December 2006 were approximately RMB6,589,000 (approximately HK\$6.8 million).

## **CONSTRUCTION MANAGEMENT FORMAT AGREEMENT**

### **Date**

23 October 2007

### **Parties**

- (i) HPYL
- (ii) SYPH

Concurrent with the execution of the Equity Interest Transfer Agreement, the parties signed the Construction Management Format Agreement which sets out the principal terms upon which JVCo and SYPH will, upon completion of the Transfer, enter into a Formal Construction Management Agreement whereby SYPH will assume the primary responsibility for the management of JV Co's construction of Phase II of West Port.

## **FORMAL CONSTRUCTION MANAGEMENT AGREEMENT**

### **Expected signing date**

Upon completion of the Transfer

### **Parties**

- (i) JV Co
- (ii) SYPH

### **Provision of management services**

SYPH will agree to assume the primary responsibility for managing JV Co's construction of Phase II of West Port.

### **Term**

Three years from the signing of the Formal Construction Management Agreement by both parties thereto.

### **Construction Management Fee**

In consideration for the provision of the management services, JV Co will pay SYPH, by instalments, a construction management fee equivalent to a percentage of the total contract price for certain construction works to be carried out at West Port provided that in any event the maximum and minimum amounts of aggregate Construction Management Fee payable to SYPH during the Term are RMB65,000,000 (or approximately HK\$67 million) and RMB60,000,000 (or approximately HK\$62 million) respectively.

## **MOU**

### **Date**

23 October 2007

### **Parties**

- (i) HPYL
- (ii) SYPH

Concurrent with the execution of the Equity Interest Transfer Agreement, the parties signed a legally binding MOU to the effect that JV Co, YICT and YICT (III) will, upon completion of the Transfer, enter into the Further Supplemental Management Agreement whereby YICT will manage West Port thereby regulating the operation and development of West Port and management of West Port, and the facilities at Phases I and II, Phase III, and the expansion of the Shenzhen Yantian Port on a consolidated basis.

## **FURTHER SUPPLEMENTAL MANAGEMENT AGREEMENT**

### **Expected signing date**

Upon completion of the Transfer

### **Parties**

- (i) JV Co
- (ii) YICT ; and
- (iii) YICT (III)

### **Provision of management services**

YICT will agree to manage not only the facilities at Phases I and II, Phase III, and the expansion of Shenzhen Yantian Port but also West Port on a consolidated basis.

### **Term**

The Further Supplemental Management Agreement will come into effect upon signing by all parties thereto and will automatically terminate upon expiry or early termination of any two of the following joint ventures: JV Co, YICT or YICT (III).

### **Earnings sharing**

The Further Supplemental Management Agreement will extend the earnings sharing arrangements agreed under the Management Contract and the Supplemental Management Agreement respectively to West Port. The earnings before tax, depreciation and amortisation to be derived from West Port, Phases I and II, Phase III, and the expansion of Shenzhen Yantian Port will be "allocated" amongst them in accordance with a pre-agreed formula which takes into account, amongst other things, the capacity and yard size of the ports and the relative durations the ports have been in operation. The ultimate sharing ratio amongst these four ports will be either 0.776:1:1:1.5385 or 0.776:1:1:1.67 subject to fulfilment of certain conditions as set out in the Further Supplemental Management Agreement. No other fee will be payable to YICT for its provision of management services contemplated under the Further Supplemental Management Agreement.

### **Other documents**

SYPH and HPYL have also entered into other documents which are ancillary to, and/or contain supplemental terms governing the Transfer including, amongst others, the Second Supplemental JV Contract and the Second Supplemental AOA.

## **REASONS FOR, AND THE BENEFITS OF, THE CONNECTED TRANSACTIONS**

The Transfer represents an opportunity for the Group to increase its equity interest in, and consequently acquire control of, JV Co in furtherance of the Group's investment strategy in ports and related services, one of its five core businesses. The Directors, including the independent non-executive Directors, consider the Transfer and the Other Transactions and the respective terms under the Equity Interest Transfer Agreement (including the provisions relating to the Consideration), the Formal Construction Management Agreement, and the Further Supplemental Management Agreement, which were arrived at after arm's length negotiations, to be on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **CONNECTED TRANSACTIONS**

The Transfer constitutes a connected transaction for the Company as SYPH is a connected person of the Company by virtue of being a substantial shareholder of YICT, a 73% held subsidiary of the Company. The entering into of (i) the Formal Construction Management Agreement between JV Co and SYPH will constitute a connected transaction for the Company by virtue of JV Co having become a subsidiary of the Company and SYPH being a substantial shareholder of JV Co, and (ii) the Further Supplemental Management Agreement to be made amongst JV Co, YICT and YICT (III) will constitute a connected transaction for the Company by virtue of JV Co, an associate of SYPH, being a connected person of the Company, and each of YICT and YICT (III) being a subsidiary of the Company. As one or more of the relevant percentage ratios represented by the Transfer and the Other Transactions, on an aggregated basis, is or are more than 0.1% but below 2.5%, these transactions are exempt from the independent shareholders' approval requirements and are only subject to the reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47.

## **GENERAL**

The Group operates and invests in five core businesses: ports and related services; property and hotels; retail; energy, infrastructure, finance & investments and others; and telecommunications.

The principal business of SYPH is the development and operation of terminals, depots, transportation ancillary facilities related to ports and other related services in the PRC.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

**“associate”** shall have the meaning ascribed to that term in the Listing Rules;

**“Company”** Hutchison Whampoa Limited, a limited liability company incorporated in Hong Kong, whose shares are listed on the Main Board of the Stock Exchange (Stock Code:013);

<b>“Conditions”</b>	the various conditions precedent to completion of the Transfer as set out in the Equity Interest Transfer Agreement, including the obtaining of approval of the Equity Interest Transfer Agreement, the Second Supplemental JV Contract and the Second Supplemental AOA by the relevant approval authorities in the PRC, the passing of resolutions of the JV Co’s directors as contemplated in the Equity Interest Transfer Agreement, and the issue of the New Business Licence;
<b>“connected person”</b>	shall have the meaning ascribed to that expression in the Listing Rules;
<b>“Consideration”</b>	RMB270,628,000 (approximately HK\$279 million), being the amount of cash consideration payable by HPYL to SYPH for the Transfer;
<b>“Construction Management Fee”</b>	the construction management fee to be payable by JV Co to SYPH as consideration for the latter agreeing to provide management services to JV Co as more particularly described in the Formal Construction Management Agreement;
<b>“Construction Management Format Agreement”</b>	a contract dated 23 October 2007 and made between HPYL and SYPH which sets out the requirement for JV Co and SYPH to enter into the Formal Construction Management Agreement upon completion of the Transfer;
<b>“Directors”</b>	the directors of the Company;
<b>“Equity Interest Transfer Agreement”</b>	the conditional agreement dated 23 October 2007 and entered into between HPYL as transferee and SYPH as transferor subject to, and in accordance with, which the Transfer will be effected;
<b>“Formal Construction Management Agreement”</b>	the construction management agreement to be entered into between JV Co and SYPH pursuant to which SYPH will provide management services in JV Co’s construction of Phase II of West Port in return for a Construction Management Fee;
<b>“Further Supplemental Management Agreement”</b>	the agreement to be entered into amongst JV Co, YICT and YICT(III) upon completion of the Transfer in supplement to the Management Agreement and any and all subsequent supplemental agreement(s) whereby, amongst others things, YICT will manage West Port and thereby regulating the operation and management of West Port, and the facilities at Phases I and II, Phase III, and the expansion of the Shenzhen Yantian Port on a consolidated basis;

<b>“Group”</b>	the Company and its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>"Hong Kong"</b>	the Hong Kong Special Administrative Region of the PRC;
<b>“HPYL”</b>	Hutchison Ports Yantian Limited, an indirect non wholly-owned subsidiary of the Company and the current holder of 41.67% equity interest in JV Co prior to completion of the Transfer;
<b>“JV Co”</b>	深圳鹽田西港區碼頭有限公司 (*Shenzhen Yantian West Port Terminals Limited), a sino-foreign equity joint venture established on 1 April 2005, whose equity interest is currently owned as to 41.67% and 58.33% by HPYL and SYPH respectively prior to completion of the Transfer;
<b>“ JV Contract and AOA”</b>	the joint venture contract and the articles of association both dated 15 December 2004 and made between HPYL and SYPH for the establishment of JV Co, each as supplemented by a first supplemental agreement made between the same parties dated 12 September 2006;
<b>“Listing Rules”</b>	Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
<b>“Management Contract”</b>	the contract dated 26 November 2001 and made between YICT and YICT(III) for, amongst others things, the operation and management of the facilities at Phases I, II and III of the Shenzhen Yantian Port on a consolidated basis subject to and in accordance with its terms and more particularly described in the Company’s previous announcement dated 26 November 2001;
<b>“MOU”</b>	the memorandum dated 23 October 2007 and made between HPYL and SYPH to the effect that, upon completion of the Transfer, JVCo, YICT and YICT (III) will enter into the Further Supplemental Management Agreement;
<b>“New Business Licence”</b>	the new business licence to be issued to JV Co reflecting, amongst other things, a substitution of the JV Co’s legal representative by a person nominated by HPYL;
<b>“Other Transactions”</b>	the transactions contemplated to be entered into upon the execution of the Formal Construction Management Agreement and the Further Supplemental Management Agreement;

<b>“PRC”</b>	the People’s Republic of China;
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“Second Supplemental JV Contract” and “Second Supplemental AOA”</b>	the second supplemental joint venture contract and the second supplemental articles of association both dated 23 October 2007 and made between HPYL and SYPH for supplementing certain terms of the JV Contract and AOA;
<b>“Shenzhen Yantian Port”</b>	深圳鹽田港, the container and berthing terminal and depot facilities located at Yantian, Shenzhen, the PRC;
<b>"Stock Exchange"</b>	The Stock Exchange of Hong Kong Limited;
<b>“Supplemental Management Agreement”</b>	the contract dated 8 November 2005 and made between YICT and YICT(III) for, amongst others, the operation and management of the facilities at Phases I, II and III and the expansion of the Shenzhen Yantian Port on a consolidated basis subject to, and in accordance with, its terms and more particularly described in the Company’s previous announcement dated 8 November 2005;
<b>“SYPG”</b>	深圳市鹽田港集團有限公司(* Shenzhen Yantian Port Group Company Limited), an entity established under the laws of the PRC and which is the holding company of SYPH;
<b>“SYPH”</b>	深圳市鹽田港股份有限公司 (*Shenzhen Yantian Port Holdings Co., Ltd.), a company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange;
<b>“Transfer”</b>	the transfer of 23.33% equity interest in JV Co to HPYL by SYPH subject to, and in accordance with, the terms of the Equity Interest Transfer Agreement;
<b>“West Port”</b>	the berths and related facilities located at the west side of the Shenzhen Yantian Port and operated by JV Co;
<b>“YICT”</b>	鹽田國際集裝箱碼頭有限公司(*Yantian International Container Terminals Limited), a sino-foreign equity joint venture established in the PRC on 16 November 1993 for operating the berths and other related facilities at Phase I and II of the Shenzhen Yantian Port, the equity interests of which are held as to 73% and 27% and its directors have been nominated as to seven and three by HPYL and SYPH respectively;



“YICT (III)”

鹽田三期國際集裝箱碼頭有限公司(\*Yantian International Container Terminals (Phase III) Limited), a sino-foreign equity joint venture established in the PRC on 26 December 2002 for developing and operating the berths, depot and other related facilities at Phase III and the expansion of Shenzhen Yantian Port, its equity interest is owned as to 65% and 35% and its directors have been nominated as to seven and four by HPYL and SYPG respectively; and

“%”

per cent.

The exchange rate used for reference purpose only in this announcement is RMB1.00 to HK\$1.03.

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

By Order of the Board

**Edith Shih**

*Company Secretary*

Hong Kong, 23 October 2007

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. George Colin MAGNUS  
Mr. William SHURNIAK

**Independent Non-executive Directors:**

The Hon. Sir Michael David KADOORIE  
Mr. Holger KLUGE  
Mr. William Elkin MOCATTA  
*(Alternate to The Hon. Sir Michael David Kadoorie)*  
Mr. OR Ching Fai, Raymond  
Mr. WONG Chung Hin