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港燈電力投資  
HK Electric Investments

*(As constituted pursuant to a deed of trust on 1 January 2014 under the laws of Hong Kong,  
the trustee of which is HK Electric Investments Manager Limited.)*

and

港燈電力投資有限公司  
HK Electric Investments Limited  
*(Incorporated in the Cayman Islands with limited liability)*

*(Stock Code : 2638)*

## **CONNECTED TRANSACTION**

### **FRAMEWORK AGREEMENT FOR PROPOSED HOTEL DEVELOPMENT**

The Boards announce that on 27 February 2018, HK Electric entered into the Framework Agreement with CKA for the proposed Hotel Development.

Given Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor (who is a Director) and the Li Trust have been deemed as a group of connected persons by the Stock Exchange and they currently directly and/or indirectly hold an aggregate of approximately 31.47% of the issued share capital of CKA, CKA may be regarded as a connected person of the Trust Group under the Listing Rules. Therefore, the Transaction constitutes a connected transaction for the Trust Group under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios of the Trust Group for the Transaction, based on its contributions to the Total Funding Amount, are less than 5%, the Transaction is subject to Trust Group's compliance with the announcement and reporting requirements, but is exempt from the independent Holders of Share Stapled Units' approval requirements, under Chapter 14A of the Listing Rules.

#### **1. INTRODUCTION**

The Boards announce that on 27 February 2018 (after trading hours), HK Electric entered into the Framework Agreement with CKA for the proposed Hotel Development.

## 2. THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out below.

- Date : 27 February 2018
- Parties : HK Electric  
CKA
- Subject matter : The parties have agreed to pursue the Hotel Development in the manner set out in the Framework Agreement.
- Appointment of the Project Manager : CKA is appointed as the project manager of the Hotel Development and will (or will through its subsidiaries) be responsible for overseeing, amongst other things, the construction of the Hotel Development and its business and financial performance.

No remuneration will be payable to CKA for the services to be provided by it in its capacity as the project manager in view of the opportunity for participation in the Hotel Development in the manner set out below.

- Ownership of the Property and the Hotel Development : The Property and the Hotel Development will at all times be owned by HK Electric, and CKA will not have any property or other interest in the land and/or the hotel erected thereon.

- Funding for the Premium Amount : Each of CKA and HK Electric (or through their respective subsidiaries) will provide funding in the amount of HK\$550 million and HK\$113.41 million respectively to meet the payment obligations for the Premium Amount, which amounts will be payable by installments on or before each Premium Amount Payment Date. Each party will be entitled to a return to be paid, from time to time, from its Pro Rata Portion of Free Cash Flow as attributed to its funding amount, provided that CKA's entitlement will cease on the Termination Date and HK Electric will be entitled to all return of the Hotel Development thereafter.

For the Group, the cash to meet its portion of funding for the Premium Amount will be financed by internal resources and/or external banking facilities.

In addition, CKA has granted to HK Electric the Option, exercisable in HK Electric's sole discretion within a period of 3 months from the date of the Framework Agreement, to require CKA to assume all or part of HK Electric's portion of funding for the Premium Amount, in which case CKA will be entitled to the Pro Rata Portion of Free Cash Flow as attributed to the exercise of the Option, provided that CKA's entitlement will still cease on the Termination Date. As of the date of this announcement, no decision has been made by HK Electric as to whether or not to exercise the Option.

- Other Contribution : The parties agree that the Other Contribution of HK Electric in the amount of HK\$31.1 million will form part of the Total Funding Amount, and HK Electric will be entitled to a return from the Pro Rata Portion of Free Cash Flow as attributed to such amount.
- Construction of the Hotel Development : The parties will discuss matters relating to the design, construction and completion of the Hotel Development (including without limitation the appointment of contractors for the construction of the hotel to be erected and the manner of funding for these works). HK Electric will have the right to make the final decision on these matters.
- Operation of the Hotel Development : It is the parties' intention to appoint CKA (or a member of the CKA Group) as the operator to manage and operate the Hotel Development following completion of the construction works. CKA and HK Electric will negotiate the terms of appointment, with reference to similar terms in the industry, with a view to entering into a definitive agreement before the construction works are completed.

### **3. INFORMATION ON THE CKA GROUP**

The CKA Group is a leading multinational corporation, and has diverse capabilities with activities encompassing property development and investment, hotel and serviced suite operation, property and project management, aircraft leasing, and investment in energy and infrastructure assets that are household equipment services related.

### **4. INFORMATION ON THE TRUST GROUP**

The principal activity of the Group is the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island. The Trust is a fixed single investment trust focusing on the energy sector, and the principal activity of the Trustee-Manager is to administer the Trust.

### **5. REASONS FOR, AND BENEFIT OF, THE TRANSACTION**

The Development Property is well served by various modes of public transport and in close proximity to a number of major tourist spots in the Southern district of Hong Kong.

The Development Property had ceased to be in use for electricity-related activities and does not form part of the electricity-related fixed assets of HK Electric under its scheme of control agreement with the Government. To unlock the value of the Property, the Group had therefore explored the redevelopment of the existing buildings at the Development Property into a hotel, in a manner which meets its operational needs and does not affect the existing uses of the Existing Utility Installations.

Accordingly, HK Electric had applied for the Lease Modification. In early February 2018 it has received an offer from the Government to approve the Lease Modification with the premium payable assessed at the Premium Amount and an expiry date in early March 2018. On 27 February 2018, HK Electric has accepted the offer, in conjunction with which it entered into the Framework Agreement with CKA. In making the decision, the Boards, which comprise the same members of the board of directors of HK Electric, have carefully considered all relevant factors, including the following:

- (a) the Premium Amount is considered to be reasonable, having regard to current property market conditions and other relevant factors;
- (b) the Trust Group is focused, and will remain focused, in the electricity business, but where the Trust Group can add value to its existing assets through the Hotel Development, it is in the interests of the Trust Group and those of the Holders of Share Stapled Units as a whole to pursue such opportunity. In doing so, the Group will benefit from parties with expertise in the relevant areas, in particular, in project development and hotel operation and management, and a proven track record in extracting the potential value in property assets and enhancing this value over time. It will be able to work most effectively with parties with which its management team has worked together successfully and has historical ties, making CKA a most suitable candidate to participate in the Hotel Development;
- (c) the Trust Group will benefit from the appreciation in the value of the Property by reason of the Lease Modification and the Hotel Development, as well as the Pro Rata Portion of Free Cash Flow as attributed to the extent of its contribution to the Total Funding Amount. Following the cessation of CKA's entitlement of its Pro Rata Portion of Free Cash Flow, the Trust Group will be entitled to the full extent of the Hotel Development's return;
- (d) a substantial part (or assuming HK Electric exercises the Option in full, all) of the Premium Amount will be funded by CKA. The return for such funding will be met from the business of the Hotel Development in the future as and when there is free cash flow. It is intended that future fundings for the construction and operation of the Hotel Development will also be negotiated and secured following the same approach;
- (e) the Hotel Development, with funding based on the above approach, is expected not to result in any material impact on the financial position and cash flow of the Group, and the Trust Group's distribution capabilities will hence be preserved; and
- (f) the continual ownership of the Development Property and the remainder of the Property by HK Electric will ensure the Property's integrity, which will be essential for the Existing Utility Installations to meet its operational needs.

The Directors (including the Independent Non-executive Directors) consider that the terms of the Transaction are on normal commercial terms, fair and reasonable and in the interests of the Trust Group and the Holders of Share Stapled Units as a whole. As Mr. Li Tzar Kuoi, Victor, a Non-executive Director, has or may be regarded as having a material interest in the Transaction and Mr. Donald Jeffrey Roberts, an Independent Non-executive Director, is an independent non-executive director of CKA, they have voluntarily abstained from voting on the board resolutions of the Trustee-Manager and the Company for approving the Transaction.

## **6. IMPLICATIONS UNDER THE LISTING RULES**

Given Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor (who is a Director) and the Li Trust have been deemed as a group of connected persons by the Stock Exchange and they currently directly and/or indirectly hold an aggregate of approximately 31.47% of the issued share capital of CKA, CKA may be regarded as a connected person of the Trust Group under the Listing Rules. Therefore, the Transaction constitutes a connected transaction for the Trust Group under Chapter 14A of the Listing Rules. As all of the applicable percentage ratios of the Trust Group for the Transaction, based on its contributions to the Total Funding Amount, are less than 5%, the Transaction is subject to Trust Group's compliance with the announcement and reporting requirements, but is exempt from the independent Holders of Share Stapled Units' approval requirements, under Chapter 14A of the Listing Rules.

## **7. FURTHER INFORMATION**

Further announcement(s) will be made by the Trustee-Manager and the Company on the developments of the Hotel Development and the transactions as may be entered into by the Trust Group and the CKA Group, as and when appropriate.

## **8. DEFINITIONS**

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

“Boards”	Trustee-Manager Board and Company Board
“CKA”	CK Asset Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1113)
“CKA Group”	CKA and its subsidiaries
“Company”	HK Electric Investments Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability
“Company Board”	board of directors of the Company

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Trustee-Manager and the Company
“Development Property”	the eastern portion of the Property for the Hotel Development, which is the site of HK Electric’s former operational headquarters and carpark building
“Existing Utility Installations”	certain utility installations of HK Electric at the Property, including without limitation the station building, which is immediately next to the former operational headquarters at the Development Property and houses the switching stations for transmission functions and associated activities
“Framework Agreement”	the Framework Agreement dated 27 February 2018 entered into between CKA and HK Electric for the proposed Hotel Development
“Government”	the Government of Hong Kong
“Group”	the Company and its subsidiaries
“HK Electric”	The Hongkong Electric Company, Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Holders of Share Stapled Units”	Persons who hold Share Stapled Units
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel Development”	the development of a hotel, including any ancillary facilities, at the Development Property
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lease Modification”	the lease modification of the Property for the development of a hotel thereat, in addition to the current use of the Property

“Li Trust”	comprises four discretionary trusts and two unit trusts. The settlor of the discretionary trusts comprised in the Li Trust is Mr. Li Ka-shing and the discretionary beneficiaries of such discretionary trusts include, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard
“Option”	the option granted by CKA to HK Electric under the Framework Agreement, upon the exercise of which HK Electric can require CKA to assume all or part of its portion of funding for the Premium Amount
“Other Contribution”	HK\$31.1 million, an agreed amount for HK Electric’s contribution for the Hotel Development prior to the Framework Agreement, which forms part of HK Electric’s contribution to the Total Funding Amount pursuant to the Framework Agreement
“PRC”	the People’s Republic of China
“Premium Amount”	the premium amount assessed and offered by the District Lands Office of the Lands Department of the Government for the proposed Lease Modification of the Property, namely the sum of HK\$663.41 million
“Premium Amount Payment Date”	the date on which each installment of the Premium Amount is payable to the Government
“Property”	2 Yi Nga Drive, Ap Lei Chau, Hong Kong (of which the Development Property forms part)
“Pro Rata Portion of Free Cash Flow”	for each of CKA and HK Electric, the free cash flow from the business of the Hotel Development multiplied by the percentage of its contribution to the Total Funding Amount
“Share Stapled Units”	share stapled units jointly issued by the Trust and the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Date”	the date on which an internal rate of return of 9% has been achieved for the funding amounts made by CKA for the Hotel Development, that is the date when the net present value of each and all Pro Rata Portion of Free Cash Flow paid to CKA, calculated by applying a discount rate of 9% per annum, is equal to the aggregate funding amounts contributed by CKA to the Total Funding Amount for the Hotel Development

“Total Funding Amount”	the aggregate of the Premium Amount, the Other Contribution and any funding amounts as may be made for the Hotel Development in the future
“Transaction”	the transactions contemplated under the Framework Agreement
“Trust”	HK Electric Investments, as constituted pursuant to a trust deed dated 1 January 2014 under the Laws of Hong Kong
“Trust Group”	the Trust and the Group
“Trustee-Manager”	HK Electric Investments Manager Limited, a company incorporated in Hong Kong with limited liability, in its capacity as trustee-manager of the Trust
“Trustee-Manager Board”	board of directors of the Trustee-Manager

By Order of the Board  
**HK Electric Investments Manager Limited**  
**and**  
**HK Electric Investments Limited**  
**Alex Ng**  
*Company Secretary*

Hong Kong, 27 February 2018

*As at the date of this announcement, the directors are:*

*Executive directors* : *Mr. FOK Kin Ning, Canning (Chairman) (Mrs. CHOW WOO Mo Fong, Susan as his alternate), Mr. WAN Chi Tin (Chief Executive Officer), Mr. CHAN Loi Shun, Mr. CHENG Cho Ying, Francis and Mr. SHAN Shewu*

*Non-executive directors* : *Mr. LI Tzar Kuoi, Victor (Deputy Chairman) (Mr. Frank John SIXT as his alternate), Mr. Fahad Hamad A H AL-MOHANNADI, Mr. Ronald Joseph ARCULLI, Mr. JIANG Xiaojun, Mr. Deven Arvind KARNIK and Mr. ZHU Guangchao*

*Independent non-executive directors* : *Mr. FONG Chi Wai, Alex, Mr. KWAN Kai Cheong, Mr. LEE Lan Yee, Francis, Mr. George Colin MAGNUS, Mr. Donald Jeffrey ROBERTS and Mr. Ralph Raymond SHEA*