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CHEUNG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0001)

ANNOUNCEMENT

PROPOSED DISPOSAL AND SEPARATE LISTING OF THE EXTENDED STAY HOTELS BUSINESS ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

POSSIBLE DISCLOSEABLE TRANSACTION

This announcement is made pursuant to Rule 13.09(1) and PN15 of the Listing Rules.

The Board announces that the Company proposes to dispose of and separately list the Extended Stay Hotels Business operated by the Group at the Hotels by way of a listing of stapled securities on the Main Board of the Stock Exchange.

On 11 October 2012, the Trustee-Manager of Horizon Hospitality Investments and Horizon Hospitality (Holdings), which will own the Extended Stay Hotels Business, submitted a listing application (Form A1) to the Stock Exchange for the listing of, and permission to deal in, the Share Stapled Units proposed to be issued by Horizon Hospitality Investments and Horizon Hospitality (Holdings) on the Main Board of the Stock Exchange.

Upon Listing, it is intended that the Company and HWL will in aggregate retain less than 30% interest in Horizon Hospitality Investments and Horizon Hospitality (Holdings), which will cease to be a subsidiary of the Company.

In giving due regard to the interests of the Shareholders as required under PN15, it is intended that, if the Proposed Transaction proceeds, an assured entitlement to the Share Stapled Units by way of a preferential application in the Global Offering will be offered to qualifying Shareholders on terms yet to be finalised.

Under the Listing Rules (including PN15), the Proposed Transaction does not require the approval of the Shareholders as none of the percentage ratios under Rule 14.07 of the Listing Rules is 25% or more. The Proposed Transaction may constitute a discloseable transaction under the Listing Rules and the Company will comply with the applicable requirements of Chapter 14 of the Listing Rules as and when necessary.

The implementation of the Proposed Transaction is subject to, among others, the approval of the Stock Exchange and the final decision of the Board and of the boards of directors of the Trustee-Manager and Horizon Hospitality (Holdings). Accordingly, Shareholders and potential investors in the Company should be aware that there is no assurance that the Proposed Transaction will take place or if it does, when it will take place. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

Introduction

This announcement is made pursuant to Rule 13.09(1) and PN15 of the Listing Rules.

The Company proposes to dispose of and separately list the Extended Stay Hotels Business operated by the Group at the Hotels by way of a listing of stapled securities on the Main Board of the Stock Exchange.

On 11 October 2012, the Trustee-Manager of Horizon Hospitality Investments and Horizon Hospitality (Holdings), which will own the Extended Stay Hotels Business, submitted a listing application (Form A1) to the Stock Exchange for the listing of, and permission to deal in, the Share Stapled Units proposed to be issued by Horizon Hospitality Investments and Horizon Hospitality (Holdings) on the Main Board of the Stock Exchange.

The net proceeds from the issue of the Share Stapled Units pursuant to the Global Offering would be used by Horizon Hospitality Investments and Horizon Hospitality (Holdings) primarily to fund part of the consideration for the acquisition of the Target Companies which own the Extended Stay Hotels Business as described below.

Horizon Hospitality (Holdings)

Horizon Hospitality (Holdings) is currently an indirect wholly-owned subsidiary of the Company and pursuant to the Proposed Transaction, it will become the holding company of the Horizon Group, which will own and operate the Extended Stay Hotels Business. It is intended that the Horizon Group will primarily own and invest in a portfolio of long-term income producing real estate with a focus on the hospitality and/or hospitality-related assets in Hong Kong and the PRC.

Horizon Hospitality Investments and the Trustee-Manager

Horizon Hospitality Investments will be a fixed single investment trust constituted by a Hong Kong law governed deed of trust to be entered into between the Trustee-Manager and Horizon Hospitality (Holdings). As a fixed single investment trust, Horizon Hospitality Investments will only invest in securities and other interests in a single entity, being Horizon Hospitality (Holdings), and will confer on registered holders of units in Horizon Hospitality Investments a beneficial interest in specifically identified property (being the ordinary shares in Horizon Hospitality (Holdings)) held by Horizon Hospitality Investments.

The Trustee-Manager is an indirect wholly-owned subsidiary of the Company. Under the terms of the deed of trust which will constitute Horizon Hospitality Investments, the Trustee-Manager will be appointed as the trustee and manager of Horizon Hospitality Investments and will have legal ownership of the assets of Horizon Hospitality Investments and will declare, under the deed of trust, that it will hold those assets on trust for the registered holders of units of Horizon Hospitality Investments. The Trustee-Manager will have a specific and limited role, which is to administer Horizon Hospitality Investments, and it will not be actively engaged in the operation of the Extended Stay Hotels Business, which will be managed by the Horizon Group. Under the terms of the deed of trust, the Trustee-Manager may be removed by a resolution proposed and passed at a meeting of the registered holders of the Share Stapled Units by a simple majority of over 50% of the total number of votes cast for such resolution.

Share Stapled Units

It is proposed that Horizon Hospitality Investments and Horizon Hospitality (Holdings) will issue Share Stapled Units, which will comprise three components:

- (a) a unit in Horizon Hospitality Investments;
- (b) a beneficial interest in a specifically identified ordinary share in Horizon Hospitality (Holdings) held by the Trustee-Manager, which is linked to the unit in Horizon Hospitality Investments; and
- (c) a specifically identified preference share in Horizon Hospitality (Holdings) which is stapled to the unit in Horizon Hospitality Investments.

The rationale for the share stapling arrangement described above is to ensure that the Share Stapled Units are subject to all of the provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), including, but not limited to, provisions on protection of investors.

Proposed Disposal

It is proposed that Horizon Hospitality (Holdings) or its subsidiary(ies) will acquire the Target Companies, which indirectly own the Hotels through the Hotel Companies, from the Company and HWL together with certain shareholder loans. The Hotels together have a total gross rental area of approximately 3.32 million sq. ft. with a total of 4,833 suites and are currently used primarily as extended stay hotels.

Information on the Hotels

- 1) Horizon Suite Hotel is a 15-storey hotel which opened in 2002 and is located in Ma On Shan, Shatin, the New Territories, Hong Kong. It has a GFA of approximately 595,900 sq. ft., with 831 suites and 42 parking spaces and had an Occupancy Rate of approximately 88.6% during the six months ended 30 June 2012. The Group and HWL have a 51% and 49% interest, respectively, in this hotel and the government lease for the lot on which this hotel was built will expire in 2048.
- 2) Harbourfront Horizon All-Suite Hotel is located in Hung Hom Bay, Kowloon, Hong Kong and opened in 2007. It has 1,662 suites in five towers with a GFA of approximately 1,202,600 sq. ft. and 20 car parking spaces. It had an Occupancy Rate of approximately 91.0% during the six months ended 30 June 2012. The Group has a 100% interest in this hotel and the government lease for the lot on which this hotel was built will expire in 2051.
- 3) Harbourview Horizon All-Suite Hotel is located in Hung Hom Bay, Kowloon, Hong Kong and opened in 2006. It has 1,980 suites in three towers with a GFA of approximately 1,264,500 sq. ft. and 400 car parking spaces. It had an Occupancy Rate of approximately 92.3% during the six months ended 30 June 2012. The Group has a 100% interest in this hotel and the government lease for the lot on which this hotel will expire in 2051.
- 4) The Apex Horizon is a 36-storey hotel which opened in 2009 and is located in Kwai Chung, the New Territories, Hong Kong. It has a GFA of approximately 257,100 sq. ft., with 360 suites and 3 car parking spaces. It had an Occupancy Rate of approximately 94.0% during the six months ended 30 June 2012. The Group has a 100% interest in this hotel and the government lease for the lot on which this hotel was built will expire in 2052.

The Proposed Disposal will be conditional upon, among other things, the approval of the Listing Committee for the listing of, and permission to deal in, the Share Stapled Units on the Main Board of the Stock Exchange.

Consideration for the Proposed Disposal

The aggregate consideration payable for the disposal of the Target Companies will be determined by reference to the appraised value of the Hotels as determined by an independent valuer, subject to adjustments to reflect (a) the value of the Hotels implied by the final offer price of the Share Stapled Units in the Global Offering and (b) the current assets and current and non-current liabilities of the Target Companies and the Hotel Companies. The consideration for the Proposed Disposal will be paid to

the Company and HWL (or to their respective subsidiaries as the Company or HWL may direct) and will be settled by (a) the issue of Share Stapled Units and (b) the payment of cash from the net proceeds from the issue of Share Stapled Units pursuant to the Global Offering and a term loan facility to be provided by the vendors of the Target Companies or their holding company(ies) (or as they may direct).

Completion of the Proposed Disposal is expected to take place prior to the commencement of trading of the Share Stapled Units on the Main Board of the Stock Exchange.

Upon Listing, it is intended that the Company and HWL will in aggregate retain less than 30% interest in Horizon Hospitality Investments and Horizon Hospitality (Holdings), which will cease to be a subsidiary of the Company.

Business structure

It is intended that upon Listing, the Hotels will be leased to the Master Lessee, which is a wholly-owned subsidiary of the Company, and managed by the Hotel Manager, which is also a wholly-owned subsidiary of the Company. Pursuant to the Master Lease Agreements, the Master Lessee will agree to lease and operate the Hotels and will pay to each of the Hotel Companies an escalating base rent and a performance based variable rent. The term of the Master Lease Agreements and the Hotel Management Agreements is expected to be five years. The Hotel Manager will also grant to each of the Hotel Companies and Horizon Hospitality (Holdings) a license to use certain “Horizon” trade marks for a period which is expected to be five years.

Distributions

Horizon Hospitality Investments intends to distribute during the term of the deed of trust all of the distributions which it receives from Horizon Hospitality (Holdings), after deducting operating expenses. It is currently intended that Horizon Hospitality (Holdings) will declare and distribute (i) 100% of the Total Distributable Amount of the Horizon Group in respect of each financial year ending 31 December 2012, 2013 and 2014 and (ii) not less than 90% of the Total Distributable Amount in respect of each financial year thereafter, to the Trustee-Manager to fund distributions to be made by Horizon Hospitality Investments. Total Distributable Amount is defined as the consolidated audited net profit after tax of the Horizon Group for the relevant financial year after making adjustments for certain items including material non-cash gains, and the net proceeds received from the sale of hotel suites pursuant to the monetisation strategy referred to below and after deduction of any required debt repayment.

Horizon Hospitality (Holdings) may also from time to time adopt a monetisation strategy pursuant to which it would, subject to compliance with the applicable legal and regulatory requirements, seek to sell hotel suites to third parties. In the event of any such sales, proceeds may be distributed to holders of the Share Stapled Units, after repayment of relevant financing and deduction of relevant costs and expenses associated with such sales.

Financing arrangements

It is proposed that the respective subsidiaries of the Company and HWL will provide the Horizon Group with a five year term loan facilities, and the term loan facilities may be extended for a further term of five years at the option of the Horizon Group. The loan facilities will be utilised to partly fund the acquisition of the Target Companies and the assignment of shareholder's loan and will be secured by certain of the Horizon Group's assets, including the Hotels.

Right of First Refusal

It is proposed that the Company grant to Horizon Hospitality (Holdings) a right of first refusal (the "ROFR") to purchase from the Group any hotels, motels, extended stay suites and hospitality or hospitality related assets in Hong Kong and the PRC which are in the future owned by it and which are managed under the "Horizon" brand, and any shares or equity interests in companies holding such assets, subject to certain exceptions. The ROFR will apply from the date of Listing until the earlier of the date falling five years thereafter or the date on which the Master Lessee or any other member of the Group ceases to be the master lessee under the Master Lease Agreements.

Reasons for and Benefits of the Proposed Transaction

- 1) The Board considers that the Proposed Transaction will enable the Group to free up capital for its operations and new investment opportunities and realise the value of the Hotels, which would be in the interests of the Company and the Shareholders.
- 2) Immediately following the completion of the Proposed Transaction, the Company and HWL will in aggregate hold less than 30% of the Share Stapled Units in issue. Shareholders will therefore be able to continue to enjoy the benefits from the growth and development of the business of the Horizon Group through such ownership of the Share Stapled Units by the Company.
- 3) There is significant potential in the extended stay hotel industry and the Proposed Transaction will enable the Company to take advantage of such opportunities by:
 - a) creating a new publicly traded vehicle to continue to create value from its Extended Stay Hotels Business in Hong Kong and the PRC by attracting new investors who are seeking investments in a pure hospitality and/or hospitality-related business;
 - b) providing a clear credit profile for financial institutions who wish to lend against the credit of income producing real estate with a focus on the hospitality and/or hospitality-related assets in Hong Kong and the PRC; and
 - c) facilitating dedicated management focus on further developing the Extended Stay Hotels Business and capturing any opportunities arising in the extended stay hotel industry in Hong Kong and the PRC.

Assured Entitlement

In giving due regard to the interests of the Shareholders as required under PN15, it is intended that, if the Proposed Transaction proceeds, an assured entitlement to the Share Stapled Units by way of a preferential application in the Global Offering will be offered to qualifying Shareholders on terms yet to be finalised. The Company will make further announcement(s) in this regard as and when appropriate.

Possible Disclosable Transaction

Under the Listing Rules (including PN15), the Proposed Transaction does not require the approval of the Shareholders as none of the percentage ratios under Rule 14.07 of the Listing Rules is 25% or more. The Proposed Transaction may constitute a discloseable transaction under the Listing Rules and the Company will comply with the applicable requirements of Chapter 14 of the Listing Rules as and when necessary.

General

The implementation of the Proposed Transaction is subject to, among others, the approval of the Stock Exchange and the final decision of the Board and of the boards of directors of the Trustee-Manager and Horizon Hospitality (Holdings). Accordingly, Shareholders and potential investors in the Company should be aware that there is no assurance that the Proposed Transaction will take place or if it does, when it will take place. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

This announcement is not an offer for sale of any securities in the United States. No securities can be offered or sold in the United States unless registered or exempted from registration. Any public offering of securities in the United States will be done by means of a prospectus. The Proposed Transaction will not be registered in the United States.

Further announcement(s) in relation to the Proposed Transaction will be made by the Company as and when appropriate.

Definitions

“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“Company”	Cheung Kong (Holdings) Limited (Stock Code: 0001), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Extended Stay Hotels Business”	the extended stay hotels business operated by the Group at the Hotels

“GFA”	gross floor area
“Global Offering”	the proposed offering of the Share Stapled Units to be jointly issued by Horizon Hospitality Investments and Horizon Hospitality (Holdings) for subscription which is expected to comprise (a) a public offering of the Share Stapled Units in Hong Kong, (b) an international offering of the Share Stapled Units to professional, institutional and other investors and (c) a preferential offering of the Share Stapled Units to qualifying Shareholders
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Horizon Group”	Horizon Hospitality (Holdings) and its subsidiaries, as if the Proposed Disposal had taken place
“Horizon Hospitality (Holdings)”	Horizon Hospitality (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, which is currently indirectly wholly-owned by the Company
“Horizon Hospitality Investments”	Horizon Hospitality Investments to be constituted pursuant to a deed of trust under the laws of Hong Kong, the trustee of which is the Trustee-Manager, for the purposes of the Proposed Transaction
“Hotel Companies”	Towerich Limited, Sino China Enterprises Limited, Bermington Investment Limited and Pearl Wisdom Limited, each of which is wholly-owned by the Target Companies
“Hotel Management Agreements”	the hotel management agreements proposed to be entered into between the Hotel Manager and each of the Hotel Companies
“Hotel Manager”	Horizon Hotels & Suites Limited, a company incorporated in Hong Kong with limited liability, wholly-owned by the Company
“Hotels”	Horizon Suite Hotel in Ma On Shan, the New Territories, Harbourfront Horizon All-Suite Hotel in Hung Hom Bay, Kowloon, Harbourview Horizon All-Suite Hotel in Hung Hom Bay, Kowloon and The Apex Horizon in Kwai Chung, the New Territories
“HWL”	Hutchison Whampoa Limited (Stock Code: 0013), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

“Listing”	the listing of the Share Stapled Units on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Lease Agreements”	the master lease agreements proposed to be entered into between, among others, the Master Lessee, the Hotel Manager and each of the Hotel Companies
“Master Lessee”	Horizon Hotel Enterprise Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Company
“Occupancy Rate”	the aggregate number of occupied suites (including those paid for but not occupied) divided by the total number of available suites (both short-term and extended-stay suites)
“PN15”	Practice Note 15 of the Listing Rules
“PRC”	the People's Republic of China and for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“Proposed Disposal”	the proposed disposal of the Target Companies by members of the Group and an indirect wholly-owned subsidiary of HWL to Horizon Hospitality (Holdings) or one of its subsidiaries, together with the assignment of certain indebtedness owed to member(s) of the Group and the HWL group of companies, to Horizon Hospitality (Holdings) or its subsidiary(ies)
“Proposed Transaction”	the Proposed Disposal and the separate listing of the Share Stapled Units on the Main Board of the Stock Exchange
“Share Stapled Unit(s)”	<p>the combination of the following securities or interests in securities which, subject to the provisions of the deed of trust constituting Horizon Hospitality Investments, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"> (i) a unit in Horizon Hospitality Investments; (ii) a beneficial interest in a specifically identified ordinary share in Horizon Hospitality (Holdings) held by the Trustee-Manager, which is linked to the unit in Horizon Hospitality Investments; and

(iii) a specifically identified preference share in Horizon Hospitality (Holdings) which is stapled to the unit in Horizon Hospitality Investments

“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Terrier International Limited, Steelmill Resources Limited, Bolo Investment Limited and Phonic Limited, which indirectly hold the Hotels through Towerich Limited, Sino China Enterprises Limited, Bermington Investment Limited and Pearl Wisdom Limited respectively
“Trustee-Manager”	Magnificent Merits Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by the Company

By Order of the Board
CHEUNG KONG (HOLDINGS) LIMITED
Eirene Yeung
Company Secretary

Hong Kong, 11 October 2012

The Directors (*Note*) of the Company as at the date of this announcement are Mr. LI Ka-shing (*Chairman*), Mr. LI Tzar Kuoi, Victor (*Managing Director and Deputy Chairman*), Mr. KAM Hing Lam (*Deputy Managing Director*), Mr. IP Tak Chuen, Edmond (*Deputy Managing Director*), Mr. CHUNG Sun Keung, Davy, Ms. PAU Yee Wan, Ezra, Ms. WOO Chia Ching, Grace and Mr. CHIU Kwok Hung, Justin as Executive Directors; Mr. LEUNG Siu Hon, Mr. FOK Kin Ning, Canning, Mr. Frank John SIXT, Mr. CHOW Kun Chee, Roland and Mr. George Colin MAGNUS as Non-executive Directors; and Mr. KWOK Tun-li, Stanley, Mr. YEH Yuan Chang, Anthony, Mr. Simon MURRAY, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Dr. WONG Yick-ming, Rosanna (*also Alternate Director to Mr. Simon MURRAY*) and Mr. CHEONG Ying Chew, Henry as Independent Non-executive Directors.

Note: Other than Chairman, Managing Director and Deputy Managing Directors, order by date of appointment, and in the case of Non-executive Directors (“NED”)/Independent Non-executive Directors (“INED”), order by date of appointment as NED/INED.