

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# CHEUNG KONG PROPERTY HOLDINGS LIMITED 長江實業地產有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1113)

## DISCLOSEABLE TRANSACTION

### ACQUISITION OF THE TARGET COMPANY IN CANADA

The Board announces that on 31 March 2017, the Vendor, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Company (as the guarantor of the Purchaser) entered into the Sale and Purchase Agreement in relation to the Acquisition at the Consideration of approximately C\$2.82 billion (equivalent to approximately HK\$16.44 billion), subject to adjustments.

As one or more of the applicable percentage ratio under Rule 14.07 of Chapter 14 of the Listing Rules in relation to the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the Company's compliance with the notification and announcement requirements, but is not subject to the shareholders' approval requirement, under Chapter 14 of the Listing Rules.

**As completion of the Acquisition is conditional on the fulfilment of certain terms and conditions under the Sale and Purchase Agreement, including the obtaining of the Regulatory Approvals, there remains the possibility that the Acquisition may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

#### 1. INTRODUCTION

The Board announces that on 31 March 2017, the Vendor, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Company (as the guarantor of the Purchaser) entered into the Sale and Purchase Agreement in relation to the Acquisition.

#### 2. SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

##### (a) Asset being acquired

The Vendor has agreed to sell and the Purchaser has agreed to purchase the Target Shares, being the entire issued share capital of the Target Company.

##### (b) Guarantee given by the Company

The Company has agreed to irrevocably and unconditionally guarantee the timely and complete performance of, and compliance with, all of the terms, covenants, conditions and provisions that are to be performed and complied with by the Purchaser under the Sale and Purchase Agreement.

**(c) Consideration**

The Consideration for the Acquisition shall be approximately C\$2.82 billion (equivalent to approximately HK\$16.44 billion), subject to the following adjustments:

- (i) deducting the Intercompany Payoff Amount;
- (ii) adding an amount equivalent to the Estimated Working Capital less the Target Working Capital or, if such amount is negative, deducting the absolute value of such amount; and
- (iii) adding an amount equivalent to the Final Working Capital less the Estimated Working Capital (plus interest thereon) or, if such amount is negative, deducting the absolute value of such amount (plus interest thereon).

The Consideration will be settled as follows:

- (1) upon Closing, an amount equivalent to the Consideration (after the adjustments pursuant to the above sub-paragraphs (i) and (ii) under this sub-heading “(c) Consideration”) shall be paid by the Purchaser to the Vendor in immediately available funds by wire transfer; and
- (2) on the Adjustment Payment Date, (i) the Purchaser shall pay to the Vendor an amount equivalent to the Final Working Capital less the Estimated Working Capital (plus interest thereon); or (ii) if such amount is negative, the Vendor shall refund the absolute value of such amount (plus interest thereon).

Upon Closing, an amount equivalent to the Intercompany Payoff Amount shall be paid by the Purchaser to the Target Company for the Target Company to repay the loan due to the Intercompany Lender.

The Consideration was determined based on arm’s length negotiations between the Vendor and the Purchaser after taking into account the valuation of the Target Group’s business.

**(d) Closing**

Subject to the terms and conditions of the Sale and Purchase Agreement (including the satisfaction of, or compliance with (or otherwise waived in whole or in part), the Conditions), the Closing will take place at 10:00 a.m. (Toronto time) on the day which is nine (9) Business Days after the date on which the last of the Conditions (other than any such Conditions which by their nature are not capable of being satisfied until the Closing Date) is satisfied or waived.

**(e) Purchaser’s Conditions**

The obligations of the Purchaser to complete the Acquisition is conditional upon the satisfaction of, or compliance with (or otherwise waived by the Purchaser in whole or in part), each of the following Purchaser’s Conditions:

- (i) the representations and warranties of the Vendor contained in the Sale and Purchase Agreement being true and correct in all respects as of the Closing Date;
- (ii) the Vendor having fulfilled or complied with, in all material respects, all of the covenants contained in the Sale and Purchase Agreement to be fulfilled or complied with by the Vendor at or prior to the Closing;

- (iii) the Purchaser having received the agreements, instruments and documents required to be delivered by the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement;
- (iv) no order being in effect that restrains, enjoins or prohibits the sale and purchase of the Target Shares; and
- (v) each of the Regulatory Approvals having been obtained and being in full force and effect.

**(f) Vendor's Conditions**

The obligation of the Vendor to complete the Acquisition is conditional upon the satisfaction of, or compliance with (or otherwise waived by the Vendor in whole or in part), each of the following Vendor's Conditions:

- (i) the representations and warranties of the Purchaser contained in the Sale and Purchase Agreement being true and correct in all material respects;
- (ii) the Purchaser having fulfilled or complied, in all material respects, with all of the covenants contained in the Sale and Purchase Agreement to be fulfilled or complied with by the Vendor at or prior to the Closing;
- (iii) the Vendor having received the agreements, instruments and documents required to be delivered by the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement;
- (iv) no order being in effect that restrains, enjoins or prohibits the sale and purchase of the Target Shares; and
- (v) each of the Regulatory Approvals having been obtained and being in full force and effect.

**(g) Termination Events**

The Sale and Purchase Agreement may be terminated prior to the Closing by the following Termination Events:

- (i) mutual written consent of the Vendor and the Purchaser;
- (ii) either the Vendor or the Purchaser by written notice to the other party, if the Closing has not occurred on or before the Outside Date unless the Closing has not occurred by the Outside Date because there has been a breach of the Sale and Purchase Agreement by such terminating party that was the primary cause of, or primarily resulted in, the failure of the Closing to occur on or prior to the Outside Date;
- (iii) either the Vendor or the Purchaser, by written notice to the other party, if any order of governing authority having the effect of permanently restraining, enjoining or prohibiting the Acquisition shall have become final and non-appealable, provided that such terminating party has complied with all of its obligations hereunder in respect of the Regulatory Approvals in all material respects;

(iv) the Vendor, by written notice to the Purchaser, if the Purchaser breached any of its representations, warranties or covenants contained in the Sale and Purchase Agreement, and which breach:

- (a) would result in the failure of the Vendor's Conditions to be satisfied; and
- (b) (1) cannot be cured prior to the Outside Date; or (2) if capable of being cured by the Purchaser prior to the Outside Date, shall not have been cured within the earlier of (aa) sixty (60) days following receipt of notice from the Vendor of such breach and (bb) any shorter period of time that remains between the date such notice is received and the Outside Date,

provided that the Vendor is not then in breach of any of its representations, warranties or covenants contained in the Sale and Purchase Agreement, which breach would result in the failure of the Purchaser's Conditions to be satisfied; or

(v) the Purchaser, by written notice to the Vendor, if the Vendor breached any of its representations, warranties or covenants contained in the Sale and Purchase Agreement, and which breach:

- (a) would result in the failure of the Purchaser's Conditions to be satisfied; and
- (b) (1) cannot be cured prior to the Outside Date; or (2) if capable of being cured by the Vendor prior to the Outside Date, shall not have been cured within the earlier of (aa) sixty (60) days following receipt of notice from the Purchaser of such breach and (bb) any shorter period of time that remains between the date such notice is received and the Outside Date,

provided that the Purchaser is not then in breach of any of its representations, warranties or covenants contained in the Sale and Purchase Agreement, which breach would result in the failure of the Vendor's Conditions to be satisfied.

If the Sale and Purchase Agreement is terminated:

(1) by either party pursuant to a written notice under the above sub-paragraph (ii) of this sub-heading "(g) Termination Events" and:

- a. on or prior to the Outside Date, one or more of the Regulatory Approvals had not been obtained or an order related to the Regulatory Approvals is in effect on the Outside Date that restrains, enjoins or prohibits the sale and purchase of the Target Shares;
- b. sub-paragraphs (i) and (ii) under the sub-heading "(e) Purchaser's Conditions" would have been satisfied on the Outside Date assuming the Closing Date had occurred on the Outside Date; and
- c. on the Outside Date, there is no order in effect that restrains, enjoins or prohibits the sale and purchase of the Target Shares (other than any such order related to one or more of the Regulatory Approvals);

(2) by either party pursuant to a written notice under the above sub-paragraph (iii) of this sub-heading "(g) Termination Events" if such permanent order that has become final and non-appealable related to one or more of the Regulatory Approvals; or

- (3) by the Vendor under the above sub-paragraph (iv) of this sub-heading “(g) Termination Events” above other than as a result of any willful or intentional breach by the Purchaser of any of its representations, warranties or covenants contained in the Sale and Purchase Agreement or fraud on the part of the Purchaser,

then the Purchaser shall pay a sum of C\$100 million (equivalent to approximately HK\$582.64 million) to the Vendor within two (2) Business Days of the termination of the Sale and Purchase Agreement as sole and exclusive legal or equitable remedy.

### 3. INFORMATION OF THE TARGET GROUP

#### (a) General information of the Target Group

The Target Company is a holding company incorporated under the laws of the Province of Nova Scotia, Canada.

The Target Group is principally engaged in the building equipment services sector providing water heaters, HVAC (heating, ventilation and air conditioning) equipment, comfort protection plans and other services to homeowners primarily in Ontario, Canada, under the consumer brand identity of “Reliance Home Comfort”. The Target Group also has operations in Manitoba, Saskatchewan and Alberta, Canada.

It is the Company’s intention to on-sell up to 25% of the Group’s stake in the Target Company to CKI, subject to obtaining of the necessary approvals. However, as of the date of this announcement, no formal agreement has been reached between the Group and CKI. Further announcement(s) will be made in relation to this possible transaction if and when appropriate in compliance with the applicable requirements of the Listing Rules.

#### (b) Financial information of the Target Group

As at 31 December 2016, the Target Group has a negative unaudited net asset value of approximately C\$287.84 million (equivalent to approximately HK\$1,677.07 million).

The net profits of the Target Group for each of the two years ended 31 December 2016 are set out below:

	<b>For the year ended 31 December</b>	
	<b>2015 (unaudited)*</b>	<b>2016 (unaudited)</b>
	<i>(C\$ million)</i>	<i>(C\$ million)</i>
	<hr/>	<hr/>
Profit (loss) before tax from continuing operations	(110.34) (equivalent to approximately (HK\$642.88 million))	69.93 (equivalent to approximately HK\$407.44 million)
Profit (loss) after tax from continuing operations	(106.02) (equivalent to approximately (HK\$617.71 million))	53.05 (equivalent to approximately HK\$309.09 million)

\* The 2015 financials of the Target Group was impacted by non-operating and non-recurring factors, such as interest expense for a shareholder loan, accounting mark-to-market non-cash impact of foreign exchange movements, and settlement costs for early repayment of certain debts.

#### **4. INFORMATION OF THE GROUP AND THE VENDOR**

##### **(a) Information of the Group**

The Group has diverse capabilities with business activities encompassing property development and investment, hotel and serviced suite operation, property and project management and aircraft leasing.

##### **(b) Information of the Vendor**

The Vendor is principally engaged as a holding company, which is owned by investment funds managed by Alinda Capital Partners, a US-based private investment firm.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

#### **5. REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group has given serious and prudent consideration to and participated in certain quality global investments that meet the investment criteria set out in the Company's latest annual reports, with a view to extending its reach to new business areas to enhance its recurring revenue streams and mitigate the cyclical nature of cash flows associated with property development. The business of the Target Company is household-related. The Target Company represents a quality investment for the Group with stable financial performance and appropriate growth opportunities. Its stable revenue and cash flows will help to mitigate the cyclical nature of the property market, and are expected to enable the Company to sustain a steady level of dividend to the Shareholders' benefit. The Acquisition in Canada is also consistent with the Company's global diversification strategy.

Accordingly, the Directors believe that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **6. LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio under Rule 14.07 of Chapter 14 of the Listing Rules in relation to the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the Company's compliance with the notification and announcement requirements, but is not subject to the shareholders' approval requirement, under Chapter 14 of the Listing Rules.

#### **7. FURTHER INFORMATION**

**As completion of the Acquisition is conditional on the fulfilment of certain terms and conditions under the Sale and Purchase Agreement, including the obtaining of the Regulatory Approvals, there remains the possibility that the Acquisition may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## 8. DEFINITIONS

Unless the context otherwise requires, the following capitalised terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Target Shares by the Purchaser from the Vendor;
“Adjustment Payment Date”	assuming the Vendor has no disagreement on the amount of Final Working Capital, the earlier of (i) seven (7) Business Days after the Vendor has notified the Purchaser in writing that it agrees with the statement showing the amount of the Final Working Capital, which is to be prepared by the Target Company within sixty (60) days following the Closing Date; or (ii) sixty-five (65) days after the date that the statement showing the amount of the Final Working Capital is delivered to the Vendor;
“Advance Ruling Certificate”	an advance ruling certificate issued by the Commissioner of Competition of Canada pursuant to section 102 of the Competition Act under the laws of Canada in respect of the Acquisition;
“Board”	the board of Directors;
“Business Day(s)”	any day(s) other than (i) Saturday and Sunday; and (ii) any day on which banking institutions in Toronto, Ontario, New York or Hong Kong are not open for business;
“C\$”	Canadian dollar, the lawful currency of Canada;
“CKI”	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1038);
“Closing”	the closing of the sale and purchase of the Target Shares;
“Closing Date”	the date on which the Closing occurs;
“Company”	Cheung Kong Property 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);
“Competition Act Clearance”	the issuance of an Advance Ruling Certificate by the Commissioner of Competition of Canada or the expiration, waiver or termination of applicable waiting period under the Competition Act under the laws of Canada in respect of the Acquisition;
“Conditions”	collectively, the Purchaser’s Conditions and the Vendor’s Conditions;
“Consideration”	consideration for the Acquisition under the Sale and Purchase Agreement;

“Director(s)”	the directors of the Company;
“Estimated Working Capital”	the Target Company’s good faith estimate of the working capital of the Target Company as at 12:01 a.m. (Toronto time) on the Closing Date and will be provided by the Vendor to the Purchaser no later than seven (7) Business Days before the expected Closing Date;
“Final Working Capital”	the working capital of the Target Company as at 12:01 a.m. (Toronto time) on the Closing Date determined in accordance with the terms and conditions of the Sale and Purchase Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Intercompany Lender”	the holder of the two promissory notes issued by the Target Company;
“Intercompany Payoff Amount”	the total amount required to be paid to fully satisfy the all principal and accrued and unpaid interest due to the Intercompany Lender under two promissory notes issued by the Target Company as of Closing Date;
“Investment Canada Act Approval”	the notification from the Government of the Canada that the Acquisition (that amount to an acquisition of control within the meaning of the Investment Canada Act under the laws of Canada) are likely to be of net benefit to Canada and the implementation of the Acquisition are not prohibited pursuant to the Investment Canada Act under the laws of Canada;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Outside Date”	the date that is six (6) months following the date of execution of the Sale and Purchase Agreement, provided that if the Closing has not occurred by such date because a governmental authority has not delivered, issued or granted Competition Act Clearance and/or the Investment Canada Act Approval, such date shall be automatically extended by three (3) months upon written notice by either the Vendor or the Purchaser to the other, or such earlier or later date as the Vendor and the Purchaser may agree in writing;
“Purchaser”	CKP (Canada) Holdings Limited, a company incorporated under the laws of British Columbia and an indirect wholly-owned subsidiary of the Company;
“Purchaser’s Conditions”	conditions precedent to the Closing which are for the benefit of the Purchaser set out in sub-heading 2(e) in this announcement;
“Regulatory Approvals”	the Competition Act Clearance and the Investment Canada Act Approval;



“Sale and Purchase Agreement”	the sale and purchase agreement dated 31 March 2017 entered into between the Vendor, the Purchaser and the Company in relation to the Acquisition;
“Shareholder(s)”	holders of Shares;
“Shares”	ordinary shares in the capital of the Company with a nominal value of HK\$1.00 each;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	3216444 Nova Scotia Company, a company formed under the laws of the Province of Nova Scotia, Canada;
“Target Group”	the Target Company and its subsidiaries;
“Target Shares”	320,394,489 common shares of the Target Company, which constitute all of the issued and outstanding common shares in the capital of the Target Company;
“Target Working Capital”	the projected amount of working capital of the Target Company as at the Closing Date;
“Termination Events”	the events triggering the termination of the Sale and Purchase Agreement, all of which are set out in sub-heading 2(g) in this announcement;
“Vendor”	Canada Water Tanks Sarl, a limited liability company - société à responsabilité limitée - incorporated under the laws of Luxembourg; and
“Vendor’s Conditions”	conditions precedent to the Closing which are for the benefit of the Vendor set out in sub-heading 2(f) in this announcement.

*In this announcement, C\$ has been converted to HK\$ at the rate of C\$1 = HK\$5.8264, save as otherwise stated. Such conversion is for illustration purpose only. No representation is made that the C\$ amounts have been or could have be or could be converted into HK\$, or vice versa, at such rate or at any other rates on any relevant dates.*

By Order of the Board  
**CHEUNG KONG PROPERTY HOLDINGS LIMITED**  
**Eirene Yeung**  
*Company Secretary*

Hong Kong, 31 March 2017

The Directors 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, Mr. CHIU Kwok Hung, Justin, Mr. CHOW Wai Kam, Ms. PAU Yee Wan, Ezra and Ms. WOO Chia Ching, Grace as Executive Directors; and Mr. CHEONG Ying Chew, Henry, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Mr. Simon MURRAY, Mr. YEH Yuan Chang, Anthony, Mr. Colin Stevens RUSSEL and Mr. Donald Jeffrey ROBERTS as Independent Non-executive Directors.