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*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 13)**

## **MAJOR TRANSACTION - ACQUISITION OF O<sub>2</sub> UK**

### **SUMMARY**

Reference is made to the announcements of the Company on 23 January 2015 and 24 March 2015 in relation to the Group's exclusive negotiations with Telefónica, S.A. for the potential acquisition by the Group of the UK subsidiary of Telefónica, S.A., O<sub>2</sub> UK. The O<sub>2</sub> UK Business is a leading digital communications business running 2G, 3G and 4G networks across the UK.

The Board is pleased to announce that on 25 March 2015, the Purchaser and MergeCo (each an indirect wholly owned subsidiary of the Company) entered into a Share Purchase Agreement with Telefónica, S.A. pursuant to which the Purchaser has conditionally agreed to purchase the entire issued share capital of O<sub>2</sub> UK for an aggregate cash purchase price of: (i) £9.25 billion (equivalent to approximately HK\$106.75 billion), which is subject to adjustment and payable at Completion by the Purchaser; and (ii) deferred upside interest sharing payments of up to a further £1 billion (equivalent to approximately HK\$11.54 billion) in aggregate, payable by MergeCo, or another party procured by MergeCo, after the cumulative cash flow of the combined 3 UK Business and the O<sub>2</sub> UK Business has reached an agreed threshold.

Prior to completion of the Acquisition, the Company will, pursuant to an intra-group reorganisation, transfer to MergeCo the company that holds the 3 UK Business.

The Acquisition will be funded by a £6 billion bridge facility that the Purchaser has entered into with HSBC Bank plc and the Group's own cash resources.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as set out and calculated under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. As no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition, written shareholders' approval has been obtained pursuant to Rule 14.44 of the Listing Rules. After the obtaining of this written

shareholders' approval, the Company is not required to convene a general meeting for approving the Acquisition.

In order to allow sufficient time to prepare the financial information to be included in the circular in connection with the Acquisition, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, which requires the circular to be despatched to the Shareholders within 15 business days after the publication of this announcement. The circular is expected to be despatched to the Shareholders on or before 18 May 2015.

**As completion of the Share Purchase Agreement is conditional on the satisfaction (or, if applicable, waiver) of certain conditions, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

## **A. THE ACQUISITION**

### **1 INTRODUCTION**

Reference is made to the announcements of the Company on 23 January 2015 and 24 March 2015 in relation to the Group's exclusive negotiations with Telefónica, S.A. for the potential acquisition by the Group of the UK subsidiary of Telefónica, S.A., O<sub>2</sub> UK. The O<sub>2</sub> UK Business is a leading digital communications business running 2G, 3G and 4G networks across the UK.

The Board is pleased to announce that on 25 March 2015, the Purchaser and MergeCo (each an indirect wholly owned subsidiary of the Company) entered into the Share Purchase Agreement with Telefónica, S.A. pursuant to which the Purchaser has conditionally agreed to purchase the entire issued share capital of O<sub>2</sub> UK for an aggregate cash purchase price of: (i) £9.25 billion (equivalent to approximately HK\$106.75 billion), which is subject to adjustment and payable at Completion by the Purchaser (the "Initial Purchase Price"); and (ii) deferred upside interest sharing payments of up to a further £1 billion in aggregate (equivalent to approximately HK\$11.54 billion), payable by MergeCo, or another party procured by MergeCo, after the cumulative cash flow of the combined 3 UK Business and O<sub>2</sub> UK Business has reached an agreed threshold ((i) and (ii) together, the "Consideration"). The timing and amounts of these payments will depend on the actual cash flows of the combined businesses.

Prior to completion of the Acquisition, the Company will, pursuant to an intra-group reorganisation, transfer to MergeCo the company that holds the 3 UK Business.

The Acquisition is expected, upon Completion, to create the no. 1 mobile operator in the UK with almost 33 million customers on a combined basis.

## **2 PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT**

The terms and conditions of the Share Purchase Agreement, including the Consideration payable, were determined on an arm's length basis and on normal commercial terms.

### **Date**

25 March 2015

### **Parties**

- (i) The Vendor
- (ii) The Purchaser
- (iii) MergeCo

### **Assets to be acquired**

The Purchaser has agreed to acquire from the Vendor the entire issued share capital of O<sub>2</sub> UK at Completion.

### **Consideration**

The Consideration was determined by reference to, among other things, the overall financial position and performance of the O<sub>2</sub> UK Business, and is based on arm's length negotiations with the Vendor.

### **Consideration Adjustments**

Pursuant to the Share Purchase Agreement, the Initial Purchase Price is subject to certain Completion adjustments, at or after Completion, provided that there shall be no net upward adjustment save as described in the section headed "Completion" below.

Following Completion, the businesses of the O<sub>2</sub> UK Group and of Hutchison 3G UK Limited, being the holding company of the 3 UK Business, will be consolidated under MergeCo. MergeCo, or another party procured by MergeCo, will pay to the Vendor a further amount in cash of up to £1 billion in aggregate (equivalent to approximately HK\$11.54 billion) if the cumulative cash flow in the enlarged business after Completion has reached an agreed threshold, as calculated pursuant to the Share Purchase Agreement.

### **Payment Terms**

The Acquisition will be funded by a £6 billion (equivalent to approximately HK\$69.24 billion) bridge facility that the Purchaser has entered into with HSBC Bank plc (further details of which are set out in the section headed "Bridge Loan" below) and the Group's own cash resources.

In addition, the Company is in discussions with certain potential co-investors who may, prior to Completion, agree to subscribe in cash for a minority interest in

MergeCo, which indirectly holds 100% of the total issued share capital of the Purchaser.

### **Guarantee**

Pursuant to the Parent Guarantee, the Company unconditionally and irrevocably guarantees to the Vendor the due and punctual compliance by each of the Purchaser and MergeCo with their respective obligations, commitments, undertakings, warranties and indemnities under the Share Purchase Agreement.

### **Conditions**

Completion of the Acquisition is conditional on the satisfaction or waiver of certain conditions (the “Conditions”), including, amongst other things (i) the European Commission having confirmed that the Share Purchase Agreement is compatible with EU competition laws, either unconditionally or subject to reasonable conditions or obligations, (ii) the Vendor having completed its pre-Completion reorganisation in respect of the O<sub>2</sub> UK Group and (iii) the parties having obtained waivers and/or approvals under applicable regulations and contractual arrangements with third parties, prior to Completion.

The Conditions must be satisfied or waived by no later than 30 June 2016 (English time), save that in specified circumstances as set out in the Share Purchase Agreement this date may be extended to 30 September 2016 (English time) (the “Long Stop Date”).

Should any of the Conditions not be satisfied (or otherwise waived in writing by the relevant party) by the Long Stop Date, the Share Purchase Agreement will automatically terminate unless the parties agree otherwise in writing. In the event that the Share Purchase Agreement is terminated, further announcement(s) will be made as and when appropriate in accordance with the Listing Rules.

### **Completion**

Subject to the satisfaction or waiver of the conditions specified in the Share Purchase Agreement (including the Conditions), Completion will take place on either:

- (i) the first Business Day of the month immediately following the month in which the Conditions are fulfilled or waived (as the case may be) in the event that the Conditions are fulfilled or waived between the first day of the month and 00:01 (English time) on the day which is 12 Business Days before the end of the month in which the Conditions are fulfilled or waived; or
- (ii) the day that is 12 Business Days following the day on which the Conditions are fulfilled or waived in the event that the Conditions are fulfilled or waived after 00:01 (English time) on the day which is 12 Business Days before the end of the month in which the Conditions are fulfilled or waived.

In the event that Completion takes place on the date set out in (ii) above, the Purchaser shall pay an additional amount calculated by adding a daily amount of £1

million for each day from and excluding the last day of the month in which the Conditions are fulfilled or waived (as the case may be) to and including the date of Completion (the “Locked Box Fee”). The maximum amount payable in respect of the Locked Box Fee is expected to be £40 million.

### **Bridge Loan**

Part of the Acquisition will be funded by way of debt financing which will be made available to the Purchaser pursuant to a £6 billion bridge loan facility agreement dated 25 March 2015 between the Purchaser and HSBC Bank plc (in its capacity as a mandated lead arranger, original bank and facility agent). Under such bridge loan facility agreement, committed funds will be, subject to certain customary funds terms, provided to the Purchaser for a period of up to 24 months from the date of signing the bridge loan facility agreement to finance the Acquisition. None of MergeCo or the Company will be required to provide any credit support in connection with such bridge loan facility agreement.

### **Directors**

The Directors confirm that to the best of their 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 the connected persons of the Company (as defined in the Listing Rules).

## **B. REASONS AND BENEFITS FOR ENTERING INTO THE ACQUISITION**

The Board considers that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders taken as a whole for the following reasons:

- (i) the Acquisition, together with the Group’s existing investment in the **3** UK Business, will enable the Group to create the largest mobile telecommunications operator in the UK in terms of subscriber numbers;
- (ii) the enlarged scale of the Group’s mobile telecommunications business in the UK following the Acquisition will enable the Group to better meet and service customer requirements; and
- (iii) the Acquisition will provide significant synergy potential through the combination of networks and cost bases.

The Board considers the terms and conditions of the Share Purchase Agreement to be on normal commercial terms and to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **C. INFORMATION ABOUT THE GROUP**

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

The Group’s telecommunications division includes the **3** Group businesses in Europe, which operate in six countries across Europe (namely the UK (under the **3** UK

Business), Italy, Sweden, Denmark, Austria and Ireland) and provides high-speed mobile telecommunications and mobile broadband services. The Group also operates telecommunications businesses in six markets across Asia Pacific (namely Australia, Hong Kong, Indonesia, Macau, Sri Lanka and Vietnam).

#### **D. INFORMATION ABOUT THE VENDOR**

The principal business of the Vendor group is the provision of telecommunications services primarily in Europe and Latin America. The ultimate parent of the Vendor group, Telefónica, S.A., is a corporation duly organised and existing under the laws of the Kingdom of Spain and is listed on (i) the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao), (ii) the London and Buenos Aires stock exchanges, and (iii) the New York and Lima stock exchanges, through American Depositary Shares.

#### **E. INFORMATION ABOUT O<sub>2</sub> UK AND THE O<sub>2</sub> UK BUSINESS**

O<sub>2</sub> UK is a company incorporated in England and the owner of the O<sub>2</sub> UK Business, a leading digital communications business with over 24 million customers and over 450 retail stores. The O<sub>2</sub> UK Business runs 2G, 3G and 4G networks across the UK, as well as operates O<sub>2</sub> Wifi and owns half of Tesco Mobile.

Based on the information provided by the Vendor:

- (i) the unaudited net asset value of the O<sub>2</sub> UK Business was £6.9 billion as at 31 December 2014;
- (ii) the unaudited net profit (before taxation) of the O<sub>2</sub> UK Business for the years ended 31 December 2013 and 31 December 2014 was £378 million and £373 million respectively; and
- (iii) the unaudited net profit (after taxation) of the O<sub>2</sub> UK Business for the years ended 31 December 2013 and 31 December 2014 was £303 million and £290 million respectively.

The financial figures of the O<sub>2</sub> UK Business set out in this announcement are derived from the unaudited financial information of the O<sub>2</sub> UK Business prepared using the Vendor's accounting policies, which are in accordance with IFRS as adopted for use in the European Union, while the consolidated financial statements of the Company are prepared using the Company's accounting policies, which are in accordance with HKFRS. The financial information of O<sub>2</sub> UK, based upon, or reconciled to, the Company's accounting policies and having regard for the contemplated pre-Completion reorganisation of certain parts of the O<sub>2</sub> UK Business, will be included in the circular to be despatched to Shareholders, and accordingly may differ from the amounts described above.

#### **F. LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as set out and calculated under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 25% but all

are less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. As no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition, written shareholders' approval has been obtained from the CKH Subsidiaries and LKS Castle Trustee, who together constitute a closely allied group of shareholders who together hold more than 50% of the shares in the Company giving the right to attend and vote at that general meeting of the Company, were it required to be convened, pursuant to Rule 14.44 of the Listing Rules. After the obtaining of this written shareholders' approval, the Company is not required to convene a general meeting for approving the Acquisition.

In order to allow sufficient time to prepare the financial information to be included in the circular to be sent to the Shareholders in connection with the Acquisition, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules, which requires the circular to be despatched to the Shareholders within 15 business days after the publication of this announcement. The circular is expected to be despatched to the Shareholders on or before 18 May 2015.

**As completion of the Share Purchase Agreement is conditional on the satisfaction (or, if applicable, waiver) of certain conditions, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

## G. DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in the announcement:

“Acquisition”	the proposed acquisition by the Purchaser from the Vendor of the entire issued share capital of O <sub>2</sub> UK in accordance with the terms and conditions of the Share Purchase Agreement
“Board”	the board of Directors
“Business Day”	any day on which banks are open generally for business in Hong Kong, London and Madrid, excluding Saturdays and Sundays
“CK Hutchison Holdings Limited”	CK Hutchison Holdings Limited (長江和記實業有限公司) (Stock Code: 0001), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“CKH Subsidiaries”	collectively, Continental Realty Limited, Fumanda Limited, Good Energy Limited, Guidefield Limited, Haldaner Limited, Harrowgate Investments Limited, Harvestime Holdings Limited, Hey Darley Limited, Hislop Resources

	Limited, Kam Chin Investment S.A., Mirabole Limited, Oriental Time Investment Limited, Polycourt Limited, Richland Realty Limited, Shining Heights Profits Limited, Top Win Investment Limited, Wealth Pleasure Limited, Well Karin Limited, White Rain Enterprises Ltd. and Winbo Power Limited, each of which is a wholly owned subsidiary of CK Hutchison Holdings Limited and which in aggregate hold 2,130,202,773 (or approximately 49.97%) of the issued shares of the Company
“Company”	Hutchison Whampoa Limited (和記黃埔有限公司) (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
“Completion”	completion of the Acquisition
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LKS Castle Trustee”	Li Ka-Shing Castle Trustee Company Limited, a company incorporated in the Cayman Islands and the trustee of The Li Ka-Shing Castle Trust, which holds 11,496,000 (or approximately 0.27%) of the issued shares of the Company
“MergeCo”	Hutchison 3G UK Holdings (CI) Limited, a company incorporated in the Cayman Islands having its registered office at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
“O <sub>2</sub> UK”	Telefonica Europe plc, a company incorporated in England and Wales having its registered office at 260 Bath Road, Slough, Berkshire, SL1 4DX, United Kingdom and owner of the O <sub>2</sub> UK Business

“O <sub>2</sub> UK Business”	the telecommunications business carried on by the O <sub>2</sub> UK Group in the UK, primarily under the commercial brand ‘O <sub>2</sub> ’
“O <sub>2</sub> UK Group”	(i) O <sub>2</sub> UK, (ii) the Subsidiaries (as defined in the Share Purchase Agreement), and (iii) the JV Companies (as defined in the Share Purchase Agreement)
“Parent Guarantee”	the guarantee in respect of the Share Purchase Agreement dated 25 March 2015 granted by the Company as guarantor in favour of the Vendor
“Purchaser”	Hutchison 3G UK Investments Limited, a company incorporated in England and Wales having its registered office at Hutchison House, 5 Hester Road, Battersea, London, SW11 4AN
“Shareholder(s)”	holder(s) of shares in the Company
“Share Purchase Agreement”	the agreement dated 25 March 2015 between the Vendor, the Purchaser and MergeCo for the sale and purchase of the entire issued share capital of O <sub>2</sub> UK
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to the term under the Listing Rules
“UK”	the United Kingdom of Great Britain and Northern Ireland
“Vendor”	Telefónica, S.A., a company incorporated in Spain having its registered office at Gran Vía número 28, 28013 Madrid, Spain
“3 UK Business”	the telecommunications business carried on in the UK by Hutchison 3G UK Limited, an indirect wholly owned subsidiary of the Company, under the commercial brand ‘3’
“£”	British Pound(s), the lawful currency of the United Kingdom
“%”	per cent.

By order of the Board

**Edith Shih**  
*Company Secretary*

Hong Kong, 25 March 2015

As at the date of this announcement, the Directors are as follows:

**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:**

Mr CHENG Hoi Chuen, Vincent  
The Hon. Sir Michael David KADOORIE  
Ms LEE Wai Mun, Rose  
Mr William Elkin MOCATTA  
*(Alternate to The Hon. Sir Michael  
David Kadoorie)*  
Mr William SHURNIAK  
Mr WONG Chung Hin

*In this announcement, the HK\$ amounts have been converted from British Pound amounts at the rate of £1 to HK\$11.54. Such conversions are for the convenience of the readers only. No representation is made that the British Pound amounts have been, could have been or could be, converted into HK\$, or vice versa, at such rate or at any other rates on any relevant dates.*

*In this announcement, any reference to a date or time is a reference to the Hong Kong date or time unless expressly provided otherwise.*