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CONTINUING CONNECTED TRANSACTIONS

In anticipation of the expiration of the Existing Master Leasing Agreement and the Existing Master Purchase Agreement on 31 December 2020, CKA and CKHH have on 18 December 2020 entered into:

- (a) the New Master Leasing Agreement which sets out the framework terms governing the Leasing Transactions for the period from 1 January 2021 to 31 December 2023; and
- (b) the New Master Purchase Agreement which sets out the framework terms governing the Project Related Supplies Transactions for the period from 1 January 2021 to 31 December 2023.

The Listing Rules implications of the Leasing Transactions and the Project Related Supplies Transactions on CKA and CKHH are as follows:

In respect of CKA

CKHH has been deemed by the Stock Exchange to be a connected person of CKA under the Listing Rules. Accordingly, the Leasing Transactions and the Project Related Supplies Transactions between CKA and CKHH constitute continuing connected transactions for CKA under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of CKA in respect of the Annual Cap Amounts of each of the Leasing Transactions and the Project Related Supplies Transactions is/are more than 0.1% but all of the applicable percentage ratios are less than 5%, the Leasing Transactions and the Project Related Supplies Transactions are subject to CKA's compliance with the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of CKHH

CKA has been deemed by the Stock Exchange to be a connected person of CKHH under the Listing Rules. Accordingly, the Leasing Transactions and the Project Related Supplies Transactions between CKA and CKHH constitute continuing connected transactions for CKHH under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of CKHH in respect of the Annual Cap Amounts of each of the Leasing Transactions and the Project Related Supplies Transactions are more than 0.1% but all of the applicable percentage ratios are less than 5%, the Leasing Transactions and the Project Related Supplies Transactions are subject to CKHH's compliance with the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

A. The New Master Leasing Agreement

In the ordinary course of business, members of the CKA Group entered, and may from time to time continue to enter, into the Leasing Transactions with members of the CKHH Group.

In anticipation of the expiration of the Existing Master Leasing Agreement on 31 December 2020, CKA and CKHH have on 18 December 2020 entered into the New Master Leasing Agreement to set out the framework terms governing the Leasing Transactions for the period from 1 January 2021 to 31 December 2023, the principal terms of which are set out below:

(a) Subject matter

CKA agrees to lease or license or to procure its subsidiaries to lease or license the premises owned by the CKA Group (including office space, car parks and building areas) to members of the CKHH Group as and when reasonably requested by members of the CKHH Group from time to time during the term of the New Master Leasing Agreement.

(b) Duration

Three years from 1 January 2021 to 31 December 2023, unless terminated by CKA or CKHH by not less than one month's written notice or otherwise in accordance with the other terms of the New Master Leasing Agreement.

(c) *Consideration and other terms*

The relevant members of the CKA Group and of the CKHH Group shall enter into separate lease, tenancy or licence agreements with respect to the Leasing Transactions. The terms of, and the consideration (including Short Term Lease Payments, Fixed Lease Payments, Variable Lease Payments and management/service fees) payable under, such agreements shall be negotiated on a case-by-case and an arm's length basis, and shall be on normal commercial terms which, (i) from the CKA Group's perspective, shall be no more favourable to the relevant members of the CKHH Group than those which CKA Group made available to its independent third party corporate lessees, tenants or licensees; and (ii) from the CKHH Group's perspective, shall be no less favourable than those which the relevant members of the CKHH Group could obtain from independent landlords or lessors of comparable premises.

In respect of the CKA Group, the rental or licence fee chargeable shall be at market rates and based on the then prevailing rental rates or licence fee rates for properties of similar size and with similar attributes within the same building charged by the CKA Group or, if not available, the then prevailing rental rates or licence fee rates for properties of similar size and with similar attributes in the vicinity of the subject premises to be leased, let or licensed by the CKA Group. The basis of the management/service fees chargeable by the CKA Group to the relevant members of the CKHH Group shall be the same as those the CKA Group charges other tenants or licensees of the same building or property.

In respect of the CKHH Group, the rental or licence fee payable shall be at market rates, and the CKHH Group shall seek competitive quotes (including conducting a comparison of prices of a sufficient number of independent landlords, lessors or licensors of comparable premises in the market) for management review with a view to ensuring that the rental or licence fee payable by the CKHH Group to the relevant members of the CKA Group in connection with the Leasing Transactions are reasonable, having regard to the size, location, facilities and conditions of the premises required.

(d) *Historical transaction amounts*

The aggregate rental or licence fee, and management/service fees paid/payable by the CKHH Group to the CKA Group for the Leasing Transactions for the financial years ended 31 December 2018 and 2019 and the eleven months ended 30 November 2020 are as follows:-

	Financial year ended 31 December 2018	Financial year ended 31 December 2019	Eleven months ended 30 November 2020
Amounts (rounded to the nearest million)	HK\$679 million	HK\$725 million	HK\$667 million

B. The New Master Purchase Agreement

In the ordinary course of business, members of the CKA Group entered, and may from time to time continue to enter, into the Project Related Supplies Transactions with members of the CKHH Group.

In anticipation of the expiration of the Existing Master Purchase Agreement on 31 December 2020, CKA and CKHH have on 18 December 2020 entered into the New Master Purchase Agreement to set out the framework terms governing the Project Related Supplies Transactions for the period from 1 January 2021 to 31 December 2023, the principal terms of which are set out below:

(a) Subject matter

CKHH agrees to provide, or to procure its subsidiaries to provide, the Project Related Supplies to members of the CKA Group as and when reasonably requested by the members of the CKA Group from time to time during the term of the New Master Purchase Agreement.

(b) Duration

Three years from 1 January 2021 to 31 December 2023, unless terminated by CKA or CKHH by not less than one month's written notice or otherwise in accordance with the other terms of the New Master Purchase Agreement.

(c) Consideration and other terms

The relevant members of the CKA Group and of the CKHH Group shall enter into separate contracts with respect to the Project Related Supplies Transactions. The terms of, and the consideration payable under, such contracts shall be negotiated on a case-by-case and an arm's length basis, and shall be on normal commercial terms which, (i) from the CKA Group's perspective, shall be no less favourable than those which the CKA Group could obtain from independent third party suppliers of the relevant Project Related Supplies; and (ii) from the CKHH Group's perspective, shall be no more favourable than those which the relevant members of the CKHH Group made available to independent customers of the relevant Project Related Supplies.

In respect of the CKA Group, before considering issuing a purchase order or awarding a purchase contract to the CKHH Group, the CKA Group shall seek competitive quotes via tendering or other processes (including conducting a comparison of prices of a sufficient number of independent third party suppliers of comparable Project Related Supplies in the market) for management review with a view to ensuring that the fees payable by the CKA Group to the CKHH Group in connection with the Project Related Supplies are fair and reasonable and comparable to those offered by independent third party suppliers having regard to the quality, reliability and service levels of the Project Related Supplies required and the past performance of the CKHH Group when providing the Project Related Supplies.

In respect of the CKHH Group, the fee chargeable by the relevant members of the CKHH Group shall be at market rates and be based by reference to the then prevailing market rates for the Project Related Supplies of similar or comparable quality, reliability and service levels charged by the CKHH Group or, if not available, the then prevailing market rates no more favourable than that the relevant members of the CKHH Group may make available to independent customers for the Project Related Supplies of similar or comparable scope, scale, quality, reliability and service level.

(d) *Historical transaction amounts*

The aggregate amounts paid/payable by CKA Group to the CKHH Group for the Project Related Supplies Transactions for the financial years ended 31 December 2018 and 2019 and the eleven months ended 30 November 2020 are as follows:-

	Financial year ended 31 December 2018	Financial year ended 31 December 2019	Eleven months ended 30 November 2020
Amounts (rounded to the nearest million)	HK\$78 million	HK\$25 million	HK\$41 million

ANNUAL CAP AMOUNTS

Accounting implication to the Leasing Transactions

According to the accounting standard IFRS 16 (Leases) applicable to the accounting of leases by lessors, the CKA Group is required to recognise the lease payments as income on a straight-line basis.

According to the accounting standard HKFRS 16 (Leases) applicable to the accounting of leases by lessees, the CKHH Group is required to recognise a right-of-use asset and a lease liability at the date at which the leased asset is available for use. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use its incremental borrowing rate.

Variable Lease Payments, Short Term Lease Payments and payments for management/service fees are charged to the income statement as an expense. It is expected that Variable Lease Payments, Short Term Lease Payments and payments for management/service fees chargeable by the CKA Group under the Leasing Transactions for each of the three years ending 31 December 2023 are “de minimis” for CKHH after considering all the relevant applicable percentage ratios.

Due to the difference in accounting treatment when the parties act as lessor and lessee, the parties have separate sets of Annual Cap Amounts: in respect of the CKA Group, for rental or licence fee, and management/service fees expected to be received from members of the CKHH Group within each financial year pursuant to the New Master Leasing Agreement; and in respect of the CKHH Group, for right-of-use assets expected to be acquired within each financial year between members of the CKHH Group and members of the CKA Group pursuant to the New Master Leasing Agreement.

Leasing Transactions for the CKA Group

It is expected that the maximum aggregate annual amount receivable by the CKA Group in respect of the Leasing Transactions will not exceed the amounts set out below:

	Financial year ending 31 December		
	2021	2022	2023
Leasing Transactions	HK\$849 million	HK\$940 million	HK\$987 million

The Annual Cap Amounts in respect of the Leasing Transactions for the CKA Group were arrived at by reference to (i) the historical transaction amounts for the same type of transactions, (ii) the amount receivable by the CKA Group in respect of the Leasing Transactions currently in existence, (iii) the expected renewals of existing leases, tenancies and licences, (iv) the expected new Leasing Transactions that the CKHH Group may enter into with the CKA Group, and (v) the estimated adjustment in rental or licence fee payable and management/service fees.

Leasing Transactions for the CKHH Group

It is expected that the annual recognised amount of right-of-use assets in respect of the Leasing Transactions for the CKHH Group will not exceed the amounts set out below:

	Financial year ending 31 December		
	2021	2022	2023
Leasing Transactions	HK\$750 million	HK\$780 million	HK\$910 million

The Annual Cap Amounts in respect of the Leasing Transactions for the CKHH Group were arrived at by reference to (i) the historical transaction amounts for the same type of transactions, (ii) the amount payable by the CKHH Group in respect of the Leasing Transactions currently in existence, (iii) the expected renewals of existing leases, tenancies and licences, (iv) the expected new Leasing Transactions that the CKHH Group may enter into with the CKA Group, and (v) the estimated adjustment in rental or licence fee payable.

Project Related Supplies Transactions

It is expected that the maximum aggregate annual amount payable by the CKA Group to the CKHH Group in respect of the Project Related Supplies Transactions will not exceed the amounts set out below:

	Financial year ending 31 December		
	2021	2022	2023
Project Related Supplies Transactions	HK\$228 million	HK\$313 million	HK\$313 million

The Annual Cap Amounts in respect of the Project Related Supplies Transactions for the CKA Group and CKHH Group were arrived at by reference to (i) the historical transaction amounts for the same type of transactions, (ii) the estimated number of contracts that may be awarded to the CKHH Group, taking into account the expected progress of the various existing property development projects of the CKA Group, and (iii) buffer to cater for: (1) additional demand for the Project Related Supplies in respect of new development projects which may commence construction; (2) variations in the original purchase order or contract due to changes in development project specifications in the course of construction of relevant development projects during the three years ending 31 December 2023; and (3) variations in the development schedules of relevant projects.

The significant increase in the Annual Cap Amounts in respect of the Project Related Supplies Transactions for 2021, 2022 and 2023, as compared to the historical transaction amount for 2020, is mainly due to the buffer mentioned in the preceding paragraph.

REASONS FOR, AND THE BENEFITS OF, ENTERING INTO THE NEW MASTER LEASING AGREEMENT AND THE NEW MASTER PURCHASE AGREEMENT

Each of the CKA Board and the CKHH Board believes that the entering into of the New Master Leasing Agreement and the New Master Purchase Agreement will help the CKA Group and the CKHH Group to ensure that the necessary supplies and premises will continue to be made available to the CKA Group or the CKHH Group (as the case may be) and achieve business continuity and efficiency.

(a) Views of the CKA Board

Having regard to pricing policies and internal controls of CKA in respect of the Continuing Connected Transactions, including the charging of rental or licence fee at market rate for the Leasing Transactions and the seeking of the competitive quotes for Project Related Supplies (such as conducting a comparison of prices of a sufficient number of independent third party suppliers), the CKA Directors (including the independent non-executive directors of CKA) are of the view that the Continuing Connected Transactions have been and will continue to be entered into in the ordinary and usual course of business of the CKA Group, and on normal commercial terms or better, and that their terms are fair and reasonable and in the interests of CKA and its shareholders as a whole. The CKA Directors (including the independent non-executive directors of CKA) are also of the view that the relevant Annual Cap Amounts for the Continuing Connected Transactions are fair and reasonable, and in the interests of CKA and its shareholders as a whole.

As Mr. Victor T K Li, being an executive director of CKA, may be regarded as having a material interest in the Continuing Connected Transactions, he has voluntarily abstained from voting on the board resolutions of CKA approving the Continuing Connected Transactions.

(b) Views of the CKHH Board

Having regard to the pricing policies and internal controls of CKHH in respect of the Continuing Connected Transactions, including the seeking of the competitive quotes (such as conducting a comparison of prices of a sufficient number of independent landlords, lessors or licensors of comparable premises in the market) for the Leasing Transactions and the charging of fees based on prevailing market rate for the Project Related Supplies Transactions, the CKHH Directors (including the independent non-executive directors of CKHH) are of the view that the Continuing Connected Transactions have been and will continue to be entered into in the ordinary and usual course of business of the CKHH Group, and on normal commercial terms or better, and that their terms are fair and reasonable and in the interests of CKHH and its shareholders as a whole. The CKHH Directors (including the independent non-executive directors of CKHH) are also of the view that the relevant Annual Cap Amounts for the Continuing Connected Transactions are fair and reasonable, and in the interests of CKHH and its shareholders as a whole.

None of the CKHH Directors have any material interest in the Continuing Connected Transactions except by virtue of being a director and/or shareholder of CKHH (including its subsidiaries) and/or the other parties involved in the transactions, and no CKHH Directors were required to abstain from voting on the board resolutions of CKHH approving the Continuing Connected Transactions. Notwithstanding the foregoing, Mr. Victor T K Li, being an executive director of CKHH, has voluntarily abstained from voting on the board resolutions of CKHH approving the Continuing Connected Transactions.

IMPLICATIONS UNDER THE LISTING RULES

In respect of CKA

CKHH has been deemed by the Stock Exchange to be a connected person of CKA under the Listing Rules. Accordingly, the Leasing Transactions and the Project Related Supplies Transactions between CKA and CKHH constitute continuing connected transactions for CKA under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of CKA in respect of the Annual Cap Amounts of each of the Leasing Transactions and the Project Related Supplies Transactions is/are more than 0.1% but all of the applicable percentage ratios are less than 5%, the Leasing Transactions and the Project Related Supplies Transactions are subject to CKA's compliance with the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of CKHH

CKA has been deemed by the Stock Exchange to be a connected person of CKHH under the Listing Rules. Accordingly, the Leasing Transactions and the Project Related Supplies Transactions between CKA and CKHH constitute continuing connected transactions for CKHH under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of CKHH in respect of the Annual Cap Amounts of each of the Leasing Transactions and the Project Related Supplies Transactions are more than 0.1% but all of the applicable percentage ratios are less than 5%, the Leasing Transactions and the Project Related Supplies Transactions are subject to CKHH's compliance with the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE CKA GROUP AND THE CKHH 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, pub operation and investment in infrastructure and utility asset operation.

The CKHH Group is principally engaged in five core businesses: ports and related services, retail, infrastructure, energy, and telecommunications.

DEFINITIONS

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

“Annual Cap Amounts”	in respect of the CKA Group, the maximum annual amount receivable under the New Master Leasing Agreement and the maximum annual amount payable under the New Master Purchase Agreement; and in respect of the CKHH Group, the expected annual recognised amount of right-of-use assets in respect of the Leasing Transactions under the New Master Leasing Agreement and the maximum annual amount receivable under the New Master Purchase Agreement, each as described under the section headed “Annual Cap Amounts” in this announcement
“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 Board”	the board of CKA Directors
“CKA Directors”	the directors of CKA
“CKA Group”	CKA and its subsidiaries
“CKHH”	CK Hutchison 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: 1)
“CKHH Board”	the board of CKHH Directors
“CKHH Directors”	the directors of CKHH
“CKHH Group”	CKHH and its subsidiaries
“Continuing Connected Transactions”	the transactions contemplated under the New Master Leasing Agreement and the New Master Purchase Agreement
“Existing Master Leasing Agreement”	the agreement dated 15 December 2017 entered into between CKA and CKHH setting out the framework terms governing the Leasing Transactions
“Existing Master Purchase Agreement”	the agreement dated 15 December 2017 entered into between CKA and CKHH setting out the framework terms governing the Project Related Supplies Transactions

“Fixed Lease Payments”	a fixed amount of periodic rental or licence fee payable by relevant members of the CKHH Group to the CKA Group in respect of the Leasing Transactions with lease periods of more than twelve months at the commencement date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS 16”	the Hong Kong Financial Reporting Standard 16 issued by the Hong Kong Institute of Certified Public Accountants
“IFRS 16”	the International Financial Reporting Standard 16 issued by the International Accounting Standards Board
“Leasing Transactions”	entering into by the CKHH Group of leases, tenancies or licences in respect of premises owned by the CKA Group (including office space, car parks and building areas)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Master Leasing Agreement”	the agreement dated 18 December 2020 entered into between CKA and CKHH setting out the framework terms governing the Leasing Transactions
“New Master Purchase Agreement”	the agreement dated 18 December 2020 entered into between CKA and CKHH setting out the framework terms governing the Project Related Supplies Transactions
“percentage ratios”	has the meaning ascribed to that term in Chapter 14 of the Listing Rules
“Project Related Supplies”	goods (such as air-conditioners and other electrical appliances and gift/cash coupons) and services (such as printing of sales brochures and advertising materials)
“Project Related Supplies Transactions”	purchasing by the CKA Group of the Project Related Supplies from members of the CKHH Group for use in connection with the CKA Group’s property development projects
“Short Term Lease Payments”	a fixed amount of periodic rental or licence fee payable by relevant members of the CKHH Group to the CKA Group in respect of the Leasing Transactions with lease periods of not more than twelve months at the commencement date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Variable Lease Payments” a variable rental or licence fee linked to sales generated from the leased property(ies) in respect of the Leasing Transactions

“%” per cent

By Order of the CKA Board
CK ASSET HOLDINGS LIMITED
Eirene Yeung
*Executive Committee Member
& Company Secretary*

By Order of the CKHH Board
CK HUTCHISON HOLDINGS LIMITED
Edith Shih
*Executive Director
and Company Secretary*

Hong Kong, 18 December 2020

As at the date of this announcement, the CKA Directors are Mr. LI Tzar Kuoi, Victor (*Chairman and Managing Director*), 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, Raymond, 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. Colin Stevens RUSSEL, Mr. Donald Jeffrey ROBERTS and Mr. Stephen Edward BRADLEY as Independent Non-executive Directors.

As at the date of this announcement, the CKHH Directors are: Mr. LI Tzar Kuoi, Victor (*Chairman and Group Co-Managing Director*), Mr. FOK Kin Ning, Canning (*Group Co-Managing Director*), Mr. Frank John SIXT (*Group Finance Director and Deputy Managing Director*), Mr. IP Tak Chuen, Edmond (*Deputy Managing Director*), Mr. KAM Hing Lam (*Deputy Managing Director*), Mr. LAI Kai Ming, Dominic (*Deputy Managing Director*) and Ms. Edith SHIH as Executive Directors; Mr. CHOW Kun Chee, Roland, Mrs. CHOW WOO Mo Fong, Susan, Mr. LEE Yeh Kwong, Charles, Mr. LEUNG Siu Hon and Mr. George Colin MAGNUS as Non-executive Directors; and Mr. KWOK Tun-li, Stanley, 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. WONG Kwai Lam and Dr. WONG Yick-ming, Rosanna as Independent Non-executive Directors.