

CKI HOLDINGS<1038> & HK ELECTRIC<0006> - Joint Announcement

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CHEUNG KONG INFRASTRUCTURE
HOLDINGS LIMITED
(incorporated in Bermuda
with limited liability)

HONGKONG ELECTRIC HOLDINGS LIMITED
(incorporated in Hong Kong
with limited liability)
CONNECTED TRANSACTION

JOINT ANNOUNCEMENT

SUMMARY

The board of directors of Cheung Kong Infrastructure Holdings Limited ("CKI") and the board of directors of Hongkong Electric Holdings Limited ("HEH") jointly announce that on 12th December 1999, CKI Utilities Development Limited, HEI Utilities Development Limited and Utilities Management Pty Ltd (collectively the "Purchasers"), companies each ultimately owned as to 50% by each of CKI and HEH, entered into agreements (the "Agreements") with the State of South Australia and the state controlled companies ETSA Utilities and ETSA Power, for the right to manage and operate ETSA Utilities for 200 years and acquisition of ETSA Power, at a total consideration of A\$3.4 billion (approximately HK\$16.8 billion). Each of CKI and HEH will guarantee the Purchasers' obligations under the Agreements on a several basis pro rata to their respective shareholding interests in each of the Purchasers.

DATE OF THE AGREEMENTS

12th December 1999

PARTIES

Vendors: The State of South Australia and ETSA Utilities and ETSA Power, the latter two being state controlled companies (collectively the "Vendors").

Purchasers: CKI Utilities Development Limited, HEI Utilities Development Limited and Utilities Management Pty Ltd (collectively the "Purchasers"), each being ultimately owned as to 50% by CKI and 50% by HEH.

PARTICULARS OF THE AGREEMENTS

Pursuant to the Agreements, the Purchasers have agreed to acquire the right to manage and operate ETSA Utilities for 200 years and to acquire ETSA Power at a total consideration of A\$3.4 billion (approximately HK\$16.8 billion) which represents an EBITDA (earnings before interest, tax, depreciation and amortization) multiple of less than 10. The Agreements were obtained through a bidding process.

It is expected that completion of the Agreements will take place on 28th January 2000. It is currently intended that funding for the acquisition will be initially provided by bank facilities guaranteed by CKI and HEH on a several basis and pro rata to their respective shareholding interests in

each of the Purchasers.

Each of CKI and HEH will guarantee the Purchasers' respective obligations under the Agreements on a several basis pro rata to their respective shareholding interests in each of the Purchasers.

CKI and HEH have equal representation on the respective boards of the Purchasers.

PARTICULARS OF ETSA UTILITIES AND ETSA POWER AND DESCRIPTION OF THEIR BUSINESSES

ETSA Utilities is the major electricity distributor in the State of South Australia. The principal activity of ETSA Utilities' business is the operation, management and administration of the electricity distribution network. The network supplies electricity to the major populated areas of South Australia except those in remote areas which have their own generation and distribution capability. The majority of ETSA Utilities' revenue will be regulated by government imposed regulations.

ETSA Power is the principal electricity retailer in South Australia. Its business consists primarily of selling electricity purchased in the wholesale market to its customers. Its operation involves the management of its electricity market trading risk and the operation of its call centres and billing functions. ETSA Power currently sells electricity to more than 700,000 South Australian residential, industrial and business customers.

REASONS FOR ENTERING INTO THE AGREEMENTS

The CKI group of companies is principally engaged in the development, investment and operation of infrastructure business in Hong Kong, the Mainland, the Asia Pacific Region and other parts of the world and the HEH group of companies is principally engaged in the businesses of the generation and supply of electricity in Hong Kong and the provision of engineering consultancy services in relation to the power generation industry in various parts of the world.

This investment is part of the CKI group's and HEH group's global expansion plans.

MISCELLANEOUS

CKI is currently holding approximately 37.58% of the issued share capital of HEH. This announcement is also made by HEH pursuant to Rule 14.25(2)(b)(i) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in view of the fact that the amount of financial assistance to be granted by HEH to the Purchasers is expected to be in the region of HK\$8.4 billion, being in excess of 15% of the consolidated net tangible asset value of HEH as disclosed in its last published audited accounts. This financial arrangement is regarded as a connected transaction for HEH, details of which will be included in its next published annual report.

By order of the Board
CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
Eirene Yeung
Company Secretary

By order of the Board
HONGKONG ELECTRIC HOLDINGS LIMITED
Lillian Wong
Company Secretary

Hong Kong, 13th December 1999

Note: In this announcement, the consideration in Australian dollars has been converted into Hong Kong dollars at the rate of A\$1=HK\$4.94 for indication purpose only.