

# CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

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## **CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*  
**(Stock Code: 1038)**



## **HONGKONG ELECTRIC HOLDINGS LIMITED**

*(incorporated in Hong Kong with limited liability)*  
**(Stock Code: 006)**



## **HUTCHISON WHAMPOA LIMITED**

*(incorporated in Hong Kong with limited liability)*  
**(Stock Code: 013)**

### **JOINT ANNOUNCEMENT**

### **CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED VERY SUBSTANTIAL DISPOSAL**

### **HONGKONG ELECTRIC HOLDINGS LIMITED DISCLOSEABLE AND CONNECTED TRANSACTIONS**

### **HUTCHISON WHAMPOA LIMITED DISCLOSEABLE TRANSACTION**

#### **SUMMARY**

The board of Directors of each of CKI, HEH and HWL jointly announce that on 10th September, 2004, CKI and HEH entered into the Agreement, pursuant to which CKI agreed to procure the sale, and HEH agreed to purchase, or procure the purchase by its wholly-owned subsidiary, of the entire issued share capital of Alpha. Alpha is a newly formed wholly-owned indirect subsidiary of CKI that owns 19.9% of the issued share capital of Gas Network. Gas Network has agreed to acquire Blackwater, a newly formed wholly-owned subsidiary of Transco that will, at completion of the Hive Down Agreement, own the North of England Gas Distribution Network business in the United Kingdom presently carried on by Transco.

The consideration for the Blackwater Acquisition is £1,393,700,000 less the aggregate amount of intra-group indebtedness, which is expected to be approximately £870,000,000. The net consideration will, therefore, be approximately £524,000,000.

The consideration for the Sale Share, which will be payable in cash on Completion, is HK\$1.00. HEH will also assume certain obligations of CKI under the Gas Network Shareholders Agreement in respect of Alpha. Prior to completion of the Blackwater Acquisition, Alpha will subscribe approximately £104,276,000 for new share capital in Gas Network, which will represent approximately 19.9% of the net consideration payable by Gas Network on completion of the Blackwater Acquisition. This will be met from HEH's internal cash resources and/or bank borrowing.

CKI is a diversified infrastructure investment company with a focus in the development, investment and operation of infrastructure businesses currently in Hong Kong, Mainland China, Australia, the United Kingdom, Canada and the Philippines.

As disclosed in the CKI Announcement, at the time of entering into the Blackwater Acquisition Agreement, CKI intended to on-sell part of its indirect shareholding interest in Blackwater. CKI and HEH have worked together on a number of joint venture projects in the past and this previous experience of working successfully together made HEH the most suitable purchaser of the Sale Share. CKI will retain an indirect 49.9% shareholding interest in Blackwater following Completion.

The principal activity of the HEH group is the generation of electricity and its transmission and distribution to Hong Kong Island. HEH is also a joint partner in several power-related businesses in Australia with CKI.

HEH has been studying the British energy market for some time and the Transaction represents an opportunity for HEH to gain entry to this market for the first time.

The Transaction constitutes a very substantial disposal for CKI under the Listing Rules and will accordingly be subject to the approval of the CKI Shareholders. A circular containing, inter alia, further information on the Transaction and a notice of the CKI SGM will be despatched to the CKI Shareholders in accordance with the relevant requirements of the Listing Rules.

CKI currently holds approximately 38.87% of the issued share capital of HEH. By virtue of this shareholding interest, CKI is a substantial shareholder (as defined in the Listing Rules) of HEH and is accordingly regarded as a connected person (as defined in the Listing Rules) of HEH. The Transaction constitutes discloseable and connected transactions for HEH under the Listing Rules. Completion will be subject to, inter alia, approval by the HEH Independent Shareholders in the HEH EGM.

The HEH Independent Board Committee will be formed to advise the HEH Independent Shareholders in respect of the Transaction. HEH will appoint an independent financial adviser (which will be an investment adviser registered under the Securities and Futures Ordinance (Cap. 571)) to advise the HEH Independent Board Committee in respect of the Transaction.

A circular containing, inter alia, further information on the Transaction and a notice of the HEH EGM will be despatched to the HEH Shareholders in accordance with the relevant requirements of the Listing Rules.

The Transaction constitutes a discloseable transaction for HWL under the Listing Rules. A circular containing further information on the Transaction will be sent to HWL Shareholders in accordance with the relevant requirements of the Listing Rules.

## **AGREEMENT**

### **Date**

10th September, 2004

### **Parties**

CKI

HEH

### **Conditions precedent**

Completion is conditional upon:

- (i) the CKI Shareholders approving at the CKI SGM (a) the transactions contemplated by the Blackwater Acquisition Agreement and the Gas Network Shareholders Agreement; and (b) the sale of the Sale Share as contemplated by the Agreement; and
- (ii) the HEH Independent Shareholders approving the Transaction and the related transactions and matters contemplated under the Agreement and the Gas Network Shareholders Agreement.

None of the Conditions may be waived by either party.

### **Completion**

Subject to satisfaction of the Conditions, Completion shall take place on the date which is 3 business days following the date on which the Conditions are satisfied.

If (i) at the CKI SGM, the CKI Shareholders fail to give the approvals contemplated in Condition (i) above; or (ii) at the HEH EGM, the HEH Independent Shareholders fail to give the approval contemplated in Condition (ii) above, then upon the first occurrence of either of (i) or (ii) the Agreement shall automatically terminate and the Transaction will not proceed.

If the Agreement has not already terminated as a result of (i) or (ii) above then it will automatically terminate if the Conditions have not been satisfied before 30th August, 2005.

## CONSIDERATION

The consideration for the Sale Share, which will be payable in cash on Completion, is HK\$1.00. HEH will also assume certain obligations of CKI under the Gas Network Shareholders Agreement, in respect of Alpha. Prior to completion of the Blackwater Acquisition, Alpha will subscribe approximately £104,276,000 (HK\$1,454,650,200) for new share capital in Gas Network, which will represent approximately 19.9% of the net consideration payable by Gas Network on completion of the Blackwater Acquisition. This will be met from HEH's internal cash resources and/or bank borrowing.

The consideration for the Blackwater Shares under the Blackwater Acquisition Agreement was arrived at following a competitive auction process conducted by NGT, of which Transco is a wholly-owned subsidiary, and after arm's length negotiations between CKI and Transco.

The consideration payable under the Agreement is a nominal amount of HK\$1.00. In addition, Alpha is required to fund its pro rata share of the net consideration payable by Gas Network on completion of the Blackwater Acquisition. Therefore, no gain or loss will be realised by CKI from the Transaction.

Under the Gas Network Shareholders Agreement, CKI has undertaken to procure compliance by Alpha with its obligation to subscribe for shares in Gas Network, as referred to above. This undertaking of CKI will be assumed by HEH on Completion. In addition, termination of the Blackwater Acquisition Agreement will, in certain circumstances, give rise to a break fee of £13,980,000 (HK\$195,021,000) becoming payable by Gas Network to Transco. Alpha has undertaken in the Gas Network Shareholders Agreement to subscribe 19.9% of this amount for shares in Gas Network in the event of such termination, for the purposes of enabling Gas Network to pay the break fee. CKI has undertaken in the Gas Network Shareholders Agreement to procure compliance by Alpha with this obligation. This undertaking of CKI will also be assumed by HEH on Completion.

## GENERAL NATURE OF THE TRANSACTION

### Summary

NGT, through its wholly-owned subsidiary, Transco, owns, operates and develops the substantial majority of the natural gas transmission and distribution system in the United Kingdom. NGT publicly announced in December 2003 that it was seeking indicative offers for five of the eight regional gas distribution networks in the United Kingdom. Following a successful bidding process, Gas Network was chosen as the preferred bidder for the North of England Gas Distribution Network business. As a result, on 31st August, 2004, Gas Network, Transco and Blackwater entered into the Blackwater Acquisition Agreement, pursuant to which Gas Network has an option to require Transco to sell to it, and Transco has an option to require Gas Network to purchase from it, the entire issued share capital of Blackwater. On or prior to completion of the Blackwater Acquisition, the North of England Gas Distribution Network business in the United Kingdom presently carried on by Transco will be sold to Blackwater in accordance with the terms of the Hive Down Agreement.

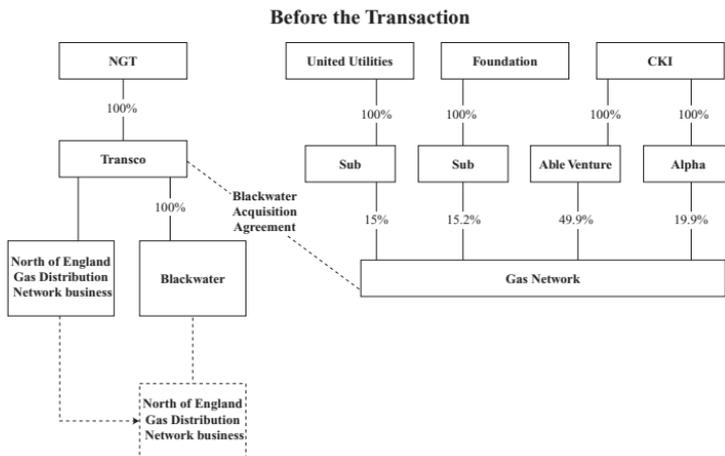
Completion of the sale and purchase of the Sale Share is expected to take place shortly after the conclusion of the CKI SGM and the HEH EGM. As a result, HEH will own, indirectly through Alpha, 19.9% of the issued share capital of Gas Network and both Alpha and Gas Network shall cease to be subsidiaries of CKI. On completion of the Blackwater Acquisition, Blackwater will become a wholly-owned subsidiary of Gas Network.

Gas Network is a consortium vehicle, the shareholders of which comprise wholly-owned subsidiaries of the Foundation and United Utilities and also Able Venture and Alpha, both wholly-owned subsidiaries of CKI. Each of the wholly-owned subsidiaries of the Foundation and United Utilities and also Able Venture and Alpha are parties to the Gas Network Shareholders Agreement which governs their relationship as shareholders in Gas Network.

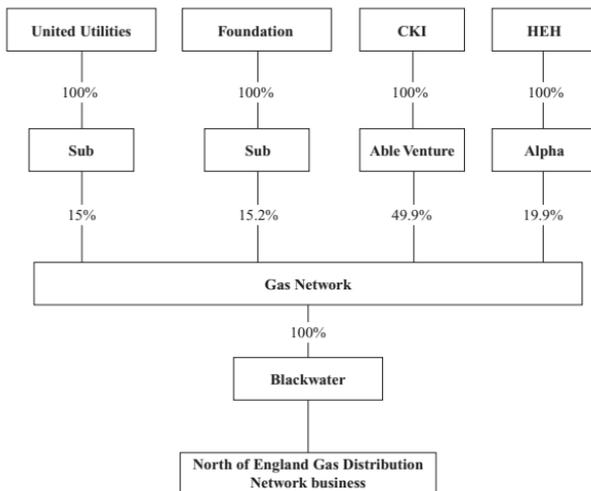
Blackwater's gas transporter licence contains some restrictions on the categories of person to whom shares in Blackwater may be transferred.

**Structure**

The following is the shareholding structure of Gas Network and Blackwater before the Transaction and following completion of the Transaction and the Blackwater Acquisition:



**After the Transaction and following completion of the Blackwater Acquisition**



For the financial year ended 31st March, 2003, the unaudited operating profit, before taxation and interest (adjusted to accounting principles generally accepted in Hong Kong), of the North of England Gas Distribution Network business was £116 million (HK\$1,618,200,000). The corresponding figure for the year ended 31st March, 2002 was £109 million (HK\$1,520,550,000).

After the Transaction and the Blackwater Acquisition, CKI's interest in Gas Network will be 49.9%. Accordingly, the results and assets and liabilities of Blackwater will be incorporated in CKI's and HWL's financial statements using the equity method of accounting. As HEH's interest in Gas Network will be less than 20%, Blackwater will be treated as an investment in the financial statements of HEH.

## **INFORMATION ON ALPHA, BLACKWATER AND THE NORTH OF ENGLAND GAS DISTRIBUTION NETWORK**

Following Completion, HEH or its nominee will own the Sale Share, constituting the entire issued share capital of Alpha. Alpha is a newly formed wholly-owned subsidiary of CKI that owns 19.9% of the issued share capital of Gas Network. Following completion of the Blackwater Acquisition, Blackwater will become a wholly-owned subsidiary of Gas Network.

Blackwater is a newly formed wholly-owned subsidiary of Transco that will, following the completion of the Hive Down Agreement, own the North of England Gas Distribution Network business in the United Kingdom presently carried on by Transco. The assets included in the business include (i) the pipeline infrastructure required to transport the gas from the national gas transmission network in the United Kingdom to consumers' premises within the network's region, comprising approximately 36,000 kilometres of distribution gas mains; (ii) the property, warehouses and fleet utilised in the network's operations; (iii) the contracts, intellectual property rights, policies and procedures and licences necessary to operate the network; and (iv) a network management team with significant knowledge of the gas transportation industry and extensive experience in running gas distribution networks in the United Kingdom.

The region serviced by the North of England Gas Distribution Network business extends south from the Scottish border to South Yorkshire and has coastlines on both the east and west sides of the region. The region contains a mixture of large cities (Newcastle, Middlesbrough, Leeds and Bradford) and a significant rural area including North Yorkshire and Cumbria, and has a total population of approximately 6.7 million. The region benefits from Leeds' growing position as an important regional financial and commercial centre, the rapid expansion of development along the River Tyne, and a number of large industrial consumers based along the North Sea coastline.

The regulated assets value of the North of England Gas Distribution Network business as at 31st March, 2004 was £1,207,000,000 (HK\$16,837,650,000).

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

CKI is a diversified infrastructure investment company with a focus in the development, investment and operation of infrastructure businesses currently in Hong Kong, Mainland China, Australia, the United Kingdom, Canada and the Philippines.

As disclosed in the CKI Announcement, at the time of entering into the Blackwater Acquisition Agreement, CKI intended to on-sell part of its interest in Blackwater. CKI and HEH have worked together on a number of joint venture projects in the past and this previous experience of working together successfully made HEH the most suitable purchaser of the Sale Share. CKI will retain an indirect 49.9% shareholding interest in Blackwater following completion of the Blackwater Acquisition.

The principal activity of the HEH group is the generation of electricity and its transmission and distribution to Hong Kong Island. HEH is also a joint partner in several power-related businesses in Australia with CKI.

HEH has been studying the British energy market for some time and the Transaction represents an opportunity for HEH to gain entry to this market for the first time.

The Directors of CKI believe the terms of the Transaction are fair and reasonable and in the interests of the CKI Shareholders as a whole.

The Directors of HEH believe the terms of the Transaction are fair and reasonable and in the interests of the HEH Shareholders as a whole.

The HWL group operates and invests in five core businesses: ports and related services; telecommunications; property and hotels; retail and manufacturing; and energy, infrastructure, finance and investments.

The Directors of HWL believe the terms of the Transaction are fair and reasonable and in the interests of the HWL Shareholders as a whole. The Directors of HWL endorse the reasons for entering into the Transaction and the benefits which are expected to accrue to the HWL group (of which CKI forms part) as a result of the Transaction as stated above.

## **GENERAL**

The Transaction constitutes a very substantial disposal for CKI under the Listing Rules and will accordingly be subject to the approval of the CKI Shareholders. To the best of the knowledge, information and belief of the Directors of CKI, having made all reasonable enquiries, none of the CKI Shareholders will be required to abstain from voting at the CKI SGM. A circular containing, inter alia, further information on the Transaction and a notice of the CKI SGM will be despatched to the CKI Shareholders in accordance with the relevant requirements of the Listing Rules.

# CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

As at the date of this announcement, the Executive Directors of CKI are Mr. LI Tzar Kuoi, Victor (Chairman), Mr. KAM Hing Lam (Group Managing Director), Mr. George Colin MAGNUS (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. IP Tak Chuen, Edmond (Deputy Chairman), Mr. KWAN Bing Sing, Eric (Deputy Managing Director), Mrs. CHOW WOO Mo Fong, Susan, Mr. Frank John SIXT, and Mr. TSO Kai Sum; and the Non-executive Directors are Mr. CHEONG Ying Chew, Henry (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina (Independent Non-executive Director) and Mr. Barrie COOK.

To the best of the knowledge, information and belief of the Directors of CKI having made all reasonable enquiries HEH is not a connected person (as defined under the Listing Rules) of CKI.

CKI currently holds approximately 38.87% of the issued share capital of HEH. By virtue of this shareholding interest, CKI is a substantial shareholder (as defined in the Listing Rules) of HEH and is accordingly regarded as a connected person (as defined in the Listing Rules) of HEH. The Transaction constitutes discloseable and connected transactions for HEH under the Listing Rules. Completion will be subject to, inter alia, approval by the HEH Independent Shareholders in the HEH EGM.

The HEH Independent Board Committee will be formed to advise the HEH Independent Shareholders in respect of the Transaction. HEH will appoint an independent financial adviser (which will be an investment adviser registered under the Securities and Futures Ordinance (Cap. 571)) to advise the HEH Independent Board Committee in respect of the Transaction.

A circular containing, inter alia, further information on the Transaction and a notice of the HEH EGM will be despatched to the HEH Shareholders in accordance with the relevant requirements of the Listing Rules.

As at the date of this announcement, the Executive Directors of HEH are Mr. George Colin MAGNUS (Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. TSO Kai Sum (Group Managing Director), Mr. Andrew J. HUNTER (Group Finance Director), Mr. LEE Lan Yee, Francis (Director and General Manager (Engineering)), Mr. KAM Hing Lam, Mr. LI Tzar Kuoi, Victor, and Mr. Frank John SIXT; and the Non-executive Directors are Mr. YEE Lup Yuen, Ewan, Mrs. CHOW WOO Mo Fong, Susan, Mr. Ronald Joseph ARCULLI (Independent Non-executive Director), Mr. Holger Kluge (Independent Non-executive Director), Mr. Ralph Raymond SHEA (Independent Non-executive Director) and Mr. WONG Chung Hin (Independent Non-executive Director).

To the best of the knowledge, information and belief of the Directors of HEH having made all reasonable enquiries none of NGT, Transco, Blackwater, the Foundation and United Utilities is a connected person (as defined under the Listing Rules) of HEH. The Directors of HEH are not aware of any of NGT, Transco, Blackwater, the Foundation and United Utilities having any interest in HEH.

The Transaction constitutes a discloseable transaction for HWL under the Listing Rules. A circular containing further information on the Transaction will be sent to HWL Shareholders in accordance with the relevant requirements of the Listing Rules. CKI is a subsidiary of HWL which holds approximately 84.6% of the issued share capital of CKI.

As at the date of this announcement, the Executive Directors of HWL are Mr. LI Ka-shing (Chairman), Mr. LI Tzar Kuoi, Victor (Deputy Chairman), Mr. FOK Kin Ning, Canning (Group Managing Director), Mrs. CHOW WOO Mo Fong, Susan (Deputy Group Managing Director), Mr. Frank John SIXT (Group Finance Director), Mr. LAI Kai Ming, Dominic, Mr. George Colin MAGNUS and Mr. KAM Hing Lam; and the Non-executive Directors are Mr. Michael David KADOORIE (Independent Non-executive Director), Mr. William Elkin MOCATTA (alternate to Mr. Michael David KADOORIE), Mr. Simon MURRAY, Mr. OR Ching Fai, Raymond (Independent Non-executive Director), Mr. William SHURNIAK, Mr. Peter Alan Lee VINE (Independent Non-executive Director) and Mr. WONG Chung Hin (Independent Non-executive Director).

To the best of the knowledge, information and belief of the Directors of HWL having made all reasonable enquiries HEH is not a connected person (as defined under the Listing Rules) of HWL.

## DEFINITIONS

“Able Venture”	Able Venture Profits Limited, a company incorporated in the British Virgin Islands with limited liability and which is a wholly-owned subsidiary of CKI
“Agreement”	the agreement dated 10th September, 2004 relating to the sale and purchase of the Sale Share and the transaction documents to be entered into under such agreement
“Alpha”	Alpha Central Profits Limited, a company incorporated in the British Virgin Islands with limited liability and which is a wholly-owned subsidiary of CKI
“Blackwater”	Blackwater F Limited (registered in England with registered number 5167070)

## CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

“Blackwater Acquisition”	the acquisition of Blackwater on the terms and subject to the conditions in the Blackwater Acquisition Agreement
“Blackwater Acquisition Agreement”	the agreement dated 31st August, 2004 between Gas Network, Transco and Blackwater relating to the sale and purchase of the Blackwater Shares
“Blackwater Shares”	100 ordinary shares of £1 each in the share capital of Blackwater, being the entire issued share capital of Blackwater at the date of the Blackwater Acquisition Agreement
“CKI”	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 1038)
“CKI Announcement”	the CKI announcement published on 1st September, 2004 relating to the Blackwater Acquisition Agreement
“CKI SGM”	a special general meeting of CKI to be held to approve inter alia the Transaction and the transactions contemplated thereunder
“CKI Shareholders”	shareholders of CKI
“Completion”	completion of the Agreement in accordance with its terms
“Conditions”	the conditions to Completion set out in the Agreement
“the Foundation”	Li Ka Shing (Overseas) Foundation, a company limited by guarantee incorporated in the Cayman Islands for charitable purposes
“Gas Network”	Gas Network Limited (registered in England with registered number 5213525), a non wholly-owned subsidiary of CKI
“Gas Network Shareholders Agreement”	the shareholders agreement dated 31st August, 2004 between Alpha, Able Venture, Goldia Resources Ltd, CKI, the Foundation, United Utilities Operations Limited and United Utilities Contract Solutions Limited relating to their interests in, and management of, Gas Network
“HEH”	Hongkong Electric Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 006)
“HEH EGM”	an extraordinary general meeting of HEH to be held to approve the Transaction and the related transactions and matters contemplated under the Agreement and the Gas Network Shareholders Agreement
“HEH Independent Board Committee”	an independent committee of the board of Directors of HEH to be formed to advise the HEH Independent Shareholders in respect of the Transaction
“HEH Independent Shareholders”	HEH Shareholders other than CKI and its associates
“HEH Shareholders”	shareholders of HEH
“Hive Down Agreement”	the agreement dated 31st August, 2004 relating to the acquisition by Blackwater of the North of England Gas Distribution Network business of Transco
“HWL”	Hutchison Whampoa Limited, a limited liability company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange (Stock Code: 013)
“HWL Shareholders”	shareholders of HWL
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“NGT”	National Grid Transco plc, whose shares are listed on the London Stock Exchange and New York Stock Exchange
“Sale Share”	1 ordinary share of US\$1 in the share capital of Alpha, being the entire issued share capital of Alpha at Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the acquisition of the Sale Share by HEH or its nominee pursuant to the Agreement

CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

“Transco”	Transco plc (registered in England with registered number 2006000), a wholly-owned subsidiary of NGT
“United Utilities”	United Utilities plc, whose shares are listed on the London Stock Exchange
“US\$”	United States Dollars
“£”	Pounds Sterling, the lawful currency of the United Kingdom
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China

Note: the figures in £ are converted into HK\$ at the rate of £1 = HK\$13.95 throughout this announcement for indication purposes only.

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*

By Order of the Board  
**HUTCHISON WHAMPOA LIMITED**  
**Edith Shih**  
*Company Secretary*

Hong Kong, 10th September, 2004

Please also refer to the published version of this announcement in The Standard dated 13 September 2004.