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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: 6)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF THE ENTIRE
INTEREST IN A SUBSIDIARY**

**DISCLOSEABLE
AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE INTEREST
IN A SUBSIDIARY OF CHEUNG KONG
INFRASTRUCTURE HOLDINGS LIMITED
AND CONTINUING CONNECTED
TRANSACTION**

The boards of directors of CKI and HEH jointly announce that on 5th February, 2009 (after trading hours), CKI and HEH entered into the Agreement pursuant to which CKI agreed to procure the sale of and HEH agreed to purchase or procure its wholly-owned subsidiary to purchase the entire issued share capital of Outram, an indirect wholly-owned subsidiary of CKI, for a consideration of HK\$5,680 million. It is also proposed that CKI and HEH will enter into the Operation and Management Contract on completion of the Transaction.

The Transaction constitutes a discloseable transaction for each of CKI and HEH under Rule 14.06(2) 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 of HEH and is accordingly a connected person of HEH. The Transaction therefore constitutes a connected transaction for HEH and the Operation and Management Contract will constitute a continuing connected transaction for HEH under the Listing Rules. The Transaction (which includes the transaction under the Operation and Management Contract) is conditional upon approval by the HEH Independent Shareholders at the HEH EGM. CKI and its associates will abstain from voting at 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 to advise the HEH Independent Board Committee and the HEH Independent Shareholders in respect of the Transaction. A circular containing, amongst other things, (i) information on the Transaction; (ii) a letter from the HEH Independent Board Committee to the HEH Independent Shareholders; and (iii) a letter from the independent financial adviser to the HEH Independent Board Committee and the HEH Independent Shareholders will be despatched to the HEH Shareholders in accordance with the relevant requirements of the Listing Rules.

THE AGREEMENT

Date

5th February, 2009 (after trading hours)

Parties

- (1) CKI
- (2) HEH

CKI currently holds approximately 38.87% of the issued share capital of HEH. By virtue of this shareholding interest, CKI is a substantial shareholder of HEH and is accordingly a connected person of HEH. The Transaction therefore constitutes a connected transaction for HEH under the Listing Rules. 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 of CKI.

Subject of the Transaction

Pursuant to the Agreement, among other things, CKI agreed to procure the sale of and HEH agreed to purchase or procure its wholly-owned subsidiary to purchase the Sale Share(s) free from all encumbrances and together with all rights attaching thereto on or after the completion of the Transaction.

Consideration

The Consideration shall be HK\$5,680 million, to be satisfied on completion of the Transaction in cash in Hong Kong dollars (or, at HEH's option, to be paid in the United States dollars equivalent thereof). Such consideration is determined on the basis that Outram will settle all of its liabilities on or before completion of the Transaction.

The Consideration takes into account estimated PRC Distribution in respect of 2007 and/or 2008 (as the case may be) which have not been paid as at the date of the Agreement. It is possible that some PRC Distribution may be paid after the Agreement and some may be paid after the completion of the Transaction. Accordingly, to the extent payment of any dividend or other distribution attributable to the PRC Distribution is made by Outram and/or its subsidiaries directly or indirectly to CKI and/or its subsidiaries (other than Outram and its subsidiaries) after the date of the Agreement but before completion of the Transaction, the Consideration will be reduced by the same amount. In addition, to the extent that the PRC Distribution received by Outram and/or its subsidiaries up to the first anniversary after completion of the Transaction is less than HK\$740.4 million, CKI will pay the difference to HEH. To the extent that the PRC Distribution received by Outram and/or its subsidiaries up to the first anniversary of the Transaction exceeds HK\$740.4 million, HEH will pay the difference to CKI. HEH will pay to CKI any PRC Distribution received thereafter.

The Consideration of the Transaction was determined after arm's length negotiations between the parties on normal commercial terms with reference to market comparables. It will be funded from HEH's internal resources.

Conditions to the Transaction

Completion of the Transaction is conditional upon:

- (i) the shareholders of HEH who are qualified to vote at the HEH EGM approving the purchase by HEH or its nominee of the Sale Share(s) from CKI or its nominee as contemplated in the Agreement, and the related transactions and matters contemplated under the Agreement as required under the Listing Rules; and
- (ii) receipt of the consent as required under the Zhuhai Power Plant Loans in relation to the sale and purchase of the Sale Share(s) pursuant to the Agreement.

If the above conditions are not satisfied on or before 31st March, 2009 (or such later date as is agreed by the parties to the Agreement), the Agreement shall lapse and the Transaction will not proceed.

Completion of the Transaction

Completion will take place on the 6th Business Day after the fulfilment or waiver of all of the above conditions or such other date as agreed by CKI and HEH.

On completion of the Transaction, HEH will, amongst other things:

- (a) provide the Counter Indemnity to CKI, which relates to certain of CKI's obligations in respect of the joint venture undertaking of the Zhuhai Power Plant as its foreign party, which obligations are not expected to be material. The Counter Indemnity is necessary as the obligations and liabilities of CKI, if any, under the Zhuhai Power Plant Loan may not be assigned or novated to HEH on completion of the Transaction; and
- (b) procure Outram to enter into with CKI the Operation and Management Contract, which commercial terms have been agreed and set out in the Agreement. Pursuant to the Operation and Management Contract, CKI will provide Outram with services in relation to the management and operations of Outram's power plant investments in the PRC. The Operation and Management Contract will be for an initial term of 3 years, commencing on completion of the Transaction. The term may, at HEH's option, be renewed for further term(s) of 3 years each on the same terms subject to compliance with any relevant requirements under the Listing Rules. The fees for the services provided under the Operation and Management Contract will be equivalent to CKI's costs for provision of such services. The maximum aggregate annual fees for the services are HK\$35 million, which have been determined by reference to estimates of CKI's actual costs (management, operation and other supporting staff), administrative expenses and out of pocket disbursements necessary to provide the services with an appropriate margin catering for costs inflation and are consistent with the historical actual costs for such services to CKI. The fees will be paid in cash on a monthly basis. Outram's entry into the Operation and Management Contract is conditional upon completion of the Transaction.

INFORMATION ON OUTRAM

Outram is a company limited by shares and incorporated in the British Virgin Islands. Outram is currently an indirect wholly-owned subsidiary of CKI and is used as the holding vehicle for CKI in respect of the 45% equity interests in each of the PRC JVs which own and operate two power plants in Zhuhai city in the Guangdong province, PRC and a power plant in Siping city in the Jilin province, PRC.

Outram will cease to be a subsidiary of CKI upon the completion of the Transaction.

Based on the unaudited consolidated accounts of Outram, the total asset value of Outram as at 31st December, 2008 was approximately HK\$3,220 million. The unaudited net profits before taxation and extraordinary items of Outram for the two financial years ended 31st December, 2007 and 31st December, 2008 were approximately HK\$677 million and approximately HK\$1,127 million respectively. The unaudited net profits after taxation and extraordinary items of Outram for the two financial years ended 31st December, 2007 and 31st December, 2008 were approximately HK\$677 million and approximately HK\$1,127 million respectively. The above accounts were prepared in accordance with Hong Kong Financial Reporting Standards.

INFORMATION ON THE CKI GROUP

The principal activities of the CKI Group are development, investment and operation of infrastructure businesses in Hong Kong, the Mainland, Australia, New Zealand, the United Kingdom, Canada and the Philippines.

REASONS FOR THE TRANSACTION TO CKI

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

The board of directors of CKI considers that the Transaction represents a good opportunity for CKI to realize its investment in certain power plants in the PRC. CKI and HEH have worked together on a number of joint venture projects in the past and their previous experience of working together successfully made HEH the most suitable candidate to purchase the Sale Share(s). The directors of CKI (including the independent non-executive directors) are of the view that the terms of the Agreement and the Operation and Management Contract are on normal commercial terms, and are fair and reasonable and in the interest of CKI and its shareholders as a whole.

The net proceeds from the Transaction is expected to be approximately HK\$5,680 million which will further strengthen the liquidity position of CKI. CKI intends that the proceeds will be used for further acquisition of infrastructure projects.

As the result of the Transaction, it is expected that a realised gain of approximately HK\$1,348 million will be recorded in CKI's consolidated income statement for the year ending 31st December, 2009, which is arrived at with reference to the proceeds and the estimated net book value at date of completion with adjustment for unrealised gain because of its 38.87% equity interest in HEH.

INFORMATION ON THE HEH GROUP

The principal business of the HEH Group is the generation of electricity and its transmission and distribution to Hong Kong Island and Lamma Island. HEH is also a joint partner with CKI in several power-related businesses in Australia, New Zealand and Canada and a gas distribution network business in the United Kingdom.

REASONS FOR THE TRANSACTION TO HEH

The Transaction reflects HEH's strategy of investing in infrastructure projects outside Hong Kong and provides HEH with an opportunity to make a strategic entry into the power plant business in the PRC at a secure and attractive rate of return.

Outram will be a direct or an indirect wholly-owned subsidiary of HEH upon the completion of the Transaction. On completion of the Transaction, Outram will enter into the Operation and Management Contract with CKI. The directors of HEH consider that CKI's experience and relationship with the parties holding the other 55% equity interest in the PRC JVs in the management of the PRC JVs will contribute to the continued smooth operation of the power plants owned by the PRC JVs.

The directors of HEH consider that the terms of the Agreement and the Operation and Management Contract are normal commercial terms, and are fair and reasonable and in the interests of HEH and its shareholders as a whole.

The view of the HEH Independent Board Committee will be expressed in the circular to be despatched to HEH Shareholders after taking into account the advice from HEH's independent financial adviser.

LISTING RULES IMPLICATIONS

The Transaction constitutes a discloseable transaction for each of CKI and HEH under Rule 14.06(2) 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 of HEH and is accordingly a connected person of HEH. The Transaction therefore constitutes a connected transaction for HEH and the Operation and Management Contract will constitute a continuing connected transaction for HEH under the Listing Rules. Completion of the Transaction (which includes the transaction under the Operation and Management Contract) will be subject to, amongst other things, approval by the HEH Independent Shareholders at the HEH EGM. CKI and its associates will abstain from voting at the HEH EGM.

There are no prior transactions between HEH and either CKI or parties connected or otherwise associated with CKI that require aggregation under Rules 14.22 and 14A.25 of the Listing Rules.

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 to advise the HEH Independent Board Committee and the HEH Independent Shareholders in respect of the Transaction.

A circular containing, amongst other things, (i) information on the Transaction; (ii) a letter from the HEH Independent Board Committee to the HEH Independent Shareholders; and (iii) a letter from the independent financial adviser to the HEH Independent Board Committee and the HEH Independent Shareholders will be despatched to the HEH Shareholders in accordance with the relevant requirements of the Listing Rules.

DEFINITIONS

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

“Agreement”	the agreement dated 5th February, 2009 between CKI and HEH in relation to the Transaction
“associate(s)”, “connected person(s)” and “substantial shareholder”	have the meanings ascribed to them in the Listing Rules
“Business Day”	any day from 9 am to 5 pm on which banks are open in Hong Kong for general banking business, other than Saturdays and days on which a Tropical Cyclone Warning No. 8 or above or a “Black Rainstorm Warning Signal” is hoisted in Hong Kong at any time between 9 am and 5 pm
“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)
“CKI Group”	CKI and its subsidiaries
“Consideration”	the consideration for the Sale Share(s) payable by HEH to CKI pursuant to the Agreement
“Counter Indemnity”	an indemnity to be provided by HEH to CKI on completion of the Transaction in respect of CKI’s obligations and liabilities under the Zhuhai Power Plant Loans, if any
“HEH”	Hongkong Electric Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 6)

“HEH EGM”	an extraordinary general meeting of HEH to be held for the purpose of approving the Transaction and the Operation and Management Contract
“HEH Group”	HEH and its subsidiaries
“HEH Independent Board Committee”	an independent committee of the board of directors of HEH (in which no member will have any material interests in the Transaction and the Operation and Management Contract) to be formed to advise the HEH Independent Shareholders in respect of the Transaction and the Operation and Management Contract
“HEH Independent Shareholders”	HEH Shareholders other than CKI and its associates
“HEH Shareholders”	shareholders of HEH
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Holdcos”	the intermediate investment holding companies, directly or indirectly wholly-owned by Outram, which hold 45% equity interest in each of the PRC JVs
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Operation and Management Contract”	the operation and management contract to be entered into between CKI and Outram on completion of the Transaction, whereby CKI will provide operation and management services to Outram’s power plant investments in the PRC at a fee equivalent to CKI’s costs for provision of such services
“Outram”	Outram Limited, a company limited by shares and incorporated in the British Virgin Islands and is currently an indirect wholly-owned subsidiary of CKI
“PRC”	The People’s Republic of China

“PRC Distribution”	means (i) dividends and other distribution of whatsoever nature made by 廣東省珠海發電廠有限公司 (Guangdong Zhuhai Power Station Company Limited), 吉林吉長熱電有限公司 (Jilin Jichang Cogeneration Company Ltd.), 吉林吉長熱電用水有限公司 (Jilin Jichang Cogeneration Water Company Ltd.), 吉林吉長能源有限公司 (Jilin Jichang Energy Company Ltd.), 吉林吉長熱電除灰有限公司 (Jilin Jichang Cogeneration Dust Disposal Company Ltd.), 吉林吉長熱電燃料有限公司 (Jilin Jichang Cogeneration Fuel Company Ltd.), 吉林吉長熱電服務有限公司 (Jilin Jichang Cogeneration Service Company Ltd.), 吉林吉長電力有限公司 (Jilin Jichang Power Company Ltd.) and 吉林吉長供熱有限公司 (Jilin Jichang Heat Supply Company Ltd.) directly or indirectly to Outram and/or the Holdcos (without double counting) for the financial year ended 31st December, 2008; and (ii) dividends and other distribution of whatsoever nature made by 廣東珠海金灣發電有限公司 (Guangdong Zhuhai Jinwan Power Company Limited) directly or indirectly to Outram and/or the Holdcos (without double counting) for the financial year ended 31st December, 2007 and the financial year ended 31st December, 2008 whether or not declared or paid as at the date of the Agreement
“PRC JVs”	the joint venture companies established under the laws of the PRC in which Outram indirectly holds 45% equity interest together with a wholly-owned subsidiary of one of the joint venture companies, namely, (i) 廣東省珠海發電廠有限公司 (Guangdong Zhuhai Power Station Company Limited); (ii) 廣東珠海金灣發電有限公司 (Guangdong Zhuhai Jinwan Power Company Limited); (iii) 吉林吉長熱電有限公司 (Jilin Jichang Cogeneration Company Ltd.); (iv) 吉林吉長熱電用水有限公司 (Jilin Jichang Cogeneration Water Company Ltd.); (v) 吉林吉長能源有限公司 (Jilin Jichang Energy Company Ltd.); (vi) 吉林吉長熱電除灰有限公司 (Jilin Jichang Cogeneration Dust Disposal Company Ltd.); (vii) 吉林吉長熱電燃料有限公司 (Jilin Jichang Cogeneration Fuel Company Ltd.); (viii) 吉林吉長熱電服務有限公司 (Jilin Jichang Cogeneration Service Company Ltd.); (ix) 吉林吉長電力有限公司 (Jilin Jichang Power Company Ltd.); and (x) 吉林吉長供熱有限公司 (Jilin Jichang Heat Supply Company Ltd.)
“Sale Share(s)”	one share or such number of shares of Outram representing its entire issued share capital as at completion of the Transaction
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the sale and purchase of the Sale Share(s) and other transactions and matters contemplated under the Agreement (including the transaction under the Operation and Management Contract)
“Zhuhai Power Plant”	the power plant in Zhuhai owned and operated by 廣東省珠海發電廠有限公司 (Guangdong Zhuhai Power Station Company Limited), one of the PRC JVs

“Zhuhai Power Plant Loans” the loans borrowed by 廣東省珠海發電廠有限公司 (Guangdong Zhuhai Power Station Company Limited), one of the PRC JVs, for the Zhuhai Power Plant

“0%” per cent

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, 5th February, 2009

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. IP Tak Chuen, Edmond (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. Andrew John HUNTER, Mrs. CHOW WOO Mo Fong, Susan (also Alternate Director to Mr. FOK Kin Ning, Canning and Mr. Frank John SIXT), Mr. Frank John SIXT and Mr. TSO Kai Sum; the Non-executive Directors are Mr. CHEONG Ying Chew, Henry (Independent Non-executive Director), Mrs. KWOK Eva Lee (Independent Non-executive Director), Mrs. SNG Sow-mei alias POON Sow Mei (Independent Non-executive Director), Mr. Colin Stevens RUSSEL (Independent Non-executive Director), Mr. LAN Hong Tsung, David (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina, Mr. Barrie COOK and Mr. George Colin MAGNUS; and the Alternate Directors are Mr. MAN Ka Keung, Simon (Alternate Director to Mr. IP Tak Chuen, Edmond) and Ms. Eirene YEUNG (Alternate Director to Mr. KAM Hing Lam).

As at the date of this announcement, the Executive Directors of HEH are Mr. FOK Kin Ning, Canning (Chairman), Mr. TSO Kai Sum (Group Managing Director), Mrs. CHOW WOO Mo Fong, Susan (also Alternate Director to Mr. FOK Kin Ning, Canning and Mr. Frank John SIXT), Mr. Andrew John HUNTER, Mr. KAM Hing Lam (Mr. CHAN Loi Shun, Alternate Director to Mr. KAM Hing Lam), Mr. LI Tzar Kuoi, Victor, Mr. Neil Douglas MCGEE, Mr. Frank John SIXT, Mr. WAN Chi Tin and Mr. YUEN Sui See; the Non-executive Directors are Mr. Ronald Joseph ARCULLI, Mr. LEE Lan Yee, Francis and Mr. George Colin MAGNUS; and the Independent Non-executive Directors are Mr. Holger KLUGE, Mr. Ralph Raymond SHEA and Mr. WONG Chung Hin.