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**CHEUNG KONG INFRASTRUCTURE  
HOLDINGS LIMITED**

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

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



**HONGKONG ELECTRIC  
HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 6)**

**CONNECTED TRANSACTION  
ACQUISITION OF THE ENTIRE  
INTEREST OF A SUBSIDIARY OF  
CHEUNG KONG INFRASTRUCTURE  
HOLDINGS LIMITED**

Reference is made to the Announcement. On 4th June, 2010 (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 nominee to purchase the Sale Shares and to take an assignment of the Current Account, subject to and upon the terms and conditions set out therein.

Immediately following Completion, each of CKI (through its wholly-owned subsidiaries) and HEH (through Superb Year) will be indirectly interested in 50% of the issued share capital of Electricity First, which, in turn, is beneficially interested in 50% of the issued share capital of Seabank Power. As a result of the Transaction, each of CKI and HEH will be an indirect beneficial owner of 25% of the issued share capital of Seabank Power.

The Transaction constitutes a discloseable transaction for CKI pursuant to Rule 14.06(2) of the Listing Rules on the basis that the relevant percentage ratio(s) in respect of the Transaction is greater than 5% and less than 25%.

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. As each of the relevant percentage ratios in respect of the Transaction for HEH is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements of the Listing Rules.

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

## **BACKGROUND**

Reference is made to the Announcement in which CKI announced that on 28th April, 2010, the Share Sale Agreement was entered into by the parties thereto pursuant to which the CKI Group has agreed, amongst other things, to acquire 50% of the issued share capital of Seabank Power and a shareholder loan for an aggregate consideration of GBP211,666,666 (equivalent to approximately HK\$2,415,116,659), and that CKI intended to on-sell part of its interest in Seabank Power to HEH. The Seabank Acquisition was completed on 28th May, 2010.

CKI and HEH entered into the Agreement for the sale and purchase of the entire issued share capital of Superb Year which is an indirect beneficial owner of 25% interest in Seabank Power, details of which are set out below.

## **THE AGREEMENT**

### **Date**

4th June, 2010 (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, amongst other things, CKI agreed to procure the sale of and HEH agreed to purchase or procure its nominee to purchase the Sale Shares and to take an assignment of the Current Account free from all encumbrances together with all rights attaching thereto on or after Completion.

Superb Year is indirectly interested in 50% of the issued share capital of Electricity First, which, in turn, is beneficially interested in 50% of the issued share capital of Seabank Power. Superb Year is therefore an indirect beneficial owner of 25% interest in Seabank Power.

### **Consideration**

The Consideration payable by HEH under the Transaction shall be a maximum of GBP108,133,333 (equivalent to approximately HK\$1,233,801,329) determined as follows:

- (1) GBP105,833,333 (equivalent to approximately HK\$1,207,558,329);

*plus*

- (2) 50% of the aggregate of (i) third party professional costs and expenses; (ii) stamp duty incurred by CKI (or its nominees or its wholly-owned subsidiaries) pursuant to the Seabank Acquisition; and (iii) the cash held by Electricity First as at the date of the Agreement, up to a maximum amount of GBP2,200,000 (equivalent to approximately HK\$25,102,000);

*plus*

- (3) interest costs to CKI of each of the amounts referred to in items (1) and (2) above, at an interest rate of not exceeding 1.25% per annum for the period between the later of (i) date of completion of the Seabank Acquisition; and (ii) the date of actual payment of such amounts by CKI (as the case may be) and the Completion Date, up to a maximum amount of GBP100,000 (equivalent to approximately HK\$1,141,000).

The Consideration shall be paid by HEH or its nominee or its wholly-owned subsidiary in cash on the Completion Date, and shall be satisfied by HEH from its internal resources. If the third party professional costs and expenses under item (2)(i) above cannot be determined or confirmed on the Completion Date, the Consideration payable by HEH on Completion shall exclude these costs and HEH shall pay these costs to CKI within five Business Days after a notice is served by CKI to HEH.

The Consideration was determined after arm's length negotiation between CKI and HEH having regards to (i) the consideration paid by Electricity First under the Seabank Acquisition; (ii) the cash balance of Electricity First; and (iii) the actual costs and expenses incurred by CKI in the Seabank Acquisition.

### **Completion**

Completion of the Transaction is unconditional and will take place on the Completion Date, when CKI will, amongst other things, procure the transfer of the Sale Shares and assign the Current Account to HEH or its nominee.

Immediately following Completion, HEH or its nominee will be the legal and beneficial owner of the entire issued share capital of Superb Year, and Superb Year will cease to be a subsidiary of CKI. Any subsequent transfer of the Sale Shares will indirectly be subject to customary transfer restrictions contained in the articles of association of Seabank Power and the shareholders' agreement relating to Seabank Power to which Electricity First is one of the parties.

### **Undertaking**

Pursuant to the Agreement, HEH has undertaken to CKI that with effect from Completion, it shall, or shall procure its nominee to, contribute and assume 50% of all the guarantee and/or indemnity obligations required to be met by CKI under and in relation to the Share Sale Agreement.

### **INFORMATION ON THE SUBJECT OF THE TRANSACTION**

Superb Year is a company limited by shares and incorporated in the British Virgin Islands. As at the date of this announcement, Superb Year is an indirect wholly-owned subsidiary of CKI and its principal business activity is investment holding.

The Sale Shares represent the entire issued share capital of Superb Year and the Current Account represents the amount of GBP74,360,000 (equivalent to approximately HK\$848,447,600) owed by Superb Year to its sole shareholder as at the date of the Agreement and on Completion.

Immediately following Completion, each of CKI (through its wholly-owned subsidiaries) and HEH (through Superb Year) will be indirectly interested in 50% of the issued share capital of Electricity First, which, in turn, is beneficially interested in 50% of the issued share capital of Seabank Power. As a result of the Transaction, each of CKI and HEH will be an indirect beneficial owner of 25% interest in Seabank Power.

Immediately following Completion, it is intended that (i) CKI will equity account for the results of Seabank Power as “interest in associates”; and (ii) HEH will equity account for the results of Seabank Power as “interest in associates”. The results and assets of Seabank Power will be equity accounted for in the financial statements of CKI Group and HEH Group respectively.

The audited book value of Seabank Power as at 31st December, 2009 was approximately GBP90,985,000 (equivalent to approximately HK\$1,038,138,850). The audited net profits before tax and extraordinary items attributable to Seabank Power for the two financial years ended 31st December, 2008 and 31st December, 2009 were approximately GBP47,951,000 (equivalent to approximately HK\$547,120,910) and GBP33,595,000 (equivalent to approximately HK\$383,318,950) respectively. The audited net profits after tax and extraordinary items attributable to Seabank Power for the two financial years ended 31st December, 2008 and 31st December, 2009 were approximately GBP33,859,000 (equivalent to approximately HK\$386,331,190) and GBP23,458,000 (equivalent to approximately HK\$267,655,780) respectively. The above accounts were prepared in accordance with United Kingdom Generally Accepted Accounting Practice. No accounts have been prepared for Superb Year as at the date of this announcement.

## **INFORMATION ON THE CKI GROUP**

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

## **REASON FOR AND BENEFITS OF THE TRANSACTION TO THE CKI GROUP**

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

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 entity to participate in the investment in Seabank Power. CKI therefore considers that, subject to Completion, the Transaction will allow CKI to retain a significant attributable interest in Seabank Power and to benefit from the co-operation with HEH in the investment in Seabank Power.

It is expected that as a result of the Transaction, CKI’s costs in the Seabank Acquisition and its guarantee obligation under the Share Sale Agreement will be reduced by 50%.

It is expected that no gain or loss will accrue to CKI as a result of the Transaction. CKI intends that the proceeds will be used for further acquisition of infrastructure projects.

The directors (including independent non-executive directors) of CKI consider that the terms of the Agreement and the Transaction are on normal commercial terms and are fair and reasonable and in the interest of CKI and its shareholders as a whole.

## **INFORMATION ON THE HEH GROUP**

The HEH Group is engaged in the generation of electricity and its transmission and distribution to Hong Kong Island and Lamma Island. Outside Hong Kong, HEH has investments in power-related businesses in mainland China, Australia, New Zealand, Canada and Thailand and in a gas distribution network business in the United Kingdom.

## **REASON FOR AND BENEFITS OF THE TRANSACTION TO THE HEH GROUP**

The Transaction reflects HEH's strategy of investing in infrastructure projects outside Hong Kong.

The directors (including the independent non-executive directors) of HEH consider that the terms of the Agreement and the Transaction are on normal commercial terms and are fair and reasonable and in the interest of HEH and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Transaction constitutes a discloseable transaction for CKI pursuant to Rule 14.06(2) of the Listing Rules on the basis that the relevant percentage ratio(s) in respect of the Transaction is greater than 5% and less than 25%.

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. As each of the relevant percentage ratios in respect of the Transaction for HEH is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements of the Listing Rules.

None of the directors of HEH has a material interest in the Transaction.

There are no prior transactions between HEH and CKI or their respective connected or associated parties that require aggregation with the Transaction under Rules 14.22 and 14A.25 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 4th June, 2010 between CKI and HEH pursuant to which, among other things, CKI agreed to procure the sale of and HEH agreed to purchase or procure its nominee to purchase the Sale Shares and to take an assignment of the Current Account, subject to and upon the terms and conditions set out therein
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“Announcement”	the announcement dated 28th April, 2010 issued by CKI in relation to, amongst other things, the acquisition of 50% of the issued share capital of Seabank Power
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Business Day”	any day on which banks are open in Hong Kong for general banking business, other than Saturdays, Sundays 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 a.m. and 5 p.m.
“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), being a party to the Agreement
“CKI Group”	CKI and its subsidiaries
“Completion”	completion of the Transaction in accordance with the terms of the Agreement
“Completion Date”	date of Completion, which is 10th June, 2010 or such other date as agreed by CKI and HEH
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration payable by HEH or its nominee or its wholly-owned subsidiary pursuant to the Agreement
“Current Account”	the amount of GBP74,360,000 (equivalent to approximately HK\$848,447,600) owed by Superb Year to its sole shareholder as at the date of the Agreement and on Completion
“Electricity First”	Electricity First Limited, a company incorporated in England and Wales, being the purchaser under the Share Sale Agreement
“GBP”	Great Britain Pounds, the lawful currency of the United Kingdom
“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), being a party to the Agreement

“HEH Group”	HEH and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the meaning ascribed to it in the Listing Rules
“Sale Shares”	two ordinary shares of US\$1 (equivalent to approximately HK\$7.79) each in the capital of Superb Year, representing the entire issued share capital of Superb Year as at the date of the Agreement and on Completion
“Seabank Acquisition”	the acquisition by Electricity First from BG Energy Holdings Limited of (i) 2,640 A ordinary shares of GBP1 (equivalent to approximately HK\$11.41) each in the capital of Seabank Power representing 50% of the entire issued share capital of Seabank Power; and (ii) shareholders loan due by Seabank Power to BG Energy Holdings Limited subject to and upon the terms and conditions set out in the Share Sale Agreement
“Seabank Power”	Seabank Power Limited, a company incorporated in England and Wales with 5,280 shares in issue, of which Electricity First is interested in 2,640 A ordinary shares and SSE Seabank Investments Limited is interested in 2,640 B ordinary shares as at the date of this announcement
“Share Sale Agreement”	the share sale agreement dated 28th April, 2010, entered into between Electricity First as the purchaser, CKI as the guarantor and BG Energy Holdings Limited as the vendor in relation to the Seabank Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Superb Year”	Superb Year Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CKI
“Transaction”	the transaction contemplated under the Agreement
“US\$”	United States Dollars, the lawful currency of the United States

“%”

per cent

Note: The figures in GBP are converted into HK\$ at the rate of GBP1 : HK\$11.41 throughout this announcement for indicative purpose only; and the figures in US\$ are converted into HK\$ at the rate of US\$1 : HK\$7.79 throughout this announcement for indicative purpose 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

Hong Kong, 4th June, 2010

*As at the date hereof, 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 (Deputy Managing Director), 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 hereof, 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; and the Non-executive Directors are Mr. Holger KLUGE (Independent Non-executive Director), Mr. Ralph Raymond SHEA (Independent Non-executive Director), Mr. WONG Chung Hin (Independent Non-executive Director), Mr. Ronald Joseph ARCULLI, Mr. LEE Lan Yee, Francis and Mr. George Colin MAGNUS.*