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# Cheung Kong Infrastructure Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

## **CONTINUING CONNECTED TRANSACTION ACQUISITION OF CONNECTED DEBT SECURITIES**

Reference is made to the Announcement. As the 2009 Master Agreement shall expire on 13th May, 2010, the Company wishes to seek the CCT Approval at the AGM.

The Board announces that, on 31st March, 2010, the Company had entered into the Master Agreement pursuant to which the Company or its subsidiaries may acquire the Connected Debt Securities issued by the Connected Issuers.

The Connected Issuers are connected persons of the Company by virtue of being either a substantial shareholder of the Company or an associate thereof. The transactions underlying the Master Agreement constitute continuing connected transactions for the Company which are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules, if these transactions on an aggregated basis are in excess of the applicable percentage ratios of the Company under the Listing Rules.

By virtue of its interests in the Master Agreement, further particulars of which are set out below, HWL and its associates, which together are interested in 1,906,681,945 Shares (representing approximately 84.58% of the voting rights of the Company) as at the date of this announcement, will abstain from voting on the resolutions approving the transactions contemplated under the Master Agreement at the AGM. The vote of the Independent Shareholders at the AGM will be taken by poll.

A circular containing, among other things, details of the Master Agreement in connection with the acquisition of Connected Debt Securities, the recommendation of the Independent Board Committee, and the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the AGM to approve, among other things, the Master Agreement, will be despatched to Shareholders as soon as practicable.

### **INTRODUCTION**

As disclosed in the Announcement, the Company and HWL entered into the 2009 Master Agreement on 3rd April, 2009 in respect of the acquisition of the Connected Debt Securities. As the 2009 Master Agreement shall expire on 13th May, 2010, being one year from the date on which the 2009 Master Agreement was approved by the Independent Shareholders, the Company wishes to renew the transactions as set out in the Master Agreement and seek the CCT Approval from the Independent Shareholders at the AGM.

## CONTINUING CONNECTED TRANSACTION

The Board announces that, on 31st March, 2010, the Company had entered into the Master Agreement pursuant to which the Company or its subsidiaries may acquire the Connected Debt Securities issued by the Connected Issuers. The Connected Issuers are connected persons of the Company by virtue of being either a substantial shareholder of the Company or an associate thereof. The transactions contemplated under the Master Agreement constitute continuing connected transactions for the Company which are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

### Master Agreement

Set out below is a summary of the Master Agreement, terms of which require Independent Shareholders' approval at the AGM:

Parties:                      Company  
  HWL

Date:                              31st March, 2010

The parties agree that the Company or its subsidiaries may acquire the Connected Debt Securities issued by the Connected Issuers in the secondary markets subject to (i) the Company obtaining all applicable approvals (including the CCT Approval, if applicable), and (ii) the entering into of separate contracts in a form and on terms to be agreed between members of the Group and the relevant parties, which would be independent third parties from whom members of the Group would acquire the Connected Debt Securities in the secondary markets from time to time during the CCT Relevant Period.

The consideration for the Connected Debt Securities will be on normal commercial terms to be determined with reference to market prices quoted on financial data providers such as Bloomberg, which will be updated from time to time to reflect the ask/bid prices quoted by independent third parties (such as banks, debt securities dealers and institutional investors) having regard to the prevailing credit spread, market liquidity and counter party risk, and that the accrued coupons, where applicable, of the Connected Debt Securities will be settled in accordance with the terms of the Connected Issuers as may be applicable from time to time. For the other terms of the Connected Debt Securities, they would have been determined by the relevant issuers of the Connected Debt Securities at the time such securities were first issued.

The cap applicable to the transactions contemplated under the Master Agreement and effected during the CCT Relevant Period shall be subject to limitations (i) and (ii) as more particularly set out below.

The limitations pursuant to which the CCT Approval is granted include the following:

- (i) the aggregate gross purchase price of the Connected Debt Securities of a particular issue held and proposed to be acquired by the Group during the Relevant Period pursuant to the CCT Approval sought shall not exceed 20% of the aggregate value of the subject issue and all outstanding Connected Debt Securities of the same issuer with the same maturity or shorter maturities;

- (ii) the Net Connected Debt Securities Position at any time during the Relevant Period shall not exceed: (a) HK\$2.5 billion or (b) 20% of the aggregate Net Liquid Assets of the Group which are accounted for and consolidated in the accounts of the Company as at 31st December, 2009, or if different, 20% of the Company's "unaudited consolidated net liquid assets" as at the last day of the immediately preceding calendar quarter, being the reference date, whichever is the lower. The amount of HK\$2.5 billion represents 20% of (i) the cash position of the Company as at end of February 2010 and (ii) marketable securities held by the Company as at end of February 2010. The lower of HK\$2.5 billion or 20% of the aggregate Net Liquid Assets was determined as the cap for the acquisition of the Connected Debt Securities to avoid undue concentration in a single issue of Connected Debt Securities and to achieve a reasonable degree of diversification, which is in line with the market practice as opined by the Independent Financial Adviser. For information purposes, as at 28th February, 2010, the Net Connected Debt Securities Position amounted to US\$185.89 million (approximately HK\$1,443 million);
- (iii) the Connected Debt Securities shall be (a) listed for trading on a recognised exchange, (b) offered to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended, (c) offered to persons outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, or (d) offered pursuant to an issue where the aggregate value of such issue and all other outstanding Connected Debt Securities of the same issuer is no less than US\$500 million or its equivalent in other currencies permitted under (vi) below, and in all cases the Connected Debt Securities shall be acquired by the Group only on normal commercial terms arrived at after arm's length negotiations;
- (iv) the Connected Debt Securities shall be of at least investment grade or its equivalent;
- (v) the Connected Debt Securities shall not include zero coupon instruments or instruments with any imbedded option, right to convert into or exchange for any form of equity interest or derivative;
- (vi) the Connected Debt Securities shall be issued in any of the following currencies, Hong Kong Dollars, the United States Dollars, Canadian Dollars or such other currency as the Directors who have no material interest in the proposed acquisition of Connected Debt Securities consider in their reasonable opinion as posing a risk acceptable to the Group having regard to the Group's assets and businesses from time to time; and
- (vii) the Connected Debt Securities shall have maturity not in excess of 15 years.

The duration of the Master Agreement is for a period of one year from the date of the AGM at which the CCT Approval is granted, unless terminated earlier in accordance with the Master Agreement.

#### **REASONS FOR, AND BENEFITS OF, THE CONTINUING CONNECTED TRANSACTION**

The Group has consistently applied conservative treasury policies in its cash and financial management. Since the global financial crisis in 2008, the returns available on surplus liquidity have been low. In reviewing the Group's investment and treasury strategy, the possibility of investing in longer dated instruments, particularly corporate bonds of good quality is considered. The Directors consider it prudent and in the interests of the Company and the Shareholders as a whole to continue to have the flexibility of being able to invest in debt securities issued by corporations which may be classified as connected persons of the Company, as among other things, the Directors are more familiar with the business, management and credit standing of such companies than they would normally be for arm's length companies. With a view to maintaining an appropriately balanced portfolio of financial investments and be consistent with its conservative treasury policies in its cash and financial management, certain protections and limitations are proposed in the terms of the Master Agreement and the ordinary resolution for the CCT Approval to be sought from the Independent Shareholders with a view to setting a sound framework for a liquidity investment policy applicable to Connected Debt Securities which may be acquired in the CCT Relevant Period, which should improve the Group's returns while keeping increased risks within prudent limits.

Having regard to the terms of the Master Agreement, the Board considers the terms of the Master Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Connected Issuers are connected persons of the Company by virtue of being either a substantial shareholder of the Company or an associate thereof. The transactions underlying the Master Agreement constitute continuing connected transactions for the Company which are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules, if these transactions on an aggregated basis are in excess of the applicable percentage ratios of the Company under the Listing Rules.

By virtue of its interests in the Master Agreement described above, HWL and its associates, which together are interested in 1,906,681,945 Shares (representing approximately 84.58% of the voting rights of the Company) as at the date of this announcement, will abstain from voting on the resolutions approving the transactions contemplated under the Master Agreement at the AGM. The vote of the Independent Shareholders at the AGM will be taken by poll.

## **INFORMATION RELATING TO THE GROUP**

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

## **INFORMATION RELATING TO THE CONNECTED ISSUERS**

The Connected Issuers operate and invest in five core businesses: ports and related services; property and hotels; retail; energy and infrastructure, finance and investments, and others; and telecommunications.

## **AGM**

The AGM will be convened to obtain, among other things, the CCT Approval from the Independent Shareholders.

The Independent Board Committee has been established to give an opinion to the Independent Shareholders in respect of the terms of the Master Agreement, particulars of which are more particularly set out in the Circular. Somerley has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Agreement.

A circular containing, among other things, details of the Master Agreement in connection with the acquisition of Connected Debt Securities, the recommendation of the Independent Board Committee, and the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the AGM to approve, among other things, the Master Agreement will be despatched to Shareholders as soon as practicable.

## **DEFINITIONS**

The following defined terms are used in this announcement:

“AGM”	the annual general meeting of the Company convened to be held on Thursday, 6th May, 2010 at 2:45 p.m. at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, and any adjournment thereof;
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“Announcement”	the announcement of the Company dated 3rd April, 2009 in respect of the 2009 Master Agreement;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“CCT Approval”	the approval to be sought from the Independent Shareholders at the AGM for acquisition of the Connected Debt Securities pursuant to the Master Agreement;
“CCT Relevant Period”	the 12-month period commencing on the date of the AGM at which the CCT Approval is granted;
“Circular”	the circular to be despatched to Shareholders as soon as practicable containing, among other things, details of the Master Agreement in connection with the acquisitions of Connected Debt Securities, the recommendation of the Independent Board Committee, and the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the AGM to approve, among other things, the Master Agreement;
“Company”	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1038);
“Connected Debt Securities”	such bonds, notes, commercial paper or other similar debt instruments as are or to be issued by any of the Connected Issuers pursuant to the Master Agreement;
“Connected Issuers”	the issuers of the Connected Debt Securities, being HWL or any of its subsidiaries;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 13);

“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, namely, Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel and Mr. Lan Hong Tsung, David, established to give an opinion in relation to the terms of the Master Agreement and the CCT Approval;
“Independent Financial Adviser” or “Somerley”	Somerley Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Agreement and the CCT Approval;
“Independent Shareholders”	Shareholders who do not have any material interests in the Master Agreement and the transactions contemplated thereunder or the CCT Approval other than by virtue of their respective shareholdings in the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Agreement”	the master agreement dated 31st March, 2010 and made between the Company and HWL setting out the terms upon which the Company or its subsidiaries may acquire the Connected Debt Securities issued by the Connected Issuers;
“Net Connected Debt Securities Position”	on any day during the Relevant Period means (i) the aggregate gross purchase price paid in respect of the Connected Debt Securities held by the Group at the commencement of the Relevant Period, if any; (ii) the aggregate gross purchase price paid in respect of the Connected Debt Securities acquired by the Group prior to such date during the Relevant Period, if any; and (iii) the aggregate gross purchase price in respect of the Connected Debt Securities of a particular issue proposed to be acquired by the Group on such date, less (iv) the aggregate net sale proceeds in respect of Connected Debt Securities sold by the Group prior to such date during the Relevant Period. Any amount(s) in foreign currency for the above calculations shall be converted into HK\$ at the exchange rate(s) quoted by Bloomberg as at 5:00 p.m. in Hong Kong on the day immediately preceding such date;
“Net Liquid Assets”	the aggregate value of the cash, deposits and marketable securities (including for the avoidance of doubt any Connected Debt Securities held at the time all valued at their respective fair market values as at such date) held by the Group which is accounted for and consolidated in the accounts of the Company less the aggregate value of any such assets which are subject to pledges or other encumbrances;
“PRC”	the People’s Republic of China;

“Relevant Period”	the period from the obtaining of the CCT Approval until the earlier of: (i) the conclusion of the next annual general meeting of the Company; and (ii) the date on which the authority set out in the CCT Approval is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company;
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency of United States; and
“2009 Master Agreement”	the master agreement dated 3rd April, 2009 and made between the Company and HWL setting out the terms upon which the Company or its subsidiaries may acquire the Connected Debt Securities issued by the Connected Issuers for a term of one year commencing from 14th May, 2009.

Note : The figures in US\$ are converted into HK\$ at the rate of US\$1.00 : HK\$7.76 throughout this announcement for illustration purposes only.

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

Hong Kong, 31st March, 2010

*As at the date of this announcement, the Executive Directors of the Company 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).*