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If you have sold or transferred all your shares in **Cheung Kong Infrastructure Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

MAJOR TRANSACTION
ACQUISITION OF 50% OF THE ISSUED SHARE CAPITAL OF
SEABANK POWER LIMITED

30th June, 2010

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DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:

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|---------------------------|--|
| “Acquisition” | the acquisition by the Purchaser from the Vendor of the Shares and the Shareholder Loan on and subject to the terms and conditions of the Share Sale Agreement |
| “Board” | the board of Directors of the Company |
| “Business Day” | means a day which is not a Saturday, a Sunday or a public holiday in London or Hong Kong |
| “Closing” | completion of the Acquisition in accordance with the terms of the Share Sale Agreement |
| “Company” | 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), the guarantor to certain obligations of the Purchaser under the Share Sale Agreement |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the disposal of the entire issued share capital of Superb Year, which is indirectly interested in 25% of the issued share capital of Seabank Power, from the Company to HEH pursuant to the Disposal Agreement |
| “Disposal Agreement” | the agreement entered into between the Company and HEH dated 4th June, 2010, pursuant to which, HEH agreed to purchase the entire issued share capital of Superb Year and to take an assignment of certain shareholder’s loan owed by Superb Year |
| “Enlarged Group” | the Group and Seabank Power |
| “Group” | the Company and its subsidiaries |
| “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) |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Latest Practicable Date” | 24th June, 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |

DEFINITIONS

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|---------------------------|--|
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “London Stock Exchange” | the London Stock Exchange plc |
| “Long Stop Date” | 23rd June, 2010 or such other date as the Vendor and the Purchaser may agree. However, if the Vendor is remedying a Material Adverse Change, the Long Stop Date can be delayed by the number of days remaining from a 45 day remedy period commencing on the occurrence of the Material Adverse Change |
| “Material Adverse Change” | means any of the following: <ul style="list-style-type: none">(i) termination of either of the power purchase agreements entered into by Seabank Power or the long term maintenance agreements entered into by Seabank Power or the revocation of the electricity generation licence of Seabank Power;(ii) any material breach of certain significant warranties under the Share Sale Agreement given by the Vendor when repeated prior to Closing;(iii) any other changes, events or circumstances (excluding changes, events or circumstances affecting power plants in the United Kingdom generally) that, in the reasonable opinion of the Purchaser will result in losses for Seabank Power in excess of GBP30,000,000 (approximately HK\$349,500,000); and(iv) any unplanned outage at the Seabank Power Station occurring after the date of the Share Sale Agreement which is expected to last more than 3 months (as agreed between the Vendor and the Purchaser or, failing which, as determined by an expert) |
| “Model Code” | the model code on securities transactions by Directors adopted by the Company |
| “Pre-Closing Dividend” | 50% of the amount equal to any dividend or distribution declared or paid by Seabank Power between 1st January, 2010 and Closing |
| “Purchaser” | Electricity First Limited, a company incorporated in England and Wales |
| “PWC UK” | PricewaterhouseCoopers LLP, a limited liability partnership registered in England and is a member of the Institute of Chartered Accountants in England and Wales |

DEFINITIONS

| | |
|------------------------|---|
| “Seabank Power” | Seabank Power Limited, a company registered in Cardiff, the United Kingdom with 5,280 shares in issue and which are divided into 2,640 A ordinary shares held by the Vendor and 2,640 B ordinary shares held by SSE Seabank Investments Limited |
| “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 Sale Agreement” | a conditional share sale agreement dated 28th April, 2010 entered into between the Purchaser, the Company and the Vendor in respect of the Acquisition |
| “Shareholder Loan” | means the Vendor’s interests in the shareholder loan pursuant to a shareholder loan agreement among the Vendor, Scottish and Southern Energy plc, Seabank Power and The Royal Bank of Scotland plc |
| “Shares” | 2,640 A ordinary shares of £1.00 (approximately HK\$11.65) each in the capital of Seabank Power, representing 50% the entire issued share capital of Seabank Power |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Superb Year” | Superb Year Limited, a company incorporated in the British Virgin Islands with limited liability |
| “Total Consideration” | the aggregate consideration payable to the Vendor by the Purchaser for the Shares and the Shareholder Loan in connection with the Acquisition and in accordance with the terms of the Share Sale Agreement |
| “Vendor” | BG Energy Holdings Limited, a wholly owned subsidiary of BG Group plc |
| “GBP” or “£” | Great Britain Pounds, the lawful currency of the United Kingdom |
| “HK\$” | Hong Kong Dollars, the lawful currency of Hong Kong |

Note: The figures in GBP are converted into HK\$ at the rate of GBP1 : HK\$11.65 throughout this circular for indicative purpose only.

LETTER FROM THE BOARD



CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

Directors

Executive Directors

LI Tzar Kuoi, Victor *(Chairman)*

FOK Kin Ning, Canning

(Deputy Chairman)

CHOW WOO Mo Fong, Susan*

Frank John SIXT

TSO Kai Sum

KAM Hing Lam

(Group Managing Director)

IP Tak Chuen, Edmond

(Deputy Chairman)

Andrew John HUNTER

(Deputy Managing Director)

* *also alternate to FOK Kin Ning, Canning and Frank John SIXT*

Independent Non-executive Directors

CHEONG Ying Chew, Henry

KWOK Eva Lee

SNG Sow-mei alias POON Sow Mei

Colin Stevens RUSSEL

LAN Hong Tsung, David

Alternate Directors

MAN Ka Keung, Simon

(alternate to IP Tak Chuen, Edmond)

Eirene YEUNG

(alternate to KAM Hing Lam)

Registered Office

Clarendon House

Church Street

Hamilton HM11

Bermuda

Principal Place of Business

12th Floor

Cheung Kong Center

2 Queen's Road Central

Hong Kong

Non-executive Directors

LEE Pui Ling, Angelina

Barrie COOK

George Colin MAGNUS

Company Secretary

Eirene YEUNG

30th June, 2010

Dear Shareholder(s),

MAJOR TRANSACTION

ACQUISITION OF 50% OF THE ISSUED SHARE CAPITAL OF SEABANK POWER LIMITED

INTRODUCTION

The Board announced on 28th April, 2010 that on the same day, the Purchaser, being an indirect wholly owned subsidiary of the Company, and the Company entered into the Share Sale Agreement with the Vendor pursuant to which: (i) the Vendor has agreed to sell and the Purchaser has agreed to purchase the Shares and the Shareholder Loan; and (ii) the Company, as guarantor, has agreed to guarantee certain obligations of the Purchaser under the Share Sale Agreement.

The Board further announced on 4th June, 2010 that the Company and HEH entered into the Disposal Agreement, pursuant to which, HEH agreed to acquire from the Company an indirect interest in 25% of the issued share capital of Seabank Power through the acquisition of the entire issued share capital of Superb Year.

LETTER FROM THE BOARD

SHARE SALE AGREEMENT

Date

28th April, 2010

Parties

- (1) The Purchaser
- (2) The Company
- (3) The Vendor

The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules). The Directors also confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, there is no prior transaction with the Vendor or its ultimate beneficial owners which is required to be aggregated with the Acquisition pursuant to Rule 14.22 of the Listing Rules.

Interests to be acquired

The Purchaser has agreed to acquire from the Vendor the Shares, representing 50% of the entire issued share capital of Seabank Power, together with all rights and advantages attaching thereto, which include the right to receive all dividends or distributions declared, made or paid on or after the Closing.

The Purchaser also agreed to acquire the Shareholder Loan.

Consideration

The Total Consideration under the Acquisition will be GBP211,666,666 (approximately HK\$2,465,916,659) (subject to adjustment as a result of any deduction from the consideration of the Shares as set out below), comprising:

(A) the consideration for the Shares will be an amount equal to:

GBP151,300,000 (approximately HK\$1,762,645,000);

less the following amounts:

- (1) the Pre-Closing Dividend (if any);
- (2) any interest paid to the Vendor under the Shareholder Loan on or after 1st April, 2010;
- (3) any unpaid interest accrued to the Vendor under the Shareholder Loan from and including 1st April, 2010 to Closing; and

LETTER FROM THE BOARD

(B) the consideration for the Shareholder Loan will be an amount in cash equal to the amount of principal outstanding to the Vendor at Closing, being GBP60,366,666 (approximately HK\$703,271,659) as at the date of the Share Sale Agreement, together with interest accrued to the Vendor, but unpaid by Seabank Power at Closing.

The Company satisfied the Total Consideration from its internal resources by way of, including but not limited to, shareholders' loan in the form of an Eurobond.

The Total Consideration was determined after taking into account the Company's internal valuation of the Shares conducted with reference to various factors, including but not limited to the asset value, the historical financial information regarding the performance of Seabank Power and arm's length negotiations between the Company and the Vendor. The Share Sale Agreement was entered into following a private bid auction.

Conditions

Closing of the Acquisition is conditional upon:

- (1) the Vendor having received notice that the other shareholder of Seabank Power has waived its pre-emption rights over the Shares;
- (2) the approval of the Acquisition by a majority of the members of the Company in accordance with Chapter 14 of the Listing Rules; and
- (3) no matter, fact or circumstance having occurred or arisen between the date of the Share Sale Agreement and the date of Closing which constitutes a Material Adverse Change.

If the conditions set out in (1) or (2) above are not satisfied by the Long Stop Date, then the Share Sale Agreement will terminate automatically.

If the condition set out in (3) above is not satisfied or waived by the Purchaser on or before Long Stop Date or such other date as the Vendor and the Purchaser may agree, then the Purchaser may terminate the Share Sale Agreement by notice in writing to the Vendor. However, if the Vendor is remedying a Material Adverse Change, the Long Stop Date can be delayed by the number of days remaining from a 45 day remedy period commencing on the occurrence of the Material Adverse Change.

Guarantee

The Company unconditionally and irrevocably guarantees to the Vendor the due and punctual performance and observance by the Purchaser of certain of its obligations, commitments, undertakings, warranties and indemnities under the Share Sale Agreement, including but not limited to: (i) the purchase of the Shares and Shareholder Loan; (ii) the pre-Closing and Closing obligations of the Purchaser; (iii) payment of the consideration by the Purchaser; (iv) the truth and accuracy of the Purchaser's warranties; (v) confidentiality obligations; and (vi) the use of reasonable endeavours to procure, by Closing, the release of certain Vendor's guarantees relating to Seabank Power.

The obligations of the Company under the guarantee terminate on Closing without prejudice to any accrued liability.

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Closing

Closing will take place on the fifth Business Day following the later of:

- (1) fulfilment of each of the conditions set out in (1) and (2) in the section headed “Conditions” above;
- (2) if applicable, remediation to the Purchaser’s reasonable satisfaction of any Material Adverse Change within the time period allowed under the Share Sale Agreement; and
- (3) if applicable, any determination by an expert that an unplanned outage at the Seabank Power Station after the date of the Share Sale Agreement will not constitute a Material Adverse Change,

or at such other time or date as may be agreed between the Purchaser and the Vendor.

As the conditions set out in (1) and (2) in the section headed “Conditions” above have been fulfilled on or prior to the date of Closing, and a Material Adverse Change has not occurred, the Closing took place on 28th May, 2010.

INFORMATION ON THE VENDOR

The Vendor is a wholly owned subsidiary of BG Group plc (LSE: BG.L), which is listed on the Official List of the UK Listing Authority and is admitted to trading on the London Stock Exchange’s main market for listed securities. BG Group plc and its group of companies engage in the exploration, development, production, transmission, distribution and supply of natural gas and oil. BG Group plc and its group of companies also have a number of power generation interests worldwide. BG Group plc has a strategy focused on connecting competitively priced resources to high-value markets. Active in more than 25 countries on five continents, BG Group plc has a broad portfolio of exploration and production, Liquefied Natural Gas (LNG), transmission and distribution and power generation business interests.

INFORMATION ON 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 ON THE INTERESTS BEING ACQUIRED

Seabank Power owns the Seabank Power Station, which comprises two combined cycle gas turbine generating units with an aggregate (approximate) nominal capacity of 1,140 MW. All the plant capacity of Seabank Power Station is sold under contract to SSE Energy Supply Limited, a wholly owned subsidiary of Scottish and Southern Energy plc. The shares of Scottish and Southern Energy plc are listed and admitted to trading on the London Stock Exchange’s main market for listed securities and it is the ultimate shareholder of the remaining 50% of the issued share capital of Seabank Power.

LETTER FROM THE BOARD

The Purchaser acquired the Shares representing 50% of the issued share capital of Seabank Power. The transfer of the Shares by the Purchaser after Closing will 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 the Purchaser and the Company became parties at Closing. Seabank Power will not become a subsidiary of the Company as a result of the Acquisition. Set out below is the financial information attributable to the entire issued share capital of Seabank Power as stated in its audited financial statements which were prepared in accordance with the Hong Kong Financial Reporting Standards as shown in the accountants' report on Seabank Power issued pursuant to Rule 14.67(6)(a)(i) of the Listing Rules.

The audited net asset value of Seabank Power as at 31st December, 2009 was approximately GBP91,649,000 (approximately HK\$1,067,710,850). There was no extraordinary item recorded for the two years ended 31st December, 2008 and 31st December, 2009. The audited net profits before interest and tax attributable to Seabank Power for the two years ended 31st December, 2008 and 31st December, 2009 were approximately GBP64,565,000 (approximately HK\$752,182,250) and GBP49,253,000 (approximately HK\$573,797,450) respectively. The audited net profits after interest and tax attributable to Seabank Power for the two years ended 31st December, 2008 and 31st December, 2009 were approximately GBP31,093,000 (approximately HK\$362,233,450) and GBP26,510,000 (approximately HK\$308,841,500) respectively.

The audited net profits before tax and extraordinary items attributable to Seabank Power for the two years ended 31st December, 2008 and 31st December, 2009 were approximately GBP51,403,000 (approximately HK\$598,844,950) and GBP37,094,000 (approximately HK\$432,145,100) respectively. The audited net profits after tax and extraordinary items attributable to Seabank Power for the two years ended 31st December, 2008 and 31st December, 2009 were approximately GBP31,093,000 (approximately HK\$362,233,450) and GBP26,510,000 (approximately HK\$308,841,500) respectively.

REASONS FOR THE ACQUISITION

The Company 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 Acquisition reflects the Company's strategy of investing in infrastructure opportunities around the world, leveraging the Group's strong financial position and solid experience in infrastructure.

The Directors (including Independent Non-executive Directors) consider that the terms of the Share Sale Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31st December, 2009, the Group's audited profit attributable to shareholders amounted to HK\$5,568 million, a 26% increase as compared to the year ended 31st December, 2008. The Group's turnover and its share of turnover of jointly controlled entities was HK\$4,054 million, a decrease of 46% over the year ended 31st December, 2008. Earnings per share for the year ended 31st December, 2009 were HK\$2.47.

Earnings from HEH continued to be the largest contributor to the Group in 2009. 42% of the Group's total profit contribution came from HEH during the year. Overall profit contribution from HEH decreased by 17% to HK\$2,578 million. The decrease was a result of lower returns permitted under the new Scheme of Control Agreement which adversely impacted earning from HEH's business in Hong Kong by 34%. This was partially offset by increased profit contribution from HEH's international investments, which doubled during the year. Profit contribution from the Group's China portfolio was HK\$1,720 million, an increase of 29%, which included a one-off gain of HK\$1,314 million from the divestment of three power plants to HEH. Profit contribution from the Group's Australian portfolio decreased by 5% to HK\$805 million and such decrease was primarily due to currency fluctuation. The underlying operations of the Australian businesses generated a steady increase in profit contribution. Profit contribution from the Group's UK portfolio increased by 12% to HK\$616 million. Profit contribution from the Group's Canada portfolio and New Zealand portfolio recorded impressive growth of 116% to HK\$138 million and 142% to HK\$80 million respectively. The Group's material business generated a profit contribution of HK\$146 million, up 15%.

As at 31st December, 2009, the Group had a strong cash position of over HK\$10 billion. The Group is well-placed to consider large-scale acquisitions that would add value to the Group's quality portfolio. The Company is optimistic about its future prospects and will continue to build on its growth momentum, sound fundamentals and solid business foundation.

The Company announced the Acquisition in April 2010 and the transaction was completed on 28th May, 2010. Seabank Power owns the Seabank Power Station which is an operating power facility which can generate immediate revenue. The Acquisition is expected to further enhance the Company's strong existing portfolio of regulated businesses.

EFFECT OF THE ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

The Total Consideration for the Acquisition has been funded from the Company's internal resources.

The Company has equity accounted for the results of Seabank Power as "Interest in associates" subsequent to the Closing.

Based on the unaudited pro forma financial information of the Enlarged Group as shown in Appendix IV, the Group had audited total assets and total liabilities of approximately HK\$51,779 million and HK\$9,492 million respectively as at 31st December, 2009. Upon completion of the Acquisition, the Enlarged Group would have unaudited pro forma total assets and total liabilities of approximately HK\$51,779 million and HK\$9,492 million respectively.

LETTER FROM THE BOARD

The Acquisition would result in an increase in the Group's profit before taxation and interest due to sharing the operating results of Seabank Power.

Save for the above, the Acquisition has no significant impact on the assets and liabilities of the Company. The Acquisition is not expected to have any significant impact on the earnings of the Company in short term, but is expected to improve the profitability of the Company in the long run.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.03 OF THE LISTING RULES

Pursuant to Rule 4.03 of the Listing Rules, the accountants' report on Seabank Power which is required to be included in this circular must be prepared by certified public accountants who are qualified under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong). Rule 4.03 of the Listing Rules also provides that, in the case of a circular issued by a listed issuer in connection with acquisition of an overseas company, the Stock Exchange may be prepared to permit the accountants' report to be prepared by a firm of accountants who is not so qualified but which is acceptable to the Stock Exchange. Such a firm must normally have an international name and reputation and be a member of a recognized body of accountants.

Seabank Power is incorporated and carries on business in the United Kingdom. PWC UK has been appointed as auditors to Seabank Power for the three financial years ended 31st December, 2009 for issuing auditor's reports on its accounts prepared under the United Kingdom Generally Accepted Accounting Practice. The Directors are of the view that PWC UK has prior knowledge about the operations, accounting, reporting and management systems and financial information of Seabank Power. Given the above reason and geographical proximity to Seabank Power, it will therefore be more cost and time effective to engage PWC UK to issue the accountants' report of Seabank Power in conformity with the Hong Kong Financial Reporting Standards.

Although PWC UK is not registered under the Professional Accountants Ordinance, it is a member of the Institute of Chartered Accountants in England and Wales, an internationally recognised association for accountants, and is part of a reputable international accounting practice of PricewaterhouseCoopers.

The Directors are of the view that it is more appropriate to appoint PWC UK instead of professional accountants who are qualified under the Professional Accountants Ordinance as reporting accountants for the purpose of issuing the accountants' report of Seabank Power to be included in this circular. The Company has therefore applied to the Stock Exchange for a waiver from strict compliance with Rule 4.03 of the Listing Rules to allow PWC UK to prepare the accountants' report of Seabank Power for the inclusion in this circular. Such waiver was granted by the Stock Exchange on 1st June, 2010.

THE DISPOSAL

On 4th June, 2010, the Company and HEH entered into the Disposal Agreement, pursuant to which HEH will acquire the entire issued share capital of Superb Year, which has an indirect interest in 25% of Seabank Power. Details of the Disposal were set out in the joint announcement dated 4th June, 2010 published by the Company and HEH.

LETTER FROM THE BOARD

Completion of the Disposal took place on 10th June, 2010, and as a result, each of the Company and HEH is now an indirect beneficial owner of 25% interest in Seabank Power.

GENERAL

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the notification, publication and shareholders' approval requirements. As no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition, and as the Company has obtained a written approval of the Acquisition from Hutchison Infrastructure Holdings Limited (which currently holds 1,906,681,945 shares in the Company, representing approximately 84.58% of the issued share capital of the Company), pursuant to Rule 14.44 of the Listing Rules, the Company is not required to convene a general meeting for approving the Acquisition.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED
LI TZAR KUOI, VICTOR
Chairman

(A) AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31st December, 2009 has been set out from page 51 in the Annual Report 2009 of the Company which was published on 7th April, 2010. The Annual Report 2009 has also been posted on the Company's website <http://www.cki.com.hk>. Please also see below quick link to the Annual Report 2009:

http://www.cki.com.hk/english/PDF_file/annualReport/2009/cki_ar09_full.pdf

The audited consolidated financial statements of the Group for the year ended 31st December, 2008 has been set out from page 108 in the Annual Report 2008 of the Company which was published on 7th April, 2009. The Annual Report 2008 has also been posted on the Company's website <http://www.cki.com.hk>. Please also see below quick link to the Annual Report 2008:

http://www.cki.com.hk/english/PDF_file/annualReport/2008/cki_ar08_full.pdf

The audited consolidated financial statements of the Group for the year ended 31st December, 2007 has been set out from page 115 in the Annual Report 2007 of the Company which was published on 11th April, 2008. The Annual Report 2007 has also been posted on the Company's website <http://www.cki.com.hk>. Please also see below quick link to the Annual Report 2007:

http://www.cki.com.hk/english/PDF_file/annualReport/2007/cki_ar07_full.pdf

(B) INDEBTEDNESS

As at the close of business on 30th April, 2010, for the purpose of this indebtedness statement, the Group had outstanding borrowings of approximately HK\$7,807 million which comprised unsecured bank loans and other borrowings of approximately HK\$6,169 million, secured bank loans of approximately HK\$1,530 million and finance lease obligations of approximately HK\$108 million.

As at the close of business on 30th April, 2010, the Group had contingent liabilities of approximately HK\$1,182 million. The contingent liabilities comprised approximately HK\$1,159 million of guarantees in respect of bank loans drawn by an associate and a sub-contractor warranty of approximately HK\$23 million.

Save as disclosed above or as otherwise mentioned herein and apart from intra-group liabilities, the Group did not, at the close of business on 30th April, 2010 have any mortgages, charges, debentures, bank overdrafts or loan capital, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or guarantees or other contingent liabilities.

(C) WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's internal resources and available borrowing facilities, the Group has sufficient working capital for at least twelve months from the date of this circular.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers LLP, Chartered Accountants, United Kingdom, for the purpose of incorporation in this circular.



PricewaterhouseCoopers LLP
31 Great George Street
Bristol
BS1 5QD

30 June 2010

The Directors
Cheung Kong Infrastructure Holdings Limited
12th Floor, Cheung Kong Center,
2 Queen's Road Central,
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Seabank Power Limited ("Seabank") set out in Section I to II below, for inclusion in the circular of Cheung Kong Infrastructure Holdings Limited ("CKI" or the "Company") dated 30 June 2010 (the "circular") in connection with the acquisition of 50% of the entire issued share capital of Seabank by the Company. The Financial Information comprises the balance sheets of Seabank as at 31 December 2007, 2008 and 2009, and the statements of comprehensive income, statements of changes in shareholders' equity and cash flow statements of Seabank for each of the years ended 31 December 2007, 2008 and 2009 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes (the "Financial Information").

Seabank was incorporated in the United Kingdom on 13 March 1991 as a limited liability company under the Companies Act 1985. Seabank has adopted 31 December as its financial year end date.

The financial statements of Seabank for each of the years ended 31 December 2007, 2008 and 2009 were audited by PricewaterhouseCoopers LLP in the United Kingdom.

This Financial Information has been prepared based on the audited financial statements of Seabank after making such adjustments as are appropriate.

Directors' responsibility

The directors of Seabank during the Relevant Periods are responsible for the preparation and the true and fair presentation of the financial statements of Seabank in accordance with applicable United Kingdom accounting standards and company law. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are responsible for the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Main Board Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes selecting appropriate principal accounting policies for the Financial Information; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Financial Information based on our examination, and to report our opinion to you. We examined the audited financial statements of Seabank for the Relevant Periods used in preparing the Financial Information and the related adjustments made therein, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Seabank as at 31 December 2007, 2008 and 2009 and of Seabank’s results and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION OF SEABANK

The following is the Financial Information of Seabank as at 31 December 2007, 2008 and 2009 and for each of the years ended 31 December 2007, 2008 and 2009.

Statement of comprehensive income

| Continuing operations | Notes | Year ended 31 December | | |
|---|-------|------------------------|----------------------|----------------------|
| | | 2007 £'000 | 2008 £'000 | 2009 £'000 |
| Revenue | 5 | 145,145 | 123,967 | 109,354 |
| Cost of sales | 18 | <u>(56,312)</u> | <u>(53,229)</u> | <u>(47,974)</u> |
| Gross profit | | 88,833 | 70,738 | 61,380 |
| Administrative expenses | 18 | (344) | (511) | (583) |
| Other operating costs | 18 | (16,099) | (12,700) | (12,143) |
| Other income | 17 | <u>–</u> | <u>7,038</u> | <u>599</u> |
| Operating profit | | 72,390 | 64,565 | 49,253 |
| Finance income | 22 | 2,075 | 1,675 | 710 |
| Finance costs | 22 | <u>(16,714)</u> | <u>(14,837)</u> | <u>(12,869)</u> |
| Profit before income tax | | 57,751 | 51,403 | 37,094 |
| Income tax expense | 23 | <u>(13,504)</u> | <u>(20,310)</u> | <u>(10,584)</u> |
| Profit for the year | 16 | <u>44,247</u> | <u>31,093</u> | <u>26,510</u> |
| Total comprehensive income for the year | | <u>44,247</u> | <u>31,093</u> | <u>26,510</u> |
| Profit for the year and total comprehensive income attributable to: | | | | |
| Equity shareholders of Seabank | | <u>44,247</u> | <u>31,093</u> | <u>26,510</u> |
| Equity dividends | 24 | (38,000) | (27,500) | (15,000) |
| Earnings per share attributable to the equity shareholders of Seabank: | | | | |
| Basic earnings per share | 33 | 8.380 | 5.889 | 5.021 |
| Diluted earnings per share | 33 | <u>8.380</u> | <u>5.889</u> | <u>5.021</u> |

Statement of changes in shareholders' equity

| | Ordinary share capital <i>£'000</i> | Share premium <i>£'000</i> | Retained earnings <i>£'000</i> | Total Equity <i>£'000</i> |
|------------------------------------|--|----------------------------------|--------------------------------------|---------------------------------|
| Balance at 1 January 2007 | 5 | 49,995 | 20,299 | 70,299 |
| Profit for the year | <u>–</u> | <u>–</u> | <u>44,247</u> | <u>44,247</u> |
| | 5 | 49,995 | 64,546 | 114,546 |
| Transactions with owners | | | | |
| – Dividends | <u>–</u> | <u>–</u> | <u>(38,000)</u> | <u>(38,000)</u> |
| Balance at 31 December 2007 | 5 | 49,995 | 26,546 | 76,546 |
| Profit for the year | <u>–</u> | <u>–</u> | <u>31,093</u> | <u>31,093</u> |
| | 5 | 49,995 | 57,639 | 107,639 |
| Transactions with owners | | | | |
| – Dividends | <u>–</u> | <u>–</u> | <u>(27,500)</u> | <u>(27,500)</u> |
| Balance at 31 December 2008 | 5 | 49,995 | 30,139 | 80,139 |
| Profit for the year | <u>–</u> | <u>–</u> | <u>26,510</u> | <u>26,510</u> |
| | 5 | 49,995 | 56,649 | 106,649 |
| Transactions with owners | | | | |
| – Dividends | <u>–</u> | <u>–</u> | <u>(15,000)</u> | <u>(15,000)</u> |
| Balance at 31 December 2009 | 5 | 49,995 | 41,649 | 91,649 |

Balance sheets

| | | As at 1 January 2007 £'000 | As at 31 December | | |
|--|-------|-------------------------------------|-------------------|------------------|------------------|
| | Notes | 2007 £'000 | 2007 £'000 | 2008 £'000 | 2009 £'000 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 7 | 289,617 | 270,696 | 258,619 | 240,937 |
| Intangible assets | 6 | 16,322 | – | – | – |
| Trade and other receivables | 8 | 31,178 | 31,178 | 31,178 | – |
| | | 337,117 | 301,874 | 289,797 | 240,937 |
| Current assets | | | | | |
| Inventories | 9 | 3,449 | 3,676 | 3,679 | 3,830 |
| Trade and other receivables | 8 | 36,566 | 20,168 | 59,717 | 78,247 |
| Cash and cash equivalents | 10 | 16,274 | 9,096 | 12,075 | 10,145 |
| | | 56,289 | 32,940 | 75,471 | 92,222 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Financial liabilities – borrowings | 12 | (21,600) | (21,600) | (21,600) | (21,600) |
| Trade and other payables | 11 | (65,819) | (19,458) | (73,670) | (47,281) |
| Current income tax liabilities | | (1,899) | (10,030) | – | (6,638) |
| | | (89,318) | (51,088) | (95,270) | (75,519) |
| Net current assets/(liabilities) | | (33,029) | (18,148) | (19,799) | 16,703 |
| Total assets less current liabilities | | 304,088 | 283,726 | 269,998 | 257,640 |
| Non-current liabilities | | | | | |
| Financial liabilities – borrowings | 12 | (169,333) | (147,733) | (126,133) | (104,533) |
| Provisions for liabilities and charges | 14 | (2,773) | (3,022) | (3,294) | (3,591) |
| Deferred tax liabilities | 13 | (61,683) | (56,425) | (60,432) | (57,867) |
| | | (233,789) | (207,180) | (189,859) | (165,991) |
| Net assets | | 70,299 | 76,546 | 80,139 | 91,649 |
| Shareholders' equity | | | | | |
| Share capital | 15 | 5 | 5 | 5 | 5 |
| Share premium account | 15 | 49,995 | 49,995 | 49,995 | 49,995 |
| Retained earnings | 16 | 20,299 | 26,546 | 30,139 | 41,649 |
| Total equity | | 70,299 | 76,546 | 80,139 | 91,649 |

Cash flow statements

| | <i>Notes</i> | Year ended 31 December | | |
|---|--------------|-------------------------------|------------------------|------------------------|
| | | 2007 | 2008 | 2009 |
| | | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Cash flows from operating activities | | | | |
| Cash generated from operations | 26 | 81,743 | 86,165 | 53,745 |
| Interest paid | | (16,622) | (14,577) | (12,563) |
| Interest received | | 2,096 | 1,654 | 724 |
| Income tax paid | | (15,068) | (17,696) | (15,162) |
| Income tax received | | 4,437 | – | 9,393 |
| Net cash generated from operating activities | | <u>56,586</u> | <u>55,546</u> | <u>36,137</u> |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (4,168) | (3,467) | (1,471) |
| Proceeds from sale of property, plant and equipment | | 4 | – | 4 |
| Net cash used in investing activities | | <u>(4,164)</u> | <u>(3,467)</u> | <u>(1,467)</u> |
| Cash flows from financing activities | | | | |
| Dividends paid to equity shareholders | 24 | (38,000) | (27,500) | (15,000) |
| Repayments of borrowings | 12 | (21,600) | (21,600) | (21,600) |
| Net cash used in financing activities | | <u>(59,600)</u> | <u>(49,100)</u> | <u>(36,600)</u> |
| Net (decrease)/increase in cash and cash equivalents | | <u>(7,178)</u> | <u>2,979</u> | <u>(1,930)</u> |
| Cash and cash equivalents at 1 January | | 16,274 | 9,096 | 12,075 |
| Cash and cash equivalents at 31 December | 10 | <u>9,096</u> | <u>12,075</u> | <u>10,145</u> |

**Notes to the Financial Information for the years ended 31 December 2007,
31 December 2008 and 31 December 2009****1. General information**

The principal activity of Seabank is to generate electricity and meet the other requirements of its customer, as specified in Power Purchase Agreements ("PPAs"). Seabank owns a gas pipeline and gas compression station and a power station consisting of two modules. The power station's operational capacities are, module I, 778 megawatts, and module II, 374 megawatts (as at the year end 31 December 2009).

Seabank is a limited liability company incorporated and domiciled in the United Kingdom. The address of the registered office and its principal place of business is Severn Road, Hallen, Bristol, BS10 7SP.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of preparation

This Financial Information has been produced for inclusion in a circular of CKI to its shareholders for the acquisition of Seabank, using the principal accounting policies which are materially consistent with those of CKI as applied in CKI's consolidated financial statements for the year ended 31 December 2009.

The Financial Information has been prepared in accordance with the requirements of the Main Board Listing Rules and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with HKFRSs issued by the HKICPA. The Financial Information has been prepared under the historical cost convention.

The preparation of the Financial Information in conformity with HKFRSs as issued by the HKICPA requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the Financial Information and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4.

2.2 Application of HKFRSs in the basis of preparation

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by Seabank:

The following standards and amendments to existing standards have been published and are mandatory for Seabank's accounting periods beginning on or after 1 January 2010 or later periods, but have not been early adopted.

HKAS 1 (amendment), "Presentation of financial statements". The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. Seabank will apply HKAS 1 (amendment) from 1 January 2010. The amendment is not expected to have a material impact on Seabank's financial information.

HKAS 27 (revised), "Consolidated and separate financial statements" (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The amendment is not expected to have a material impact on Seabank's financial information.

HKFRS 2 (amendments), "Group cash-settled share-based payment transaction" (effective from 1 January 2010). In addition to incorporating HK(IFRIC) – Int 8, "Scope of HKFRS 2", and HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions", the amendments expand on the guidance in HK(IFRIC) – Int 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on Seabank's financial information.

HKFRS 3 (revised), "Business combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. Seabank will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

HKFRS 9, "Financial Instruments" (effective for periods beginning on or after 1 January 2013). The new standard for financial reporting for financial instruments is principle-based and less complex than HKAS 39, "Financial Instruments: Recognition and measurement". The new standard is not expected to have a material impact on Seabank's financial information.

There are a number of other standards, amendments and interpretations consisting of HK(IFRIC) – Int 17, "Distribution of non-cash assets to owners", HK(IFRIC) – Int 19, "Extinguishing financial liabilities with equity instruments", HKFRS 5 (amendment), "Non-current assets held for sale and discontinued operations", HKAS 38 (amendment), "Intangible Assets" and amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC) – Int 13 arising from the HKFRS annual improvements 2010 issued in May 2010, that have been published and are not yet effective. These amendments are currently not applicable to Seabank's financial information and have, therefore, not been analysed in detail.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team that consists of the general manager, business manager and the operational manager.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Financial Information of Seabank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information is presented in United Kingdom Sterling ("£" or "GBP"), which is the functional and presentation currency of Seabank.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.5 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation is calculated on a straight line basis from the date that the asset is brought into use at rates which write down the assets to their estimated residual value over their expected useful lives as follows:

Land & Buildings

- Buildings – over 23 years or the remaining expected life of the power station whichever is shorter, on a straight line basis.

Plant & Machinery

- Plant & machinery (excluding turbine blades), gas pipeline, compression station and other related costs pre 1 January 2008 – over 20 years or the remaining expected life of the power station whichever is shorter, on a straight line basis.
- Plant & machinery (excluding turbine blades), gas pipeline, compression station and other related costs post 1 January 2008 – over 23 years or the remaining expected life of the power station whichever is shorter, on a straight line basis.
- Turbine blades – the cost of major overhaul and maintenance of turbine blades undertaken under a cyclical programme is capitalised as part of plant and machinery and depreciated on a usage basis by reference to operating hours. This results in an estimated useful life of approximately 5 years.
- Finance costs – finance costs that are directly attributable to the construction of the power station and related gas supply assets have been capitalised in plant and machinery and are depreciated over 23 years on a straight line basis.

Decommissioning costs

- Decommissioning – the discounted estimate of the future costs for decommissioning Seabank's power station and remediation of the site are capitalised and depreciated over the estimated residual life of the power station on a straight line basis. The estimated decommissioning costs represent the Director's best estimate of the future costs of demolition and site clearance that are expected to be incurred and are subject to review on an annual basis.

Other

- Other property, plant & equipment assets are depreciated over 5 years on a straight line basis.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

When an asset is disposed of or retired, any gain or loss, representing the difference between the carrying value and the sales proceeds, if any, is recognised within 'Other operating costs' in the statement of comprehensive income.

2.6 Intangible assets

Emission rights

Seabank has been subject to the European Emissions trading scheme since 1 January 2005. HK(IFRIC) – Int 3 has been followed in the absence of other guidance although it has been withdrawn and has not yet been replaced by alternative definitive guidance.

On 4 May 2007 a supplementary agreement to the PPAs was signed to transfer the title and risks and rewards of ownership of the carbon emission rights to the customer. Under the terms of this agreement the customer has committed to transfer at nil cost sufficient carbon emission credits to enable Seabank to meet its carbon liabilities based on the level of emissions.

Prior to this date, Seabank recognised carbon emission credits as intangible assets based on annual allowances granted by the United Kingdom Government, together with any amounts recoverable from the customer under the terms of the PPAs. The intangible asset was valued on an annual basis at the market value of the carbon credits received. Liabilities for carbon emissions incurred were recorded as 'provisions for liabilities and charges' based on actual emissions measured at the market price of allowances ruling at the balance sheet date.

Subsequent to the supplementary agreement to the PPAs on 4 May 2007 Seabank does not recognise carbon credits based on annual allowances granted by the United Kingdom Government as intangible assets as the title and the risks and rewards of ownership of the carbon emission credits has been transferred to the customer. Liabilities for carbon emissions incurred are recorded in accruals based on actual emissions measured at the market price of allowances ruling at the balance sheet date and a corresponding carbon credit debtor of an equal amount is recognised in other receivables to reflect the legal commitment of Seabank's customer to transfer at nil cost sufficient carbon emission credits meet the emission liabilities incurred.

2.7 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

Seabank classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Seabank currently only has financial assets classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Seabank's loans and receivables comprise trade and other receivables, short term bank deposits and cash and cash equivalents in the balance sheet.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which Seabank commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Seabank has transferred substantially all risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.10 Impairment of financial assets

Seabank assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The criteria that Seabank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulties of the borrower, obligator or customer;
- A breach of contract, such as default or delinquency in payment by the borrower, obligator or customer;
- For economic or legal reasons relating to the borrower, obligator or customer's financial position, granting to the borrower, obligator or customer a concession that it would otherwise not consider; or
- If it becomes probable that the borrower, obligator or customer will enter bankruptcy or other financial reorganisation.

Seabank first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income within administrative expenses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income within administrative expenses.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. Cost includes cost of purchase and where applicable, other costs that have been incurred in bringing the inventories to their present location and condition.

2.12 Trade receivables

Trade receivables are amounts due from customers for sales performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Current asset investments

Current asset investments comprise short term bank deposits with an original maturity of greater than three months.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short term bank deposits and bank overdrafts to the extent that there is a right to offset against other cash balances. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and short term deposits as defined above net of outstanding bank overdrafts.

2.15 Share capital

Ordinary shares are classified as equity. Equity instruments issued by Seabank are recorded at the proceeds received, net of direct issue costs.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value, generally being the invoiced amount and are subsequently measured at amortised cost, using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless Seabank has a contractual right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised as an expense, except to the extent that it relates to items recognised directly as other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Seabank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheets. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

Seabank operates defined contribution retirement plans for its employees. The costs of defined contribution plans are recognised as an employee benefit expense as and when employees have rendered service entitling them to the contributions. Seabank has no further payment obligations once the contributions have been paid.

2.20 Provisions

Provisions for decommissioning costs are recognised when Seabank has:

- A present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Decommissioning provisions represent the estimated costs of decommissioning the Seabank power station and remediation of the site.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.21 Revenue recognition

Seabank has entered into PPAs with its customer, Scottish and Southern Energy plc ("SSE"). Under the terms of the PPAs, Seabank is remunerated by the customer for making the power station available for the generation of electricity.

The PPAs are arrangements that contain a lease in accordance with HK(IFRIC) – Int 4 "Determining whether an arrangement contains a lease", as the PPAs convey the right to control the use of the relevant assets to the customer.

The leases are classified as operating leases in accordance with HKAS 17 "Leases" as, amongst other things, the committed term of the arrangements at inception is not considered to be for the major part of the useful life.

Revenue is primarily earned based on availability rather than capacity and therefore comprises the amount of availability charges earned in each period under the terms of the PPAs, net of VAT.

2.22 Leases

(a) *Leases: Accounting by lessor*

The power station, gas pipeline, compression station and associated plant and machinery is leased out under an operating lease under the terms of the PPAs. The assets are included in the balance sheet as property, plant and equipment.

Operating lease income relating to PPAs is recognised in accordance with the revenue recognition policy set out in note 2.21.

(b) Leases: Accounting by lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

2.23 Borrowing Costs

Borrowing costs are expensed in the statement of comprehensive income in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the financing of certain infrastructure projects considered as qualifying assets up to the commencement of revenue contribution or upon commencement of operation of the projects, whichever is the earlier.

2.24 Dividend distribution

Dividend distribution to the equity shareholders is recognised as a liability in the Financial Information in the period in which the dividends are approved by the equity shareholders.

3. Financial risk management

Seabank is exposed to a variety of financial risks: currency risk, capital risk, credit risk, liquidity risk and interest rate risk. Risk management is carried out by executive management under policies approved by the board of directors.

a) Currency risk

Seabank incurs foreign exchange currency risk on purchases that are denominated in currencies other than United Kingdom Sterling. The currency giving rise to this risk is primarily the Euro. Seabank does not have any formal policy with regard to foreign currency exposure but monitors it on an ongoing basis.

Seabank's currency exposure is as follows:

| Denominated in Euro | 2007 | 2008 | 2009 |
|----------------------------|--------------|--------------|--------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Trade payables | <u>26</u> | <u>1,204</u> | <u>37</u> |

At 31 December 2009, 2008 and 2007 if the currency had weakened or strengthened by 10% against the Euro with all other variables held constant, pre-tax profit for the year would have been approximately £3k (2008: £120k, 2007: £4k) higher or lower, as a result of foreign exchange gains/losses on translation of Euro denominated trade payables.

b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Seabank's income is substantially independent of changes in market interest rates. Interest bearing assets include only cash and cash equivalents which earn interest at variable rates such that Seabank is exposed to cash flow interest rate risk on cash and cash equivalents.

Seabank's borrowings are fixed rate instruments and therefore Seabank is exposed to the fair value interest rate risk on borrowings.

c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Seabank. The major classes of financial assets of Seabank are bank deposits and trade and carbon emission credit receivables due from its 50% equity shareholder and only customer, SSE.

Risk of counterparty default arising on cash and cash equivalents is controlled within a framework of dealing with high quality institutions and, by policy, limiting the amount of credit exposure to any one bank or institution.

As at 31 December 2009 100% of cash and cash equivalents was deposited with institutions that have a credit rating of at least category AA (Fitch) (2008: 83% and 2007: 100%).

Credit terms associated with trade and carbon emission credit receivables is contractually set out under the terms of PPAs with SSE. SSE is a 50% equity shareholder in Seabank and is deemed to be a high quality counterparty.

No counterparty has failed to meet its obligations over the prior 3 periods. The maximum exposure to credit risk is represented by the carrying amount of each asset. Management does not expect any significant counterparty to fail to meet its obligations.

d) Liquidity risk

Seabank manages liquidity risk by maintaining sufficient cash to enable it to meet its operational requirements. Seabank actively manages its debt maturity profile, operating cash flows and the availability of funding to ensure that all refinancing, repayment and funding needs are met.

The table below provides details of the maturity profile of financial liabilities based on contractual undiscounted cash flows.

Financial liabilities included in the maturity profile include trade and other payables, excluding carbon emission liabilities that are settled at nil cash cost by the receipt of carbon emission credits from Seabank's customer (note 2.6) and borrowings. Trade and other payables are included within one year in the maturity analysis in 2009, 2008 and 2007.

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|----------------------------|----------------|----------------|----------------|
| Within one year | 55,529 | 72,897 | 48,857 |
| Between one and two years | 34,078 | 32,127 | 30,176 |
| Between two and five years | 90,527 | 84,673 | 78,820 |
| After five years | 69,687 | 43,414 | 19,092 |
| | <u>249,821</u> | <u>233,111</u> | <u>176,945</u> |

e) Capital risk

Seabank's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal structure, Seabank may adjust the amount of dividend payment, return capital to shareholders, issue new shares or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

The debt structure of Seabank is governed by the equity shareholders and the contractual terms associated with the debt funding provided by those shareholders. Seabank may adjust the amount of dividends paid to equity shareholders to manage capital risk and the level of equity returns to shareholders.

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|---|-------------------|-------------------|-------------------|
| Total borrowings (note 12) | 169,333 | 147,733 | 126,133 |
| Less: cash and cash equivalents (note 10) | <u>(9,096)</u> | <u>(12,075)</u> | <u>(10,145)</u> |
| Net debt | 160,237 | 135,658 | 115,988 |
| Total equity | <u>76,546</u> | <u>80,139</u> | <u>91,649</u> |
| Total capital | <u>236,783</u> | <u>215,797</u> | <u>207,637</u> |
| Gearing ratio | <u>68%</u> | <u>63%</u> | <u>56%</u> |

4. Critical accounting estimates and judgements

Seabank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Plant and machinery – useful economic life

Management has estimated the useful economic life of the power station, plant & machinery (excluding turbine blades), gas pipeline and the compression station to be 23 years for the purpose of calculating the annual depreciation charge. Management's estimation of the useful economic life of the assets takes account of the operational capability of the assets, the level of planned maintenance and the terms of the PPAs.

b) Plant decommissioning and site restoration provision

Management has estimated the cost of decommissioning the power station and remediation of the site at the end of its assessed useful economic life in 2023 to be £12m.

A provision has been recognised at the present value of the estimated costs to be incurred of £3,591k in 2009 (2008: £3,294k, 2007: £3,022k). In calculating the present value of the costs management has applied a risk adjusted discount rate of 9%.

c) PPAs lease classification

The principal activity of Seabank is to make the power station available to generate electricity to meet the requirements of its customer, as specified in relevant PPAs that are linked to the power stations two operating modules.

The PPAs in place on the operating modules of the power station run for a committed 10 year period with revenue generated under the terms of the PPAs comprising availability charges earned for making available the generating capacity of the power station to the customer.

Management has determined that the PPAs arrangements contain a lease as the PPAs convey the right to control the use of the power station and associated assets to the customer. The leases have been classified as operating leases as, amongst other things:

- The committed term of the arrangements at inception is not considered to be for the major part of the useful economic life with a committed term for PPA 1 and PPA 2 of 10 years compared to an assessed remaining useful economic life for the assets at the inception; and
- At the inception of the lease management has assessed that the present value of the minimum lease payments does not represent substantially all of the fair value of the leased asset.

5. Segmental information

a) Reportable segments

Management has determined the operating segment based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the executive management team that consists of the general manager, business manager and the operational manager.

Seabank owns and operates a gas pipeline, gas compression station and a power station that consists of two modules used in the generation of electricity. The principal activity of Seabank is to generate electricity for its only customer under the terms of PPAs. The generation and supply of electricity from its power station is a single integrated business and is the basis on which the chief operating decision maker consider the business such that Seabank has only one single operating segment.

The reports used by the chief operating decision maker consist of a monthly income statement and balance sheet presented in a manner consistent with local financial reporting requirements in accordance with UK Financial Reporting Standards ("UK GAAP").

A reconciliation of reported profit after tax, segment assets and segment liabilities to the UK GAAP measures provided to the chief operating decision maker are set out in note 32.

b) Entity wide

i) Geographical

Management has determined the basis for attributing revenue from its external customers by reference to the geographic location of the customer supplied. Seabank derives 100% of its revenue from external customers based in the United Kingdom.

All operating segment assets and non-current assets as set out in the balance sheets are attributable to the United Kingdom.

ii) Major customers

Seabank derives revenue from transactions with one individual customer under the terms of PPAs and from the National Grid at times when under the terms of the PPAs the individual customer can direct Seabank to generate electricity for the National Grid.

**Net sales to external customers that represent
greater than 10% of
total net sales**

| | 2007 | 2008 | 2009 |
|-------------------|-----------------------|-----------------------|-----------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| SSE | 126,322 | 118,659 | 107,419 |
| National Grid plc | <u>18,823</u> | <u>5,308</u> | <u>1,935</u> |
| | <u>145,145</u> | <u>123,967</u> | <u>109,354</u> |

6. Intangible assets

| | Emissions allowances £'000 |
|--------------------------------|---|
| 2007 | |
| Cost and net book value | |
| At 1 January 2007 | 16,322 |
| Additions | 1,026 |
| Disposals | (9,347) |
| Revaluation | (8,001) |
| | <hr/> |
| At 31 December 2007 | — |
| | <hr/> |
| 2008 | |
| Cost and net book value | |
| At 1 January 2008 | — |
| Additions | — |
| Disposals | — |
| Revaluation | — |
| | <hr/> |
| At 31 December 2008 | — |
| | <hr/> |
| 2009 | |
| Cost and net book value | |
| At 1 January 2009 | — |
| Additions | — |
| Disposals | — |
| Revaluation | — |
| | <hr/> |
| At 31 December 2009 | — |
| | <hr/> |

7. Property, plant and equipment

| | Land & buildings £'000 | Plant & machinery £'000 | Pipeline & compression station £'000 | Decommissioning costs £'000 | Others £'000 | Total £'000 |
|----------------------------|---------------------------|----------------------------|---|--------------------------------|-----------------|----------------|
| 2007 | | | | | | |
| Cost | | | | | | |
| At 1 January 2007 | 35,668 | 360,411 | 40,619 | 1,653 | 3,674 | 442,025 |
| Additions | - | 1,187 | - | - | 219 | 1,406 |
| Disposals | - | (17) | - | - | (21) | (38) |
| At 31 December 2007 | 35,668 | 361,581 | 40,619 | 1,653 | 3,872 | 443,393 |
| Depreciation | | | | | | |
| At 1 January 2007 | 11,306 | 123,581 | 14,133 | 431 | 2,957 | 152,408 |
| Charge for the year | 1,747 | 16,474 | 1,796 | 72 | 238 | 20,327 |
| Disposals | - | (17) | - | - | (21) | (38) |
| At 31 December 2007 | 13,053 | 140,038 | 15,929 | 503 | 3,174 | 172,697 |
| Net book value | | | | | | |
| At 31 December 2007 | 22,615 | 221,543 | 24,690 | 1,150 | 698 | 270,696 |
| 2008 | | | | | | |
| Cost | | | | | | |
| At 1 January 2008 | 35,668 | 361,581 | 40,619 | 1,653 | 3,872 | 443,393 |
| Additions | - | 4,638 | - | - | 148 | 4,786 |
| At 31 December 2008 | 35,668 | 366,219 | 40,619 | 1,653 | 4,020 | 448,179 |
| Depreciation | | | | | | |
| At 1 January 2008 | 13,053 | 140,038 | 15,929 | 503 | 3,174 | 172,697 |
| Charge for the year | 1,418 | 13,653 | 1,474 | 72 | 246 | 16,863 |
| At 31 December 2008 | 14,471 | 153,691 | 17,403 | 575 | 3,420 | 189,560 |
| Net book value | | | | | | |
| At 31 December 2008 | 21,197 | 212,528 | 23,216 | 1,078 | 600 | 258,619 |
| 2009 | | | | | | |
| Cost | | | | | | |
| At 1 January 2009 | 35,668 | 366,219 | 40,619 | 1,653 | 4,020 | 448,179 |
| Additions | - | 30 | - | - | 108 | 138 |
| Disposals | - | - | - | - | (19) | (19) |
| At 31 December 2009 | 35,668 | 366,249 | 40,619 | 1,653 | 4,109 | 448,298 |
| Depreciation | | | | | | |
| At 1 January 2009 | 14,471 | 153,691 | 17,403 | 575 | 3,420 | 189,560 |
| Charge for the year | 1,418 | 14,600 | 1,474 | 72 | 256 | 17,820 |
| Disposals | - | - | - | - | (19) | (19) |
| At 31 December 2009 | 15,889 | 168,291 | 18,877 | 647 | 3,657 | 207,361 |
| Net book value | | | | | | |
| At 31 December 2009 | 19,779 | 197,958 | 21,742 | 1,006 | 452 | 240,937 |

Depreciation expense of £17,820k (2008: £16,863k, 2007: £20,327k) has been charged in cost of sales.

8. Trade and other receivables

Non-current

| | As at 1 | As at 31 December | | |
|-------------------|--------------------------|-------------------|---------------|---------------|
| | January 2007 £'000 | 2007 £'000 | 2008 £'000 | 2009 £'000 |
| Other receivables | 31,178 | 31,178 | 31,178 | – |
| | 31,178 | 31,178 | 31,178 | – |

Other receivables relating to the surrender of historical trading losses under the consortium relief rules to the equity shareholders of Seabank include an amount of £nil owed by SSE or its subsidiaries (2008: £15,589k, 2007: £15,589k) and £nil owed by BG Group plc (2008: £15,589k, 2007: £15,589k).

Current

| | As at 1 | As at 31 December | | |
|-------------------------------------|--------------------------|-------------------|---------------|---------------|
| | January 2007 £'000 | 2007 £'000 | 2008 £'000 | 2009 £'000 |
| Trade receivables | 13,443 | – | – | – |
| Accrued income | 17,401 | 15,097 | 20,049 | 12,864 |
| Prepayments | 5,716 | 5,069 | 4,053 | 3,650 |
| Carbon emission credits recoverable | – | – | 34,851 | 30,551 |
| Other receivables | 6 | 2 | 764 | 31,182 |
| | 36,566 | 20,168 | 59,717 | 78,247 |

Credit policy is governed by the terms of the PPAs with SSE. Trade receivables are generally due for payment 10 days after the date of invoice unless otherwise stated in accordance with the terms of the relevant PPAs.

The aging of accrued income which includes £10,158k (2008: £10,718k, 2007: £11,967k) of December generation income due to be billed in January, £2,706k (2008: £1,560k, 2007: £3,130k) of other income earned under the terms of the PPAs and £nil (2008: £7,771k, 2007: £nil) relating to an insurance receivable is classified as current as the balances are not yet due.

Accrued income and prepayments include £12,534k (2008: £10,791k, 2007: £13,675k) owed by SSE or its subsidiaries.

Carbon emission credits recoverable include £30,551k (2008: £34,851k, 2007: £nil) owed by SSE or its subsidiaries (note 2.6).

Other receivables in 2008 relate to a corporation tax debtor. Other receivables in 2009 relating to the surrender of historical trading losses under the consortium relief rules to the equity shareholders of Seabank include an amount of £15,589k owed by SSE or its subsidiaries and £15,589k owed by BG Group plc.

The fair values of prepayments and accrued income, recoverable carbon emission credits and other receivables are not significantly different to their book values.

The carrying amounts of Seabank's prepayments and accrued income, recoverable carbon emission credits and other receivables are denominated in United Kingdom Sterling.

Prepayments and accrued income, recoverable carbon emission credits and other receivables above do not contain any past due or impaired assets.

9. Inventories

| | As at 1 | | As at 31 December | | |
|---------------|--------------|--------------|-------------------|--------------|------|
| | January | | 2007 | 2008 | 2009 |
| | 2007 | 2007 | 2008 | 2009 | |
| | £'000 | £'000 | £'000 | £'000 | |
| Store spares | 3,435 | 3,658 | 3,670 | 3,811 | |
| Raw materials | 14 | 18 | 9 | 19 | |
| | <u>3,449</u> | <u>3,676</u> | <u>3,679</u> | <u>3,830</u> | |

The cost of inventories recognised as an expense and included in cost of sales amounted to £162k (2008: £612k, 2007: £341k).

Inventory write downs totalling £302k have been recognised as an expense in the year ended 31 December 2009 (2008: £71k, 2007: £88k).

10. Cash and cash equivalents

| | As at 1 | | As at 31 December | | |
|----------------------------------|---------------|--------------|-------------------|---------------|------|
| | January | | 2007 | 2008 | 2009 |
| | 2007 | 2007 | 2008 | 2009 | |
| | £'000 | £'000 | £'000 | £'000 | |
| Short term bank deposits | 16,274 | 9,096 | 12,075 | 10,145 | |
| Cash and cash equivalents | <u>16,274</u> | <u>9,096</u> | <u>12,075</u> | <u>10,145</u> | |

Cash and cash equivalents are all denominated in United Kingdom Sterling.

Short term bank deposits with financial institutions mature within 3 months from the date of initial deposit. Interest rates on the bank deposits range from 0.3% to 1.25% (2008: 1.8% to 2.6%, 2007: 5.5% to 6.5%).

The fair value of cash and cash equivalents approximate to their carrying amount.

11. Trade and other payables

| | As at 1 | | As at 31 December | | |
|---------------------------------|---------------|---------------|-------------------|---------------|------|
| | January | | 2007 | 2008 | 2009 |
| | 2007 | 2007 | 2008 | 2009 | |
| | £'000 | £'000 | £'000 | £'000 | |
| Trade payables | 21,351 | 990 | 3,256 | 1,089 | |
| Social security and other taxes | 1,837 | 4,209 | 1,368 | 565 | |
| Other payables | 4,438 | – | 9,379 | – | |
| Carbon emission payable | – | – | 34,851 | 30,551 | |
| Accrued expenses | 38,193 | 14,259 | 24,816 | 15,076 | |
| | <u>65,819</u> | <u>19,458</u> | <u>73,670</u> | <u>47,281</u> | |

Accrued expenses include £1,152k (2008: £7,101k, 2007: £3,967k) owed by SSE or its subsidiaries.

Other payables in 2008 relates to the receipt of trading losses under the consortium relief rules from BG Group plc, a 50% equity shareholder in Seabank.

The aging of trade payables is as follows:

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|---------------|-------------------|---------------------|---------------------|
| Current | 840 | 2,050 | 1,089 |
| 1 to 2 months | <u>150</u> | <u>1,206</u> | <u>–</u> |
| | <u>990</u> | <u>3,256</u> | <u>1,089</u> |

12. Financial liabilities – borrowings

| | As at 1 January 2007 £'000 | As at 31 December | | |
|-------------------------|-------------------------------------|-----------------------|-----------------------|-----------------------|
| | 2007 £'000 | 2007 £'000 | 2008 £'000 | 2009 £'000 |
| Current | | | | |
| Shareholder loans | <u>21,600</u> | <u>21,600</u> | <u>21,600</u> | <u>21,600</u> |
| Non-current | | | | |
| Shareholder loans | <u>169,333</u> | <u>147,733</u> | <u>126,133</u> | <u>104,533</u> |
| Total borrowings | <u>190,933</u> | <u>169,333</u> | <u>147,733</u> | <u>126,133</u> |

Shareholder loans mature until 2016 and comprise:

- Tranche A totalling £78,466k (2008: £92,733k, 2007: £107,000k) that bears annual interest at 9.95% (2008: 9.95%, 2007: 9.95%)
- Tranche B totalling £47,667k (2008: £55,000k, 2007: £62,333k) that bears annual interest at 7.25% (2008: 7.25%, 2007: 7.25%)

Shareholder borrowings are secured by way of a fixed and floating charge on all assets and undertakings, both present and future, including any uncalled capital of Seabank.

The carrying amounts and fair value of borrowings are as follows:

| | Carrying amount | | | Fair value | | |
|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2007 £'000 | 2008 £'000 | 2009 £'000 | 2007 £'000 | 2008 £'000 | 2009 £'000 |
| Shareholder loans | <u>169,333</u> | <u>147,733</u> | <u>126,133</u> | <u>168,765</u> | <u>147,198</u> | <u>125,639</u> |
| | <u>169,333</u> | <u>147,733</u> | <u>126,133</u> | <u>168,765</u> | <u>147,198</u> | <u>125,639</u> |

The fair values of borrowings are based on cash flows discounted using a discount rate of 9% (2008: 9%, 2007: 9%).

The carrying value of current and non-current borrowings is denominated in United Kingdom Sterling.

Seabank has no undrawn committed borrowing facilities at 31 December 2009 (2008: £nil, 2007: £nil).

The maturity profile of non-current borrowings is as follows:

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|---|-----------------------|-----------------------|-----------------------|
| Amounts falling due: | | | |
| Between one and two years | 21,600 | 21,600 | 21,600 |
| Between two and five years | 64,800 | 64,800 | 64,800 |
| After five years | <u>61,333</u> | <u>39,733</u> | <u>18,133</u> |
| Total due after more than one year | <u>147,733</u> | <u>126,133</u> | <u>104,533</u> |

13. Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The amounts concerned are as follows:

| | As at 1 January 2007 £'000 | As at 31 December | | |
|--|-------------------------------------|-------------------|---------------|---------------|
| | 2007 £'000 | 2007 £'000 | 2008 £'000 | 2009 £'000 |
| Deferred income tax liabilities | | | | |
| Deferred tax liability to be settled after more than 12 months | 56,432 | 55,070 | 57,872 | 55,213 |
| Deferred tax liability to be settled within 12 months | <u>5,258</u> | <u>1,362</u> | <u>2,567</u> | <u>2,662</u> |
| | 61,690 | 56,432 | 60,439 | 57,875 |
| Deferred income tax assets | | | | |
| Deferred tax liability to be settled within 12 months | <u>(7)</u> | <u>(7)</u> | <u>(7)</u> | <u>(8)</u> |
| | 61,683 | 56,425 | 60,432 | 57,867 |
| Deferred income tax liabilities | | | | |
| Capital allowances in excess of depreciation | 61,690 | 56,432 | 60,439 | 57,875 |
| Short term timing differences | <u>(7)</u> | <u>(7)</u> | <u>(7)</u> | <u>(8)</u> |
| | 61,683 | 56,425 | 60,432 | 57,867 |

The movement on deferred tax liabilities was:

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|------------------------------|----------------------|----------------------|----------------------|
| At 1 January | 61,683 | 56,425 | 60,432 |
| Deferred tax charge/(credit) | <u>(5,258)</u> | <u>4,007</u> | <u>(2,565)</u> |
| At 31 December | <u>56,425</u> | <u>60,432</u> | <u>57,867</u> |

14. Provisions for liabilities and charges

| | Decommissioning costs £'000 |
|--|--|
| At 1 January 2007 | 2,773 |
| Charged to the statement of comprehensive income | <u>249</u> |
| At 31 December 2007 | <u>3,022</u> |
| At 1 January 2008 | 3,022 |
| Charged to the statement of comprehensive income | <u>272</u> |
| At 31 December 2008 | <u>3,294</u> |
| At 1 January 2009 | 3,294 |
| Charged to the statement of comprehensive income | <u>297</u> |
| At 31 December 2009 | <u>3,591</u> |

Decommissioning

The decommissioning provision represents the estimated cost of decommissioning the power station and remediation of the site. A provision is recognised for the present value of the director's estimate of the costs to be incurred to decommission the power station at the end of its useful economic life and to remediate the site. The provision is expected to be utilised in 2023. Total expected costs to be incurred are £12,000k (2008: £12,000k, 2007: £12,000k).

15. Share capital and premium

| | Number of shares No. | Ordinary shares £'000 | Share premium £'000 | Total £'000 |
|----------------------------------|-------------------------------------|--------------------------------------|------------------------------------|------------------------|
| At 31 December 2007, 2008 & 2009 | <u>5,280</u> | <u>5</u> | <u>49,995</u> | <u>50,000</u> |
| | <u>5,280</u> | <u>5</u> | <u>49,995</u> | <u>50,000</u> |

The total authorised number of ordinary shares is 10,000,000 (2008:10,000,000, 2007:10,000,000) with a par value of £1 per share (2008: £1, 2007: £1). All issued shares are fully paid up.

16. Retained earnings

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|-----------------------|-----------------------|-----------------------|-----------------------|
| At 1 January | 20,299 | 26,546 | 30,139 |
| Profit for the year | 44,247 | 31,093 | 26,510 |
| Dividends | <u>(38,000)</u> | <u>(27,500)</u> | <u>(15,000)</u> |
| At 31 December | <u>26,546</u> | <u>30,139</u> | <u>41,649</u> |

17. Other income

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|-------------------------|---------------|---------------|---------------|
| Insurance reimbursement | — | 7,038 | 599 |
| | <u>—</u> | <u>7,038</u> | <u>599</u> |

On 2 September 2008 the generator on module II suffered a major failure. The loss (subject to excess) arising from this failure is covered by insurance.

In the Financial Information £599k (2008: £7,038k, 2007: £nil) has been accounted for as loss of profits due from insurers.

18. Expenses by nature

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|---|----------------------|----------------------|----------------------|
| Balancing market costs | 18,823 | 2,997 | 1,694 |
| Depreciation (note 7) | 20,327 | 16,863 | 17,820 |
| Maintenance | 11,026 | 20,457 | 15,435 |
| National grid usage fees | 3,811 | 5,995 | 7,770 |
| Utilities | 1,928 | 2,774 | 2,481 |
| Other cost of sales | 397 | 4,143 | 2,774 |
| Cost of sales | <u>56,312</u> | <u>53,229</u> | <u>47,974</u> |
| Employee benefit expense (note 20) | 3,305 | 3,553 | 3,555 |
| Insurance | 3,595 | 3,073 | 3,047 |
| Maintenance | 110 | 649 | 668 |
| Rates | 4,044 | 2,982 | 2,636 |
| Operating lease payments – land | 1,476 | 1,509 | 1,574 |
| Other operating costs | 3,569 | 934 | 663 |
| Other operating costs | <u>16,099</u> | <u>12,700</u> | <u>12,143</u> |
| Other administrative expenses | 344 | 511 | 583 |
| Administrative expenses | <u>344</u> | <u>511</u> | <u>583</u> |
| Total cost of sales, administrative expenses and other operating costs | <u>72,755</u> | <u>66,440</u> | <u>60,700</u> |

19. Auditor remuneration

During the year Seabank obtained the following audit services from its auditor, PricewaterhouseCoopers LLP.

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|--------------------------------------|---------------|---------------|---------------|
| Audit services | | | |
| – Audit of Seabank's annual accounts | 32 | 29 | 30 |
| Other services | | | |
| – IT project advice | 1 | — | — |
| | <u>33</u> | <u>29</u> | <u>30</u> |

20. Employee benefit expense

Staff costs during the year were as follows:

| | 2007 | 2008 | 2009 |
|-----------------------|---------------------|---------------------|---------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Wages and salaries | 2,722 | 2,929 | 2,921 |
| Social security costs | 341 | 370 | 371 |
| Pension costs | <u>242</u> | <u>254</u> | <u>263</u> |
| | <u>3,305</u> | <u>3,553</u> | <u>3,555</u> |

Five highest paid individuals

Under the Main Board Listing Rules Seabank is required to disclose the total emoluments of the five highest paid individuals which are set out below for the years ended 31 December 2007, 2008 and 2009. None of these individuals are directors of Seabank.

| | 2007 | 2008 | 2009 |
|----------------------------|-------------------|-------------------|-------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Basic salary and allowance | 370 | 384 | 413 |
| Bonus | 33 | 38 | 60 |
| Pension costs | <u>42</u> | <u>46</u> | <u>47</u> |
| | <u>445</u> | <u>468</u> | <u>520</u> |

During the relevant periods no emoluments were paid to any of the five highest paid individuals as an inducement to join Seabank or as compensation for loss of office. An analysis of their emoluments by number of individuals and emolument range for the above individuals is set out below:

| | 2007 | 2008 | 2009 |
|--|-----------------|-----------------|-----------------|
| | <i>No.</i> | <i>No.</i> | <i>No.</i> |
| Up to HK\$1,000k | | | |
| Equivalent to £82k (2008: £70k, 2007: £64k) | – | 3 | – |
| HK\$1,000k – HK\$1,500k | | | |
| Equivalent to £82k (2008: £70k, 2007: £64k) – £123k (2008: £104k, 2007: £96k) | 4 | 2 | 4 |
| HK\$1,500k – HK\$2,000k | | | |
| Equivalent to £123k (2008: £104k, 2007: £96k) – £164k (2008: £139k, 2007: £128k) | <u>1</u> | <u>–</u> | <u>1</u> |
| | <u>5</u> | <u>5</u> | <u>5</u> |

Directors emoluments

The remuneration of every Director during the Relevant Periods is set out below:

| Name of director | Fees £'000 | Salary £'000 | Inducement | | Other benefits £'000 | Employer | Compensation | Total £'000 |
|---|---------------|-----------------|----------------|---------------|----------------------------|---|--------------------------------|----------------|
| | | | Bonus £'000 | fees £'000 | | contribution to pension scheme £'000 | for loss of office £'000 | |
| For the year ended 31 December 2007: | | | | | | | | |
| P Burt | - | - | - | - | - | - | - | - |
| H T E Coolidge | - | - | - | - | - | - | - | - |
| P M A Phillips-Davies | - | - | - | - | - | - | - | - |
| P R Smith | - | - | - | - | - | - | - | - |
| R J Souchar | - | - | - | - | - | - | - | - |
| G B Southall | - | - | - | - | - | - | - | - |
| A C W Williams | - | - | - | - | - | - | - | - |
| For the year ended 31 December 2008: | | | | | | | | |
| P Burt | - | - | - | - | - | - | - | - |
| H T E Coolidge | - | - | - | - | - | - | - | - |
| P M A Phillips-Davies | - | - | - | - | - | - | - | - |
| P R Smith | - | - | - | - | - | - | - | - |
| R J Souchar | - | - | - | - | - | - | - | - |
| G B Southall | - | - | - | - | - | - | - | - |
| A C W Williams | - | - | - | - | - | - | - | - |
| M A Rollins | - | - | - | - | - | - | - | - |
| J A Sutherland | - | - | - | - | - | - | - | - |
| For the year ended 31 December 2009: | | | | | | | | |
| H T E Coolidge | - | - | - | - | - | - | - | - |
| M Hill | - | - | - | - | - | - | - | - |
| P M A Phillips-Davies | - | - | - | - | - | - | - | - |
| P R Smith | - | - | - | - | - | - | - | - |
| R J Souchar | - | - | - | - | - | - | - | - |
| S J Surrall | - | - | - | - | - | - | - | - |
| M A Rollins | - | - | - | - | - | - | - | - |
| J A Sutherland | - | - | - | - | - | - | - | - |

21. Average number of people employed

| | 2007 No. | 2008 No. | 2009 No. |
|-------------------------------|-------------|-------------|-------------|
| Management and administration | 6 | 7 | 7 |
| Engineering and operations | 48 | 48 | 48 |
| | 54 | 55 | 55 |

The total number of employees at 31 December 2009 was 55 (2008: 55, 2007: 54).

22. Finance income and costs

| | 2007 | 2008 | 2009 |
|---|----------------------|----------------------|----------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Interest expense: | | | |
| – Bank borrowings | 65 | 75 | 94 |
| – Interest on shareholder loan | 16,400 | 14,490 | 12,478 |
| – Provisions: unwinding of discount (note 14) | <u>249</u> | <u>272</u> | <u>297</u> |
| Finance costs | <u>16,714</u> | <u>14,837</u> | <u>12,869</u> |
| Finance income | | | |
| – Interest income on cash and short term deposits | <u>2,075</u> | <u>1,675</u> | <u>710</u> |
| Finance income | <u>2,075</u> | <u>1,675</u> | <u>710</u> |
| Net finance costs | <u>14,639</u> | <u>13,162</u> | <u>12,159</u> |

23. Income tax expense

No Hong Kong Profits Tax has been provided as Seabank has no assessable profits arising in or derived from Hong Kong during the Relevant Periods.

| | 2007 | 2008 | 2009 |
|--|-----------------------|----------------------|-----------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Current tax: | | | |
| Current tax on profits for the year | 18,767 | 16,311 | 13,138 |
| Adjustments in respect of prior years | <u>(5)</u> | <u>(8)</u> | <u>11</u> |
| Total current tax | <u>18,762</u> | <u>16,303</u> | <u>13,149</u> |
| Deferred tax (note 13): | | | |
| Origination and reversal of temporary differences | (1,286) | 4,011 | (2,560) |
| Under/(Over) provision in respect of prior years | 5 | 6 | (5) |
| Effect of changes in tax rate on closing provision | <u>(3,977)</u> | <u>(10)</u> | <u>–</u> |
| Total deferred tax | <u>(5,258)</u> | <u>4,007</u> | <u>(2,565)</u> |
| Income tax expense | <u>13,504</u> | <u>20,310</u> | <u>10,584</u> |

The tax on Seabank's profit before tax differs from the theoretical amount that would arise using the standard tax rate applicable to the profits of Seabank as follows:

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|--|---------------|---------------|---------------|
| Profit before income tax | 57,751 | 51,403 | 37,094 |
| Tax calculated at standard tax rates in UK 28% (2008: 28.5%, 2007: 30%) | 17,325 | 14,650 | 10,386 |
| Tax effects of: | | | |
| – Expenses not deductible for tax purposes | 231 | 384 | 701 |
| – Income not subject to tax | (75) | (78) | (83) |
| – Deferred tax adjustments – prior years | 5 | 6 | (5) |
| – Deferred tax adjustments – rate changes | (3,977) | (10) | – |
| – Deferred tax adjustment – withdrawal of industrial building allowances | – | 5,366 | (426) |
| – Adjustment in respect of prior years | (5) | (8) | 11 |
| Total tax charge | 13,504 | 20,310 | 10,584 |

The deferred tax charge for the year ended 31 December 2008 has been increased by the non-recurring charge of £5,366k arising from the phasing out of industrial buildings allowances over the 3 years commencing 1 April 2008.

24. Equity dividends

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|--|---------------|---------------|---------------|
| Equity dividends on ordinary shares | | | |
| Interim paid £2,840.91 (2008: £5,208.33, 2007: £1,704.55 and £5,492.42) per ordinary share | 38,000 | 27,500 | 15,000 |
| | 38,000 | 27,500 | 15,000 |

25. Retirement benefit obligations

Seabank operates a defined contribution group personal pension plan for its employees. The assets of the scheme are held separately in an independently administered fund. The pension charge represents contributions payable by Seabank totalling £263k (2008: £254k, 2007: £242k). Of the contributions payable £30k (2008: £28k, 2007: £26k) is included in trade payables.

26. Cash generated from operations

| | 2007 | 2008 | 2009 |
|---|----------------------|----------------------|----------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Profit before income tax | 57,751 | 51,403 | 37,094 |
| Adjustments for: | | | |
| – Depreciation | 20,327 | 16,863 | 17,820 |
| – Profit on disposal of property, plant and equipment | (4) | – | (4) |
| – Finance income | (2,075) | (1,675) | (710) |
| – Finance costs | 16,714 | 14,837 | 12,869 |
| Changes in working capital | | | |
| – Inventories | (227) | (3) | (151) |
| – Trade and other receivables | 16,377 | (38,786) | 11,892 |
| – Trade and other payables | (27,120) | 43,526 | (25,065) |
| Cash generated from operations | <u>81,743</u> | <u>86,165</u> | <u>53,745</u> |

Non-cash transactions

Seabank had no significant non-cash transactions in the years ended 31 December 2007, 2008 and 2009.

27. Commitments**(a) Capital commitments**

| | 2007 | 2008 | 2009 |
|---|---------------------|------------------|-------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Capital expenditure contracted for but has not been provided for in the Financial Information | <u>3,051</u> | <u>62</u> | <u>305</u> |
| | <u>3,051</u> | <u>62</u> | <u>305</u> |

(b) Operating lease commitments – as a lessee

Seabank leases land under a non-cancellable operating lease agreement. The lease has varying terms and the lease charge is subject to annual RPI increases. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in the expenses by nature note.

The future aggregate minimum lease payments under non-cancellable operating lease agreements are as follows:

| Land and buildings | 2007 | 2008 | 2009 |
|---|----------------------|----------------------|----------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| No later than 1 year | 1,500 | 1,500 | 1,600 |
| Later than 1 year and no later than 5 years | 6,300 | 6,400 | 6,400 |
| Later than 5 years | <u>46,400</u> | <u>44,800</u> | <u>43,200</u> |
| | <u>54,200</u> | <u>52,700</u> | <u>51,200</u> |

(c) Financial commitments – maintenance service contracts

Seabank has entered into a contract to purchase long term plant maintenance services for a period of 6 years commencing in 2004. The value of the future minimum payments under this contract is estimated at £2,000k. The contract may be terminated as a result of force majeure events or if the standards of service by the provider fall short of those required. The term and scope of this contract was extended in 2009 for another 6 years. The value of the future minimum payments under the terms of the contract extension is estimated at £2,000k.

28. Operating lease commitments – as a lessor

Seabank has entered into PPAs with its customer, SSE. Under the terms of the PPAs, Seabank is remunerated by the customer for making the power station available for the generation of electricity. The leases are classified as operating leases in accordance with HKAS 17 “Leases”.

The payments received from the customer in any given period under the terms of the PPAs are dependent upon the availability of the plant.

29. Contingent liabilities

Contracts have been signed with a number of parties to gain access to their land for the maintenance of the gas pipeline built by Seabank to supply the power station. The contracts stipulate that if the landowners are refused planning permission for a future development, solely by reason of the position of the pipeline, Seabank will divert the pipeline, carry out works of protection at its own cost or pay the landowner compensation for the loss in value of the land. As at 31 December 2009, 2008 and 2007, Seabank was not aware of any circumstances that would give rise to claims by landowners under these contractual arrangements.

30. Related-party transactions

Seabank regards SSE and BG Group plc and their subsidiary companies as related parties by virtue of their joint ownership of Seabank’s equity share capital.

Transactions with 50% shareholder – SSE

| | 2007 | 2008 | 2009 |
|---|--------------|--------------|--------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Revenue | 126,322 | 118,659 | 107,419 |
| Cost of sales | 16,845 | 5,229 | 2,231 |
| Finance costs | 8,200 | 7,245 | 6,239 |
| Equity dividends | 19,000 | 13,750 | 7,500 |
| Trade and other receivables – current | 13,675 | 45,642 | 58,674 |
| Trade and other receivables – non-current | 15,589 | 15,589 | – |
| Trade and other payables | 3,967 | 7,101 | 1,153 |
| Borrowings | 84,666 | 73,866 | 63,066 |

Sales and purchases to SSE are made under the terms the PPAs.

Borrowings and associated finance costs relate to shareholder loans due to SSE that bear interest at 9.95% and 7.25% per annum.

Non-current trade and other receivables (£15,589k included in current in 2009) relate to a receivable for the surrender of historical trading losses under the consortium relief rules.

Transactions with 50% shareholder – BG Group plc

| | 2007 | 2008 | 2009 |
|---|--------------|--------------|--------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Finance costs | 8,200 | 7,245 | 6,239 |
| Equity dividends | 19,000 | 13,750 | 7,500 |
| Trade and other receivables – current | – | – | 15,589 |
| Trade and other receivables – non-current | 15,589 | 15,589 | – |
| Trade and other payables | – | 9,379 | – |
| Borrowings | 84,666 | 73,866 | 63,066 |

Borrowings and associated finance costs relate to shareholder loans due to BG Group plc that bear interest at 9.95% and 7.25% per annum.

Non-current trade and other receivables (£15,589k included in current in 2009) relate to a receivable for the surrender of historical trading losses under the consortium relief rules.

Trade and other payables relate the receipt of trading losses under the consortium relief rules from BG Group plc where no legal right of set-off with the historical receivable due from BG Group plc exists.

Key management compensation

Key management includes directors and the executive management team that consists of the general manager, business manager and the operational manager. The compensation paid or payable to key management for employee services is shown below:

| | 2007 | 2008 | 2009 |
|----------------------|--------------|--------------|--------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Aggregate emoluments | 423 | 432 | 493 |
| Pension costs | 43 | 48 | 49 |
| | <u>466</u> | <u>480</u> | <u>542</u> |

31. Post balance sheet events

On 28 April 2010 BG Group plc announced that it has agreed to sell its entire issued share capital in Seabank and its shareholder loan advanced to Seabank to CKI for £211,666,666 subject to CKI shareholder approval. Shareholder approval was obtained on 28 April 2010 and the change in ownership of the shares occurred on 28 May 2010. CKI appointed directors to the board of Seabank on 28 May 2010.

32. Transition to HKFRSs – 1 January 2007**First time adoption of HKFRS transitional arrangements**

The statutory financial statements of Seabank as at 31 December 2007, 31 December 2008 and 31 December 2009 were prepared in accordance with UK GAAP.

Certain statement of comprehensive income and balance sheet items, previously reported under UK GAAP, have been reclassified for the purposes of the Financial Information to comply with the format for reporting under HKFRSs as issued by the HKICPA. In addition to this, certain other balances have been re-measured by applying CKI's accounting policies as required for the purposes of the Financial Information which are in accordance with HKFRSs. The information presented below sets out the principal differences between UK GAAP and HKFRSs as they apply to Seabank.

First time adoption exemptions applied

HKFRS 1, 'First-time adoption of HKFRSs' sets out the transitional rules which must be applied when HKFRSs are applied for the first time. Seabank is required to select accounting policies, in accordance with HKFRSs, valid at the first reporting date and apply those policies retrospectively. The standard sets out certain mandatory exceptions to retrospective application and certain optional exemptions. Seabank has not applied any of the optional first time adoption exemptions in HKFRS 1.

Reclassifications**32.1 Reclassification of consortium relief payable to related party**

An 'other payable' associated with the receipt of trading losses in 2006 and 2008 under the consortium relief rules from BG Group plc was offset against a historical trade receivable due from BG Group plc in the UK GAAP financial statements where no legal right of set-off existed.

The liability has been reclassified from trade and other receivables to other payables in the opening balance sheet and the 31 December 2008 balance sheet. This reclassification has had no impact on the statement of comprehensive income or retained earnings in either period.

32.2 Reclassification of carbon emission liability

Carbon emission liabilities have been included in provisions for liabilities and charges in the UK GAAP financial statements. The carbon emission liability relates to an actual cost that has been incurred as a result of the level of emissions generated from operations but the cost has not yet been invoiced or paid.

The liability has been reclassified from provisions to accruals in the opening balance sheet, 31 December 2007, 31 December 2008 and 31 December 2009 balance sheet. This reclassification has had no impact on the statement of comprehensive income or retained earnings in any period.

32.3 Reclassification of trade receivables as prepayments and accrued income

Trade receivables in the 31 December 2007 UK GAAP balance sheet relate to ancillary receivable balances classified as prepayments and accrued income in the 31 December 2008 and 31 December 2009 UK GAAP balance sheet.

The ancillary receivable balances have been reclassified from trade receivables to prepayments and accrued income in the 31 December 2007 balance sheet to ensure consistent presentation across all relevant periods. This reclassification has had no impact on the statement of comprehensive income or retained earnings in any period.

Trade receivables in the 31 December 2008 and 31 December 2009 UK GAAP balance sheet relate to staff receivable balances. These balances have been reclassified to prepayments and accrued income and this reclassification has had no impact on the statement of comprehensive income or retained earnings in any period.

32.4 Reclassification of depreciation from other operating costs to cost of sales

Depreciation in the 31 December 2009, 2008 and 2007 UK GAAP income statement has been classified as other operating costs below gross profit in HKFRS statement of comprehensive income. The depreciation charge relates to property, plant and equipment used as part of the revenue generating activities of Seabank and has therefore been reclassified as cost of sales. This reclassification has had no impact on the statement of comprehensive income or retained earnings in any period.

HKAS 37 "Provisions, contingent liabilities and contingent assets"**32.5 Discounting of decommissioning provision**

HKAS 37 requires that where the effect of the time value of money is material, the amount of a provision should be discounted to the present value of the expenditures expected to be required to settle the obligation.

Following the adoption of HKFRSs, the accounting for provisions has been restated to discount the present value of the expenditures expected to be required to settle the obligation.

(i) Opening balance sheet adjustment at 1 January 2007

As at 1 January 2007 the accounting for the decommissioning provision and associated asset recorded in property, plant and equipment has been restated.

The total impact of discounting the provision is £9,278k. The adjustment in the opening balance sheet has been to reduce the decommissioning asset in property, plant and equipment by £9,278k, reduce the provision by £9,227k and to reduce retained earnings by £51k for the unwind of the discount between the date of recognition of the initial provision and the opening balance sheet date.

(ii) 31 December 2007 balance sheet and 31 December 2007 statement of comprehensive income

The adjustment in the 31 December 2007 balance sheet and 31 December 2007 statement of comprehensive income has been to:

- Increase the decommissioning asset in property, plant and equipment by £678k and reduce the depreciation charge in the statement of comprehensive income by a corresponding amount;
- Increase provisions for liabilities and charges by £249k and charge finance costs in the statement of comprehensive income of £249k for the unwind of the discount.

(iii) 31 December 2008 balance sheet and 31 December 2008 statement of comprehensive income

The adjustment in the 31 December 2008 balance sheet and 31 December 2008 statement of comprehensive income has been to:

- Increase the decommissioning asset in property, plant and equipment by £678k and reduce the depreciation charge in the statement of comprehensive income by a corresponding amount;
- Increase provisions for liabilities and charges by £272k and charge finance costs in the statement of comprehensive income of £272k for the unwind of the discount.

(iv) 31 December 2009 balance sheet and 31 December 2009 statement of comprehensive income

The adjustment in the 31 December 2009 balance sheet and 31 December 2009 statement of comprehensive income has been to:

- Increase the decommissioning asset in property, plant and equipment by £678k and reduce the depreciation charge in the statement of comprehensive income by a corresponding amount;
- Increase provisions for liabilities and charges by £297k and charge finance costs in the statement of comprehensive income of £297k for the unwind of the discount.

HKAS 16 “Property, plant & equipment”

32.6 Impact of revision of property, plant and equipment useful economic life

HKAS 16 requires the annual assessment of the appropriateness of property, plant and equipment useful economic lives and residual values.

Following the adoption of HKFRSs, the accounting for property, plant and equipment has been restated from 1 January 2008 to reflect the management’s estimated extension in the assessed useful economic life of the power station, plant & machinery (excluding turbine blades), gas pipeline, and compression station from 20 years to 23 years given the level of historical usage.

(i) *31 December 2008 balance sheet and 31 December 2008 statement of comprehensive income*

The adjustment in the 31 December 2008 balance sheet and 31 December 2008 statement of comprehensive income has been to:

- Increase property, plant and equipment by £3,046k and reduce the depreciation charge in the statement of comprehensive income by a corresponding amount;
- Increase the deferred tax liability by £853k and charge tax in the statement of comprehensive income of £853k to reflect the depreciation adjustment.

(ii) *31 December 2009 balance sheet and 31 December 2009 statement of comprehensive income*

The adjustment in the 31 December 2009 balance sheet and 31 December 2009 statement of comprehensive income has been to:

- Increase property, plant and equipment by £3,118k and reduce the depreciation charge in the statement of comprehensive income by a corresponding amount;
- Increase the deferred tax liability by £873k and charge tax in the statement of comprehensive income of £873k to reflect the depreciation adjustment.

HKAS 12 “Income taxes”

32.7 Restatement of deferred tax for abolition of industrial building allowances (“IBA’s”)

As a result of changes in tax legislation and the phasing out of IBA’s over the three years commencing 1 April 2008 this has resulted in a difference in accounting treatment between UK GAAP and HKFRSs.

As at 31 December 2008 the accounting deferred tax has been restated to reflect the abolition of IBA’s and the associated difference in treatment between UK GAAP and HKFRSs.

(i) *31 December 2008 balance sheet and 31 December 2008 statement of comprehensive income*

The adjustment in the 31 December 2008 balance sheet and 31 December 2008 statement of comprehensive income has been to increase the deferred tax liability by £5,365k and charge tax in the statement of comprehensive income of £5,365k.

(ii) *31 December 2009 balance sheet and 31 December 2009 statement of comprehensive income*

The adjustment in the 31 December 2009 balance sheet and 31 December 2009 statement of comprehensive income has been to reduce the deferred tax liability by £426k and increase in tax credit in the statement of comprehensive income of £426k.

Opening balance sheet reconciliation – 1 January 2007

| | UK GAAP in HKFRS format £'000 | Ref 32.1 £'000 | Ref 32.2 £'000 | Ref 32.5 £'000 | HKFRSs £'000 |
|--|--|----------------------|----------------------|----------------------|-----------------|
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 298,895 | – | – | (9,278) | 289,617 |
| Intangible assets | 16,322 | – | – | – | 16,322 |
| Trade and other receivables | 26,740 | 4,438 | – | – | 31,178 |
| | 341,957 | 4,438 | – | (9,278) | 337,117 |
| Current assets | | | | | |
| Inventories | 3,449 | – | – | – | 3,449 |
| Trade and other receivables | 36,566 | – | – | – | 36,566 |
| Cash and cash equivalents | 16,274 | – | – | – | 16,274 |
| | 56,289 | – | – | – | 56,289 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Financial liabilities – borrowings | (21,600) | – | – | – | (21,600) |
| Trade and other payables | (53,060) | (4,438) | (8,321) | – | (65,819) |
| Current income tax liabilities | (1,899) | – | – | – | (1,899) |
| | (76,559) | (4,438) | (8,321) | – | (89,318) |
| Net current liabilities | (20,270) | (4,438) | (8,321) | – | (33,029) |
| Total assets less current liabilities | 321,687 | – | (8,321) | (9,278) | 304,088 |
| Non-current liabilities | | | | | |
| Financial liabilities – borrowings | (169,333) | – | – | – | (169,333) |
| Provisions for liabilities and charges | (20,321) | – | 8,321 | 9,227 | (2,773) |
| Deferred tax liabilities | (61,683) | – | – | – | (61,683) |
| | (251,337) | – | 8,321 | 9,227 | (233,789) |
| Net assets | 70,350 | – | – | (51) | 70,299 |
| Shareholders' equity | | | | | |
| Share capital | 5 | – | – | – | 5 |
| Share premium account | 49,995 | – | – | – | 49,995 |
| Retained earnings | 20,350 | – | – | (51) | 20,299 |
| Total equity | 70,350 | – | – | (51) | 70,299 |

Balance sheet reconciliation as at 31 December 2007

| | UK GAAP in HKFRS format £'000 | Opening balance sheet adjustments £'000 | Ref 32.5 £'000 | HKFRSs £'000 |
|--|--|---|----------------------|-----------------|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 279,296 | (9,278) | 678 | 270,696 |
| Trade and other receivables | 31,178 | – | – | 31,178 |
| | 310,474 | (9,278) | 678 | 301,874 |
| Current assets | | | | |
| Inventories | 3,676 | – | – | 3,676 |
| Trade and other receivables | 20,168 | – | – | 20,168 |
| Cash and cash equivalents | 9,096 | – | – | 9,096 |
| | 32,940 | – | – | 32,940 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Financial liabilities – borrowings | (21,600) | – | – | (21,600) |
| Trade and other payables | (19,458) | – | – | (19,458) |
| Current income tax liabilities | (10,030) | – | – | (10,030) |
| | (51,088) | – | – | (51,088) |
| Net current liabilities | (18,148) | – | – | (18,148) |
| Total assets less current liabilities | 292,326 | (9,278) | 678 | 283,726 |
| Non-current liabilities | | | | |
| Financial liabilities – borrowings | (147,733) | – | – | (147,733) |
| Provisions for liabilities and charges | (12,000) | 9,227 | (249) | (3,022) |
| Deferred tax liabilities | (56,425) | – | – | (56,425) |
| | (216,158) | 9,227 | (249) | (207,180) |
| Net assets | 76,168 | (51) | 429 | 76,546 |
| Shareholders' equity | | | | |
| Share capital | 5 | – | – | 5 |
| Share premium account | 49,995 | – | – | 49,995 |
| Retained earnings | 26,168 | (51) | 429 | 26,546 |
| Total equity | 76,168 | (51) | 429 | 76,546 |

Statement of comprehensive income reconciliation for the year ended 31 December 2007

| | UK GAAP in HKFRS format £'000 | Ref 32.4 £'000 | Ref 32.5 £'000 | HKFRSs £'000 |
|--|--|----------------------|----------------------|----------------------|
| Revenue | 145,145 | – | – | 145,145 |
| Cost of sales | <u>(35,985)</u> | <u>(20,327)</u> | <u>–</u> | <u>(56,312)</u> |
| Gross profit | 109,160 | (20,327) | – | 88,833 |
| Administrative expenses | (344) | – | – | (344) |
| Other operating costs | (37,104) | 20,327 | 678 | (16,099) |
| Other income | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Operating profit | 71,712 | – | 678 | 72,390 |
| Finance income | 2,075 | – | – | 2,075 |
| Finance costs | <u>(16,465)</u> | <u>–</u> | <u>(249)</u> | <u>(16,714)</u> |
| Profit before income tax | 57,322 | – | 429 | 57,751 |
| Income tax expense | <u>(13,504)</u> | <u>–</u> | <u>–</u> | <u>(13,504)</u> |
| Profit for the year | 43,818 | – | 429 | 44,247 |
| Total comprehensive income for the year | <u>43,818</u> | <u>–</u> | <u>429</u> | <u>44,247</u> |

Balance sheet reconciliation as at 31 December 2008

| | UK GAAP in HKFRS format £'000 | Cumulative prior year adjustments £'000 | Ref 32.6 £'000 | Ref 32.1 £'000 | Ref 32.2 £'000 | Ref 32.5 £'000 | Ref 32.7 £'000 | HKFRSs £'000 |
|--|--|---|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------|
| Assets | | | | | | | | |
| Non-current assets | | | | | | | | |
| Property, plant and equipment | 263,495 | (8,600) | 3,046 | - | - | 678 | - | 258,619 |
| Trade and other receivables | 21,799 | - | - | 9,379 | - | - | - | 31,178 |
| | 285,294 | (8,600) | 3,046 | 9,379 | - | 678 | - | 289,797 |
| Current assets | | | | | | | | |
| Inventories | 3,679 | - | - | - | - | - | - | 3,679 |
| Trade and other receivables | 59,717 | - | - | - | - | - | - | 59,717 |
| Cash and cash equivalents | 12,075 | - | - | - | - | - | - | 12,075 |
| | 75,471 | - | - | - | - | - | - | 75,471 |
| Liabilities | | | | | | | | |
| Current liabilities | | | | | | | | |
| Financial liabilities – borrowings | (21,600) | - | - | - | - | - | - | (21,600) |
| Trade and other payables | (29,440) | - | - | (9,379) | (34,851) | - | - | (73,670) |
| Current income tax liabilities | - | - | - | - | - | - | - | - |
| | (51,040) | - | - | (9,379) | (34,851) | - | - | (95,270) |
| Net current (liabilities)/assets | 24,431 | - | - | (9,379) | (34,851) | - | - | (19,799) |
| Total assets less current liabilities | 309,725 | (8,600) | 3,046 | - | (34,851) | 678 | - | 269,998 |
| Non-current liabilities | | | | | | | | |
| Financial liabilities – borrowings | (126,133) | - | - | - | - | - | - | (126,133) |
| Provisions for liabilities and charges | (46,851) | 8,978 | - | - | 34,851 | (272) | - | (3,294) |
| Deferred tax liabilities | (54,214) | - | (853) | - | - | - | (5,365) | (60,432) |
| | (227,198) | 8,978 | (853) | - | 34,851 | (272) | (5,365) | (189,859) |
| Net assets | 82,527 | 378 | 2,193 | - | - | 406 | (5,365) | 80,139 |
| Shareholders' equity | | | | | | | | |
| Share capital | 5 | - | - | - | - | - | - | 5 |
| Share premium account | 49,995 | - | - | - | - | - | - | 49,995 |
| Retained earnings | 32,527 | 378 | 2,193 | - | - | 406 | (5,365) | 30,139 |
| Total equity | 82,527 | 378 | 2,193 | - | - | 406 | (5,365) | 80,139 |

Statement of comprehensive income reconciliation for the year ended 31 December 2008

| | UK GAAP in HKFRS format £'000 | Ref 32.4 £'000 | Ref 32.6 £'000 | Ref 32.5 £'000 | Ref 32.7 £'000 | HKFRSs £'000 |
|--|--|----------------------|----------------------|----------------------|----------------------|-----------------|
| Revenue | 123,967 | - | - | - | - | 123,967 |
| Cost of sales | (36,366) | (16,863) | - | - | - | (53,229) |
| Gross profit | 87,601 | (16,863) | - | - | - | 70,738 |
| Administrative expenses | (511) | - | - | - | - | (511) |
| Other operating costs | (33,287) | 16,863 | 3,046 | 678 | - | (12,700) |
| Other income | 7,038 | - | - | - | - | 7,038 |
| Operating profit | 60,841 | - | 3,046 | 678 | - | 64,565 |
| Finance income | 1,675 | - | - | - | - | 1,675 |
| Finance costs | (14,565) | - | - | (272) | - | (14,837) |
| Profit before income tax | 47,951 | - | 3,046 | 406 | - | 51,403 |
| Income tax expense | (14,092) | - | (853) | - | (5,365) | (20,310) |
| Profit for the year | 33,859 | - | 2,193 | 406 | (5,365) | 31,093 |
| Total comprehensive income for the year | 33,859 | - | 2,193 | 406 | (5,365) | 31,093 |

Balance sheet reconciliation as at 31 December 2009

| | UK GAAP in HKFRS format £'000 | Cumulative prior year adjustments £'000 | Ref 32.6 £'000 | Ref 32.2 £'000 | Ref 32.5 £'000 | Ref 32.7 £'000 | HKFRSs £'000 |
|--|--|---|----------------------|----------------------|----------------------|----------------------|-----------------|
| Assets | | | | | | | |
| Non-current assets | | | | | | | |
| Property, plant and equipment | 242,017 | (4,876) | 3,118 | – | 678 | – | 240,937 |
| Trade and other receivables | – | – | – | – | – | – | – |
| | 242,017 | (4,876) | 3,118 | – | 678 | – | 240,937 |
| Current assets | | | | | | | |
| Inventories | 3,830 | – | – | – | – | – | 3,830 |
| Trade and other receivables | 78,247 | – | – | – | – | – | 78,247 |
| Cash and cash equivalents | 10,145 | – | – | – | – | – | 10,145 |
| | 92,222 | – | – | – | – | – | 92,222 |
| Liabilities | | | | | | | |
| Current liabilities | | | | | | | |
| Financial liabilities – borrowings | (21,600) | – | – | – | – | – | (21,600) |
| Trade and other payables | (16,730) | – | – | (30,551) | – | – | (47,281) |
| Current income tax liabilities | (6,638) | – | – | – | – | – | (6,638) |
| | (44,968) | – | – | (30,551) | – | – | (75,519) |
| Net current assets | 47,254 | – | – | (30,551) | – | – | 16,703 |
| Total assets less current liabilities | 289,271 | (4,876) | 3,118 | (30,551) | 678 | – | 257,640 |
| Non-current liabilities | | | | | | | |
| Financial liabilities – borrowings | (104,533) | – | – | – | – | – | (104,533) |
| Provisions for liabilities and charges | (42,551) | 8,706 | – | 30,551 | (297) | – | (3,591) |
| Deferred tax liabilities | (51,202) | (6,218) | (873) | – | – | 426 | (57,867) |
| | (198,286) | 2,488 | (873) | 30,551 | (297) | 426 | (165,991) |
| Net assets | 90,985 | (2,388) | 2,245 | – | 381 | 426 | 91,649 |
| Shareholders' equity | | | | | | | |
| Share capital | 5 | – | – | – | – | – | 5 |
| Share premium account | 49,995 | – | – | – | – | – | 49,995 |
| Retained earnings | 40,985 | (2,388) | 2,245 | – | 381 | 426 | 41,649 |
| Total equity | 90,985 | (2,388) | 2,245 | – | 381 | 426 | 91,649 |

Statement of comprehensive income reconciliation for the year ended 31 December 2009

| | UK GAAP in HKFRS format £'000 | Ref 32.4 £'000 | Ref 32.6 £'000 | Ref 32.5 £'000 | Ref 32.7 £'000 | HKFRSs £'000 |
|--|--|----------------------|----------------------|----------------------|----------------------|-----------------|
| Revenue | 109,354 | - | - | - | - | 109,354 |
| Cost of sales | (30,154) | (17,820) | - | - | - | (47,974) |
| Gross profit | 79,200 | (17,820) | - | - | - | 61,380 |
| Administrative expenses | (583) | - | - | - | - | (583) |
| Other operating costs | (33,759) | 17,820 | 3,118 | 678 | - | (12,143) |
| Other income | 599 | - | - | - | - | 599 |
| Operating profit | 45,457 | - | 3,118 | 678 | - | 49,253 |
| Finance income | 710 | - | - | - | - | 710 |
| Finance costs | (12,572) | - | - | (297) | - | (12,869) |
| Profit before income tax | 33,595 | - | 3,118 | 381 | - | 37,094 |
| Income tax expense | (10,137) | - | (873) | - | 426 | (10,584) |
| Profit for the year | 23,458 | - | 2,245 | 381 | 426 | 26,510 |
| Total comprehensive income for the year | 23,458 | - | 2,245 | 381 | 426 | 26,510 |

33. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Seabank by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Seabank has no dilutive potential ordinary share such that basic and dilutive earnings per share are consistent.

| | 2007 £'000 | 2008 £'000 | 2009 £'000 |
|---|---------------|---------------|---------------|
| Profit attributable to equity holders of Seabank | 44,247 | 31,093 | 26,510 |
| | 2007 No. | 2008 No. | 2009 No. |
| Weighted average number of ordinary shares in issue | 5,280 | 5,280 | 5,280 |

II SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Seabank in respect of any period subsequent to 31 December 2009. Save as disclosed in this report, no dividends or distribution has been declared, made or paid by Seabank in respect of any period subsequent to 31 December 2009.

Your faithfully,

PricewaterhouseCoopers LLP

Chartered Accountants

Bristol, United Kingdom

The following discussion and analysis is based on the Financial Information from the Accountants' Report on the Seabank Power contained in Appendix II to this circular.

TURNOVER

Turnover for Seabank Power for the three years ended 31st December, 2007, 2008 and 2009 was £145,145k, £123,967k and £109,354k respectively. Turnover for Seabank Power represents income under two PPAs with SSE in relation to the availability of the plant for generation of electricity and the thermal efficiency of the plant against pre-defined targets.

Turnover decreased by £21,178k in 2008 due to less participation in the UK Electricity Balancing Market (which has no profit effect as it is passed onto the Customer), and outages on a steam turbine and a generator. Turnover decreased by £14,613k in 2009, which was the first full year under a replacement for the original PPAs.

Seabank Power has sold the full capacity of its plant on a long term basis to SSE, until at least 2018.

PROFIT BEFORE TAX

Profit before tax for Seabank Power for the three years ended 31st December, 2007, 2008 and 2009 was £57,751k, £51,403k and £37,094k. The decrease in profit before tax of £6,348k in 2008 related to the outages on the steam turbine and generator experienced during the year. The decrease in profit before tax in 2009 of £14,309k related to the full year impact of the new PPAs, offset by a lower maintenance spend.

CAPITAL STRUCTURE

As at 31st December, 2009, Seabank Power had outstanding loans of £126,133k (of which £21,600k was due in less than one year) under the terms of shareholder loan agreements which are secured by way of a fixed and floating charge on all assets and undertakings, both present and future, of Seabank Power including any uncalled capital. The shareholder loans, which are in GBP, are comprised of two tranches, £78,466k under tranche A at a fixed interest rate of 9.95% per annum and £47,667k under tranche B at a fixed interest rate of 7.25% per annum. Tranche A will be fully amortised by March 2014 and tranche B by June 2016.

As at 31st December, 2009, Seabank Power had a gearing ratio of 56%, calculated as net debt (£115,988k) divided by total capital (£207,637k) representing the net debt plus Seabank Power's total equity.

Seabank Power manages liquidity risk by maintaining sufficient cash to enable it to meet its operational requirements, as well as managing capital to maintain an optimal capital structure so as to maximise shareholder value. Seabank Power achieves this through actively managing its debt maturity profile, operating cash flows and the availability of funding as well as returns to shareholders.

The majority of cash and cash equivalents are held in GBP, with foreign exchange currency risk being incurred on purchases in other currencies (primarily the Euro). No hedging or specific treasury management activities are undertaken by Seabank Power.

FINANCIAL POSITION

The total assets of Seabank Power were £334,814k as at 31st December, 2007, and increased to £365,268k as at 31st December, 2008 due to an increase in debtors in relation to emission credits recoverable. Total assets decreased to £333,159k as at 31st December, 2009 due mainly to fixed asset depreciation of £17,820k in the year and a decrease in the carbon emissions credits recoverable from £34,851k at 31st December, 2008 to £30,551k at 31st December, 2009.

As at 31st December, 2007, Seabank Power had total liabilities of £258,268k which increased to £285,129k as at 31st December, 2008 due to an increase in provisions for amounts due in relation to emissions. Total liabilities decreased to £241,510k as at 31st December, 2009 primarily due to loan repayments made during the year.

SEGMENT REPORTING

No analysis of turnover and contribution to profit from operating activities by geographical segment or business segment has been presented as all of Seabank Power's operating activities are carried out in the United Kingdom, and derived from the generation and supply of electricity from a single integrated business.

FOREIGN EXCHANGE RISK MANAGEMENT

Seabank Power is not exposed to any significant foreign exchange risk and does not carry out any hedging activities. The company did not have any material assets denominated in a foreign currency as at 31st December, 2009, and the only foreign currency liabilities of the company at 31st December, 2009 were £37k of trade payables in Euros.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st December, 2009 Seabank Power had committed capital expenditure of £305k, and does not expect any significant further capital expenditure in the year to 31st December, 2010. Any capital expenditure is expected to be funded through the operating cash flows generated by Seabank Power.

Seabank Power has lease contracts with a number of parties in relation to the land through which a gas pipeline owned by Seabank Power, to supply the power station, runs. If planning permission for future developments is refused by reason of the position of the pipeline Seabank Power is required to elect to either divert the pipeline, carry out works to protect the pipeline at its own cost or compensate the landowner for the loss in the value of the land. As at 31st December, 2009, Seabank Power was not aware of any circumstances that would give rise to potential claims under these provisions.

EMPLOYEES AND REMUNERATION POLICIES

Total staff costs for each of the three years ended 31st December, 2007, 2008 and 2009 were £3,305k, £3,553k and £3,555k respectively, in relation to a total headcount of 54, 55, and 55. No directors' emoluments were paid by Seabank Power in any of the three years.

Employee remuneration is in line with pay in the power generation industry. All permanent employees are entitled to take part in Seabank Power's performance bonus scheme in relation to the performance of each individual over a twelve month period, and a long term bonus scheme in relation to the overall performance of the plant.

INVESTMENTS

Seabank Power did not hold investments in any other entity in any of the three years ended 31st December, 2007, 2008 and 2009, nor does it not have any plans to make material investments in other entities or capital assets in the year to 31st December, 2010.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE BOARD OF DIRECTORS OF
CHEUNG KONG INFRASTRUCTURE HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of Cheung Kong Infrastructure Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisition of 50% of the issued share capital of Seabank Power Limited (the "Target Company") from the vendor and the vendor's interest in the shareholder loan to the Target Company might have affected the financial information presented, for inclusion in Appendix IV of the circular dated 30th June, 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 62 to the Circular.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND
REPORTING ACCOUNTANTS**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31st December, 2009 or any future date.

OPINION

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group so far as such policies relate to the transaction; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th June, 2010

UNAUDITED PRO FORMA NET ASSET STATEMENT OF THE ENLARGED GROUP

The following is a summary of the unaudited pro forma net asset statement of the Enlarged Group, assuming that the Acquisition had been completed as at 31st December, 2009 for the purposes of illustrating how the Acquisition might have affected the financial position of the Group. At the date of the Share Sale Agreement in relation to the Acquisition, the Group intended to sell part of the Group's effective interest in Seabank Power to HEH. On 4th June, 2010, the Company and HEH entered into the Disposal Agreement, pursuant to which HEH will acquire the entire issued share capital of Superb Year, which has an indirect interest in 25% of Seabank Power. The Disposal was completed on 10th June, 2010. As a result, each of the Group and HEH is now an indirect beneficial owner of 25% interest in Seabank Power.

The following unaudited pro forma net asset statement of the Enlarged Group has been prepared based on the audited statement of financial position of the Group as at 31st December, 2009, incorporated with pro forma adjustment based on the amounts payable by the Group had the completion of the Acquisition taken place on 31st December, 2009. The purchase price is assumed to have been paid fully on 31st December, 2009 (translated at the rate of GBP1.00: HK\$11.65 determined based on the exchange rate on 24th June, 2010) by the Group without taking into consideration the effect of the completion of the Disposal.

The unaudited pro forma net asset statement is prepared to provide financial information on the Group as if the Acquisition had been completed as at 31st December, 2009. As it is prepared for illustrative purposes only, it may not purport to represent what the financial position of the Group shall be on the actual completion of the Acquisition.

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

UNAUDITED PRO FORMA NET ASSET STATEMENT OF THE ENLARGED GROUP

| <i>HK\$ Million</i> | The Group <i>(Note 1)</i> | Pro forma adjustments <i>(Notes 2(a) & (b))</i> | The Enlarged Group |
|--|---|---|-----------------------------------|
| Property, plant and equipment | 1,048 | | 1,048 |
| Investment properties | 174 | | 174 |
| Leasehold land | 272 | | 272 |
| Interests in associates | 33,259 | 1,233 | 34,492 |
| Interests in jointly controlled entities | 603 | | 603 |
| Investments in securities | 4,459 | | 4,459 |
| Goodwill | 158 | | 158 |
| Deferred tax assets | 7 | | 7 |
| Other non-current assets | 1 | | 1 |
| Total non-current assets | 39,981 | 1,233 | 41,214 |
| Inventories | 170 | | 170 |
| Derivative financial instruments | 414 | | 414 |
| Debtors and prepayments | 478 | | 478 |
| Pledged bank deposit | 1,430 | | 1,430 |
| Bank balances and deposits | 9,306 | (2,466) | 6,840 |
| Total current assets | 11,798 | (2,466) | 9,332 |
| Non-current assets held for sale | – | 1,233 | 1,233 |
| | 11,798 | (1,233) | 10,565 |
| Bank and other loans | 1,809 | | 1,809 |
| Derivative financial instruments | 29 | | 29 |
| Creditors and accruals | 1,238 | | 1,238 |
| Taxation | 96 | | 96 |
| Total current liabilities | 3,172 | – | 3,172 |
| Net current assets | 8,626 | (1,233) | 7,393 |
| Total assets less current liabilities | 48,607 | – | 48,607 |
| Bank and other loans | 6,062 | | 6,062 |
| Deferred tax liabilities | 224 | | 224 |
| Other non-current liabilities | 34 | | 34 |
| Total non-current liabilities | 6,320 | – | 6,320 |
| Net assets | 42,287 | – | 42,287 |

**NOTES TO THE UNAUDITED PRO FORMA NET ASSET STATEMENT OF THE
ENLARGED GROUP**

1. The net asset statement of the Group are extracted from the audited consolidated statement of financial position of the Group as at 31st December, 2009 as included in the published annual report of the Group for the year ended 31st December, 2009.
2. The pro forma adjustments represent the followings:
 - (a) payment of GBP211.7 million (approximately HK\$2,466 million using an exchange rate of GBP1.00: HK\$11.65) representing the purchase price of the Acquisition; and
 - (b) acquisition of 50% equity interest in Seabank Power and the Shareholder Loan based on the circumstances that ultimately half of the Group's equity interest in Seabank Power and interest under the Shareholder Loan will be disposed of to HEH and the Group's equity interest in Seabank Power will be changed from 50% to 25%. Accordingly, half of the consideration paid for the acquisition of the 50% equity interest in Seabank Power and the Shareholder Loan is recognised as "interests in associates" and the remaining half of the consideration is classified as "non-current assets held for sale", representing the subject part of intended Disposal.

Apart from those mentioned in note 2 above, no adjustment has been made to reflect any operating results or other transactions of the Group and of Seabank Power entered into subsequent to 31st December, 2009.

The information set out in items 3 and 4 below is to set out the additional information related to the Acquisition and does not constitute pro forma adjustments.

3. To facilitate the Acquisition, the Company set up Superb Year and another wholly-owned subsidiary and each of them subsequently owns indirectly 25% equity interest in Seabank Power.
4. The Acquisition was completed on 28th May, 2010. The Purchaser paid the consideration of GBP211.7 million (approximately HK\$2,466 million using an exchange rate of GBP1.00: HK\$11.65) which was funded by internal resources of the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(1) Long Positions in Shares

| Name of Company | Name of Director | Capacity | Number of Ordinary Shares | | | | Total | Approximate % of Shareholding |
|---------------------------|-------------------------|--|---------------------------|------------------|---------------------|------------------------|---------------|-------------------------------|
| | | | Personal Interests | Family Interests | Corporate Interests | Other Interests | | |
| Company | Li Tzar Kuoi, Victor | Beneficiary of trusts | - | - | - | 1,912,109,945 (Note 1) | 1,912,109,945 | 84.82% |
| | Kam Hing Lam | Beneficial owner | 100,000 | - | - | - | 100,000 | 0.004% |
| Hutchison Whampoa Limited | Li Tzar Kuoi, Victor | Interest of controlled corporations & beneficiary of trusts | - | - | 1,086,770 (Note 3) | 2,141,698,773 (Note 2) | 2,142,785,543 | 50.26% |
| | Kam Hing Lam | Beneficial owner & interest of child or spouse | 60,000 | 40,000 | - | - | 100,000 | 0.002% |
| | Fok Kin Ning, Canning | Interest of controlled corporation | - | - | 4,810,875 (Note 5) | - | 4,810,875 | 0.11% |
| | Chow Woo Mo Fong, Susan | Beneficial owner | 150,000 | - | - | - | 150,000 | 0.003% |
| | Frank John Sixt | Beneficial owner | 50,000 | - | - | - | 50,000 | 0.001% |
| | Lan Hong Tsung, David | Beneficial owner | 20,000 | - | - | - | 20,000 | 0.0004% |
| | Lee Pui Ling, Angelina | Beneficial owner | 38,500 | - | - | - | 38,500 | 0.0009% |
| | George Colin Magnus | Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust | 40,000 | 9,900 | - | 950,100 (Note 6) | 1,000,000 | 0.02% |
| | Man Ka Keung, Simon | Beneficial owner & interest of child or spouse | 2,770 (Note 7) | 2,770 (Note 7) | - | - | 2,770 | 0.00006% |

(1) Long Positions in Shares (Cont'd)

| Name of Company | Name of Director | Capacity | Number of Ordinary Shares | | | | Total | Approximate % of Shareholding |
|---|-------------------------|---|---------------------------|------------------|---------------------|------------------------|---------------|-------------------------------|
| | | | Personal Interests | Family Interests | Corporate Interests | Other Interests | | |
| Hongkong Electric Holdings Limited | Li Tzar Kuoi, Victor | Interest of child or spouse & beneficiary of trusts | - | 151,000 | - | 829,599,612 (Note 4) | 829,750,612 | 38.87% |
| | Lee Pui Ling, Angelina | Beneficial owner | 8,800 | - | - | - | 8,800 | 0.0004% |
| Hutchison Harbour Ring Limited | Fok Kin Ning, Canning | Interest of controlled corporation | - | - | 5,000,000 (Note 5) | - | 5,000,000 | 0.05% |
| Hutchison Telecommunications (Australia) Limited | Fok Kin Ning, Canning | Beneficial owner & interest of controlled corporation | 4,100,000 | - | 1,000,000 (Note 5) | - | 5,100,000 | 0.037% |
| | Frank John Sixt | Beneficial owner | 1,000,000 | - | - | - | 1,000,000 | 0.007% |
| Hutchison Telecommunications Hong Kong Holdings Limited | Li Tzar Kuoi, Victor | Interest of controlled corporations & beneficiary of trusts | - | - | 2,519,250 (Note 3) | 3,162,810,120 (Note 8) | 3,165,329,370 | 65.74% |
| | Fok Kin Ning, Canning | Interest of controlled corporation | - | - | 1,202,380 (Note 5) | - | 1,202,380 | 0.025% |
| | Chow Woo Mo Fong, Susan | Beneficial owner | 250,000 | - | - | - | 250,000 | 0.005% |
| | George Colin Magnus | Beneficial owner & interest of child or spouse | 13,201 | 132 | - | - | 13,333 | 0.0003% |

(2) Long Positions in Underlying Shares

| Name of Company | Name of Director | Capacity | Number of Underlying Shares | | | | Total |
|---|------------------|------------------|-----------------------------|------------------|---------------------|-----------------|---------|
| | | | Personal Interests | Family Interests | Corporate Interests | Other Interests | |
| Hutchison Telecommunications Hong Kong Holdings Limited | Frank John Sixt | Beneficial owner | 255,000 (Note 9) | - | - | - | 255,000 |

(3) Long Positions in Debentures

| Name of Company | Name of Director | Capacity | Amount of Debentures | | | | Total |
|---|-----------------------|--|---|---|---|-----------------|---|
| | | | Personal Interests | Family Interests | Corporate Interests | Other Interests | |
| Hutchison Whampoa International (03/13) Limited | Li Tzar Kuoi, Victor | Interest of controlled corporation | - | - | US\$10,208,000 6.5% Notes due 2013 (Note 3) | - | US\$10,208,000 6.5% Notes due 2013 |
| | Fok Kin Ning, Canning | Interest of controlled corporation | - | - | US\$1,216,000 6.5% Notes due 2013 (Note 5) | - | US\$1,216,000 6.5% Notes due 2013 |
| | Man Ka Keung, Simon | Beneficial owner & interest of child or spouse | US\$100,000 6.5% Notes due 2013 (Note 7) | US\$100,000 6.5% Notes due 2013 (Note 7) | - | - | US\$100,000 6.5% Notes due 2013 |
| Hutchison Whampoa International (03/33) Limited | Man Ka Keung, Simon | Beneficial owner & interest of child or spouse | US\$200,000 6.25% Notes due 2014 (Note 7) | US\$200,000 6.25% Notes due 2014 (Note 7) | - | - | US\$200,000 6.25% Notes due 2014 |
| Hutchison Whampoa Finance (CI) Limited | Man Ka Keung, Simon | Beneficial owner & interest of child or spouse | US\$100,000 7.45% Notes due 2017 (Note 7) | US\$100,000 7.45% Notes due 2017 (Note 7) | - | - | US\$100,000 7.45% Notes due 2017 |
| Hutchison Whampoa International (09) Limited | Li Tzar Kuoi, Victor | Interest of controlled corporation | - | - | US\$45,792,000 7.625% Notes due 2019 (Note 3) | - | US\$45,792,000 7.625% Notes due 2019 |
| | Fok Kin Ning, Canning | Interest of controlled corporation | - | - | US\$4,000,000 7.625% Notes due 2019 (Note 5) | - | US\$4,000,000 7.625% Notes due 2019 |
| Hutchison Whampoa International (09/19) Limited | Fok Kin Ning, Canning | Interest of controlled corporation | - | - | US\$4,000,000 5.75% Notes due 2019 (Note 5) | - | US\$4,000,000 5.75% Notes due 2019 |

Notes:

- The 1,912,109,945 shares in the Company comprise 1,906,681,945 shares held by a subsidiary of Hutchison Whampoa Limited (“HWL”) and 5,428,000 shares held by Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of The Li Ka-Shing Unity Trust (“UT1”).

The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and another discretionary trust (“DT2”) are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”, which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”, which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. TUT1 as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings (“TUT1 related companies”) hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“CKH”). Certain subsidiaries of CKH in turn together hold more than one-third of the issued share capital of HWL.

Notes (Cont'd):

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the above and as a discretionary beneficiary of each of DT1 and DT2 and as a director of CKH, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies, the shares of HWL held by the subsidiaries of CKH and the shares of the Company held by each of the subsidiary of HWL and TUT1 as trustee of UT1 under the SFO as a Director of the Company. Although Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of CKH and has no duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.

2. The 2,141,698,773 shares in HWL comprise:

- (a) 2,130,202,773 shares held by certain subsidiaries of CKH. By virtue of the interests in shares of CKH in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH as described in Note 1 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL under the SFO; and
- (b) 11,496,000 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"). The discretionary beneficiaries of each of the two discretionary trusts ("DT3" and "DT4") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of the trustees of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust.

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of HWL by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of HWL independently without any reference to Castle Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Castle Holdco as aforesaid.

By virtue of the above and as a discretionary beneficiary of each of DT3 and DT4 and as a director of HWL, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HWL held by TUT3 as trustee of UT3 under the SFO as a Director of the Company. Although Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco and is a discretionary beneficiary of each of DT3 and DT4, he is not a Director of the Company and has no duty of disclosure in relation to the shares of HWL held by TUT3 as trustee of UT3 under the SFO.

3. Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is interested in the entire issued share capital.
4. By virtue of being a Director of the Company and his deemed interest in those shares of the Company as described in Note 1 above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to those shares of Hongkong Electric Holdings Limited held through the Company under the SFO.
5. These interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.
6. Such interests are indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.
7. Such interests are jointly held by Mr. Man Ka Keung, Simon and his wife.

Notes (Cont'd):

8. Such shares of Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”) comprise:
 - (a) 3,162,656,840 ordinary shares of which 52,092,587 ordinary shares and 3,110,564,253 ordinary shares are held by certain wholly-owned subsidiaries of CKH and HWL respectively. By virtue of the interests in the shares of CKH and HWL in relation to which Mr. Li Tzar Kuoi, Victor has a duty of disclosure under the SFO in the issued share capital of CKH and HWL as described in Notes 1 and 2 above and as a Director of the Company, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of HTHKH under the SFO; and
 - (b) 153,280 ordinary shares held by TUT3 as trustee of UT3. Mr. Li Tzar Kuoi, Victor as a Director of the Company, by virtue of being a discretionary beneficiary of each of DT3 and DT4 and his deemed interests in TUT3 as trustee of UT3 as described in Note 2(b) above, is taken to have a duty of disclosure in relation to the said shares of HTHKH under the SFO.
9. Such underlying shares are derived from the 17,000 American Depository Shares (each representing 15 ordinary shares) in HTHKH beneficially owned by Mr. Frank John Sixt.

Mr. Li Tzar Kuoi, Victor, by virtue of being a Director of the Company and his interests in the share capital of the Company as a discretionary beneficiary of certain discretionary trusts as described in Note 1 above, is deemed to be interested in those securities of subsidiaries and associated companies of the Company held through the Company and in those securities of the subsidiaries of HWL held through HWL under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests and short positions of Shareholders

So far as is known to any Director or chief executive of the Company, as at Latest Practicable Date, Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(b) Interests and short positions of Shareholders (Cont'd)**Long Positions of Substantial Shareholders in the Shares of the Company**

| Name | Capacity | Number of Ordinary Shares | Total | Approximate % of Shareholding |
|---|-------------------------------------|-----------------------------|---------------|-------------------------------|
| Hutchison Infrastructure Holdings Limited | Beneficial owner | 1,906,681,945 (Note i) | 1,906,681,945 | 84.58% |
| Hutchison International Limited | Interest of controlled corporation | 1,906,681,945 (Note ii) | 1,906,681,945 | 84.58% |
| Hutchison Whampoa Limited | Interest of controlled corporations | 1,906,681,945 (Note ii) | 1,906,681,945 | 84.58% |
| Cheung Kong (Holdings) Limited | Interest of controlled corporations | 1,906,681,945 (Note iii) | 1,906,681,945 | 84.58% |
| Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust | Trustee | 1,912,109,945 (Note iv) | 1,912,109,945 | 84.82% |
| Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust | Trustee & beneficiary of a trust | 1,912,109,945 (Note v) | 1,912,109,945 | 84.82% |
| Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust | Trustee & beneficiary of a trust | 1,912,109,945 (Note v) | 1,912,109,945 | 84.82% |
| Li Ka-shing | Founder of discretionary trusts | 1,912,109,945 (Note v) | 1,912,109,945 | 84.82% |

Notes:

- i. 1,906,681,945 shares of the Company are held by Hutchison Infrastructure Holdings Limited, a subsidiary of HWL. Its interests are duplicated in the interests of HWL in the Company described in Note ii below.
- ii. HWL is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note i above as it holds more than one-third of the issued share capital of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited.
- iii. CKH is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note ii above as certain subsidiaries of CKH hold more than one-third of the issued share capital of HWL.
- iv. TUT1 as trustee of UT1 is deemed to be interested in those shares of the Company described in Note iii above as TUT1 as trustee of UT1 and TUT1 related companies hold more than one-third of the issued share capital of CKH and TUT1 as trustee of UT1 holds 5,428,000 shares of the Company.
- v. By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each DT1 and DT2 for the purpose of the SFO, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is deemed to be interested in the same block of shares TUT1 as trustee of UT1 is deemed to be interested in as referred to in Note iv above as all issued and outstanding units in UT1 are held by TDT1 as trustee of DT1 and by TDT2 as trustee of DT2. More than one-third of the issued share capital of TUT1 and of the trustees of the said discretionary trusts are owned by Unity Holdco. Mr. Li Ka-shing owns one-third of the issued share capital of Unity Holdco.

(c) Interests of substantial shareholders in other members of the Group

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following shareholders were interested in 10% or more of the equity interests of the following subsidiaries of the Company:

| Name of Subsidiary | Name of Shareholder | No. and Class of Shares Held | % of Shareholding | |
|--|---|------------------------------|-------------------|------------|
| | | | Directly | Indirectly |
| China Cement Company (International) Limited | Bell Investment Limited | 300,000 Ordinary | 30% | – |
| Guangdong GITIC Green Island Cement Co. Limited (廣東廣信青洲水泥有限公司) | Bell Investment Limited | N/A | – | 28.5% |
| Tangshan Tangle Road Co., Ltd. | 唐山市交通開發總公司 (Tangshan City Transportation Development Company*) | N/A | 49% | – |
| Zhumadian Gangma Road Development Co., Ltd. | 駐馬店市公路工程開發公司 (Zhumadian City Highway Construction Development Company*) | N/A | 34% | – |
| Zhumadian Gangyi Road Development Co., Ltd. | 駐馬店市公路工程開發公司 (Zhumadian City Highway Construction Development Company*) | N/A | 34% | – |

* Name translated for reference purposes only in this circular

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

3. COMPETING INTERESTS

As at the Latest Practicable Date, the interests of Directors or their respective associates (as defined in the Listing Rules) in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the “Competing Business”) as required to be disclosed pursuant to the Listing Rules were as follows:

(a) Core Business Activities of the Group

- (1) Development, investment and operation of energy infrastructure;
- (2) Development, investment and operation of transportation infrastructure;
- (3) Development, investment and operation of water infrastructure;
- (4) Development, investment and operation and commercialisation of infrastructure related business;
- (5) Investment holding and project management;
- (6) Securities investment; and
- (7) Information technology, e-commerce and new technology.

(b) Interests in Competing Business

| Name of Director | Name of Company | Nature of Interest | Competing Business (Note) |
|-------------------------|---|---|------------------------------|
| Li Tzar Kuoi, Victor | Cheung Kong (Holdings) Limited | Managing Director and Deputy Chairman | (5), (6) & (7) |
| | Hutchison Whampoa Limited | Deputy Chairman | (1), (5), (6) & (7) |
| | Hongkong Electric Holdings Limited | Executive Director | (1), (5), (6) & (7) |
| | CK Life Sciences Int'l., (Holdings) Inc. | Chairman | (3), (6) & (7) |
| Kam Hing Lam | Cheung Kong (Holdings) Limited | Deputy Managing Director | (5), (6) & (7) |
| | Hutchison Whampoa Limited | Executive Director | (1), (5), (6) & (7) |
| | Hongkong Electric Holdings Limited | Executive Director | (1), (5), (6) & (7) |
| | CK Life Sciences Int'l., (Holdings) Inc. | President and Chief Executive Officer | (3), (6) & (7) |
| Ip Tak Chuen, Edmond | Cheung Kong (Holdings) Limited | Deputy Managing Director | (5), (6) & (7) |
| | CK Life Sciences Int'l., (Holdings) Inc. | Senior Vice President and Chief Investment Officer | (3), (6) & (7) |
| | TOM Group Limited | Non-executive Director | (5), (6) & (7) |
| | AVIC International Holding (HK) Limited | Non-executive Director | (1), (5) & (6) |
| | Excel Technology International Holdings Limited | Non-executive Director | (5), (6) & (7) |
| | Shougang Concord International Enterprises Company Limited | Non-executive Director | (5) & (6) |
| | ARA Asset Management Limited | Non-executive Director | (5) & (6) |
| Fok Kin Ning, Canning | Cheung Kong (Holdings) Limited | Non-executive Director | (5), (6) & (7) |
| | Hutchison Whampoa Limited | Group Managing Director | (1), (5), (6) & (7) |
| | Hongkong Electric Holdings Limited | Chairman | (1), (5), (6) & (7) |
| | Hutchison Harbour Ring Limited | Chairman | (7) |
| | Hutchison Telecommunications Hong Kong Holdings Limited | Chairman | (7) |
| Andrew John Hunter | Hongkong Electric Holdings Limited | Executive Director | (1), (5), (6) & (7) |
| | Spark Infrastructure Group | Non-executive Director | (1) & (5) |
| Chow Woo Mo Fong, Susan | Hutchison Whampoa Limited | Deputy Group Managing Director | (1), (5), (6) & (7) |
| | Hongkong Electric Holdings Limited | Executive Director and Alternate Director | (1), (5), (6) & (7) |
| | TOM Group Limited | Non-executive Director | (5), (6) & (7) |
| | Hutchison Harbour Ring Limited | Executive Director | (7) |
| | Hutchison Telecommunications Hong Kong Holdings Limited | Non-executive Director | (7) |
| Frank John Sixt | Cheung Kong (Holdings) Limited | Non-executive Director | (5), (6) & (7) |
| | Hutchison Whampoa Limited | Group Finance Director | (1), (5), (6) & (7) |
| | Hongkong Electric Holdings Limited | Executive Director | (1), (5), (6) & (7) |
| | TOM Group Limited | Non-executive Chairman | (5), (6) & (7) |
| | Hutchison Telecommunications Hong Kong Holdings Limited | Non-executive Director | (7) |

(b) Interests in Competing Business (Cont'd)

| Name of Director | Name of Company | Nature of Interest | Competing Business (Note) |
|------------------------|------------------------------------|-------------------------|------------------------------|
| Tso Kai Sum | Hongkong Electric Holdings Limited | Group Managing Director | (1), (5), (6) & (7) |
| Lee Pui Ling, Angelina | TOM Group Limited | Non-executive Director | (5), (6) & (7) |
| George Colin Magnus | Cheung Kong (Holdings) Limited | Non-executive Director | (5), (6) & (7) |
| | Hutchison Whampoa Limited | Non-executive Director | (1), (5), (6) & (7) |
| | Hongkong Electric Holdings Limited | Non-executive Director | (1), (5), (6) & (7) |

Note: Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS

- (a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31st December, 2009, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.

5. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

Within the two years immediately preceding the Latest Practicable Date, the Group has not entered into any contracts, not being contracts entered into in the ordinary course of business, which are or may be material.

7. NO MATERIAL ADVERSE CHANGE

The Company is a diversified infrastructure investment company with businesses in Hong Kong, the Mainland, Australia, New Zealand, the United Kingdom, Canada and the Philippines, and is exposed to potential currency fluctuations in these countries and places in which the Group operate. The results of the Group are recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's financial position or potential income, asset value and liabilities, but the Group confirms that it has not entered into any speculative derivative transaction and generally hedging arrangements are in place for overseas investments as appropriate.

Save as aforesaid, the Directors believe there has been no material adverse change in the financial or trading position of the Group since 31st December, 2009, being the date to which the latest published audited accounts of the Company have been made up.

8. EXPERTS AND CONSENT

- (a) The following are the qualifications of the experts who have given their opinions or advice which are contained or referred to in this circular:

| Name | Qualifications |
|--------------------------|------------------------------|
| Deloitte Touche Tohmatsu | Certified Public Accountants |
| PWC UK | Chartered Accountants |

- (b) As at the Latest Practicable Date, Deloitte Touche Tohmatsu and PWC UK did not have any shareholding in any shares of the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (c) As at the Latest Practicable Date, Deloitte Touche Tohmatsu and PWC UK did not have any direct or indirect interest in any assets which had been, since 31st December, 2009, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) Deloitte Touche Tohmatsu and PWC UK have given and have not withdrawn their written consents to inclusion of their letters dated 30th June, 2010 in this circular and the references to their names included herein in the form and context in which they respectively appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong on weekdays (Saturdays and public holidays excepted) up to and including 14th July, 2010:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the audited financial statements of the Group for the last two financial years ended 31st December, 2009;
- (c) the accountants' report from PWC UK on Seabank Power as set out in Appendix II to this circular, together with the statement of adjustment for the years ended 31st December, 2007, 2008 and 2009;
- (d) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Enlarged Group following the Acquisition as set out in Appendix IV to this circular;
- (e) a copy of each circular published pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited consolidated accounts of the Group; and
- (f) the written consents from Deloitte Touche Tohmatsu and PWC UK referred to in paragraph 8(d) of this Appendix.

10. MISCELLANEOUS

- (a) 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.
- (b) The company secretary of the Company is Ms. Eirene Yeung. She is a solicitor of the High Court of the Hong Kong Special Administrative Region and of the Supreme Court of Judicature in England and Wales, and she holds a Master of Science degree in Finance, a Master's degree in Business Administration and a Bachelor's degree in Laws.
- (c) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda. The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

This circular (in both English and Chinese versions) (“Circular”) has been posted on the Company’s website at <http://www.cki.com.hk>. Shareholders who have chosen (or are deemed to have consented) to read the Company’s corporate communications (including but not limited to the Circular) published on the Company’s website in place of receiving printed copies thereof may request the printed copy of the Circular in writing to the Company c/o the Company’s Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong or by email to cki.ecom@computershare.com.hk.

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company’s website and who for any reason have difficulty in receiving or gaining access to the Circular posted on the Company’s website will upon request in writing to the Company c/o the Company’s Branch Share Registrar or by email to cki.ecom@computershare.com.hk promptly be sent the Circular in printed form free of charge.

Shareholders may at any time choose to change your choice as to the means of receipt (i.e. in printed form or by electronic means through the Company’s website) and/or the language of the Company’s corporate communications by reasonable prior notice in writing to the Company c/o the Company’s Branch Share Registrar or sending a notice to cki.ecom@computershare.com.hk.

Shareholders who have chosen to receive printed copy of the corporate communications in either English or Chinese version will receive both English and Chinese versions of this Circular since both languages are bound together into one booklet.