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**CHEUNG KONG INFRASTRUCTURE  
HOLDINGS LIMITED**

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

**MAJOR TRANSACTION  
DISPOSAL OF 50% INTEREST  
IN A SUBSIDIARY**



**HONGKONG ELECTRIC  
HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*  
**(Stock code: 0006)**

**CONNECTED TRANSACTION  
ACQUISITION OF 50% INTEREST IN A  
SUBSIDIARY OF CHEUNG KONG  
INFRASTRUCTURE HOLDINGS  
LIMITED**

Reference is made to the Announcement. On 16th May, 2008, CKI and HEH entered into the Agreement pursuant to which CKI agreed to procure the sale to HEH or its nominee or wholly-owned subsidiary of, and HEH agreed to purchase or procure its nominee or wholly-owned subsidiary to purchase, the Sale Shares pursuant to the terms of the Agreement.

Immediately following Completion, each of CKI (through its wholly-owned subsidiary) and HEH (itself or through its nominee or wholly-owned subsidiary) will be the beneficial owner of 50% of the entire issued share capital of HoldCo. CKI will use its best endeavours to procure the transfer of the entire issued share capital of WEDN to HoldCo prior to Completion. As mentioned in the Announcement, CKI and WEDN entered into the Sale and Purchase Agreement on 28th April, 2008 with VMDS and Vector in respect of the Acquisition. Subsequently, Vector and VWE Network have entered into the Network Acquisition Agreement.

The Transaction constitutes a major transaction for CKI under the Listing Rules. A circular containing, among other things, information relating to the Agreement and the Transaction will be despatched to the shareholders of CKI in accordance with the relevant requirements of the Listing Rules.

Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. As no shareholder of CKI has a material interest in the Transaction and therefore no shareholder of CKI is required to abstain from voting if CKI were to convene a general meeting for approving the Transaction, and as CKI has obtained a written approval of the Transaction from Hutchison Infrastructure Holdings Limited (which currently holds 1,906,681,945 shares in CKI, representing approximately 84.58% of the issued share capital of CKI), pursuant to Rule 14.44 of the Listing Rules, there is no need for CKI to convene a general meeting for approving the Transaction.

CKI is a controlling shareholder of HEH and is accordingly a connected person of HEH. The Transaction therefore constitutes a connected transaction for HEH under the Listing Rules, and is conditional upon approval by the HEH Independent Shareholders at the HEH EGM. CKI and its associates will abstain from voting at the HEH EGM.

The HEH Independent Board Committee will be formed to advise the HEH Independent Shareholders in respect of the Transaction. HEH will appoint an independent financial adviser to advise the HEH Independent Board Committee and the HEH Independent Shareholders in respect of the Transaction. A circular containing, among other things, (i) information relating to the Agreement and the Transaction; (ii) a letter from the HEH Independent Board Committee to the HEH Independent Shareholders; and (iii) a letter from the independent financial adviser to the HEH Independent Board Committee and the HEH Independent Shareholders will be despatched to the shareholders of HEH in accordance with the relevant requirements of the Listing Rules.

Reference is made to the Announcement.

## **THE AGREEMENT**

### **Date**

16th May, 2008 (after trading hours)

### **Parties**

- (1) CKI
- (2) HEH

CKI currently holds approximately 38.87% of the issued share capital of HEH. By virtue of such shareholding interest, CKI is a controlling shareholder of HEH and is accordingly a connected person of HEH. The Transaction therefore constitutes a connected transaction for HEH under the Listing Rules. To the best of the knowledge, information and belief of the directors of CKI having made all reasonable enquiries, HEH is not a connected person of CKI.

### **Subject of the Transaction**

Pursuant to the Agreement, among other things, CKI agreed to procure the sale to HEH or its nominee or wholly-owned subsidiary of, and HEH agreed to purchase or procure its nominee or wholly-owned subsidiary to purchase, the Sale Shares free from all encumbrances and together with all rights attaching thereto on or after Completion.

### **Conditions**

Completion of the Transaction is conditional upon:

- (a) the shareholders of HEH who are qualified to vote at the HEH EGM approving the purchase by HEH (or its nominee or wholly-owned subsidiary) from CKI of the Sale Shares and the related transactions and matters contemplated under the Agreement as required under the Listing Rules;
- (b) the receipt by CKI of its shareholders' approval in writing approving the sale by CKI to HEH (or its nominee or wholly-owned subsidiary) of the Sale Shares and the related transactions and matters contemplated under the Agreement as required under the Listing Rules; and
- (c) HoldCo becoming the sole registered and beneficial shareholder of WEDN.

If the conditions mentioned in (a) and (b) above have not been satisfied and the condition mentioned in (c) above has not been satisfied by CKI or waived by HEH before 1st October, 2008 (or such later date as agreed by CKI and HEH), then the Agreement shall lapse and the Transaction will not proceed.

HEH may waive the condition mentioned in (c) above on the condition that the payment of the amount stated in (b) in the paragraph headed "Consideration" below and any payment required to be made by HEH for funding the Purchase Price as mentioned in the paragraph headed "Consideration" below shall be postponed accordingly for a period equivalent to the number of Business Days between Completion and the date on which HoldCo shall become the sole registered and beneficial shareholder of WEDN.

Completion shall take place on the next Business Day after the fulfillment or waiver of all the conditions mentioned above or such other date as agreed by CKI and HEH.

### **Consideration**

The consideration for the Sale Shares shall be an amount equivalent to:

- (a) NZ\$50 (approximately HK\$297.7), being 50% of the Initial Capital;
- plus*
- (b) 50% of the transaction costs and expenses incurred by CKI for the transactions contemplated under the Sale and Purchase Agreement (such transaction costs and expenses being estimated to be approximately NZ\$10.5 million (approximately HK\$62.5 million) as at the date of this announcement), but excluding any costs or expenses as may be paid with the Initial Capital.

Under the Sale and Purchase Agreement, WEDN shall pay the Purchase Price to VMDS at completion of the Acquisition. Subject to Completion, CKI and HEH agreed to fund the Purchase Price on a 50/50 basis to the extent it is not to be met by the Initial Capital and the amount to be drawn under the Facility. Such amount will be contributed by HEH by way of loans and/or equity to WEDN, HoldCo or AdvanCo or if CKI has made the payment of the Purchase Price prior to Completion, HEH will re-imburse 50% of such payment to CKI and the consideration payable by HEH to CKI will be increased accordingly.

The consideration for the Sale Shares shall be satisfied and paid by HEH or its nominee or wholly-owned subsidiary in cash in the following manner:

- On Completion, HEH shall pay or procure payment by its nominee or wholly-owned subsidiary, as purchaser of the Sale Shares, to CKI (or as CKI may direct) of the amount stated in paragraph (a) above.
- Notwithstanding Completion having taken place, HEH agrees and undertakes to pay or procure payment by its nominee or wholly-owned subsidiary to such parties as CKI may direct, the amount stated in paragraph (b) above upon notice by CKI within a reasonable period after the completion of the Sale and Purchase Agreement.

The consideration for the Sale Shares was determined after arm's length negotiations between CKI and HEH on normal commercial terms. The consideration of the Transaction will be funded by HEH's internal resources and external financings in such proportions to be further determined.

### **Undertakings**

CKI has undertaken to inject (or procure the injection of) the Initial Capital into HoldCo prior to Completion.

With effect from Completion, HEH shall, or shall procure its nominee or wholly-owned subsidiary to, contribute and assume 50% of all the liabilities, indemnities, undertakings and obligations of CKI under and in relation to the Letter of Credit and the LC Facility Letter when the Letter of Credit is presented and settled.

HEH agreed to assume on Completion the guarantee in respect of the Facility to the extent of 50% of the amount to be drawn under the Facility on a several basis in such form and content as required by the relevant lenders for the purpose of facilitating the release by the lenders of 50% of CKI's liability under CKI's guarantee in relation to the Facility or under CKI's agreement or undertaking to provide such guarantee.

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

HoldCo was incorporated on 6th May, 2008 pursuant to the laws of Bahamas. HoldCo is currently an indirect wholly-owned subsidiary of CKI and has not commenced any operation or business activities since then.

WEDN is an indirect wholly-owned subsidiary of CKI and is a dormant company as at the date of this announcement save and except that it has entered into the Sale and Purchase Agreement on 28th April, 2008.

VWE Network and VWE Management were incorporated on 9th September, 2003 and 27th March, 2008 respectively. Since their respective incorporation dates up to the date of this announcement, they have not commenced any operation or business activities save and except the entering into of the Network Acquisition Agreement by VWE Network.

As mentioned in the Announcement, CKI and WEDN entered into the Sale and Purchase Agreement on 28th April, 2008 with VMDS and Vector in respect of the Acquisition. Subsequently, Vector and VWE Network have entered into the Network Acquisition Agreement.

Immediately following Completion, each of CKI (through its wholly-owned subsidiary) and HEH (itself or through its nominee or wholly-owned subsidiary) will be the beneficial owner of 50% of the entire issued share capital of HoldCo. CKI will use its best endeavours to procure the transfer of the entire issued share capital of WEDN to HoldCo. Upon Completion (provided that the entire issued share capital of WEDN has been transferred to HoldCo prior to Completion), HoldCo and WEDN will cease to be subsidiaries of CKI. Pursuant to the Agreement, each of CKI and HEH will nominate an equal number of representatives to be appointed as directors of HoldCo and WEDN upon Completion. It is intended that CKI will equity account for the results of HoldCo and WEDN as “interests in associates” immediately following Completion.

It is intended that HEH will account for the results of HoldCo and WEDN as “interests in associates” immediately following Completion. The results and assets of HoldCo and WEDN will be equity accounted for in the HEH Group’s financial statements.

The Wellington Network comprises electricity network assets which form part of Vector’s electricity lines business in the Wellington, Porirua and Hutt Valley regions in New Zealand, having a system length of over 4,592km. The Wellington Network currently distributes electricity to residential, commercial and industrial customers in the region.

The unaudited net book value of the Wellington Network on the proforma basis as at 30th June, 2007 is approximately NZ\$463.9 million (approximately HK\$2,761.9 million). The unaudited net profits before interest and tax attributable to the Wellington Network on the proforma basis for the year ended 30th June, 2006 and the year ended 30th June, 2007 were approximately NZ\$85.6 million (approximately HK\$509.6 million) and approximately NZ\$86.1 million (approximately HK\$512.6 million) respectively. The unaudited net profits after interest and tax attributable to the Wellington Network on the proforma basis for the year ended 30th June, 2006 and the year ended 30th June, 2007 were approximately NZ\$56.0 million (approximately HK\$333.4 million) and approximately NZ\$55.9 million (approximately HK\$332.8 million) respectively.

## **INFORMATION ON THE CKI GROUP**

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

## **REASONS FOR THE TRANSACTION TO CKI**

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

CKI and HEH have worked together on a number of joint venture projects in the past and their previous experience of working together successfully made HEH the most suitable entity to participate in the investment in the Wellington Network. CKI therefore considers that, subject to Completion (provided that the entire issued share capital of WEDN has been transferred to HoldCo prior to Completion) and completion of the Sale and Purchase Agreement and the Network Acquisition Agreement, the Transaction will allow CKI to retain a significant attributable interest in the Wellington Network and to benefit from the co-operation with HEH in this project.

It is expected that as a result of the Transaction, CKI's guarantee of the Facility will be reduced to 50% of the amounts owing thereunder. CKI does not expect there will be any significant net proceeds from the Transaction after taking into account the cost of the investment in the Wellington Network.

It is expected that no gain or loss will accrue to CKI as a result of the Transaction.

The directors (including Independent Non-executive Directors) of CKI consider that the terms of the Agreement are on normal commercial terms and the Transaction is in the ordinary and usual course of CKI's business and fair and reasonable and in the interests of CKI and its shareholders as a whole.

## **INFORMATION ON THE HEH GROUP**

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

## **REASONS FOR THE TRANSACTION TO HEH**

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

The directors (excluding the Independent Non-executive Directors) whose view will be expressed in the circular after taking into account the advice from the independent financial adviser) of HEH consider that the terms of the Agreement are normal commercial terms and fair and reasonable and in the interests of HEH and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the revenue ratio in respect of the Transaction is greater than 25% and less than 75% under Rule 14.07 of the Listing Rules, the entering into of the Agreement constitutes a major transaction for CKI under the Listing Rules. A circular containing, among other things, information relating to the Agreement and the Transaction will be despatched to the shareholders of CKI in accordance with the relevant requirements of the Listing Rules.

Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. As no shareholder of CKI has a material interest in the Transaction and therefore no shareholder of CKI is required to abstain from voting if CKI were to convene a general meeting for approving the Transaction, and as CKI has obtained a written approval of the Transaction from Hutchison Infrastructure Holdings Limited (which currently holds 1,906,681,945 shares in CKI, representing approximately 84.58% of the issued share capital of CKI), pursuant to Rule 14.44 of the Listing Rules, there is no need for CKI to convene a general meeting for approving the Transaction.

CKI is currently holding approximately 38.87% of the issued share capital of HEH. By virtue of such shareholding interest, CKI is a controlling shareholder of HEH and is accordingly a connected person of HEH. The Transaction therefore constitutes a connected transaction for HEH under the Listing Rules, and is conditional upon approval by the HEH Independent Shareholders at the HEH EGM. CKI and its associates will abstain from voting at the HEH EGM.

There is no prior transaction between HEH and CKI and its ultimate beneficial owners that requires aggregation under Rule 14.22 and Rule 14A.25 of the Listing Rules.

The HEH Independent Board Committee will be formed to advise the HEH Independent Shareholders in respect of the Transaction. HEH will appoint an independent financial adviser to advise the HEH Independent Board Committee and the HEH Independent Shareholders in respect of the Transaction. A circular containing, among other things, (i) information relating to the Agreement and the Transaction; (ii) a letter from the HEH Independent Board Committee to the HEH Independent Shareholders; and (iii) a letter from the independent financial adviser to the HEH Independent Board Committee and the HEH Independent Shareholders will be despatched to the shareholders of HEH in accordance with the relevant requirements of the Listing Rules.

## **DEFINITIONS**

Unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Acquisition”	has the meaning ascribed to it in the Announcement
“AdvanCo”	a company or body corporate established or to be established by CKI and HEH and owned or to be owned by CKI and HEH on a 50/50 basis

“Agreement”	a conditional sale and purchase agreement dated 16th May, 2008 entered into between CKI and HEH in respect of the Transaction
“Announcement”	an announcement dated 28th April, 2008 issued by CKI in relation to the acquisition of the entire issued share capital of VWE Network by WEDN under the Sale and Purchase Agreement
“Business Day”	any day on which banks are open in Hong Kong for general banking business, other than Saturdays, Sundays and days on which a Tropical Cyclone Warning No. 8 or above or a "Black Rainstorm Warning Signal" is hoisted in Hong Kong at any time between 9 am and 5 pm
“CKI”	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
“CKI Group”	CKI and its subsidiaries
“Completion”	completion of the Transaction in accordance with the terms of the Agreement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Facility”	the facility in the amount of up to NZ\$400 million (approximately HK\$2,381.5 million) to be provided by certain bank or banks to WEDN
“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: 0006)
“HEH EGM”	the extraordinary general meeting of HEH to be convened to approve the acquisition by HEH of the Sale Shares and other transactions and matters as contemplated under the Agreement
“HEH Group”	HEH and its subsidiaries
“HEH Independent Board Committee”	an independent committee of the board of directors of HEH to be formed to advise the HEH Independent Shareholders in respect of the Transaction



“HEH Independent Shareholders”	the shareholders of HEH other than CKI and its associates (as defined in the Listing Rules)
“HoldCo”	Wellington Electricity Distribution Network Holdings Limited, a company incorporated under the laws of Bahamas with limited liability and an indirect wholly-owned subsidiary of CKI
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Capital”	NZ\$100 (approximately HK\$595.4) to be injected as initial capital of HoldCo subject to further adjustment in accordance with the tax efficient acquisition/disposal structure as agreed by CKI and HEH
“LC Facility Letter”	the facility letter dated 25th April, 2008 executed by Australia and New Zealand Banking Group Limited and CKI in respect of the issue of the Letter of Credit
“Letter of Credit”	has the meaning ascribed to it in the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Network Acquisition Agreement”	a conditional sale and purchase agreement entered into between (among others) VWE Network and Vector in respect of the purchase of the Wellington Network by VWE Network from Vector
“Purchase Price”	NZ\$785 million (approximately HK\$4,673.7 million) (subject to any adjustment provided in the Sale and Purchase Agreement), being the purchase price to be paid for the Acquisition
“Sale and Purchase Agreement”	a conditional sale and purchase agreement dated 28th April, 2008 entered into between CKI, WEDN, Vector and VMDS in respect of the Acquisition
“Sale Shares”	50 ordinary shares of par value of NZ\$1 (approximately HK\$5.9537) each in the capital of HoldCo, representing 50% of the entire issued share capital of HoldCo as at Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction”	the sale and purchase of the Sale Shares and other transactions and matters as contemplated by the Agreement
“Vector”	Vector Limited, a company incorporated under the laws of New Zealand and the ultimate holding company of VMDS
“VMDS”	Vector Metering Data Services Limited, a company incorporated under the laws of New Zealand
“VWE Management”	Vector Wellington Electricity Management Limited, a company incorporated under the laws of New Zealand and a wholly-owned subsidiary of VWE Network
“VWE Network”	Vector Wellington Electricity Network Limited, a company incorporated under the laws of New Zealand and a wholly-owned subsidiary of VMDS as at the date of the Sale and Purchase Agreement
“WEDN”	Wellington Electricity Distribution Network Limited, a company incorporated under the laws of New Zealand and an indirect wholly-owned subsidiary of CKI
“Wellington Network”	has the meaning ascribed to it in the Announcement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“NZ\$”	New Zealand dollar, the lawful currency of New Zealand

Note: The figures in NZ\$ are converted into HK\$ at the rate of NZ\$1:HK\$5.9537 throughout this announcement for indication purposes only.

By Order of the Board  
**CHEUNG KONG INFRASTRUCTURE  
HOLDINGS LIMITED**  
**Law Kai Chung, Edmund**  
*Company Secretary*

By Order of the Board  
**HONGKONG ELECTRIC  
HOLDINGS LIMITED**  
**Lillian Wong**  
*Company Secretary*

Hong Kong, 16th May, 2008

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

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