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## Cheung Kong Infrastructure Holdings Limited

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

### **DISCLOSEABLE TRANSACTION**

The board of directors of CKI announces that earlier today CKI, CKI UK Water and HSBC entered into the Sale and Purchase Agreement pursuant to which CKI UK Water, an indirect wholly-owned subsidiary of CKI, has sold its entire legal and beneficial interest in Cambridge Water to HSBC for an enterprise value of £74.8 million (equivalent to approximately HK\$958.9 million). CKI has guaranteed to HSBC the due and punctual performance by CKI UK Water of its obligations and liabilities under the Sale and Purchase Agreement. The Transaction was not conditional, and was completed immediately after exchange of the Sale and Purchase Agreement.

The Transaction constitutes a discloseable transaction for CKI under Rule 14.06(2) of the Listing Rules.

### **THE SALE AND PURCHASE AGREEMENT**

#### **Date**

2 August 2011

#### **Parties**

- (1) CKI UK Water (as seller)
- (2) HSBC (as buyer)
- (3) CKI (as guarantor)

#### **Subject of the Transaction**

Pursuant to the Sale and Purchase Agreement, CKI UK Water, an indirect wholly-owned subsidiary of CKI, has sold its entire legal and beneficial interest in the issued share capital of Cambridge Water to HSBC and CKI has guaranteed to HSBC the due and punctual performance by CKI UK Water of its obligations and liabilities under the Sale and Purchase Agreement.

#### **Consideration**

The consideration for the Transaction, after deduction of net debt and other adjustments of £28.9 million (equivalent to approximately HK\$370.5 million) is £45.9 million (equivalent to approximately HK\$588.4 million) payable in cash at completion. The consideration for the Transaction was determined after arm's length negotiations between the parties.

## **Completion**

The Transaction was not conditional, and was completed immediately after exchange of the Sale and Purchase Agreement. Following completion of the Transaction, Cambridge Water has ceased to be a subsidiary of CKI and CKI has ceased to have any interest in Cambridge Water.

## **Guarantee**

CKI has guaranteed to HSBC the due and punctual performance by CKI UK Water of its obligations and liabilities under the Sale and Purchase Agreement. The guarantee is structured as a secondary obligation of CKI, and HSBC is obliged to proceed first against CKI UK Water and to enforce all and any rights and claims it may have against CKI UK Water before making any claim against CKI.

## **INFORMATION ON CAMBRIDGE WATER**

Cambridge Water is a company appointed as a water undertaker under the Water Industry Act 1991 of the United Kingdom. Cambridge Water supplies a population of approximately 309,000 in an area of approximately 1,173 square kilometres that covers South Cambridgeshire and the City of Cambridge in the United Kingdom.

For the year ended 31 December 2010, Cambridge Water reported audited net profit of £7.4 million (equivalent to approximately HK\$94.9 million) (2009: £4.8 million (equivalent to approximately HK\$61.5 million)) before taxation and extraordinary items and audited net profit of £4.7 million (equivalent to approximately HK\$60.3 million) (2009: £3.1 million (equivalent to approximately HK\$39.7 million)) after taxation and extraordinary items. The net assets of Cambridge Water as at 31 December 2010 were £16.7 million (equivalent to approximately HK\$214.1 million) (2009: £13.8 million (equivalent to approximately HK\$176.9 million)). The audited accounts referred to above were prepared in accordance with applicable law and United Kingdom Accounting Standards.

## **INFORMATION ON HSBC**

HSBC is one of the world's largest banking and financial services organisations and is a leading provider of finance and advice to the utilities sector globally. HSBC's network serves customers worldwide from around 7,500 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

To the best of the CKI Directors' knowledge, information and belief, having made all reasonable enquiry, HSBC and its ultimate beneficial owners are third parties independent of the CKI Group and connected persons of CKI.

## **INFORMATION ON THE CKI GROUP**

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

## **INFORMATION ON CKI UK WATER**

CKI UK Water is a private company limited by shares and incorporated in the United Kingdom. CKI UK Water was an indirect wholly-owned subsidiary of CKI and was used as the holding vehicle for CKI in respect of CKI's interests in Cambridge Water.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

Reference is made to the Announcement and in particular to the proposed acquisition by a consortium led by CKI, which also includes CKH and LKSFL, of the entire issued share capital of Northumbrian Water, details of which are set out in the Announcement. Due to the prohibition under applicable regulation on ownership of a significant interest in more than one regulated water utility in the United Kingdom, CKI decided to dispose of its interests in Cambridge Water in order to be able to participate in the Consortium proposing to acquire Northumbrian Water.

CKI therefore considers that, given the opportunity to participate in the Consortium proposing to acquire Northumbrian Water, it would benefit from the Transaction.

The consideration for the Transaction, after deduction of net debt and other adjustments of £28.9 million (equivalent to approximately HK\$370.5 million) is £45.9 million (equivalent to approximately HK\$588.4 million) payable in cash at completion. CKI intends to use the proceeds from the Transaction for general corporate funding purposes.

As a result of the Transaction, it is expected that a realised gain of approximately HK\$102.1 million will be recorded in CKI's consolidated income statement for the year ending 31 December 2011, which is arrived at with reference to the proceeds from the Transaction and the estimated net book value of Cambridge Water at the date of completion.

The CKI Directors (including the independent non-executive CKI Directors) consider that the terms of the Transaction are fair and reasonable and in the interest of CKI and the shareholders of CKI as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the relevant percentage ratios for the Transaction exceeds 5% but all such percentage ratios are less than 25%, the entering into of the Transaction constitutes a discloseable transaction for CKI under Rule 14.06(2) of the Listing Rules.

There are no prior transactions between CKI or any other members of the CKI Group and HSBC that require aggregation under Rule 14.22 or Rule 14A.25 of the Listing Rules.

## **DEFINITIONS**

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

|                |  |
|----------------|--|
| “Announcement” | the announcement released today by CKI in relation to the proposed acquisition by a consortium led by CKI, which also includes CKH and LKSFL, of the entire issued share capital of Northumbrian Water |
|----------------|--|

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|-----------------------------|--|
| “Cambridge Water”           | Cambridge Water PLC, a public limited company incorporated in England and Wales with limited liability   |
| “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 Board”                 | the board of CKI Directors   |
| “CKI Director(s)”           | the director(s) of CKI   |
| “CKI Group”                 | CKI and its subsidiaries   |
| “CKI UK Water”              | CKI UK Water Limited, a company incorporated in England and Wales with limited liability   |
| “CKH”                       | Cheung Kong (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: 0001)            |
| “Consortium”                | CKI, CKH and LKSFL   |
| “HK\$”                      | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”                 | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “HSBC”                      | HSBC Bank plc  |
| “Listing Rules”             | The Rules Governing the Listing of Securities on the Stock Exchange  |
| “London Stock Exchange”     | London Stock Exchange plc  |
| “LKSFL”                     | Li Ka Shing Foundation Limited, a company limited by guarantee and incorporated in Hong Kong   |
| “Mainland China”            | the People’s Republic of China, excluding Hong Kong, Macau and Taiwan  |
| “Northumbrian Water”        | Northumbrian Water Group plc, a public limited company incorporated in England and Wales with limited liability, the shares of which are listed on the London Stock Exchange                     |
| “Northumbrian Water Shares” | ordinary shares of 10 pence each in the capital of Northumbrian Water  |
| “percentage ratios”         | shall have the meaning ascribed to such term in Chapter 14 of the Listing Rules  |

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|-------------------------------|--|
| “Sale and Purchase Agreement” | the sale and purchase agreement entered into today among CKI UK Water, HSBC and CKI in relation to the sale by CKI UK Water and the purchase by HSBC of the entire issued share capital of Cambridge Water |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited  |
| “Transaction”                 | the sale by CKI UK Water and the purchase by HSBC of the entire issued share capital of Cambridge Water in accordance with the terms of the Sale and Purchase Agreement                                    |
| “UK”                          | the United Kingdom of Great Britain and Northern Ireland   |
| “£”                           | pounds sterling, the lawful currency of the UK   |
| “%”                           | per cent   |

*The translation of £ into HK\$ is based on the exchange rate of £1.00 to HK\$12.82 and is provided for information purposes only.*

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

Hong Kong, 2 August 2011

*As at the date of this announcement, the Executive Directors of CKI are Mr. LI Tzar Kuoi, Victor (Chairman), Mr. KAM Hing Lam (Group Managing Director), Mr. IP Tak Chuen, Edmond (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. Andrew John HUNTER (Deputy Managing Director), Mr. CHAN Loi Shun (Chief Financial Officer), 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).*