

Press Release
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CKI and HEH Reach Agreement on North of England Gas Distribution Network Acquisition

Cheung Kong Infrastructure Holdings Ltd. (CKI) and Hongkong Electric Holdings Ltd. (HEH) announced today that they have entered into an agreement for HEH to acquire from CKI, 19.9% of the North of England Gas Distribution Network (NEG).

The transaction is to be effected through the purchase of a CKI subsidiary that owns 19.9% of the issued share capital of the CKI-led consortium in the NEG investment.

Mr H L Kam, Group Managing Director of CKI, commented: “It has always been our intention to on-sell part of our share in the consortium. For capital intensive projects like this, we believe a 49.9% interest represents the optimum stake for investment holding and financial arrangements.”

“After divesting the 19.9% stake to HEH, CKI will remain the largest single shareholder in the enterprise while enhancing our liquidity to pursue our global expansion plans,” said Mr. Kam.

“We are pleased to extend our successful partnership with HEH to the United Kingdom. Our existing joint investments in Australia have performed extremely well and we intend to replicate the same success in the gas sector of the North of England,” he added.

Mr. Tso Kai-sum, Managing Director of HEH, said he is delighted with the acquisition that represents HEH’s first foray into the British energy market.

“We have been studying the British energy market for some time. It is an attractive market to us,” Mr. Tso said.

“HEH has substantial expertise in managing and operating distribution networks under a regulated environment in the electricity industry. We believe the same business principles equally apply to the gas distribution business,” Mr. Tso remarked.

Mr. Tso went on to say that HEH would leverage on its existing resources and expertise to explore new business opportunities and concentrate on selected markets which offer stable returns with manageable risks.

“We are confident that the acquisition will provide HEH with a platform from which to further invest in Europe.”

Serving a total population of 6.7 million, NEG is one of the eight major gas distribution networks in the United Kingdom. Its network extends south from the Scottish border to South Yorkshire and comprises approximately 36,000 km of distribution gas mains, with a total gas demand of 94 TWh.

In August, a consortium, 69.8% held by CKI, agreed to purchase NEG from National Grid Transco plc for approximately £1.393 billion, or HK\$20 billion. This acquisition is subject to various approvals and is expected to be completed by April 2005.

Completion of HEH's purchase is subject to approval by the HEH Independent Shareholders in an Extraordinary General Meeting to be held later as CKI is a substantial shareholder of HEH with approximately 38.8% of HEH's issued share capital, and is regarded as a connected person of HEH under the Hong Kong listing rules.

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About CKI

CKI is the largest publicly listed infrastructure investment company in Hong Kong with diversified investments in Energy Infrastructure, Transportation Infrastructure and Infrastructure Related Business. Operating in Hong Kong, Mainland China, Australia, the United Kingdom, Canada and the Philippines, it is a leading player in the global infrastructure arena.

About HEH

Hongkong Electric Holdings Ltd. (HEH) is the listed vehicle of the Hongkong Electric Group of companies which includes The Hongkong Electric Company, Limited (HEC), Hongkong Electric International Limited (HEI) and other subsidiaries. HEC is an electricity utility established in 1889 and its principal activity is to generate and supply electricity to Hong Kong Island and Lamma Island. HEI is the international investment arm of HEH, pursuing investment opportunities outside Hong Kong.