

HUTCHISON WHAMPOA LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 013)

DISCLOSEABLE TRANSACTION

Acquisition of interests in Blackwater F Limited by Cheung Kong Infrastructure Holdings Limited

HWL refers to the CKI Announcement made by our subsidiary, CKI, pursuant to which it was disclosed that the Purchaser, a non wholly owned subsidiary of CKI, had entered into the Agreement with the Seller and Blackwater for the grant of an option to the Purchaser to require the Seller to sell to it, and the grant of an option to the Seller to require the Purchaser to purchase from it, the entire issued share capital of Blackwater. According to the CKI Announcement, Blackwater is a newly formed wholly owned subsidiary of the Seller that will, at Completion, own the North of England gas distribution network business in the United Kingdom presently carried on by the Seller. The consideration for the Sale Shares, which will be payable by the Purchaser to the Seller in cash on Completion, is £1,393,700,000 less the aggregate amount of intra-group indebtedness. At Completion the Purchaser will procure that Blackwater repays to the Seller intra-group indebtedness of an amount of approximately £870,000,000. The consideration for the Sale Shares will be payable in cash and both the consideration for the Sale Shares and the repayment of outstanding indebtedness to the Seller will be subject to adjustment following the preparation of completion accounts. The terms of the Agreement were arrived at after arm's length negotiations.

Applying the relevant percentage ratios resulting from the calculations set out in Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for HWL under Chapter 14 of the Listing Rules. HWL will send a circular containing further details on the Acquisition to its shareholders as soon as reasonably practicable after the date hereof.

HWL refers to the CKI Announcement, from which the following information relating to the Acquisition under paragraphs entitled "The Agreement", "Consideration", "General Nature of the Transaction", "Information on Blackwater and the North of England Gas Distribution Network", "Reasons for and benefits of the Acquisition" and "Definitions" is (subject to adaptations to certain defined terms) extracted and reproduced below for HWL's shareholders' information.

THE AGREEMENT

Date

31 August 2004

Parties

the Purchaser
the Seller
Blackwater

Conditions precedent

Completion is conditional upon:

- (i) completion of the Hive Down Agreement in accordance with its terms;
- (ii) HSE having confirmed in writing its acceptance of the amended safety cases of each of the Seller and Blackwater in accordance with GS(M)R;
- (iii) the Authority having given its consent to the sale of the Sale Shares to the Purchaser under Blackwater's gas transporter licence;
- (iv) the approval of the transaction contemplated by the Agreement by the CKI Shareholders or, if permitted under the Listing Rules, obtaining a written consent or approval of the transaction contemplated by the Agreement by a CKI Shareholder or group of CKI Shareholders together holding over 50% of the issued CKI Shares; and
- (v) notification, if any, of the Acquisition to the European Commission under Council Regulation (EC) 139/2004 concerning control of concentrations between undertakings being dealt with by the Commission in accordance with the Agreement.

None of the Conditions may be waived save with the express written agreement of both the Seller and the Purchaser.

Prior to Completion, the Seller may terminate the transaction if (a) the Authority indicates that it will require the Seller to place its retained gas distribution business into separate legal entities; or (b) the Authority decides that any income received by the Seller in respect of services to be provided to Blackwater is not permissible revenue under the terms of the Seller's gas transporter licence; or (c) there is a change in applicable pensions legislation in the United Kingdom which has the effect of requiring an employer to make a payment on ceasing to participate in an occupational pension scheme; or (d) there is a reasonable likelihood that the Seller will be required to make any payment on the cessation of the participation of the employees of Blackwater in the Seller's occupational pension scheme in respect of the period prior to the hive down of the North of England Gas Distribution business to Blackwater; or (e) the Seller's occupational pension scheme is terminated between the date of the hive down of the North of England Gas Distribution business to Blackwater and the date of Completion. If the Seller exercises its right to terminate the transaction on the basis of (a), (b), (c), (d) or (e) above, it shall pay to the Purchaser a fee of £13,980,000. This fee will also be payable by the Seller to the Purchaser if the Agreement is terminated as a result of the Seller failing to use all reasonable endeavours to procure the satisfaction of the Conditions referred to in paragraphs (i), (ii) and (iii) above.

The Purchaser will be obliged to pay to the Seller a break fee of £13,980,000 if (a) the Purchaser fails to pay the consideration payable for the Sale Shares or procure the repayment by Blackwater of the outstanding intra-group indebtedness at Completion; or (b) the Agreement is terminated as a result of the Purchaser failing to use all reasonable endeavours to procure the satisfaction of the Conditions referred to in paragraphs (ii), (iii), (iv) and (v) above; or (c) the Condition referred to in paragraph (iii) above is not satisfied as a result of the Purchaser being the proposed owner of the North of England Gas Distribution business or as a result of the proposed financing structure adopted by the Purchaser; or (d) the Condition referred to in paragraph (iv) is not satisfied. If a break fee becomes payable by the Purchaser as a result of the Condition set out in paragraph (iv) above not being satisfied, CKI agrees to pay the proportion of such fee which would otherwise be attributable to the Foundation and United Utilities. In addition, if prior to Completion, a fundamental adverse change under the terms of the Agreement occurs which the Seller fails to remedy the Purchaser shall be entitled to terminate the transaction. No break fee will be payable by the Seller or the Purchaser in such circumstances.

Completion

Subject to the fulfilment of the Conditions and to the termination rights referred to above, Completion shall take place on the first day of the month following service of the first (in time) Option Exercise Notice to be served or at such other time as the Seller and Purchaser shall agree. If the Conditions are not satisfied or waived by 1 July 2005 (or such later date as the Seller and the Purchaser, each acting reasonably, may agree), or it is agreed between the Seller and the Purchaser (acting reasonably) that a Condition is incapable of being satisfied, the Agreement shall automatically terminate and the Acquisition will not proceed. The Agreement shall terminate if Completion has not taken place on or before 29 August 2005,

unless such failure to complete by such date is as a result of the parties being unable to agree upon the occurrence of a fundamental adverse change and an independent expert subsequently determines that no fundamental adverse change has occurred.

CONSIDERATION

The consideration for the Sale Shares, which will be payable by the Purchaser to the Seller in cash on Completion, is £1,393,700,000 less the aggregate amount of intra-group indebtedness. At Completion, the Purchaser will procure that Blackwater repays to the Seller intra-group indebtedness of an amount of approximately £870,000,000. Blackwater will fund this payment through an external bank facility. The facility is non-recourse to CKI and the other shareholders of the Purchaser. The consideration for the Sale Shares will be payable in cash and both the cash consideration and the repayment of outstanding indebtedness to the Seller will be subject to adjustment following the preparation of completion accounts. The adjustment is not subject to a cap. The consideration will be funded by shareholders equity of the Purchaser and external bank borrowings. CKI has undertaken to the Seller that it will procure that the CKI Subsidiaries will subscribe in cash at par for not less than (a) if the Purchaser is obliged to pay a break fee to the Seller as a result of a failure by the Purchaser to satisfy the Condition referred to in paragraph (iv) above, 13,980,000 shares of £1 each of the Purchaser (equal to 100% of the entire issued share capital of the Purchaser); or (b) in all other circumstances, 9,758,040 shares of £1 each of the Purchaser (equal to 69.8% of the entire issued share capital of the Purchaser) prior to Completion or the date on which any break fee is payable by the Purchaser to the Seller (whichever is earlier). The reason for this is that if a break fee becomes payable by the Purchaser as a result of the Condition set out in paragraph (iv) above not being satisfied, CKI agrees to pay the proportion of such fee which would otherwise be attributable to the Foundation and United Utilities. The consideration was arrived at following a competitive auction process conducted by NGT and after arm's length negotiations between the Purchaser and the Seller.

GENERAL NATURE OF THE TRANSACTION

Summary

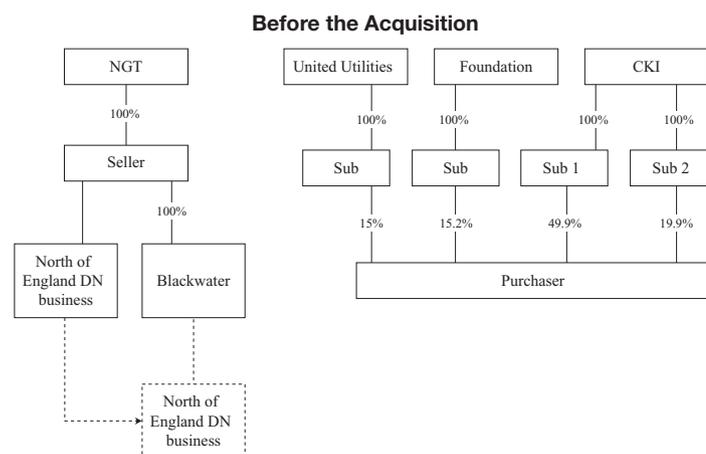
NGT, through its wholly owned subsidiary, the Seller, owns, operates and develops the substantial majority of the natural gas transmission and distribution system in the United Kingdom. NGT publicly announced in December 2003 that it was seeking indicative offers for five of the eight regional gas distribution networks in the United Kingdom. Following a successful bidding process, the Purchaser was chosen as the preferred bidder for the North of England gas distribution network. As a result, on 31 August 2004, the Purchaser, a non wholly owned subsidiary of CKI, the Seller and Blackwater entered into the Agreement, pursuant to which the Purchaser has an option to require the Seller to sell to it, and the Seller has an option to require the Purchaser to purchase from it, the entire issued share capital of Blackwater. On or prior to Completion, the North of England Gas Distribution Network business in the United Kingdom presently carried on by the Seller will be sold to Blackwater in accordance with the terms of the Hive Down Agreement.

The Purchaser is a consortium vehicle, the shareholders of which comprise wholly owned subsidiaries of the Foundation and United Utilities, and the CKI Subsidiaries. As a result of the aggregate shareholding interests of the CKI Subsidiaries, the Purchaser is a non wholly owned subsidiary of CKI. Each of the CKI Subsidiaries, and the wholly owned subsidiaries of the Foundation and United Utilities will, at the same time as the Agreement is signed, enter into a shareholders' agreement to govern their relationship as shareholders in the Purchaser.

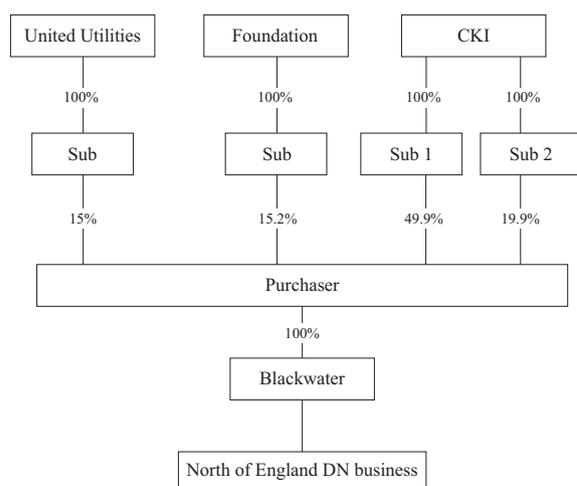
It is CKI's intention, prior to Completion, to on-sell part of its interest in Blackwater. However, no formal agreements have yet been reached with any party in respect of such a transaction. Blackwater's gas transporter licence contains some restrictions on the categories of person to whom shares in Blackwater may be transferred.

Structure

The following is the relevant shareholding structure of Blackwater before and after the Acquisition:-



After the Acquisition



For the financial year ended 31 March 2003, the unaudited operating profit, before taxation and interest (adjusted to accounting principles generally accepted in Hong Kong), of the North of England gas distribution business was £116 million (HK\$1,624 million). The corresponding figure for the year ended 31 March 2002 was £109 million (HK\$1,526 million).

As referred to above, after on-selling part of its interest in Blackwater, CKI's interest is expected to be less than 50%. The results and assets and liabilities of Blackwater would be incorporated in CKI's financial statements using the equity method of accounting.

INFORMATION ON BLACKWATER AND THE NORTH OF ENGLAND GAS DISTRIBUTION NETWORK

Blackwater is a newly formed wholly owned subsidiary of the Seller that will, at Completion, own the North of England gas distribution network business in the United Kingdom presently carried on by the Seller. The assets included in the business include (i) the pipeline infrastructure required to transport the gas from the national gas transmission network in the United Kingdom to consumer's premises within the network's region – comprising approximately 36,000 kilometres of distribution gas mains; (ii) the property, warehouses and fleet utilised in the network's operations; (iii) the contracts, intellectual property rights, policies and procedures and licences necessary to operate the network; and (iv) a network management team with significant knowledge of the gas transportation industry and extensive experience in running gas distribution networks in the United Kingdom.

The region serviced by the North of England Gas Distribution network extends south from the Scottish border to South Yorkshire and has coastlines on both the east and west sides of the region. The region contains a mixture of large cities (Newcastle, Middlesbrough, Leeds and Bradford) and a significant rural area including North Yorkshire and Cumbria, and has a total population of 6.7 million. The region benefits from Leeds' growing position as an important regional financial and commercial centre, the rapid expansion of development along the River Tyne, and a number of large industrial consumers based along the North Sea coastline.

The regulated assets value of the North of England gas distribution business as at 31 March 2004 was approximately £1,207,000,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

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

CKI has long seen the United Kingdom as an important market offering attractive investment opportunities. The Acquisition represents consolidation of CKI's position in the United Kingdom following its acquisition of Cambridge Water PLC earlier this year.

The directors of CKI believe the terms of the Acquisition are fair and reasonable and in the interests of the CKI Shareholders as a whole.

DISCLOSEABLE TRANSACTION

To the best of the knowledge, information and belief of the Directors of HWL having made all reasonable enquiries, none of the Seller, Blackwater, the Foundation and United Utilities is a connected person (as defined under the Listing Rules) of HWL.

The Directors of HWL also believe that the terms of the Acquisition are fair and reasonable and in the interests of its shareholders as a whole. The Directors of HWL endorse the reasons for entering into the Acquisition and the benefits which are expected to accrue to the HWL Group (of which CKI forms part) as a result of the Acquisition as stated above.

Applying the relevant percentage ratios resulting from the calculations set out in Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for HWL under the Listing Rules. HWL will send a circular containing further details on the Acquisition to its shareholders as soon as reasonably practicable after the date hereof.

GENERAL

The HWL Group operates and invests in five core businesses: ports and related services; telecommunications; property and hotels; retail and manufacturing; and energy, infrastructure, finance and investments.

As at the date of this announcement, the Directors of HWL are:

Executive Directors:

Mr. Li Ka-shing (*Chairman*)
 Mr. Li Tzar Kuoi, Victor (*Deputy Chairman*)
 Mr. FOK Kin-ning, Canning
 Mrs. CHOW WOO Mo Fong, Susan
 Mr. Frank John SIXT
 Mr. LAI Kai Ming, Dominic
 Mr. George Colin MAGNUS
 Mr. KAM Hing Lam

Non-executive Directors:

Mr. Simon MURRAY
 Mr. William SHURNIAK

Independent Non-executive Directors:

Mr. Michael David KADOORIE
 Mr. William Elkin MOCATTA
 (*Alternate to Mr. Michael David Kadoorie*)
 Mr. OR Ching Fai, Raymond
 Mr. Peter Alan Lee VINE
 Mr. WONG Chung Hin

DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser pursuant to the Agreement
"Agreement"	the option deed dated 31 August 2004 relating to the sale and purchase of the Sale Shares and the transaction documents to be entered into under such agreement
"Authority"	the Gas and Electricity Markets Authority for the United Kingdom
"Blackwater"	Blackwater F Limited (registered in England with registered number 5167070)
"CKI"	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability and a non wholly owned subsidiary of HWL, the shares of which are listed on the Main Board of the Stock Exchange
"CKI Announcement"	the announcement dated 31 August 2004 released by CKI in respect of the Acquisition which constituted a very substantial acquisition for CKI under the Listing Rules
"CKI Shareholders"	holders of CKI Shares
"CKI Shares"	ordinary shares of HK\$1.00 each in the capital of CKI
"CKI Subsidiaries"	Able Venture Profits Limited and Alpha Central Profits Limited, both incorporated in the British Virgin Islands with limited liability and both of which are wholly owned subsidiaries of CKI
"Completion"	completion of the Agreement in accordance with its terms
"Conditions"	the conditions to Completion set out in the Agreement
"Foundation"	Li Ka Shing (Overseas) Foundation, a company limited by guarantee incorporated in the Cayman Islands for charitable purposes
"GS(M)R"	the Gas Safety (Management) Regulations 1996 of the United Kingdom
"Hive Down Agreement"	the agreement dated of even date with the Agreement relating to the acquisition by Blackwater of the North of England Gas Distribution Network business of the Seller
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HSE"	the Health and Safety Executive of the United Kingdom
"HWL"	Hutchison Whampoa Limited, a limited liability company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
"HWL Group"	HWL and its subsidiaries
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"NGT"	National Grid Transco plc, whose shares are listed on the London Stock Exchange and the New York Stock Exchange
"Option Exercise Notice"	the call option exercise notice or put option exercise notice, as the case may be, to be given in accordance with the terms of the Agreement
"Purchaser"	Gas Network Limited (registered in England with registered number 5213525), a non wholly owned subsidiary of CKI
"Sale Shares"	100 ordinary shares of £1 each in the share capital of Blackwater, being the entire issued share capital of Blackwater at Completion
"Seller"	Transco plc (registered in England with registered number 2006000), a wholly owned subsidiary of NGT
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United Utilities"	United Utilities plc, whose shares are listed on the London Stock Exchange
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"£"	Pounds Sterling, the lawful currency of the United Kingdom

Note: the figures in £ are translated into HK\$ at the rate of £1 = HK\$14.00 throughout this announcement for indication purposes only.

By Order of the Board

Edith Shih
 Company Secretary

Hong Kong, 8 September 2004

Hutchison Whampoa Limited

