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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Cheung Kong Infrastructure Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or 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**
長江基建集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION**FORMATION OF A JOINT VENTURE IN CONNECTION WITH
THE PROPOSED ACQUISITION OF ALL OF
THE STAPLED SECURITIES IN ISSUE OF
THE TARGET WHICH ARE LISTED ON THE AUSTRALIAN
SECURITIES EXCHANGE BY WAY OF SCHEMES**

**Independent Financial Adviser
to the Independent Board Committee and Independent Shareholders**



SOMERLEY CAPITAL LIMITED

A letter from the Board to the Shareholders is set out on pages 11 to 32 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in relation to the Joint Venture Transaction is set out on page 33 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction is set out on pages 34 to 56 of this circular.

A notice convening the SGM to be held on Tuesday, 14 March 2017 at 12:00 noon at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong is set out on pages 67 to 68 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM or any adjournment thereof in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it at the Company's principal place of business at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

In case of inconsistency between the Chinese version and the English version of this circular, the English version will prevail.

22 February 2017

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of all of the Target Securities on issue from the Target Securityholders by way of the Schemes to be carried out concurrently with one another
“Announcement”	the joint announcement of CKPH, CKHH, the Company and PAH dated 16 January 2017 in relation to the Joint Venture Transaction and the Acquisition
“Approval Determination Date”	the date on which the meetings of shareholders are convened to consider the Independent Shareholders’ Approvals
“ASX”	the Australian Securities Exchange
“AUD”	Australian dollars, the official currency of Australia
“Australia Holdco”	CK William Australia Holdings Pty Ltd, a direct wholly-owned subsidiary of JV Co and a company incorporated under the laws of Australia with limited liability
“Bidco”	CK William Australia Bidco Pty Ltd, an indirect wholly-owned subsidiary of JV Co and a company incorporated under the laws of Australia with limited liability
“Board”	the board of Directors
“business day(s)”	a day other than a Saturday, Sunday, public holiday or bank holiday in Hong Kong, Sydney, Australia and London, United Kingdom and on which the Stock Exchange and the ASX are open for business of dealing in securities
“CKHH”	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1)
“CKPH”	Cheung Kong Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1113)

DEFINITIONS

“CKPH Group”	CKPH and its subsidiaries
“CKPH Holdco”	CK William Topco Limited, an indirect wholly-owned subsidiary of CKPH which is incorporated under the laws of England
“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)
“Company Holdco”	CKI Gas Infrastructure Limited, an indirect wholly-owned subsidiary of the Company which is incorporated under the laws of England
“connected person”	has the meaning ascribed to such term in the Listing Rules
“Consortium”	CKPH, the Company and PAH (until such time as a party becomes a Non-Continuing Member), and “ Consortium Member ” shall be construed accordingly
“Consortium Formation Agreement”	the consortium formation agreement dated 14 January 2017 which was entered into between, among others, the Consortium Members, the Company Holdco, PAH Holdco, the Consortium Midcos, JV Co and Bidco with respect to the direct or indirect subscription for equity interest in JV Co and funding for the Acquisition
“Consortium Holdcos”	CKPH Holdco, the Company Holdco and PAH Holdco, and “ Consortium Holdco ” shall be construed accordingly
“Consortium Midcos”	Midco 1, Midco 2 and Midco 3, and “ Consortium Midco ” shall be construed accordingly
“Corporations Act”	the Corporations Act 2001 (Cth)
“Court”	the Supreme Court of the New South Wales or such other court of competent jurisdiction as Bidco and Target may agree in writing
“Cth”	Commonwealth of Australia

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“Deed Poll”	the deed poll to be executed by Bidco, CKPH, and (if the meeting(s) for obtaining the relevant Independent Shareholders’ Approval(s) is/are before the date of the Court hearing to approve the issuance of the Scheme Booklet, subject to the obtaining of the relevant Independent Shareholders’ Approval(s)), the Company and/or PAH for the purpose of providing various covenants (acting severally in their Respective Proportions (or Revised Respective Proportions, as appropriate) in relation to the Schemes) in favour of eligible Target Securityholders
“DFL”	DUET Finance Limited, a public company incorporated under the laws of Australia, whose registered office is at Level 14, 20 Martin Place, Sydney, NSW 2000, Australia, in its personal capacity and as the responsible entity of DFT
“DFT”	DUET Finance Trust, a unit trust formed under the laws of Australia and a registered managed investment scheme, whose registered office is at Level 14, 20 Martin Place, Sydney, NSW 2000, Australia
“DIHL”	DUET Investment Holdings Limited, a public company incorporated under the laws of Australia, whose registered office is at Level 14, 20 Martin Place, Sydney, NSW 2000, Australia
“Director(s)”	the director(s) of the Company
“DRP”	the dividend reinvestment plan of the Target, under which Target Securityholders have the option of reinvesting any distributions of the Target owing to them in new Target Securities, which shall be issued to such Target Securityholders opting to participate in the DRP based on (i) the amount of the distributions of the Target owed to them; and (ii) the VWAP of the Target during the Pricing Period
“DT1”	The Li Ka-Shing Unity Discretionary Trust, of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT1

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“DT2”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT2
“DT3”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT3
“DT4”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT4
“DUECo”	DUET Company Limited, a public company incorporated under the laws of Australia, whose registered office is at Level 14, 20 Martin Place, Sydney, NSW 2000, Australia
“End Date”	30 June 2017, or such later date as Bidco and the Target may agree in writing pursuant to the terms of the Scheme Implementation Agreement
“Funding Date”	three business days prior to the implementation date of the Schemes or such other date agreed by the parties to the Consortium Formation Agreement provided that such date is at least 2 business days before the implementation date of the Schemes
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel, Mr. Lan Hong Tsung, David and Mr. Barrie Cook, being independent non-executive Directors of the Company, established for the purpose of giving recommendation to the Independent Shareholders in relation to the Joint Venture Transaction

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“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction
“Independent Shareholders”	Shareholders other than those who have material interest (which is different from that of all other Shareholders) in the Joint Venture Transaction
“Independent Shareholders’ Approvals”	the approval of the shareholders (excluding any shareholders with a material interest in the Joint Venture Transaction) of each of CKPH, the Company and PAH as required under the Listing Rules for authorising the Joint Venture Transaction by the Approval Determination Date, and each an “Independent Shareholders’ Approval”
“Joint Venture Transaction”	the transactions contemplated under the Consortium Formation Agreement and the Shareholders’ Agreement
“JV Co”	CK William UK Holdings Limited, a private limited liability company, which is incorporated under the laws of England, and an indirect holding company of Bidco
“Latest Practicable Date”	17 February 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Longstop Date”	the date falling 18 months after the date of the Consortium Formation Agreement

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“Maximum Financial Commitment”	in relation to a Consortium Member and its subsidiaries, the maximum financial commitment of such Consortium Member and its subsidiaries under the Joint Venture Transaction, based on the Scheme Consideration and the transaction costs, which for the avoidance of doubt, include the estimated adjustments to the total amount of Scheme Consideration, as more particularly described under the section headed “ <i>Scheme Implementation Agreement – Implementation of the Schemes</i> ” in the “ <i>Letter from the Board</i> ” in this circular
“Midco 1”	CK William Midco 1 Limited, a private limited liability company, which is incorporated under the laws of England, and which holds 40% of the equity interest in JV Co
“Midco 2”	CK William Midco 2 Limited, a private limited liability company, which is incorporated under the laws of England, and which holds 40% of the equity interest in JV Co
“Midco 3”	CK William Midco 3 Limited, a private limited liability company, which is incorporated under the laws of England, and which holds 20% of the equity interest in JV Co
“Non-Continuing Member(s)”	means: (a) the Company, if one or both of the Independent Shareholders’ Approval(s) of CKPH and the Company is/are not obtained on the Approval Determination Date; and/or (b) PAH, if the Independent Shareholders’ Approval of PAH is not obtained on the Approval Determination Date
“PAH”	Power Assets 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)
“PAH Group”	PAH and its subsidiaries
“PAH Holdco”	PAH Gas Infrastructure Limited, an indirect wholly-owned subsidiary of PAH which is incorporated under the laws of England

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“percentage ratios”	have the meaning ascribed to such term in Chapter 14 of the Listing Rules
“Pricing Period”	the 10 trading days prior to 10 February 2017
“Respective Proportion(s)”	means: <ul style="list-style-type: none">(a) in relation to CKPH, 40%;(b) in relation to the Company, 40%; and(c) in relation to PAH, 20%
“Revised Respective Proportion(s)”	means: <ul style="list-style-type: none">(a) in the event that PAH becomes a Non-Continuing Member:<ul style="list-style-type: none">(i) in relation to CKPH, 60%; and(ii) in relation to the Company, 40%; and(b) in the event that the Company becomes a Non-Continuing Member:<ul style="list-style-type: none">(i) in relation to CKPH, 80%; and(ii) in relation to PAH, 20%
“Scheme Booklet”	the notice of meeting and explanatory memorandum to be prepared in respect of the Schemes in accordance with the terms and conditions of the Scheme Implementation Agreement and to be despatched by the Target to the Target Securityholders
“Scheme Consideration”	the consideration payable to the Target Securityholders in accordance with the Scheme Implementation Agreement, which is AUD3.00 (equivalent to approximately HK\$17.19) per Target Security subject to adjustment in accordance with the terms of the Scheme Implementation Agreement, as more particularly set out under the section headed “ <i>Scheme Implementation Agreement – Implementation of the Schemes</i> ” in the “ <i>Letter from the Board</i> ” in this circular

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“Scheme Documents”	the Scheme Implementation Agreement, the Scheme Booklet and the Deed Poll entered into in accordance with the terms and conditions of the Scheme Implementation Agreement
“Scheme Implementation Agreement”	the scheme implementation agreement dated 14 January 2017 and entered into by Bidco, DUECo, DIHL, DFL (in its personal capacity and as the responsible entity of DFT) and by CKPH, the Company and PAH (each in the capacity as guarantor) in respect of the Schemes
“Schemes”	the Target Company Schemes and the Trust Scheme
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“SGM”	the special general meeting of the Company to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 14 March 2017 for purposes of considering and, if thought fit, approving the Joint Venture Transaction
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between CKPH, the Company, PAH, the Consortium Midcos and JV Co to govern the shareholder relationship in JV Co as well as the downstream businesses of the Target
“Shares”	ordinary shares in the capital of the Company with a nominal value of HK\$1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	collectively, DFL, DFT, DIHL and DUECo or any one or more of them (as the context requires)

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“Target Company Schemes”	the schemes of arrangement made in accordance with Part 5.1 of the Corporations Act, under which all the fully paid ordinary shares of each of DUECo, DIHL and DFL will be transferred to Bidco pursuant to the form attached to the Scheme Implementation Agreement or as otherwise agreed by Bidco and the Target (together with any amendment or modification made pursuant to section 411 (6) of the Corporations Act)
“Target Distributions”	shall have the meaning given to it under the section headed “ <i>Scheme Implementation Agreement – Implementation of the Schemes</i> ” in the “ <i>Letter from the Board</i> ” in this circular
“Target Group”	the Target and its subsidiaries
“Target Scheme Meetings”	the meetings of the shareholders of DIHL, DFL and DUECo to consider the Target Company Schemes, and the meeting of the unitholders of DFT to consider the Trust Scheme
“Target Securities”	all of the shares in issue of DUECo, DIHL and DFL and all of the units in DFT, the stapled securities of the Target (comprising issued, fully paid ordinary shares in each of DUECo, DIHL and DFL and ordinary units in DFT) which are listed on the ASX (ASX Code: DUE)
“Target Securityholders”	each person registered as the holder of Target Securities
“TDT1”	Li Ka-Shing Unity Trustee Corporation Limited, a company incorporated in the Cayman Islands, which is the trustee of DT1
“TDT2”	Li Ka-Shing Unity Trustcorp Limited, a company incorporated in the Cayman Islands, which is the trustee of DT2
“TDT3”	Li Ka-Shing Castle Trustee Corporation Limited, a company incorporated in the Cayman Islands, which is the trustee of DT3
“TDT4”	Li Ka-Shing Castle Trustcorp Limited, a company incorporated in the Cayman Islands, which is the trustee of DT4

DEFINITIONS

“Trust”	DT1, DT2, DT3, DT4, UT1 and UT3, and where the context requires, any of them
“Trust Scheme”	the arrangement made in accordance with Guidance Note 15 (Trust Scheme Mergers) issued by the Takeovers Panel of Australia, under which Bidco will acquire all of the fully paid ordinary units in DFT from Target Securityholders subject to the relevant approvals of the members of DFT
“UT1”	The Li Ka-Shing Unity Trust
“UT3”	The Li Ka-Shing Castle Trust
“VWAP”	volume weighted average price
“%”	per cent

Note: The figures in “AUD” are converted into HK\$ at the rate of AUD1.00: HK\$5.73 throughout this circular for indicative purposes only, and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.

LETTER FROM THE BOARD



Cheung Kong Infrastructure Holdings Limited 長江基建集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

Board of Directors

Executive Directors

LI Tzar Kuoi, Victor (*Chairman*)

FOK Kin Ning, Canning

(Deputy Chairman)

Frank John SIXT

KAM Hing Lam

(Group Managing Director)

IP Tak Chuen, Edmond

(Deputy Chairman)

Andrew John HUNTER

(Deputy Managing Director)

CHAN Loi Shun

(Chief Financial Officer)

CHEN Tsien Hua

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

Barrie COOK

Alternate Directors

CHOW WOO Mo Fong, Susan

(alternate to FOK Kin Ning, Canning)

MAN Ka Keung, Simon

(alternate to IP Tak Chuen, Edmond)

Eirene YEUNG

(alternate to KAM Hing Lam)

Registered Office

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12th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

Non-executive Directors

LEE Pui Ling, Angelina

George Colin MAGNUS

Company Secretary

Eirene YEUNG

22 February 2017

Dear Shareholder(s),

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

FORMATION OF A JOINT VENTURE IN CONNECTION WITH THE PROPOSED ACQUISITION OF ALL OF THE STAPLED SECURITIES IN ISSUE OF THE TARGET WHICH ARE LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE BY WAY OF SCHEMES

1. INTRODUCTION

Reference is made to the Announcement of CKPH, CKHH, the Company and PAH on 16 January 2017 in relation to the Joint Venture Transaction and the Acquisition. As provided in the Announcement, on 14 January 2017, the Consortium Members, the Company

LETTER FROM THE BOARD

Holdco, PAH Holdco and the Consortium Midcos entered into the Consortium Formation Agreement with, among others, JV Co and Bidco in order to govern the funding and operation of JV Co and Bidco, pursuant to which, subject to the obtaining of the necessary Independent Shareholders' Approvals, the relevant Consortium Members will, among other things, indirectly fund the Acquisition according to the Respective Proportions or Revised Respective Proportions (as the case may be) and enter into the Shareholders' Agreement.

In addition, in connection with the Acquisition, Bidco, the Target and the Consortium Members (as guarantors of Bidco's obligations under the Scheme Implementation Agreement) have entered into the Scheme Implementation Agreement on 14 January 2017.

The approval of the Independent Shareholders (as to the Company's participation in the Joint Venture Transaction with CKPH) and the approval of the independent shareholders of CKPH (as to its participation in the Joint Venture Transaction with the Company) and/or PAH (as to its participation in the Joint Venture Transaction with CKPH and the Company) are pre-conditions to the entering into of the Joint Venture Transaction. The purpose of this circular is (i) to provide you with further information regarding details of the Joint Venture Transaction and the Acquisition; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Joint Venture Transaction; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction; (iv) to give the Shareholders the notice of the SGM, at which approval by the Independent Shareholders of the Joint Venture Transaction will be sought; and (v) to provide you with the other information as required under the Listing Rules.

2. JOINT VENTURE TRANSACTION

A. The Consortium Formation Agreement

On 14 January 2017, the Consortium Members, the Company Holdco, PAH Holdco and the Consortium Midcos entered into the Consortium Formation Agreement with, among others, JV Co and Bidco in order to govern the funding and operation of JV Co and Bidco, subject to the obtaining of the necessary Independent Shareholders' Approvals.

The Company's participation in the Joint Venture Transaction with CKPH is subject to the Independent Shareholders' Approvals of both CKPH and the Company. PAH's participation in the Joint Venture Transaction does not require the Independent Shareholders' Approval of the Company, but its participation in the Joint Venture Transaction with CKPH and the Company will require its Independent Shareholders' Approval. If the Independent Shareholders' Approvals of each of CKPH, the Company and PAH are obtained, the Joint Venture Transaction will proceed between CKPH, the Company and PAH as to 40%, 40% and 20%, respectively. If the Independent Shareholders' Approvals of both CKPH and the Company are obtained, but the Independent Shareholders' Approval of PAH is not obtained, the Joint Venture Transaction will proceed between CKPH and the Company as to 60% and 40%, respectively. If the Independent Shareholders' Approval of PAH is obtained, but the

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Independent Shareholders' Approval(s) of CKPH and/or the Company is/are not obtained, the Joint Venture Transaction will proceed between CKPH and PAH as to 80% and 20%, respectively.

As at the Latest Practicable Date, each Consortium Midco is wholly owned by CKPH Holdco. In turn, JV Co is owned by Midco 1 as to 40%, Midco 2 as to 40% and Midco 3 as to 20%, respectively.

The principal terms of the Consortium Formation Agreement are as follows:

(a) Participation of the Consortium Members – Independent Shareholders' Approvals sought prior to the Funding Date

The SGM for obtaining the necessary Independent Shareholders' Approval of the Company will be held in advance of the Funding Date. The Company has been informed that the extraordinary general meeting of CKPH and the general meeting of PAH for the purposes of obtaining their respective necessary Independent Shareholders' Approvals will also be held in advance of the Funding Date.

In the event that, prior to the Funding Date:

- (i) the necessary Independent Shareholders' Approvals of both CKPH and the Company are obtained, the Company, through the Company Holdco, will contribute nominal funding to Midco 2 through a subscription of shares in Midco 2, or through a subscription of shares in, and provision of shareholders loans to, Midco 2, and Midco 2 will utilise such contribution to redeem, cancel or buy-back any existing shares held in it by CKPH Holdco, such that Midco 2 will become a wholly-owned subsidiary of the Company Holdco; and/or
- (ii) the Independent Shareholders' Approval of PAH is obtained, irrespective of whether or not the Independent Shareholders' Approval of CKPH and/or the Company in respect of the Company's participation in the Joint Venture Transaction is/are obtained, PAH, through PAH Holdco, will contribute nominal funding to Midco 3 through a subscription of shares in Midco 3, or through a subscription of shares in, and provision of shareholders loans to, Midco 3, and Midco 3 will utilise such contribution to redeem, cancel or buy-back any existing shares held in it by CKPH Holdco, such that Midco 3 will become a wholly-owned subsidiary of PAH Holdco.

If the necessary Independent Shareholders' Approvals in respect of both the Company's participation and PAH's participation are not obtained, the Company and PAH will not contribute any funding into Midco 2 and Midco 3 as set out above, and the Joint Venture Transaction will not proceed. However, the obligations of Bidco under the Scheme Implementation Agreement remain

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unaffected and, subject to the Schemes becoming effective, the Acquisition will proceed, with the CKPH Group acquiring 100% of the Target via its ownership of all of the Consortium Midcos.

If the necessary Independent Shareholders' Approvals are obtained in respect of the Company's and/or PAH's participation in the Joint Venture Transaction, each Consortium Midco (which will be wholly owned by the respective Consortium Members) will contribute its Respective Proportion or Revised Respective Proportion (as appropriate) of funding to JV Co and Australia Holdco, by subscribing for additional shares in, and/or providing shareholder loans to, JV Co and Australia Holdco, which will in turn provide funding to Bidco to satisfy the Scheme Consideration and the transaction costs.

Please refer to the section headed "*Scheme Implementation Agreement*" in this Letter from the Board below for further details.

Subject to the relevant Independent Shareholders' Approvals, each Consortium Member agrees to use its best effort to procure that the Schemes are implemented by Bidco in accordance with the Scheme Implementation Agreement.

(b) Participation of the Consortium Members – Independent Shareholders' Approvals sought after the Funding Date

If the shareholders' meetings of both the Company and PAH for considering the Joint Venture Transaction are held after the Funding Date, subject to the Schemes becoming effective, the Acquisition will proceed, with the CKPH Group acquiring 100% of the Target via its ownership of all of the Consortium Midcos.

In the event that:

- (i) the necessary Independent Shareholders' Approvals of both CKPH and the Company are obtained, but one or both of such approvals is/are only obtained after the Funding Date and on or prior to the Longstop Date, the Company will (through the Company Holdco), after obtaining both such approvals, contribute substantial funding to Midco 2 through a subscription for shares in Midco 2, or through a subscription for shares in, and the provision of shareholder loans to, Midco 2. Midco 2 will use such contribution to:
 - (1) redeem, cancel or buy-back all outstanding shares held by CKPH Holdco (if any); and
 - (2) repay all shareholder loans owed by Midco 2 to CKPH Holdco,

such that Midco 2 will become a wholly-owned subsidiary of the Company Holdco and the Company will indirectly hold the Target as to 40%; and/or

LETTER FROM THE BOARD

(ii) the Independent Shareholders' Approval of PAH is obtained after the Funding Date and on or prior to the Longstop Date, irrespective of whether or not the Independent Shareholders' Approval of CKPH and/or the Company in respect of the Company's participation in the Joint Venture Transaction is obtained, PAH will (through PAH Holdco), after obtaining its necessary Independent Shareholders' Approval, contribute substantial funding to Midco 3 through a subscription for shares in Midco 3, or through a subscription for shares in, and the provision of shareholder loans to, Midco 3. Midco 3 will use such contribution to:

(1) redeem, cancel or buy-back all outstanding shares held by CKPH Holdco (if any); and

(2) repay all shareholder loans owed by Midco 3 to CKPH Holdco,

such that Midco 3 will become a wholly-owned subsidiary of PAH Holdco and PAH will indirectly hold the Target as to 20%.

The funding amount to be contributed by the Company and/or PAH detailed above in this sub-paragraph (b) will be equal to all sums which CKPH has contributed to Midco 2 and Midco 3 respectively as at such relevant time, subject to the Maximum Financial Commitment of each of the Company and PAH.

If either the Company or PAH becomes a Non-Continuing Member, Midco 2 or Midco 3 (as applicable) will remain a wholly-owned subsidiary of CKPH Holdco.

(c) *Maximum Financial Commitment*

Depending on whether or not the Independent Shareholders' Approvals necessary for the relevant Consortium Members' participation in the Joint Venture Transaction are obtained, the Maximum Financial Commitment of the Company under the Consortium Formation Agreement is as follows:

(i) if all the necessary Independent Shareholders' Approvals are obtained, the Target will be indirectly held by CKPH, the Company and PAH as to 40%, 40% and 20% respectively, subject to the Schemes becoming effective, and the Maximum Financial Commitment of the Company (through its shareholding held in Midco 2) will be equal to 40% of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement, which will be up to approximately AUD3,012 million (equivalent to approximately HK\$17,259 million);

(ii) where only the necessary Independent Shareholders' Approvals for the Company's participation in the Joint Venture Transaction are obtained, the Target will be indirectly held by CKPH and the Company as to 60% and 40% respectively, subject to the Schemes becoming effective, and the Maximum Financial Commitment of the Company (through its

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shareholding held in Midco 2) will be equal to 40% of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement, which will be up to approximately AUD3,012 million (equivalent to approximately HK\$17,259 million); and

- (iii) where only the Independent Shareholders' Approval for PAH's participation in the Joint Venture Transaction is obtained, the Target will be indirectly held by CKPH and PAH as to 80% and 20% respectively, subject to the Schemes becoming effective.

The Company intends to finance its Respective Proportion or Revised Respective Proportion (as applicable) of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement from its internal resources and/or external borrowings.

Upon the contribution of funding to Midco 2 and/or Midco 3 by the Company and/or PAH respectively, in accordance with the manner as set out above:

- (i) JV Co will be indirectly held by the relevant Consortium Members through the relevant Consortium Midcos in the Respective Proportions or the Revised Respective Proportions (as applicable);
- (ii) the Consortium Midcos will enter into the Shareholders' Agreement, the principal terms of which are summarised under the section headed "*Joint Venture Transaction – The Shareholders' Agreement*" below; and
- (iii) (if the Company is not a Non-Continuing Member) the Target will be accounted for as a joint venture by the Company in its consolidated financial statements.

(d) Termination

Among other things, the Consortium Formation Agreement will be automatically terminated:

- (i) on the Longstop Date;
- (ii) if both the Company and PAH do not obtain their necessary Independent Shareholders' Approvals; or
- (iii) if the Scheme Implementation Agreement is terminated in accordance with its terms.

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In the event that all necessary Independent Shareholders' Approvals are obtained, the Consortium Formation Agreement will also be terminated on the first business day following the indirect contribution of the relevant funding by the Company to Midco 2 and by PAH to Midco 3 respectively as described in sub-paragraph (a) or (b) in this section above.

In the event that either the Company or PAH becomes a Non-Continuing Member, the Consortium Formation Agreement will be terminated on the first business day following the indirect contribution of the relevant funding by the Company or PAH (whichever is not a Non-Continuing Member) to Midco 2 or Midco 3 (as applicable), in accordance with the Consortium Formation Agreement, as described in sub-paragraph (a) or (b) in this section above.

(e) UK Gas Executive Committee

In view of their growing investments in the gas sector, the Company and PAH have, since the beginning of 2015, formed the UK Gas Executive Committee (the "UK Gas ExCo"), a body with members comprising companies involved in gas investments in the United Kingdom and Australia, to provide a discussion forum among its members. The purpose for establishing the UK Gas ExCo is to develop a centre of excellence in the gas sector, facilitate the flow of information between operating entities and make recommendations for the centralisation of group functions (such as treasury and management) to drive group efficiencies. If the Acquisition proceeds, the JV Co and the relevant Consortium Holdcos will become participating members of the UK Gas ExCo, and will benefit from the members' considerable expertise in the gas sector. Participation in the UK Gas ExCo is on a voluntary basis and no obligations are imposed on its members, and each of JV Co and the Consortium Holdcos will continue to have full discretion in making independent decisions on matters affecting its own operations.

B. The Shareholders' Agreement

Pursuant to the Consortium Formation Agreement, following the contribution of initial funding to Midco 2 and/or Midco 3 by the Company Holdco and/or PAH Holdco (as applicable) in accordance with the terms and conditions set out therein, the relevant Consortium Members, the relevant Consortium Midcos and JV Co will enter into the Shareholders' Agreement. Under the terms of the Shareholders' Agreement, the relevant Consortium Members and relevant Consortium Midcos (which will then be wholly owned by the respective Consortium Members) will agree on certain ongoing rights and obligations governing their relationship as direct or indirect shareholders of JV Co and the management and operation of JV Co and the Target Group upon implementation of the Schemes.

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The principal terms of the Shareholders' Agreement are as follows:

(a) Board role and composition

The business of JV Co shall be managed by its board of directors, who may exercise all the powers of JV Co subject to the terms and provisions of the Shareholders' Agreement, the articles of association or applicable laws. Each Consortium Midco shall have the right to nominate one director for appointment on the board of directors of JV Co in respect of each complete ten per cent (10%) of the shares in JV Co it owns (either directly or through its subsidiaries).

(b) Quorum

The quorum for the transaction of business at any board meeting of JV Co shall be at least one director appointed by each Consortium Midco (unless a Consortium Midco waives the quorum requirement to the extent that it relates to its appointed director(s) or if that Consortium Midco has a conflict of interest), provided that if a quorum is not present (or ceases to be present) at a board meeting, the board meeting shall be adjourned. If a quorum is not present (or ceases to be present) at an adjourned board meeting, as a result of the non-attendance of the director(s) nominated by a Consortium Midco who did not have a director nominated by it in attendance at the prior adjourned board meeting, then the quorum at the adjourned meeting will not require the attendance of any director nominated by that Consortium Midco.

(c) Board voting

Except for reserved matters, all board resolutions of JV Co are made by simple majority of directors present and entitled to vote on the resolution.

A small number of board matters of JV Co require a special majority, being a resolution which is approved by directors who together hold greater than 85% of the total number of votes held by directors present and entitled to vote on the resolution. These include, among other customary reserved matters:

- (i) any change to the dividend and distribution policy;
- (ii) the declaration, determination or payment of any dividend or distribution by JV Co and its subsidiaries other than in accordance with the dividend and distribution policy;
- (iii) the acquisition of any assets or business which are not related to the operation of the business of JV Co and its subsidiaries where the assets or business to be acquired have a value in excess of 2% of the enterprise value;
- (iv) the adoption and/or amendment of an annual business plan;

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- (v) the appointment or removal of the chief executive officer or chief financial officer of the Target Group; and
- (vi) JV Co and its wholly-owned subsidiaries borrowing money in excess of 3% of the aggregate enterprise value per annum.

(d) Shareholder Reserved Matters

In addition, a number of fundamental corporate actions are expressly reserved as shareholder matters. JV Co and any Target Group entity cannot take these steps unless the resolution is approved by shareholders of JV Co who together hold greater than 85% of the total number of votes held by shareholders of JV Co present and entitled to vote on the resolution.

These shareholder reserved matters include, among other things:

- (i) amending the constitution or trust deed (as applicable) of JV Co or any of its wholly-owned subsidiaries;
- (ii) the creation, allotment or issue of any share capital, loan capital, units or other securities or any instrument convertible into or referable to such;
- (iii) any capital reduction, buy-back or scheme of arrangement;
- (iv) any resolution for winding-up or liquidation or the making of an application for an administration order;
- (v) up until the implementation date of the Schemes, the exercise by Bidco or waiver by Bidco or any Consortium Member of any rights under the Scheme Implementation Agreement; and
- (vi) up until the implementation date of the Schemes, the amendment of any Scheme Document.

(e) Dividend and distribution policy

Unless otherwise agreed by a shareholder special resolution of JV Co, the dividend and distribution policy shall be to maximise distributions subject to normal commercial considerations deemed appropriate by the relevant board of directors, including requirements for capital and operating expenditure, taxation and other liabilities and obligations and future potential acquisitions, and maintenance of the then existing rating of JV Co and its wholly-owned subsidiaries.

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(f) Pre-emption rights

Unless a Consortium Member is transferring some or all of its equity interest in JV Co held by it or its direct or indirect subsidiaries to a member of its group as permitted under the Shareholders' Agreement (the "Sale Shares"), a Consortium Member must first offer these Sale Shares to the remaining shareholders of JV Co on a pro rata basis. If the Sale Shares are not fully taken up by the aforesaid shareholders of JV Co, the selling Consortium Member will be entitled to sell all of (and not some of) the unsold Sale Shares within three months of completion of the pre-emption process.

3. SCHEME IMPLEMENTATION AGREEMENT

On 14 January 2017, Bidco, the Target and the Consortium Members entered into the Scheme Implementation Agreement in connection with the Acquisition. The Acquisition is not conditional on the completion of the Joint Venture Transaction but is conditional upon the fulfilment of certain conditions as set out below. The principal terms of the Scheme Implementation Agreement are as follows:

(a) The outline of the Schemes

Subject to the Schemes becoming effective in accordance with their respective terms, the general effect of the Schemes will be as follows:

- (i) all of the Target Securities will be transferred to Bidco in accordance with the terms of the Schemes; and
- (ii) in consideration for the transfer to Bidco of all of the Target Securities, the Target Securityholders will receive the Scheme Consideration in accordance with the terms of the Schemes.

(b) Implementation of the Schemes

Target agrees to recommend the Schemes to the Target Securityholders and implement the Schemes, subject to the Schemes being approved by the requisite majorities at the Target Scheme Meetings, and Bidco agrees to assist the Target in the implementation of the Schemes and to pay the Scheme Consideration.

Based on the Scheme Consideration per Target Security of AUD3.00 (equivalent to approximately HK\$17.19) per Target Security held by a Target Securityholder and the total number of Target Securities in issue as at the Latest Practicable Date, being 2,470,769,861 Target Securities (which includes the new Target Securities that were issued on 16 February 2017 pursuant to the DRP for the distribution for the financial half year ended 31 December 2016), the Scheme Consideration for all the Target Securities would be approximately AUD7,412 million (equivalent to approximately HK\$42,471 million) (subject to the adjustment set out in sub-paragraph (b)(i) below, as appropriate). The Scheme Consideration was determined based on the Consortium's valuation of the Target's businesses. The Target is permitted to pay to the Target

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Securityholders a full distribution of up to AUD0.0925 (equivalent to approximately HK\$0.53) per Target Security for its financial half year ended 31 December 2016 and no adjustment will be made to the Scheme Consideration payable by Bidco as a result of such distribution.

Adjustments will be made to the total amount of Scheme Consideration payable for all of the Target Securities in the manner as follows:

- (i) Distributions of the Target's income will be made to the Target Securityholders for the period from 1 July 2016 to the date the Schemes are implemented (to the extent that income has not already been distributed for the financial half year ended 31 December 2016 as described above) (the "**Target Distributions**"). The Target Distributions may reduce the Scheme Consideration per Target Security payable by Bidco, to the extent and in the amount by which they exceed AUD0.03 (equivalent to approximately HK\$0.17) per Target Security.
- (ii) Additionally, the Target currently has a distribution reinvestment plan under which Target Securityholders can reinvest any distributions owing to them in new Target Securities (namely, the DRP). The DRP applies to the distribution for the financial half year ended 31 December 2016 but not to any of the distributions of the Target's income to be made in connection with the Schemes.

The number of new Target Securities to be issued pursuant to the DRP depends upon the value of the distributions that the Target Securityholders elect to be subject to the DRP divided by the VWAP of the Target during the Pricing Period. The Scheme Consideration of AUD3.00 (equivalent to approximately HK\$17.19) per Target Security (subject to the adjustment by virtue of the Target Distributions, as appropriate) will also be payable by Bidco in respect of the new Target Securities issued under the DRP. Accordingly, the total amount of Scheme Consideration payable under the Scheme Implementation Agreement may be adjusted upwards in the event of the issuance of such new Target Securities pursuant to the DRP.

As at the date of the Scheme Implementation Agreement, the Consortium estimated that the total amount of Scheme Consideration payable for all of the Target Securities would be approximately AUD7,408 million (equivalent to approximately HK\$42,448 million), after taking into account the adjustments set out under sub-paragraphs (b)(i) and (ii) above and subject to unforeseeable market conditions. In mid-February 2017, the Target Group announced that 37,724,330 Target Securities would be allocated under the DRP for the interim distribution in respect of the financial half year ended 31 December 2016 and an interim distribution of AUD0.0925 (equivalent to approximately HK\$0.53) per Target Security for such financial half year was paid on 16 February 2017.

The implementation of the Schemes will be subject to the terms of the Scheme Implementation Agreement and other customary conditions contained therein.

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(c) Conditions to the Schemes

Each of the Schemes are inter-conditional, and shall be implemented at the same time. In order for the Schemes to become effective, the following conditions precedent must be satisfied:

- (i) the Treasurer of the Commonwealth of Australia (or his delegate) either provides written notice to the effect that it does not object to the Acquisition under the Foreign Acquisitions and Takeovers Act 1975 (Cth), or the Treasurer of the Commonwealth of Australia becomes precluded by passage of time from making any order or decision in respect of the Acquisition;
- (ii) the Australian Securities and Investments Commission having granted the necessary modifications of the Corporations Act allowing:
 - (1) the Target Securityholders eligible to vote at the relevant Target Scheme Meeting to vote in favour of the implementation of the Trust Scheme;
 - (2) relief from prohibitions on making unsolicited offers to acquire financial products under the Corporations Act;
 - (3) DFL to obtain relief from the requirement to provide a financial services guide in respect of any financial services provided in the Scheme Booklet; and
 - (4) DIHL and DUECo to obtain relief from the requirement to hold an Australian Financial Services Licence in relation to any financial product advice provided in the Scheme Booklet;
- (iii) the approval of, or no objection from, the ASX in respect of the proposed modifications to the constitution of DFT to be made in connection with the implementation of the Trust Scheme;
- (iv) the independent expert appointed by the Target provides the Independent Expert's Report to the Target, stating that in its opinion the Schemes are fair and reasonable and in the best interests of Target Securityholders, and does not change that opinion or withdraw its independent expert report by notice in writing to the Target by 8:00 a.m. (Sydney, Australia time) on the date of the Court hearing to approve the Schemes;
- (v) each of the Target Company Schemes being approved by the requisite majorities of Target Securityholders (namely, 75% by number of votes and 50% by number of members present and voting) at the relevant Target Scheme Meetings;

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- (vi) the Court granting all necessary or customary approvals, orders and judicial advice in relation to the issuance of the Scheme Booklet and the implementation of the Schemes;
- (vii) no judgement, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other government agency that remains in effect at 8:00 a.m. (Sydney, Australia Time) on the date for Court approval of the Schemes that prohibits, materially restricts, makes illegal or restrains the implementation of the Schemes;
- (viii) the Trust Scheme being approved by way of (i) a member approved amendment to the constitution of DFT by the requisite majority of unitholders set out in the constitution of DFT (namely, 75% by number of votes) and (ii) an approval of the acquisition of the Target Securities of DFT by the requisite majority of unitholders (namely, 50% by number of votes) at the relevant Target Scheme Meeting;
- (ix) no event, occurrence or matter (whether individually or when aggregated with all such events, occurrence or matters of a like kind) having occurred between:
 - (1) the date of Scheme Implementation Agreement; and
 - (2) the first date of hearing (or the first date of any adjourned hearing) for the application made to Court for approval of the Target Company Schemes and confirmation from the Court in respect of the implementation of the Trust Scheme,which has had or is reasonably likely to have (a) the effect of a diminution in the value of the consolidated net assets (but not including any diminution in intangible assets) of the Target, taken as a whole, by at least AUD170 million (equivalent to approximately HK\$974 million); or (b) the effect of a diminution in the consolidated earnings before interest, tax, depreciation and amortisation of the Target, taken as a whole, by at least AUD100 million (equivalent to approximately HK\$573 million) per financial year in recurring financial years of the Target; or (c) the effect of a diminution in the consolidated earnings before interest, tax, depreciation and amortisation of one of the Target's business divisions (being the Energy Developments division), taken as a whole, by at least AUD35 million (equivalent to approximately HK\$201 million) per financial year in recurring financial years of the Target; and
- (x) no specified "DUET Regulated Event" occurring, which is an event that is specifically prohibited by the Scheme Implementation Agreement.

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Bidco and the Target are obliged to each use their respective best endeavors to satisfy, or procure the satisfaction of, the above conditions (to the extent such party is responsible for such fulfillment) on or before the End Date. Pursuant to the Scheme Implementation Agreement, Bidco is required to use its best endeavours to satisfy or procure satisfaction of the conditions set out in condition (i) above, the Target is required to use its best endeavours to satisfy or procure satisfaction of the conditions set out in conditions (ii), (iii), (ix) and (x), and each of the parties to the Scheme Implementation Agreement are required to use their endeavours to satisfy or procure the satisfaction of conditions (v), (vi), (vii) and (viii) above.

Bidco and the Target may jointly waive any conditions above except for the conditions under paragraphs (i), (v), (vi) and (viii). Only Bidco may waive the conditions under paragraphs (ix) and (x).

As at the Latest Practicable Date, none of the conditions of the Scheme Implementation Agreement had been satisfied.

Upon the Schemes becoming effective, the Schemes will be binding on all Target Securityholders, irrespective of whether they attended or voted at the Target Scheme Meeting (and if they attended and voted, whether or not they voted in favour).

(d) Guarantee and impact of the Independent Shareholders' Approvals

Under the Scheme Implementation Agreement, each of the Consortium Members agree to guarantee, on a several basis and in proportion to its shareholding in JV Co (which may be directly or indirectly held) after their capital contributions pursuant to the Joint Venture Transaction, the performance and observance by Bidco of all of the obligations of Bidco under the Scheme Implementation Agreement (including the payment of the Scheme Consideration (and any stamp duty payable thereon) and the costs reimbursement fee as set out below). However, the obligations of the Company and PAH to provide the guarantees under the Scheme Implementation Agreement are conditional on the obtaining of their respective necessary Independent Shareholders' Approvals.

For the avoidance of doubt, the guarantee obligation of CKPH is not subject to the receipt of its Independent Shareholders' Approval. If the necessary Independent Shareholders' Approvals of both the Company and PAH are not obtained on the Approval Determination Date:

- (i) the Consortium Formation Agreement will be automatically terminated in accordance with its terms and the Joint Venture Transaction will not proceed;
- (ii) the obligations of the Company and PAH to provide the guarantees under the Scheme Implementation Agreement will lapse;

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- (iii) the guarantee in respect of the relevant obligations of Bidco under the Scheme Implementation Agreement will be provided solely by CKPH (namely, as to 100%);
- (iv) the Scheme Consideration and transaction costs payable by CKPH Group under the Schemes will be up to approximately AUD7,530 million (equivalent to approximately HK\$43,147 million) (based on the estimated total amount of Scheme Consideration as set out in sub-paragraph (b) in this section above); and
- (v) CKPH has adequate financial resources to fund a 100% acquisition of the Target by its internal resources and/or external bank borrowings.

If either the Company or PAH becomes a Non-Continuing Member due to the failure to obtain the relevant Independent Shareholders' Approvals on the Approval Determination Date, the funding obligation of CKPH under the Joint Venture Transaction and its guarantee obligation under the Scheme Implementation Agreement towards Bidco will be adjusted in proportion to the Revised Respective Proportion, as a consequence of such Non-Continuing Member not subscribing for equity in the applicable Consortium Midco.

(e) Break fees

Pursuant to the Scheme Implementation Agreement, the Target has agreed to pay to Bidco a break fee of approximately AUD73 million (equivalent to approximately HK\$418 million) if:

- (i) a director of the Target fails to recommend (or changes their recommendation in relation to) the Schemes or recommends a competing proposal (except where (A) that failure is because the independent expert appointed by the Target does not give an opinion that the Schemes are fair and reasonable to and in the best interests of members of the Target; (B) there is a material and unremedied breach of the terms of the Scheme Implementation Agreement and Target terminates it; or (C) the condition with respect to the Treasurer of the Commonwealth of Australia (or his delegate) either providing written notice to the effect that it does not object to the Acquisition or the Treasurer of the Commonwealth of Australia becoming precluded by passage of time from making any order or decision in respect of the Acquisition was not met, other than as a result of a breach by the Target of its best endeavours obligations under the Scheme Implementation Agreement);
- (ii) the Target is in material breach of the Scheme Implementation Agreement and Bidco terminates the Scheme Implementation Agreement; or
- (iii) a competing proposal is announced or made prior to date of the Court hearing to approve the Trust Scheme and is completed within twelve months of the Scheme Implementation Agreement being entered into.

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(f) Costs reimbursement

Pursuant to the Scheme Implementation Agreement, Bidco has agreed to pay to the Target a costs reimbursement amount of AUD5 million (equivalent to approximately HK\$29 million), if the Target terminates the Scheme Implementation Agreement due to a material and unremedied breach of the Scheme Implementation Agreement by another party (not being a subsidiary of the Target), in accordance with the terms and conditions of the Scheme Implementation Agreement. For the avoidance of doubt, such costs reimbursement is not payable if:

- (i) Bidco was entitled to terminate the Scheme Implementation Agreement due to a material and unremedied breach of the Scheme Implementation Agreement by another party (not being a Consortium Member); or
- (ii) the Schemes become effective.

(g) Completion

Pursuant to the terms of the Scheme Implementation Agreement, Bidco agrees in favour of Target that, in consideration of the transfer to Bidco of each Target Security under the Schemes, Bidco will accept such transfer, and will pay to the Target the Scheme Consideration, in accordance with the terms of the Schemes in cash. All of the Target Securities will be transferred to Bidco in accordance with the terms of the Schemes. In consideration for the transfer to Bidco of all Target Securities held by the Target Securityholders, the Target Securityholders will receive the Scheme Consideration in accordance with the terms of the Schemes.

The directors of the Target have confirmed that they intend to recommend unanimously that the Target Securityholders vote in favour of the Schemes and the resolutions to be proposed at the Target Scheme Meetings.

If the Schemes do not become effective on or before the End Date and the parties do not agree an extension of the End Date, then either the Target or Bidco has the right to terminate the Scheme Implementation Agreement.

4. INFORMATION ON THE TARGET GROUP

The Target is an owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe. It consists of four separate legal entities, being DUECo, DFL, DIHL and DFT. The interests in these four entities (being the ordinary shares in each of DUECo, DFL and DIHL, and the ordinary units in DFT) are traded together as stapled securities which are listed on the ASX (ASX Code: DUE).

The principal businesses currently owned and operated by the Target are as follows:

- (a) Multinet Gas, a gas distribution business located in Victoria, Australia;

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- (b) A majority interest in United Energy, an electricity distribution business in Victoria, Australia;
- (c) Energy Developments, an international provider of safe, clean, low greenhouse gas emissions energy and remote energy solutions; and
- (d) Dampier to Bunbury Pipeline, Western Australia's principal gas transmission pipeline.

According to the audited consolidated financial statements of the Target Group for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 and the unaudited consolidated financial statement of the Target Group for the six months ended 31 December 2016 prepared in accordance with Australian Accounting Standards, the Corporations Act and other authoritative pronouncements of the Australian Accounting Standards Board and which comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the audited consolidated profit before and after income tax of the Target Group for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 and the unaudited consolidated profit before and after income tax of the Target Group for the six months ended 31 December 2016 are set out below:

	Year ended 30 June			Six months ended 31 December
	2014	2015	2016	2016
Profit before taxation	AUD102 million (equivalent to approximately HK\$584 million)	AUD65 million (equivalent to approximately HK\$372 million)	AUD213 million (equivalent to approximately HK\$1,220 million)	AUD84 million (equivalent to approximately HK\$481 million)
Profit after taxation	AUD193 million (equivalent to approximately HK\$1,106 million)	AUD46 million (equivalent to approximately HK\$264 million)	AUD217 million (equivalent to approximately HK\$1,243 million)	AUD72 million (equivalent to approximately HK\$413 million)

According to the audited consolidated financial statements of the Target Group for the financial year ended 30 June 2016 and the unaudited consolidated financial statements of the Target Group for the six months ended 31 December 2016 prepared in accordance with Australian Accounting Standards, the Corporations Act and other authoritative pronouncements of the Australian Accounting Standards Board and which comply with the IFRS, the audited consolidated net asset value of the Target Group as at 30 June 2016 and the unaudited consolidated net asset value of the Target Group as at 31 December 2016 were approximately AUD3,411 million (equivalent to approximately HK\$19,545 million) and AUD3,321 million (equivalent to approximately HK\$19,029 million) respectively.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Target and its ultimate beneficial owners are third parties independent of the Group and independent of connected persons of the Group under the Listing Rules.

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5. INFORMATION ON THE CKPH GROUP

The CKPH Group has diverse capabilities with principal activities encompassing property development and investment, hotel and serviced suite operation and property and project management and is in serious and prudent search of quality global investments to enhance its revenue streams and supplement the cyclical impact on cash flow associated with property development.

6. INFORMATION ON THE GROUP

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

7. INFORMATION ON THE PAH GROUP

The principal activities of the PAH Group are investment in energy businesses in Hong Kong and overseas.

8. REASONS FOR AND BENEFITS OF THE JOINT VENTURE TRANSACTION

The Consortium Members believe that the Target's energy utility assets in Australia, the United States, the United Kingdom and Europe represent an attractive opportunity for investors with the potential for growth opportunities. Among the Consortium Members, CKPH is the only bidding party with the size and immediate resources to make an offer conditional only upon the conditions set out under the section headed "*Scheme Implementation Agreement – Conditions to the Schemes*" above.

The Company and PAH have worked together on joint venture projects in the past and their previous experience of working together successfully makes them suitable Consortium Members.

The Joint Venture Transaction is consistent with its strategies of investing in energy infrastructure opportunities around the world and embracing new growth opportunities through diversification. In particular, the Target will become a member of the UK Gas ExCo as mentioned above. Participation in the UK Gas ExCo will facilitate the development and operation of Multinet Gas and the Dampier to Bunbury Pipeline in accordance with common group policies and practices in the gas sector.

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9. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios of the Company based on the Maximum Financial Commitment of the Group under the Joint Venture Transaction exceeds 5% but is less than 25%, the Joint Venture Transaction constitutes a discloseable transaction for the Company and is subject to the Company's compliance with the announcement and notification requirements, but is not subject to the Shareholders' approval requirement, under Chapter 14 of the Listing Rules.

Given Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor (who is a Director) and the Trust have been deemed as a group of connected persons by the Stock Exchange and they directly and/or indirectly held an aggregate of approximately 30.62% of the issued share capital of CKPH as at the Latest Practicable Date, CKPH may be regarded as a connected person of the Company under the Listing Rules. Therefore, the Joint Venture Transaction as between CKPH and the Company also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Company based on the Maximum Financial Commitment of the Group under the Joint Venture Transaction exceeds 5%, the Joint Venture Transaction as between CKPH and the Company is subject to the Company's compliance with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee is required under the Listing Rules to advise the Independent Shareholders in relation to the Joint Venture Transaction. Since Mr. Cheong Ying Chew, Henry, an independent non-executive Director, is also an independent non-executive director of CKPH, he was not appointed as a member of the Independent Board Committee. As a result, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel, Mr. Lan Hong Tsung, David and Mr. Barrie Cook, being the remaining independent non-executive Directors, have been appointed to and constitute the Independent Board Committee to advise the Independent Shareholders in relation to the Joint Venture Transaction.

10. SGM AND VOTING

The Company will convene the SGM for the Independent Shareholders to consider and, if thought fit, pass an ordinary resolution to approve the Joint Venture Transaction. A notice convening the SGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 14 March 2017 at 12:00 noon is set out on pages 67 to 68 of this circular.

All Shareholders who have a material interest (which is different from that of all other Shareholders) in the Joint Venture Transaction will be required to abstain from voting on the ordinary resolution to approve the Joint Venture Transaction at the SGM.

CKHH, through its wholly-owned subsidiaries, held approximately 71.93% of the issued share capital of the Company as at the Latest Practicable Date. CKHH will procure its subsidiaries to abstain from voting on the ordinary resolution to approve the Joint Venture Transaction at the SGM.

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The relevant entities under the Trust, which held approximately 0.2% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the ordinary resolution to approve the Joint Venture Transaction at the SGM. In addition, approximately 0.01% of the issued share capital of the Company was held as Mr. Li Tzar Kuoi, Victor's family interest as at the Latest Practicable Date. Mr. Li Tzar Kuoi, Victor will, and will procure his associates to, abstain from voting on the ordinary resolution to approve the Joint Venture Transaction at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the principal place of business of the Company at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as practicable and in any event no later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

11. RECOMMENDATIONS

(a) Recommendation from the Directors (other than those on the Independent Board Committee)

Having taken into account the reasons for and the benefits of the Joint Venture Transaction as set out in this Letter from the Board above, the Directors (other than those on the Independent Board Committee, whose views are set out in the "*Letter from the Independent Board Committee*") consider that the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Joint Venture Transaction are fair and reasonable and the Joint Venture Transaction is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (other than those on the Independent Board Committee, whose views are set out in the "*Letter from the Independent Board Committee*") recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Joint Venture Transaction.

None of the Directors have any material interest in the Joint Venture Transaction except by virtue of being a director and/or shareholder of the Company (including its subsidiaries) and/or the other parties involved in the Joint Venture Transaction, and no Directors were required to abstain from voting on the board resolutions of the Company for the approval of the Joint Venture Transaction. Notwithstanding the foregoing, Mr. Li Tzar Kuoi, Victor, being an executive Director, voluntarily abstained from voting on the board resolutions of the Company for the approval of the Joint Venture Transaction.

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(b) Recommendation from the Independent Board Committee

The Independent Board Committee (comprising Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel, Mr. Lan Hong Tsung, David and Mr. Barrie Cook) has been established to advise the Independent Shareholders in relation to the Joint Venture Transaction.

The Independent Board Committee, having considered the reasons for and the benefits of the Joint Venture Transaction as set out above and the terms of the Joint Venture Transaction and having taken into account the advice of the Independent Financial Adviser, and in particular, the factors, reasons and recommendations set out in the “*Letter from the Independent Financial Adviser*” in this circular, considers that the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Joint Venture Transaction are fair and reasonable so far as the Independent Shareholders are concerned and the Joint Venture Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Joint Venture Transaction.

(c) Recommendation from the Independent Financial Adviser

Somerley Capital Limited has been engaged as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Joint Venture Transaction. The text of the letter of advice from the Independent Financial Adviser is set out on pages 34 to 56 of this circular.

In the “*Letter from the Independent Financial Adviser*” set out in this circular, the Independent Financial Adviser stated that having taken into account the principal factors and reasons therein, it considers that the terms of the Joint Venture Transaction are fair and reasonable so far as the Independent Shareholders are concerned. In addition, the Independent Financial Adviser considers that the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Financial Adviser advises the Independent Board Committee to recommend, and it recommends, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Joint Venture Transaction.

LETTER FROM THE BOARD

12. FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 33 of this circular, the letter from the Independent Financial Adviser as set out on pages 34 to 56 of this circular, the additional information as set out in the Appendix and the notice of the SGM as set out on pages 67 to 68.

Yours faithfully,

For and on behalf of the Board of

Cheung Kong Infrastructure Holdings Limited

LI Tzar Kuoi, Victor

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Cheung Kong Infrastructure Holdings Limited
長江基建集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

22 February 2017

To the Independent Shareholders

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

**FORMATION OF A JOINT VENTURE IN CONNECTION WITH
THE PROPOSED ACQUISITION OF ALL OF
THE STAPLED SECURITIES IN ISSUE OF
THE TARGET WHICH ARE LISTED ON THE AUSTRALIAN
SECURITIES EXCHANGE BY WAY OF SCHEMES**

We refer to the circular of Cheung Kong Infrastructure Holdings Limited dated 22 February 2017 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Independent Shareholders in relation to the Joint Venture Transaction.

Having considered the reasons for and the benefits of the Joint Venture Transaction as set out in the Circular and the terms of the Joint Venture Transaction and having taken into account the advice of the Independent Financial Adviser, and in particular, the factors, reasons and recommendations set out in the letter from the Independent Financial Adviser, we consider that the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Joint Venture Transaction are fair and reasonable so far as the Independent Shareholders are concerned and that the Joint Venture Transaction is in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve the Joint Venture Transaction.

We draw the attention of the Independent Shareholders to (1) the letter from the Board set out on pages 11 to 32 of the Circular; and (2) the letter from the Independent Financial Adviser, which sets out the factors and reasons taken into account in arriving at its advice to the Independent Board Committee and the Independent Shareholders, on pages 34 to 56 of the Circular.

Yours faithfully,

KWOK Eva Lee
SNG Sow-mei alias POON Sow Mei
Colin Stevens RUSSEL
LAN Hong Tsung, David
Barrie COOK
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter from Somerley Capital Limited, the Independent Financial Adviser, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Joint Venture Transaction, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

22 February 2017

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

FORMATION OF A JOINT VENTURE IN CONNECTION WITH THE PROPOSED ACQUISITION OF ALL OF THE STAPLED SECURITIES IN ISSUE OF THE TARGET WHICH ARE LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE BY WAY OF SCHEMES

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Joint Venture Transaction. Details of the Joint Venture Transaction are set out in the circular of the Company dated 22 February 2017 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Joint Venture Transaction comprises the transactions contemplated under (i) the Consortium Formation Agreement dated 14 January 2017 which was entered into between, among others, the Consortium Members, Company Holdco, PAH Holdco, the Consortium Midcos, JV Co and Bidco with respect to the direct or indirect subscription for equity interest in JV Co and funding for the Acquisition; and (ii) the Shareholders' Agreement to be entered into between CKPH, the Company, PAH, the Consortium Midcos and JV Co to govern the shareholder relationship in JV Co as well as the downstream businesses of the Target.

Given Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor (who is a Director) and the Trust have been deemed as a group of connected persons by the Stock Exchange and they directly and/or indirectly held an aggregate of approximately 30.62% of the issued share capital of CKPH as at the Latest Practicable Date, CKPH may be regarded as a connected person of the Company under the Listing Rules. Therefore, the Joint Venture Transaction as between

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CKPH and the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Company based on the Maximum Financial Commitment of the Group under the Joint Venture Transaction exceeds 5%, the Joint Venture Transaction as between CKPH and the Company is subject to the Company's compliance with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Joint Venture Transaction constitutes a discloseable transaction for the Company and is subject to the Company's compliance with the relevant announcement and notification requirements under Chapter 14 of the Listing Rules.

CKHH, through its wholly-owned subsidiaries, held approximately 71.93% of the issued share capital of the Company as at the Latest Practicable Date. CKHH will procure its subsidiaries to abstain from voting on the ordinary resolution to approve the Joint Venture Transaction at the SGM. The relevant entities under the Trust, which held approximately 0.2% of the issued share capital of the Company, will abstain from voting on the ordinary resolution to approve the Joint Venture Transaction at the SGM. In addition, approximately 0.01% of the issued Shares is held as Mr. Li Tzar Kuoi, Victor's family interest. Mr. Li Tzar Kuoi, Victor will, and will procure his associates to, abstain from voting on the ordinary resolution to approve the Joint Venture Transaction at the SGM.

The Independent Board Committee is required under the Listing Rules to advise the Independent Shareholders in relation to the Joint Venture Transaction. Since Mr. Cheong Ying Chew, Henry, an independent non-executive Director, is also an independent non-executive director of CKPH, he was not appointed as a member of the Independent Board Committee. As a result, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Colin Stevens Russel, Mr. Lan Hong Tsung, David and Mr. Barrie Cook, being the remaining independent non-executive Directors, have been appointed to and constitute the Independent Board Committee which has been established to advise the Independent Shareholders in relation to the Joint Venture Transaction. With the approval of the Independent Board Committee, we have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Joint Venture Transaction.

During the past two years, Somerley Capital Limited has acted as an independent financial adviser to (i) Hutchison Whampoa Limited (which has become a wholly-owned subsidiary of CKHH with its listing withdrawn in June 2015), and (ii) Hui Xian Real Estate Investment Trust (stock code: 87001). The past engagements were limited to providing independent advisory services to the relevant entities pursuant to the Listing Rules, the Code on Takeovers and Mergers and/or the Code on Real Estate Investments Trusts, for which Somerley Capital Limited received normal professional fees. Accordingly, we do not consider the past engagements give rise to any conflict of interest for Somerley Capital Limited in acting as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Group, which we have assumed to be true, accurate and complete in all material aspects

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and will remain so up to the time of the SGM. We have reviewed (i) the Consortium Formation Agreement; (ii) the Shareholders' Agreement; (iii) the Scheme Implementation Agreement; (iv) the annual report and interim report of the Company for the year ended 31 December 2015 and the six months ended 30 June 2016 respectively; and (v) information contained in the Circular. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material information has been omitted or withheld, nor are we aware of any material omissions which would render the information and facts supplied, and the opinions expressed, to us untrue, inaccurate or misleading. We have relied on such information and consider that the information which we have received is sufficient for us to reach our opinion and recommendation as set out in this letter and to justify our reliance on such information. We have, however, not conducted any independent investigation into the business and affairs of the Company, the other Consortium Members, the Target or their respective subsidiaries, associated companies or joint ventures. We have also assumed that all representations contained or referred to in the Circular are true as at the date of the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Joint Venture Transaction, we have taken into account the principal factors and reasons set out below.

1. Background and reasons

(i) *The Group*

The Group is principally engaged in the development, investment and operation of infrastructure businesses including energy, transportation, water, waste management, waste-to-energy and other related infrastructure businesses. Investments of the Group are located in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada. Over the years, the Group has grown in size and scale, with total assets of approximately HK\$131.5 billion as at 30 June 2016, and a market capitalisation of approximately HK\$168.8 billion as at the Latest Practicable Date.

In Australia, the majority of the Group's infrastructure investments are energy businesses made jointly with the PAH Group. Such joint investments include, among others, majority interests in each of (i) SA Power Networks Partnership, the primary electricity distributor in South Australia, Australia, (ii) Victoria Power Networks Pty Ltd ("VPN"), which operates electricity distribution networks in Victoria, Australia, and (iii) Australian Gas Networks Limited ("AGN"), one of Australia's largest natural gas distributors.

According to our discussion with the management of the Group, the primary investment objective of the Group is to focus on businesses that produce stable and predictable returns. As disclosed in the Company's 2015 annual report, the Group seeks investments in industries where it can capitalise on its existing knowledge, and favours countries that have established legal systems and transparent regulatory regimes.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) CKPH Group and PAH Group

The CKPH Group has principal activities encompassing property development and investment, hotel and serviced suite operation and property and project management. As at 30 June 2016, the CKPH Group had total assets of approximately HK\$372.4 billion and bank balances and deposits of approximately HK\$50.3 billion. As stated in the Announcement, the CKPH Group is currently highly liquid and in a net cash position. However, in the current cyclical stage of the local property market, high property prices have presented risks rendering it challenging to identify property investments with reasonable returns. The CKPH Group has therefore engaged in active search of and participated in quality global investments, a previous example of which is its investment in aircraft leasing business.

The PAH Group is principally engaged in investment in energy businesses in Hong Kong and overseas. As discussed above, the Group and the PAH Group have previously invested jointly in energy businesses. As at 30 June 2016, the PAH Group had total assets of approximately HK\$131.9 billion, including bank deposits and cash of approximately HK\$65.9 billion.

(iii) The Target Group

The Target is an owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe. It consists of four separate legal entities, being DUECo, DFL, DIHL and DFT. The ordinary shares in each of DUECo, DFL and DIHL, and the ordinary units in DFT, are traded together as stapled securities which are listed on the ASX. Such stapled securities structure is not unusual in Australia. The principal businesses currently owned and operated by the Target are as follows:

- (a) Multinet Gas, a gas distribution business located in Victoria, Australia;
- (b) a majority interest in United Energy, an electricity distribution business in Victoria, Australia;
- (c) Energy Developments, an international provider of clean energy and remote energy solutions; and
- (d) Dampier to Bunbury Pipeline, Western Australia's principal gas transmission pipeline.

The electricity distribution, gas distribution and gas transmission businesses of the Target Group are regulated by the relevant energy regulators in Australia.

According to the latest published annual report of the Target Group for the year ended 30 June 2016, the Target Group recorded revenue of approximately AUD1.6 billion, profit attributable to stapled securityholders of approximately AUD195.8 million, and basic earnings per stapled security of AUD0.0864 for the year ended 30 June 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) Reasons for and benefits of the Joint Venture Transaction

The Consortium Members believe that the Target's energy utility assets in Australia, the United States, the United Kingdom and Europe represent an attractive opportunity for investors with the potential for growth opportunities. We consider the Target Group, with a significant part of it being regulated energy businesses generating stable and predictable return, falls squarely within the investment criteria of the Group. As mentioned above, the Group has investments in other electricity and gas distribution businesses in Australia. VPN and AGN, in particular, operate in areas adjacent to that of United Energy and Multinet Gas. Set out below are maps illustrating the service areas of the above entities:



A map of Victoria, Australia, showing the service areas of each of CitiPower, Powercor (both owned by VPN) and United Energy



A map of Victoria, Australia, showing the service areas of each of AGN and Multinet Gas

The Company has informed us that the Group's Australian management has succeeded in achieving significant operating efficiencies where businesses are located close to each other. Based on the previous experience, we consider it reasonable to believe that the Target Group, VPN and AGN will be able to achieve improvements in areas such as asset optimisation, network improvement and safety performance by way of, for example, sharing of technical know-how and experience among different management at operating level. While a number of the above businesses are held in joint venture with other entities, it is reasonable to assume the joint venture partners would support sensible business improvements. It is not expected that there will be possibility of competition on the distribution business, as the Target Group, VPN and AGN operate in their own respective regions where their own distribution networks are built. There is no overlap in terms of geographical coverage between the Target Group's electricity distribution business with VPN, and similarly between the Target Group's gas distribution business with AGN.

As discussed above, the Group and the PAH Group have in the past made investments jointly in energy infrastructure businesses, including VPN and AGN in Australia. Given the above and the financial capability of the PAH Group, it would be consistent for PAH to be a member of the Consortium.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is also important for CKPH to be a Consortium Member because, as stated in the letter from the Board in the Circular, CKPH is the only bidding party among the Consortium Members with the size and immediate resources to make an offer conditional only upon the conditions set out in the section headed “*Scheme Implementation Agreement – Conditions to the Schemes*” in the letter from the Board in the Circular. The Joint Venture Transaction is structured in a way that if the necessary approvals from CKPH, the Company and PAH’s respective independent shareholders in respect of their participation in the Joint Venture Transaction cannot be obtained, CKPH will proceed with the Acquisition (through Bidco which will remain as an indirect wholly-owned subsidiary of CKPH). We are of the view that the ability to make an offer with minimum conditions would be an important commercial consideration for a potential target and its shareholders and, all else being equal, an offer not requiring buyer’s independent shareholders’ approval (which is usually not under the buyer’s control) would be more favoured. Notwithstanding the above, we understand from the management of the Group that it is not the desired outcome as contemplated by the Consortium Members, as the Company has devoted much time and resources in leading the negotiation of the Acquisition with the Target.

2. Principal terms of the Joint Venture Transaction

The Joint Venture Transaction consists of the transactions contemplated under the (i) Consortium Formation Agreement, which governs the funding and operation of JV Co and Bidco, and (ii) the Shareholders’ Agreement, where the Consortium Members will agree on certain ongoing rights and obligations governing their relationship as shareholders of JV Co and the management and operation of JV Co and the Target Group upon implementation of the Schemes. The key terms of each of the Consortium Formation Agreement and the Shareholders’ Agreement are set out below.

(i) The Consortium Formation Agreement

On 14 January 2017, the Consortium Members, the Company Holdco, PAH Holdco and the Consortium Midcos entered into the Consortium Formation Agreement with, among others, JV Co and Bidco in order to govern the funding and operation of JV Co and Bidco, subject to the obtaining of the necessary Independent Shareholders’ Approvals. As at the Latest Practicable Date, each Consortium Midco is wholly owned by CKPH Holdco. In turn, JV Co is owned by Midco 1 as to 40%, Midco 2 as to 40% and Midco 3 as to 20%, respectively. Subject to Independent Shareholders’ Approval of the Company, the Group will participate through a 100% ownership of Midco 2 and so will have a 40% interest in JV Co.

(a) Participation of the Consortium Members

The SGM for obtaining the necessary Independent Shareholders’ Approval of the Company will be held in advance of the Funding Date, which is three business days prior to the implementation date of the Schemes. The Company has been informed that the extraordinary general meeting of CKPH and the general meeting of PAH for the purposes of obtaining their respective necessary

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent Shareholders' Approvals will also be held in advance of the Funding Date. The key terms of the Consortium Formation Agreement are presented below based on the above assumptions.

In the event that, prior to the Funding Date:

- (i) the necessary Independent Shareholders' Approvals of both CKPH and the Company are obtained, the Company, through Company Holdco, will contribute nominal funding to Midco 2, and Midco 2 will utilise such contribution to redeem, cancel or buy-back any existing shares held in it by CKPH Holdco, such that Midco 2 will become a wholly-owned subsidiary of Company Holdco; and/or
- (ii) the Independent Shareholders' Approval of PAH is obtained, irrespective of whether or not the Independent Shareholders' Approval of CKPH and/or the Company in respect of the Company's participation in the Joint Venture Transaction is/are obtained, PAH will take the steps similar to (i) above, such that Midco 3 will become a wholly-owned subsidiary of PAH Holdco.

If the necessary Independent Shareholders' Approvals in respect of both the Company's participation and PAH's participation are not obtained, the Joint Venture Transaction will not proceed, and the Company and PAH will not contribute any funding into Midco 2 and Midco 3 as set out above. However, the Acquisition will still proceed subject to the Schemes becoming effective, with the CKPH Group acquiring 100% of the Target via its ownership of all of the Consortium Midcos.

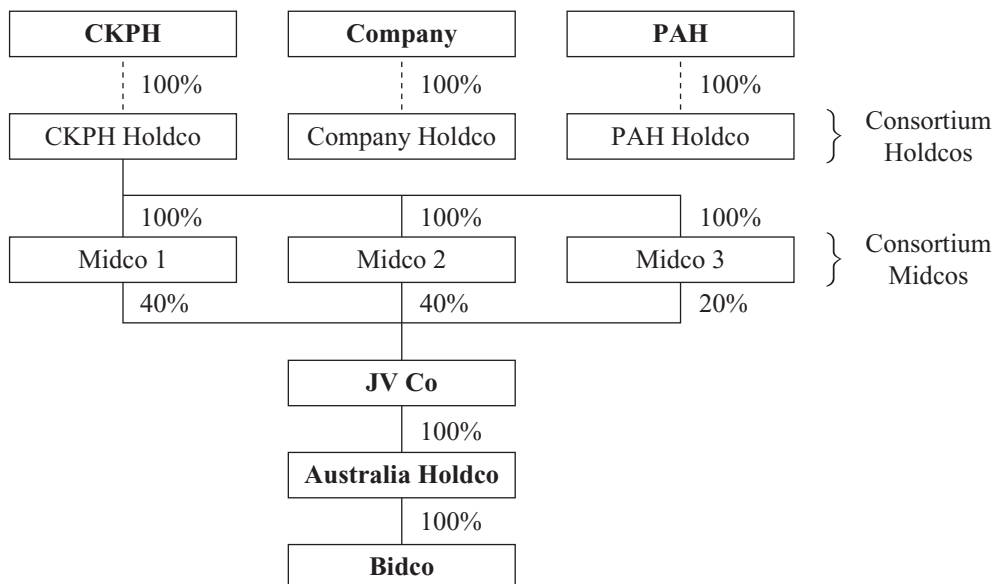
If the necessary Independent Shareholders' Approvals are obtained in respect of the Company's and/or PAH's participation in the Joint Venture Transaction, each Consortium Midco (which will be wholly owned by the respective Consortium Members) will contribute its Respective Proportion or Revised Respective Proportion (as appropriate) of funding to JV Co and Australia Holdco, which will in turn provide funding to Bidco to satisfy the Scheme Consideration and the transaction costs.

Subject to the relevant Independent Shareholders' Approvals, each Consortium Member agrees to use its best effort to procure that the Schemes are implemented by Bidco in accordance with the Scheme Implementation Agreement.

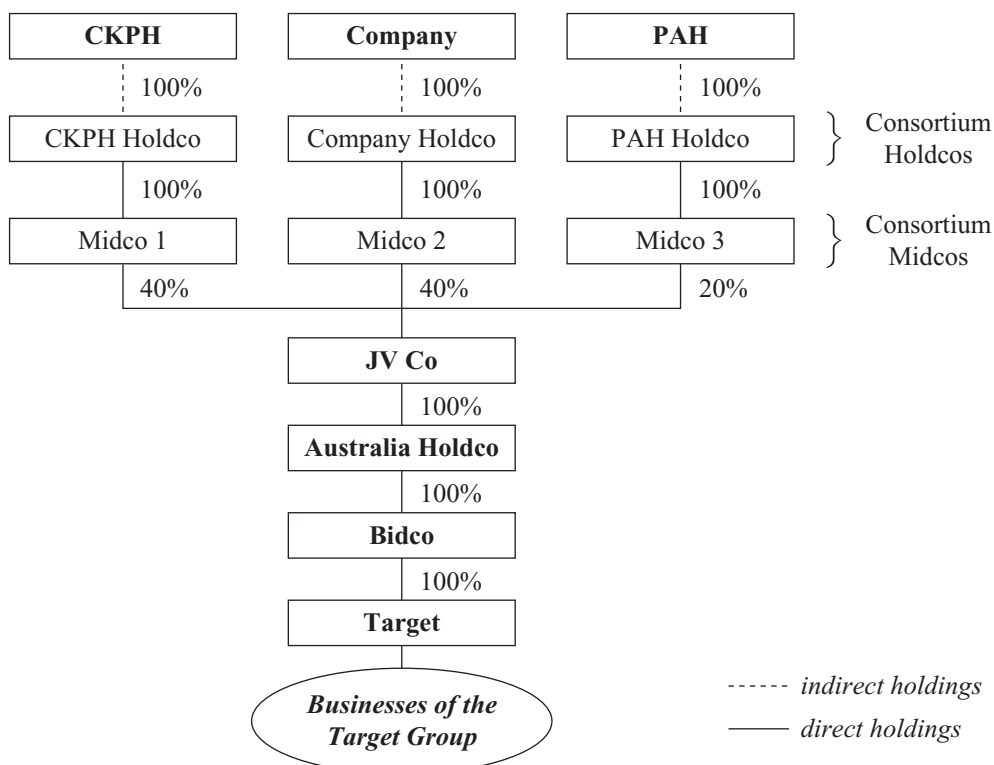
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For illustrative purposes, set out below is the shareholding structure of JV Co and Bidco (i) as at the Latest Practicable Date, and (ii) upon the Schemes becoming effective, assuming that all the Independent Shareholders' Approvals have been obtained:

As at the Latest Practicable Date:



Upon the Schemes becoming effective:



Note: The illustration of shareholding structure upon the Schemes becoming effective as shown above assumes that no Consortium Member becomes a Non-Continuing Member

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If all of the necessary Independent Shareholders' Approvals are obtained, JV Co will be indirectly held by CKPH, the Company and PAH as to 40%, 40% and 20% respectively, as shown above. Where only the necessary Independent Shareholders' Approvals for the Company's participation in the Joint Venture Transaction are obtained, JV Co will be indirectly held by CKPH and the Company as to 60% and 40% respectively. In other words, provided its Independent Shareholders' Approval and that of CKPH are obtained, the Company will have a 40% interest in the Joint Venture Transaction whether or not PAH participates.

(b) Maximum Financial Commitment

If the necessary Independent Shareholders' Approvals for the Company's participation in the Joint Venture Transaction are obtained, the Maximum Financial Commitment of the Company (through its shareholding in Midco 2) will be equal to 40% of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement, which will be up to approximately AUD3,012 million (equivalent to approximately HK\$17,259 million).

Upon the contribution of funding to a Consortium Midco by the Company and upon the Schemes becoming effective:

- (i) JV Co will be indirectly held by the relevant Consortium Members through the relevant Consortium Midcos in the Respective Proportions or the Revised Respective Proportions (as applicable);
- (ii) the Consortium Midcos will enter into the Shareholders' Agreement, the principal terms of which are summarised under the section headed "*Joint Venture Transaction – The Shareholders' Agreement*" below; and
- (iii) the Target will be accounted for as a joint venture by the Company in its consolidated financial statements.

Where the Independent Shareholders' Approvals for the Company's participation in the Joint Venture Transaction is/are not obtained, the Company will become a Non-Continuing Member, and will not participate in the Joint Venture Transaction.

(c) Termination

Among other things, the Consortium Formation Agreement will be automatically terminated:

- (i) on the Longstop Date;
- (ii) if both the Company and PAH do not obtain their necessary Independent Shareholders' Approvals; or
- (iii) if the Scheme Implementation Agreement is terminated in accordance with its terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that all necessary Independent Shareholders' Approvals are obtained, the Consortium Formation Agreement will also be terminated on the first business day following the indirect contribution of the relevant funding by the Company to Midco 2 and by PAH to Midco 3 respectively.

In the event that either the Company or PAH becomes a Non-Continuing Member, the Consortium Formation Agreement will be terminated on the first business day following the indirect contribution of the relevant funding by the Company or PAH (whichever is not a Non-Continuing Member) to Midco 2 or Midco 3 (as applicable), in accordance with the Consortium Formation Agreement.

(d) UK Gas Executive Committee

The UK Gas Executive Committee has been formed by the Company and PAH since 2015, to provide a discussion forum for its members comprising companies involved in gas investments in the United Kingdom and Australia. If the Acquisition proceeds, JV Co and the relevant Consortium Holdcos will become participating members of the UK Gas Executive Committee, with a view to benefit from members' considerable expertise in the gas sector. No obligations are imposed on members, and each of the JV Co and the Consortium Holdcos will continue to have full discretion in making independent decisions on its own operations.

Independent Shareholders should make reference to the section headed "*Joint Venture Transaction – The Consortium Formation Agreement*" in the letter from the Board in the Circular as regards further details on the Consortium Formation Agreement.

Our views on the Consortium Formation Agreement

The Consortium Formation Agreement governs the funding and operation of the JV Co and its wholly-owned subsidiary, Bidco. As at the Latest Practicable Date, the JV Co is wholly owned by CKPH through its indirect interest in all the Consortium Midcos, with nominal funding contributed by CKPH. On the assumption that all the Independent Shareholders' Approvals are obtained, the Company will contribute nominal funding to Midco 2 in order to obtain a 40% indirect interest in the JV Co, alongside CKPH's 40% and PAH's 20% indirect interests. The Consortium Members will then fund the Acquisition if the Schemes become effective.

Depending on the outcomes of the Independent Shareholders' Approvals, the ultimate shareholders of the JV Co will differ. It should be noted that for the Company to participate in the Joint Venture Transaction, Independent Shareholders' Approval from at least each of CKPH and the Company will be required, in which case the Company will obtain a 40% indirect interest in the JV Co, which will, through the Bidco, acquire the Target. Otherwise, the Company will become a Non-Continuing Member and will not participate in the Acquisition. The Consortium Formation Agreement is not a pre-requisite for the Acquisition to complete.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Scheme Consideration and the transaction costs under the Scheme Implementation Agreement in aggregate amount to approximately AUD7,530 million (equivalent to approximately HK\$43,147 million). The Maximum Financial Commitment of the Company of up to approximately AUD3,012 million (equivalent to approximately HK\$17,259 million) is determined on a pro-rata basis based on its respective interest in the JV Co (i.e. 40%), which we consider to be fair.

(ii) The Shareholders' Agreement

Pursuant to the Consortium Formation Agreement, following the contribution of initial funding to Midco 2 and/or Midco 3 by the Company Holdco and/or PAH Holdco (as applicable) in accordance with the terms and conditions set out therein, the relevant Consortium Members, the relevant Consortium Midcos and JV Co will enter into the Shareholders' Agreement.

Under the terms of the Shareholders' Agreement, the relevant Consortium Members and relevant Consortium Midcos (which will then be wholly owned by the respective Consortium Members) will agree on certain ongoing rights and obligations governing their relationship as direct or indirect shareholders of JV Co and the management and operation of JV Co and the Target Group upon implementation of the Schemes.

(a) Board role and composition

The business of JV Co shall be managed by its board of directors, who may exercise all the powers of JV Co subject to the terms and provisions of the Shareholders' Agreement, the articles of association or applicable laws. Each Consortium Midco shall have the right to nominate one director for appointment on the board of directors of JV Co in respect of each complete ten per cent (10%) of the shares in JV Co it owns (either directly or through its subsidiaries).

(b) Quorum

The quorum for the transaction of business at any board meeting of JV Co shall be at least one director appointed by each Consortium Midco (unless a Consortium Midco waives the quorum requirement to the extent that it relates to its appointed director(s) or if that Consortium Midco has a conflict of interest), provided that if a quorum is not present (or ceases to be present) at a board meeting, the board meeting shall be adjourned. If a quorum is not present (or ceases to be present) at an adjourned board meeting, as a result of the non-attendance of the director(s) nominated by a Consortium Midco who did not have a director nominated by it in attendance at the prior adjourned board meeting, then the quorum at the adjourned meeting will not require the attendance of any director nominated by that Consortium Midco.

(c) Board voting

Except for reserved matters, all board resolutions of JV Co are made by a simple majority of directors present and entitled to vote on the resolution.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A small number of board matters of JV Co require a special majority, being a resolution which is approved by directors who together hold greater than 85% of the total number of votes held by directors present and entitled to vote on the resolution. These include, among other customary reserved matters:

- (i) any change to the dividend and distribution policy (see below);
- (ii) the declaration, determination or payment of any dividend or distribution by JV Co and its subsidiaries other than in accordance with the dividend and distribution policy;
- (iii) the acquisition of any assets or business which are not related to the operation of the business of JV Co and its subsidiaries where the assets or business to be acquired have a value in excess of 2% of the enterprise value;
- (iv) the adoption and/or amendment of an annual business plan;
- (v) the appointment or removal of the chief executive officer or chief financial officer of the Target Group; and
- (vi) JV Co and its wholly-owned subsidiaries borrowing money in excess of 3% of the aggregate enterprise value per annum.

(d) Shareholder Reserved Matters

In addition, a number of fundamental corporate actions are expressly reserved as shareholder matters. JV Co and any Target Group entity cannot take these steps unless the resolution is approved by shareholders of JV Co who together hold greater than 85% of the total number of votes held by shareholders of JV Co present and entitled to vote on the resolution.

These shareholder reserved matters include, among other things:

- (i) amending the constitution or trust deed (as applicable) of JV Co or any of its wholly-owned subsidiaries;
- (ii) the creation, allotment or issue of any share capital, loan capital, units or other securities or any instrument convertible into or referable to such;
- (iii) any capital reduction, buy-back or scheme of arrangement;
- (iv) any resolution for winding-up or liquidation or the making of an application for an administration order;
- (v) up until the implementation date of the Schemes, the exercise by Bidco or waiver by Bidco or any Consortium Member of any rights under the Scheme Implementation Agreement; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(vi) up until the implementation date of the Schemes, the amendment of any Scheme Document.

(e) *Dividend and distribution policy*

Unless otherwise agreed by a shareholder special resolution of JV Co, the dividend and distribution policy shall be to maximise distributions subject to normal commercial considerations deemed appropriate by the relevant board of directors, including requirements for capital and operating expenditure, taxation and other liabilities and obligations and future potential acquisitions, and maintenance of the then existing rating of JV Co and its wholly-owned subsidiaries.

(f) *Pre-emption rights*

Unless a Consortium Member is transferring some or all of its equity interest in JV Co held by it or its direct or indirect subsidiaries to a member of its group as permitted under the Shareholders' Agreement (the "**Sale Shares**"), a Consortium Member must first offer these Sale Shares to the remaining shareholders of JV Co on a pro rata basis. If the Sale Shares are not fully taken up by the aforesaid shareholders of JV Co, the selling Consortium Member will be entitled to sell all of (and not some of) the unsold Sale Shares within three months of completion of the pre-emption process.

Independent Shareholders should make reference to the section headed "*Joint Venture Transaction – The Shareholders' Agreement*" in the letter from the Board in the Circular as regards further details on the Shareholders' Agreement.

Our views on the Shareholders' Agreement

The Shareholders' Agreement will be entered into following the contribution of initial funding to Midco 2 and/or Midco 3 by Company Holdco and/or PAH Holdco (as applicable) in accordance with the Consortium Formation Agreement. On the assumption that the Company is not a Non-Continuing Member, the Company has effectively the right to appoint 4 directors of JV Co out of 10. Resolutions relating to usual matters will be made by simple majority. Resolutions relating to reserved matters, such as a change in dividend and distribution policy, adoption and/or amendment of an annual business plan or a change in constitutional documents or share capital, require a higher approval threshold of 85% of the total number of votes held by directors or shareholders of JV Co present. This effectively means such important decisions require a unanimous consent of the Consortium Members, including PAH who will hold 20% of JV Co (assuming PAH is not a Non-Continuing Member). We consider such voting arrangements, including the veto power by each of the Consortium Members on important decisions, afford a reasonable minority protection and are usual features seen in joint venture arrangements. We have also reviewed the articles of association of JV Co and consider them standard.

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In case only the Independent Shareholders' Approvals of CKPH and the Company are obtained, PAH will not participate in the Joint Venture Transaction, and the JV Co will be indirectly owned as to 60% by CKPH and 40% by the Company. Although CKPH does not principally engage in energy infrastructure business, as mentioned above, important decisions require consent from the Company, and we consider arrangements for minority protection are in place for JV Co to ensure the interest of the Company is protected. To support the management of the Target's business, the Consortium can also leverage on the expertise of the Target's existing management and the valuable experience of energy infrastructure investment by the Company, which has accumulated extensive operational expertise since its investment in Australian energy infrastructure in 1999.

3. The Acquisition

(i) Background to the Schemes

On 5 December 2016, the Target announced that it had received a conditional proposal from the Company to acquire the Target at AUD3.00 per Target Security. Following a due diligence exercise, on 14 January 2017, the Consortium Members, Bidco and the Target entered into the Scheme Implementation Agreement to acquire all of the Target Securities by way of the Schemes. The Acquisition is not conditional on the completion of the Joint Venture Transaction but is conditional upon the fulfilment of certain conditions as set out below.

(ii) Principal terms of the Scheme Implementation Agreement

(a) The outline of the Schemes

Subject to the Schemes becoming effective in accordance with their respective terms, the general effect of the Schemes will be as follows:

- (i) all of the Target Securities will be transferred to Bidco in accordance with the terms of the Schemes; and
- (ii) in consideration for the transfer to Bidco of all of the Target Securities, the Target Securityholders will receive the Scheme Consideration in accordance with the terms of the Schemes.

(b) Implementation of the Schemes

Target agrees to recommend the Schemes to the Target Securityholders and implement the Schemes, subject to the Schemes being approved by the requisite majorities at the Target Scheme Meetings, and Bidco agrees to assist the Target in the implementation of the Schemes and to pay the Scheme Consideration.

Based on the Scheme Consideration per Target Security of AUD3.00 per Target Security held by a Target Securityholder and the total number of Target Securities in issue as at the Latest Practicable Date, being 2,470,769,861 Target Securities (which includes the new Target Securities that were issued on 16

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February 2017 pursuant to the DRP for the distribution for the financial half year ended 31 December 2016), the Scheme Consideration for all the Target Securities would be approximately AUD7,412 million (equivalent to approximately HK\$42,471 million) (subject to the adjustment set out in sub-paragraph (b)(i) below, as appropriate). The Scheme Consideration was determined based on the Consortium's valuation of the Target's businesses.

The Target is permitted to pay to the Target Securityholders a full distribution of up to AUD0.0925 per Target Security for its financial half year ended 31 December 2016 and no adjustment will be made to the Scheme Consideration payable by Bidco as a result of such distribution.

Adjustments will be made to the total amount of Scheme Consideration payable for all of the Target Securities in the manner as follows:

- (i) Distributions of the Target's income will be made to the Target Securityholders for the period from 1 July 2016 to the date the Schemes are implemented (to the extent that income has not already been distributed for the financial half year ended 31 December 2016 as described above). The Target Distributions may reduce the Scheme Consideration per Target Security payable by Bidco, to the extent and in the amount by which they exceed AUD0.03 per Target Security.
- (ii) Additionally, the Target currently has a distribution reinvestment plan under which Target Securityholders can reinvest any distributions owing to them in new Target Securities (namely, the DRP). The DRP applies to the distribution for the financial half year ended 31 December 2016 but not to any of the distributions of the Target's income to be made in connection with the Schemes.

As at the date of the Scheme Implementation Agreement, the Consortium estimated that the total amount of Scheme Consideration payable for all of the Target Securities would be approximately AUD7,408 million (equivalent to approximately HK\$42,448 million), after taking into account the adjustments set out under sub-paragraphs (b)(i) and (ii) above and subject to unforeseeable market conditions. In mid-February 2017, the Target Group announced that 37,724,330 Target Securities would be allocated under the DRP for the interim distribution in respect of the financial half year ended 31 December 2016 and an interim distribution of AUD0.0925 (equivalent to approximately HK\$0.53) per Target Security for such financial half year was paid on 16 February 2017.

The implementation of the Schemes will be subject to the terms of the Scheme Implementation Agreement and other customary conditions contained therein.

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(c) Conditions to the Schemes

Each of the Schemes are inter-conditional, and shall be implemented at the same time. Upon the Schemes becoming effective, the Schemes will be binding on all Target Securityholders. In order for the Schemes to become effective, conditions precedent must be satisfied, as set out in the letter from the Board in the Circular. The non-waivable conditions precedent are as follows:

- (i) the Treasurer of the Commonwealth of Australia (or his delegate) either provides written notice to the effect that it does not object to the Acquisition under the Foreign Acquisitions and Takeovers Act 1975 (Cth), or the Treasurer of the Commonwealth of Australia becomes precluded by passage of time from making any order or decision in respect of the Acquisition;
- (ii) each of the Target Company Schemes being approved by the requisite majorities of Target Securityholders (namely, 75% by number of votes and 50% by number of members present and voting) at the relevant Target Scheme Meetings;
- (iii) the Court granting all necessary or customary approvals, orders and judicial advice in relation to the issuance of the Scheme Booklet and the implementation of the Schemes; and
- (iv) the Trust Scheme being approved by way of (i) a member approved amendment to the constitution of DFT by the requisite majority of unitholders set out in the constitution of DFT (namely, 75% by number of votes) and (ii) an approval of the acquisition of the Target Securities of DFT by the requisite majority of unitholders (namely, 50% by number of votes) at the relevant Target Scheme Meeting.

Bidco and the Target are obliged to each use their respective best endeavors to satisfy, or procure the satisfaction of, the conditions precedent to the Schemes (to the extent such party is responsible for such fulfillment) on or before the End Date, being 30 June 2017. As at the Latest Practicable Date, among the non-waivable conditions, none had been satisfied.

(d) Guarantee and impact of the Independent Shareholders' Approvals

Each of the Consortium Members agree to guarantee, on a several basis and in proportion to its shareholding in JV Co, the performance and observance by Bidco of all of the obligations of Bidco under the Scheme Implementation Agreement. However, the obligations of the Company and PAH to provide the guarantees under the Scheme Implementation Agreement are conditional on the obtaining of their respective necessary Independent Shareholders' Approvals on or before the Approval Determination Date.

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(e) *Break fees*

The Target has agreed to pay to Bidco a break fee of approximately AUD73 million (equivalent to approximately HK\$418 million) if, among others, a director of the Target fails to recommend the Schemes, or if a competing proposal is announced.

(f) *Costs reimbursement*

Bidco has agreed to pay to the Target a costs reimbursement amount of AUD5 million (equivalent to approximately HK\$29 million), if the Target terminates the Scheme Implementation Agreement due to a material and unremedied breach of the Scheme Implementation Agreement by another party (not being a subsidiary of the Target).

(g) *Completion*

In consideration of the transfer to Bidco of each Target Security under the Schemes, Bidco agrees to accept such transfer, and will pay to the Target the Scheme Consideration in cash. All of the Target Securities will be transferred to Bidco. In consideration for the transfer to Bidco of all Target Securities held by the Target Securityholders, the Target Securityholders will receive the Scheme Consideration.

If the Schemes do not become effective on or before the End Date and the parties do not agree an extension of the End Date, then either the Target or Bidco has the right to terminate the Scheme Implementation Agreement.

Independent Shareholders should make reference to the section headed “*Scheme Implementation Agreement*” in the letter from the Board in the Circular as regards further details on the Scheme Implementation Agreement.

(iii) *Analysis of the Scheme Consideration*

As the Scheme Consideration was determined based on the Consortium’s valuation of the Target’s business, for the purpose of evaluating whether the Company’s contribution of funding under the Joint Venture Transaction is fair and reasonable and in the interest of the Company and the Shareholders as a whole, we have analysed the Scheme Consideration of AUD7,412 million.

(a) *Precedent transactions*

We have researched publicly disclosed acquisitions of interests in entities and/or assets that are principally engaged or invested in the businesses of transmission and/or distribution of electricity and/or natural gas in Australia (the “**Comparable Transactions**”) initially announced in the past five years. We consider the list of Comparable Transactions set out below to be an exhaustive list according to our research based on the above criteria. As the Target Group is principally engaged in energy business with significant infrastructure investments, we consider it most appropriate to have regard to the enterprise value (“**EV**”) to

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earnings, before interest, taxes, depreciation and amortisation (“**EBITDA**”) ratio in analysing the Comparable Transactions. The result of our research is as follows:

Date of announcement	Target entity/asset	Size of consideration	EV	EBITDA	EV/EBITDA multiple
		(AUD million)	(Note 2) (AUD million)	(Note 3) (AUD million)	
		(percentage of interest acquired)			
November 2015	TransGrid	10,258 (100%)	10,258	705	14.6
December 2014	Queensland Curtis LNG Pipeline (“ QCLNG Pipeline ”)	6,049 (100%)	6,049	464	13.0
May 2014	Envestra Limited	2,372 (100%) (Note 4)	4,393	360	12.2
				Mean	13.3
				Median	13.0
				Minimum	12.2
				Maximum	14.6
January 2017	The Target		13,470 (Note 5)	972	13.9

Notes:

1. *Transaction figures sourced from relevant press releases, public announcements, or regulatory filings, and converted to AUD, as applicable*
2. *EV for each transaction represents either (a) the sum of the respective (i) market capitalisation as implied by the equity consideration and (ii) non-controlling interests and borrowings, minus cash and bank deposits, as extracted from the respective latest published financial statements, if available, or (b) the EV, or if not available, the total equity value on the basis of the consideration, as disclosed in or implied by relevant public sources, on or before the announcements of the respective transactions*
3. *EBITDA for each transaction represents either (a) the earnings before net interest expenses, taxes, depreciation and amortisation, as extracted from the respective latest published full year financial statements, if available, or (b) the EBITDA as disclosed in or implied by relevant public sources, on or before the announcements of the respective transactions. For QCLNG Pipeline, the publically disclosed EBITDA is based on 2016 forecasts*
4. *An acquisition consortium made an offer to acquire all the issued and outstanding shares of Envestra Limited. The Company, being one of the consortium members and indirectly owning approximately 17.46% of Envestra Limited before the relevant announcement, undertook not to accept the offer*
5. *EV of the Target is calculated based on note 2 above, with the market capitalisation being the Scheme Consideration for all Target Securities on the basis of 2,470,769,861 Target Securities in issue as at the Latest Practicable Date*

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As shown above, the EV/EBITDA multiple of the Comparable Transactions ranged from approximately 12.2 times to 14.6 times. The EV/EBITDA multiple of the Target as represented by the Scheme Consideration of approximately 13.9 times is higher than the mean and median of approximately 13.3 times and 13.0 times respectively, but within the range of EV/EBITDA multiples of the Comparable Transactions.

(b) Trading comparables

We have also carried out a review of Australian listed entities that are principally engaged or invested in the businesses of transmission and/or distribution of electricity and/or natural gas in Australia. We have identified 3 entities (the “**Comparable Entities**”) that we consider comparable to the Target’s existing business. We consider the list of Comparable Entities set out below to be an exhaustive list according to our research based on the above criteria. Details of our findings are as follows:

<u>Entity</u>	<u>Share price as at the Latest Practicable Date</u>	<u>Market capitalisation as at the Latest Practicable Date</u>	<u>EV</u>	<u>EBITDA</u>	<u>EV/EBITDA multiple</u>
	<i>(AUD)</i>	<i>(AUD million)</i>	<i>(AUD million)</i> <i>(Note 1)</i>	<i>(AUD million)</i> <i>(Note 2)</i>	
APA Group (Stock code: APA)	8.69	9,683	19,321	1,331	14.5
Spark Infrastructure Group (Stock code: SKI) <i>(Note 3)</i>	2.38	4,003	9,830	832	11.8
AusNet Services Limited (Stock code: AST)	1.65	5,945	12,726	1,143	11.1
				Mean	12.5
				Median	11.8
				Minimum	11.1
				Maximum	14.5
The Target	3.00 <i>(Note 4)</i>	7,412 <i>(Note 5)</i>	13,470	972	13.9

Notes:

1. *EV for each entity represents the sum of the respective (i) market capitalisation as at the Latest Practicable Date and (ii) non-controlling interests and borrowings, minus cash and bank deposits, as extracted from the respective latest published financial statements*
2. *EBITDA for each entity represents the earnings before net interest expenses, taxes, depreciation and amortisation, as extracted from the respective latest published full year financial statements*

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3. *Holds its principal businesses through investments in associates. Accordingly, EV and EBITDA figures have been derived with reference to its underlying businesses, by adjusting the EV and EBITDA figures for the relevant figures as contained in the financial statements of the investments in associates, multiplied by Spark Infrastructure Group's respective percentage interest in each of the investments*
4. *Being the Scheme Consideration per Target Security*
5. *Being the Scheme Consideration for all Target Securities on the basis of 2,470,769,861 Target Securities in issue as at the Latest Practicable Date*

The EV/EBITDA multiple of the Target as represented by the Scheme Consideration is approximately 13.9 times. This is in the range of, although higher than both mean and median, of the EV/EBITDA multiples of the Comparable Entities. In addition, we consider that the market capitalisations of the Comparable Entities do not factor in a 'control' premium and represent minority interest valuations with no power or influence over the Comparable Entities, where we consider the Group, with its 40% shareholding and management expertise, will exert considerable control over the Target on completion, including significant representation on the board of JV Co (which will own 100% equity interest in the Target), and active participation in the ongoing management as set out in the section headed "*Principal terms of the Joint Venture Transaction – The Shareholders' Agreement*" above.

Independent Shareholders should note that the Scheme Consideration has been determined based on arm's length negotiations, and that the Target and its ultimate beneficial owners are independent third parties. The Consortium Members further believe that the Target's energy utility assets represent an attractive opportunity with potential for growth in revenue and increase in operating efficiencies. On the basis of above analysis, we are of the view that the valuation of the Target's business, which is the basis for determining the Scheme Consideration, is in a reasonable range.

4. Financial effects of the Joint Venture Transaction on the Group

(i) Net assets and earnings

Assuming the necessary Independent Shareholders' Approvals of both CKPH and the Company are obtained, the Company will be able to participate in the Joint Venture Transaction and, subject to the Schemes becoming effective, own a 40% interest in the Target. It is expected that the Target will be accounted for as a joint venture of the Company. Accordingly, the results and assets and liabilities of the Target will be incorporated in the Company's consolidated financial statements using the equity method of accounting.

Based on the audited consolidated statements of comprehensive income of the Target Group, the profit attributable to the Target Securityholders for the financial years ended 30 June 2014, 2015 and 2016 were approximately AUD190 million (equivalent to approximately HK\$1,089 million), AUD48 million (equivalent to approximately HK\$275 million) and AUD196 million (equivalent to approximately

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HK\$1,123 million) respectively. As the Target Group has been profitable in recent years, the Group's acquisition of a 40% interest in the Target is expected to contribute an immediate profit to the Group.

(ii) Financing of the Maximum Financial Commitment and gearing

Pursuant to the Consortium Formation Agreement, assuming the necessary Independent Shareholders' Approvals of both CKPH and the Company are obtained, the Maximum Financial Commitment to be contributed by the Group will be up to approximately AUD3,012 million (equivalent to approximately HK\$17,259 million). Except for the above, we understand from the management of the Group that there is no immediate plan or requirement for any further capital contribution by the Consortium Members to the Target Group or in relation to the Joint Venture Transaction. The Company intends to finance the Maximum Financial Commitment and the relevant transaction costs from its internal resources and/or external borrowings.

As at 30 June 2016, the Group's bank balances and deposits amounted to approximately HK\$11,258 million, and bank and other loans (current and non-current) amounted to approximately HK\$17,605 million, equivalent to a net debt position of approximately HK\$6,347 million. The net debt to net total capital ratio (being net debt divided by the sum of net debt and total equity) was approximately 5% as at 30 June 2016, a gearing we consider to be prudent particularly for an infrastructure group. PAH has, on 26 January 2017, declared a one-off special interim dividend of HK\$5 per share of PAH in cash, payable on 28 February 2017, before the expected Funding Date (currently expected to be in May 2017). Based on the Group's interest in PAH of approximately 38.87%, the Group is expected to receive cash of approximately HK\$4,148 million from PAH. The Group is also considering obtaining external borrowings suitable for this project. If an appropriate level of borrowing in AUD is obtained, it would not only help finance the Maximum Financial Commitment, but also reduce the currency risk exposure of the Group's investment in the Target Group, which has a significant portion of its businesses located in Australia. With the Company's healthy "A-" credit rating from Standard & Poor's, a track record of strong net cash inflow from operating activities and a relatively light gearing, we do not foresee material difficulties for the Group to draw down or obtain borrowings which, coupled with its cash on hand and the dividend to be received from PAH, will meet the Maximum Financial Commitment when it falls due.

DISCUSSION OF PRINCIPAL FACTORS AND REASONS

In our view, the Target is a suitable acquisition for the Company and is consistent with its investment policy, as the Target holds contracted energy infrastructure projects the majority of which involve a regulated asset base. The Company has taken the lead in the analysis of the Target and negotiation of the Acquisition. The Target has four major lines of business, two of which, Multinet Gas and United Energy, are directly adjacent to the Group's VPN and AGN operations. We consider that the Company is thoroughly familiar with the operating and regulatory environment in Australia. The Acquisition is subject to approval from the Treasurer of the Commonwealth of Australia.

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The Company has experience in investing in consortia and participating actively in their management. This is particularly so as regards investments with PAH, with which it has invested in a number of Australian energy projects in the past. The role of CKPH is also important in this case. Without CKPH's involvement, it would not have been possible to make a proposal to the Target which was not conditional on shareholders' consent. A proposal subject to such a condition is unusual in Australia and we consider it would have been unattractive to the boards of the Target.

A chart showing the shareholding structure of JV Co and Bidco is set out in the section headed "*Principal terms of the Joint Venture Transaction*" above. The main joint venture documents are the Consortium Formation Agreement and the Shareholders Agreement. The main terms of the Consortium Formation Agreement are discussed above and chiefly regulate the way the Consortium Members will participate in the project, the Independent Shareholders' Approvals which are required and the amount of funding to be provided by each Consortium Member. Funding obligations (including transaction costs) are in the same proportion as shareholdings.

The Shareholders' Agreement governs membership of the board of directors of JV Co and general procedures. On the assumption that the Company is not a Non-Continuing Member, the Company has effectively the right to appoint 4 board members out of 10, based on its 40% indirect interest in JV Co. A number of corporate actions are "reserved", i.e. requiring approvals of directors and/or shareholders holding more than 85% of JV Co. This means that PAH, holding 20% of JV Co, can block certain actions, even if CKPH and the Company support them. We consider on balance that this is a reasonable minority protection given PAH's lesser shareholding in JV Co. It also protects the Group with its 40% shareholding.

Overall, we consider the terms of the Joint Venture Transaction provide rights and obligations which are consistent with the shareholdings in JV Co and are of a standard type for this kind of consortium investment.

The Scheme Consideration payable for the Target has been negotiated at arm's length with independent third parties. The Scheme Consideration is, in our view, in line with the ratings of comparable listed entities in Australia and also in line with comparable transactions in Australia which we have been able to identify. The Company believes that economies of scale and operating efficiencies will be possible in the future owing to the similarity and proximity of the Group's existing investments in Australia, and we consider such benefits should be achievable. The boards of the Target have recommended the transaction to the Target Securityholders and have agreed a 1% break fee of AUD73 million (equivalent to approximately HK\$418 million) if, inter alia, a competing proposal is completed within 12 months.

The Company's commitment under the Scheme Implementation Agreement is approximately AUD3,012 million (equivalent to approximately HK\$17,259 million). The Group has a strong credit profile and is geared as to approximately 5% as at 30 June 2016, which we consider light for an infrastructure company. The Group has significant cash of approximately HK\$11,258 million as at 30 June 2016, before receipt of the Company's share

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of the PAH special interim dividend amounting to approximately HK\$4,148 million. Consequently, we consider completion of the Joint Venture Transaction will not place any significant financial strain on the Group's balance sheet or financial resources.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Joint Venture Transaction are fair and reasonable so far as the Independent Shareholders are concerned. In addition, we consider that the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Joint Venture Transaction.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine **John Wong**
Chairman *Director*

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.

Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited. He has over nine years of experience in the corporate finance industry.

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. INTERESTS OF DIRECTORS

(a) Interests in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares or underlying shares or debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register kept by the Company under Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) of the Listing Rules were as follows:

(1) Long Positions in Shares

Name of Company	Name of Director	Capacity	Number of Ordinary Shares / Share Stapled Units				Total	Approximate % of Shareholding
			Personal interests	Family interests	Corporate interests	Other interests		
The Company	Li Tzar Kuoi, Victor	Interest of child or spouse & beneficiary of trusts	–	227,000	–	5,428,000 (Note 1)	5,655,000	0.21%
	Kam Hing Lam	Beneficial owner	100,000	–	–	–	100,000	0.003%
CK Hutchison Holdings Limited (“CKHH”)	Li Tzar Kuoi, Victor	Beneficial owner, interest of child or spouse, interest of controlled corporations & beneficiary of trusts	220,000	405,200	2,572,350 (Note 3)	1,094,244,254 (Note 2)	1,097,441,804	28.44%
	Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	–	–	108,400	0.002%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	5,111,438 (Note 7)	–	5,111,438	0.13%
	Frank John Sixt	Beneficial owner	136,800	–	–	–	136,800	0.003%
	Lan Hong Tsung, David	Beneficial owner	13,680	–	–	–	13,680	0.0003%
	Lee Pui Ling, Angelina	Beneficial owner	111,334	–	–	–	111,334	0.002%

Name of Company	Name of Director	Capacity	Number of Ordinary Shares / Share Stapled Units				Total	Approximate % of Shareholding
			Personal interests	Family interests	Corporate interests	Other interests		
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	85,361	16,771	–	833,868 (Note 8)	936,000	0.02%
	Chow Woo Mo Fong, Susan	Beneficial owner	129,960	–	–	–	129,960	0.003%
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	9,895 (Note 9)	11,895 (Note 9)	–	–	11,895	0.0003%
Power Assets Holdings Limited (“PAH”)	Kam Hing Lam	Interest of child or spouse	–	100,000	–	–	100,000	0.004%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	–	–	–	8,800	0.0004%
HK Electric Investments and HK Electric Investments Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	–	–	7,870,000 (Note 5)	–	7,870,000	0.08%
	Kam Hing Lam	Interest of child or spouse	–	1,025,000	–	–	1,025,000	0.01%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	2,000,000 (Note 7)	–	2,000,000	0.02%
	Lee Pui Ling, Angelina	Beneficial owner	2,000	–	–	–	2,000	0.00002%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	–	1,000,000 (Note 7)	–	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 child or spouse, interest of controlled corporations & beneficiary of trusts	–	192,000	2,519,250 (Note 4)	153,280 (Note 6)	2,864,530	0.05%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	1,202,380 (Note 7)	–	1,202,380	0.025%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	–	–	13,333	0.0003%
	Chow Woo Mo Fong, Susan	Beneficial owner	250,000	–	–	–	250,000	0.005%

(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 11)	–	–	–	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 Finance (CI) Limited	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	US\$100,000 7.45% Notes due 2017 (Note 10)	US\$100,000 7.45% Notes due 2017 (Note 10)	-	-	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 4)	-	US\$45,792,000 7.625% Notes due 2019
Hutchison Whampoa International (12) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	-	-	US\$16,800,000 Subordinated Guaranteed Perpetual Capital Securities (Note 4)	-	US\$16,800,000 Subordinated Guaranteed Perpetual Capital Securities

Notes:

- (1) The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Each of the trustees of DT1 and 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. Li Ka-Shing Unity Trustee Company Limited (“**TUT1**”) as trustee of UT1 holds a total of 5,428,000 shares of the Company.

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**”). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is interested in the shares of the Company 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 the Company independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the above and as a director of the Company and a discretionary beneficiary of each of DT1 and DT2, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the shares of the Company held by TUT1 as trustee of UT1 under the SFO.

- (2) The 1,094,244,254 shares in CKHH comprise:
- 1,001,953,744 shares held by TUT1 as trustee of UT1 together with certain companies 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**”). By virtue of being a Director and a discretionary beneficiary of each of DT1 and DT2 as described in Note (1) above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of CKHH held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.
 - 7,863,264 shares held by Li Ka-Shing Castle Trustee Company Limited (“**TUT3**”) as trustee of UT3. The discretionary beneficiaries of each of 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 hold 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 of the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited (“**Castle Holdco**”). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of CKHH 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 CKHH independently without any reference to Castle Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid.

By virtue of the above and as a Director and a discretionary beneficiary of each of DT3 and DT4, Mr. Li Tzar Kuoi, Victor is also taken to have a duty of disclosure in relation to the said 7,863,264 shares of CKHH held by TUT3 as trustee of UT3 under the SFO.

- (c) 84,427,246 shares held by a company controlled by Li Ka-Shing Castle Trustee Corporation Limited as trustee of DT3.
- (3) The 2,572,350 shares in CKHH comprise:
- (a) 2,272,350 shares held by certain companies in which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
 - (b) 300,000 shares held by Li Ka Shing Foundation Limited (“**LKSF**”). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (4) Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (5) The 7,870,000 share stapled units in HK Electric Investments and HK Electric Investments Limited comprise:
- (a) 2,700,000 share stapled units held by a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation (“**LKSOF**”). By virtue of the terms of the constituent documents of LKSOF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF.
 - (b) 5,170,000 share stapled units held by LKSF. By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (6) 153,280 shares in Hutchison Telecommunications Hong Kong Holdings Limited (“**HTHK**”) are held by TUT3 as trustee of UT3. By virtue of being a Director and discretionary beneficiary of each of DT3 and DT4 as described in Note (2)(b) above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said 153,280 shares of HTHK held by TUT3 as trustee of UT3 under the SFO.
- (7) Such interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.
- (8) Such interests comprise 184,000 shares held by a company controlled by a trust under which Mr. George Colin Magnus is a discretionary beneficiary and 649,868 shares indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.
- (9) Such 9,895 shares are jointly held by Mr. Man Ka Keung, Simon and his wife, the remaining 2,000 shares are held by his wife.
- (10) Such interests are jointly held by Mr. Man Ka Keung, Simon and his wife.
- (11) Such underlying shares are derived from the 17,000 American Depositary Shares (each representing 15 ordinary shares) in HTHK beneficially owned by Mr. Frank John Sixt.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or deemed to have 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 are required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests in assets, contracts or arrangements of the Group

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the business of the Group taken as a whole.

(c) Competing Businesses

(1) Core Business Activities of the Group

The core business activities of the Group comprise the following:

- (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 of waste management and waste-to-energy businesses;
- (5) development, investment and operation and commercialisation of infrastructure related business;
- (6) investment holding and project management; and
- (7) securities investment.

(2) Interests in Competing Businesses

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

<u>Name of Director</u>	<u>Name of Company</u>	<u>Nature of Interest</u>	<u>Competing Business (Note)</u>
Li Tzar Kuoi, Victor	Cheung Kong Property Holdings Limited	Managing Director and Deputy Chairman	(2)
	CK Hutchison Holdings Limited	Group Co-Managing Director and Deputy Chairman	(1), (2), (3), (4) and (6)
	Power Assets Holdings Limited	Non-executive Director	(1), (4), (6) and (7)
	HK Electric Investments and HK Electric Investments Limited	Non-executive Director and Deputy Chairman	(1) and (6)
	CK Life Sciences Int'l., (Holdings) Inc.	Chairman	(7)
	Husky Energy Inc.	Co-Chairman	(1)
Kam Hing Lam	Cheung Kong Property Holdings Limited	Deputy Managing Director	(2)
	CK Hutchison Holdings Limited	Deputy Managing Director	(1), (2), (3), (4) and (6)
	CK Life Sciences Int'l., (Holdings) Inc.	President and Chief Executive Officer	(7)
Ip Tak Chuen, Edmond	Cheung Kong Property Holdings Limited	Deputy Managing Director	(2)
	CK Hutchison Holdings Limited	Deputy Managing Director	(1), (2), (3), (4) and (6)
	CK Life Sciences Int'l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(7)
	ARA Asset Management Limited	Non-executive Director	(6) and (7)
Fok Kin Ning, Canning	CK Hutchison Holdings Limited	Group Co-Managing Director	(1), (2), (3), (4) and (6)
	Power Assets Holdings Limited	Chairman	(1), (4), (6) and (7)
	HK Electric Investments and HK Electric Investments Limited	Chairman	(1) and (6)
	Hutchison Telecommunications Hong Kong Holdings Limited	Chairman	(6)
	Husky Energy Inc.	Co-Chairman	(1)
Andrew John Hunter	Power Assets Holdings Limited	Executive Director	(1), (4), (6) and (7)

<u>Name of Director</u>	<u>Name of Company</u>	<u>Nature of Interest</u>	<u>Competing Business (Note)</u>
Chan Loi Shun	Power Assets Holdings Limited	Executive Director	(1), (4), (6) and (7)
	HK Electric Investments and HK Electric Investments Limited	Executive Director	(1) and (6)
Frank John Sixt	CK Hutchison Holdings Limited	Group Finance Director and Deputy Managing Director	(1), (2), (3), (4) and (6)
	HK Electric Investments and HK Electric Investments Limited	Alternate Director	(1) and (6)
	TOM Group Limited	Non-executive Chairman	(6) and (7)
	Husky Energy Inc.	Director	(1)
Lee Pui Ling, Angelina	TOM Group Limited	Non-executive Director	(6) and (7)
	Henderson Land Development Company Limited	Non-executive Director	(1), (2) and (6)
George Colin Magnus	CK Hutchison Holdings Limited	Non-executive Director	(1), (2), (3), (4) and (6)
	Husky Energy Inc.	Director	(1)
Chow Woo Mo Fong, Susan	CK Hutchison Holdings Limited	Non-executive Director	(1), (2), (3), (4) and (6)
	HK Electric Investments and HK Electric Investments Limited	Alternate Director	(1) and (6)

Note: Such businesses may be conducted through subsidiaries, associated companies or by way of other forms of investments. Please refer to “(1) Core Business Activities of the Group” above for the types of the Competing Businesses.

As at the Latest Practicable Date, save as disclosed above, none of the Directors, proposed Directors or their respective close associates (as if each of them was treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

(d) Common directors

As at the Latest Practicable Date, the following Directors are also directors of certain companies which have 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 (the “**Relevant Companies**”):

<u>Name of Director</u>	<u>Relevant Companies in which the Director is also a director</u>
Li Tzar Kuoi, Victor	Hutchison International Limited Hutchison Whampoa Limited Cheung Kong (Holdings) Limited CK Hutchison Global Investments Limited CKHH
Kam Hing Lam	Hutchison International Limited Hutchison Whampoa Limited Cheung Kong (Holdings) Limited CK Hutchison Global Investments Limited CKHH
Ip Tak Chuen, Edmond	Cheung Kong (Holdings) Limited CK Hutchison Global Investments Limited CKHH
Fok Kin Ning, Canning	Hutchison International Limited Hutchison Whampoa Limited Cheung Kong (Holdings) Limited CK Hutchison Global Investments Limited CKHH
Frank John Sixt	Hutchison Infrastructure Holdings Limited Hutchison International Limited Hutchison Whampoa Limited Cheung Kong (Holdings) Limited CK Hutchison Global Investments Limited CKHH
George Colin Magnus	CKHH
Chow Woo Mo Fong, Susan	CKHH

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation)).

4. EXPERT

(a) Qualification of expert

The following is the name and qualification of the expert who has given advice which are contained in this circular:

<u>Name</u>	<u>Qualification</u>
Somerley Capital Limited	a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

(b) Interests of expert

As at the Latest Practicable Date, Somerley Capital Limited was not interested in any securities of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, and Somerley Capital Limited did not have any direct or indirect interest in any assets which had been, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. CONSENT

Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear in this circular.

6. MATERIAL ADVERSE CHANGES

The Group is a diversified infrastructure investment company with businesses in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada, and is exposed to potential currency fluctuations in these countries and places in which the Group operates. 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. To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (i) currency swaps and (ii) appropriate level of borrowings denominated in the local currencies. The Group has not entered into any speculative derivative transaction.

The fluctuations in currencies and in particular, the devaluation of the pound sterling arising from the United Kingdom referendum vote to leave the European Union impact on all businesses in the market that have exposure in the United Kingdom and/or to pound sterling. While the Company is not immune from such impact, there is no material change beyond market expectation.

After taking into account the above, the Directors confirm that there have been no material adverse changes in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Messrs. Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong on any weekday, except Saturdays, Sundays and public holidays, during the period of 14 days from the date of this circular:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in “*Letter from the Independent Board Committee*” in this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out in “*Letter from the Independent Financial Adviser*” in this circular;
- (c) the Consortium Formation Agreement;
- (d) the Scheme Implementation Agreement;
- (e) the written consent referred to in “*Consent*” above; and
- (f) this circular.

NOTICE OF SGM



Cheung Kong Infrastructure Holdings Limited 長江基建集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1038)

NOTICE IS HEREBY GIVEN that a special general meeting of Cheung Kong Infrastructure Holdings Limited (the “**Company**”) will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on **Tuesday, 14 March 2017** at 12:00 noon (or in the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on Wednesday, 15 March 2017) for the purposes of considering and, if thought fit, passing with or without amendment the following resolution, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the connected transaction that is contemplated between Cheung Kong Property Holdings Limited and the Company pursuant to, or in connection with, the Consortium Formation Agreement (as defined and described in the circular of the Company dated 22 February 2017 (the “**Circular**”)) (a copy of the Circular marked “**A**” together with a copy of the Consortium Formation Agreement marked “**B**” have been tabled before the meeting and initialled by the Chairman of the Meeting for the purpose of identification), including, but not limited to, the formation of a consortium between Cheung Kong Property Holdings Limited, the Company and (if applicable) Power Assets Holdings Limited in relation to the Joint Venture Transaction (as defined in the Circular), be and is hereby approved; and
- (b) the directors of the Company, acting collectively and individually, be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the Consortium Formation Agreement and all of the transactions contemplated thereunder.”

By Order of the Board

Eirene YEUNG

Company Secretary

Hong Kong, 22 February 2017

NOTICE OF SGM

Notes:

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this notice.
2. At the SGM, the Chairman of the Meeting will put the above resolution to be voted by way of a poll under the Company's Bye-law 66.
3. Any member entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote in his/her stead. Any such member who is a holder of two or more Shares may appoint more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
4. To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's principal place of business at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).
5. Completion and return of the proxy form will not preclude a member from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should the member so desire and in such event, the proxy form shall be deemed to be revoked.
6. For the purpose of determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 10 March 2017 to Tuesday, 14 March 2017 (or Wednesday, 15 March 2017 in the event that the SGM is to be held on Wednesday, 15 March 2017 because of a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force in Hong Kong (as detailed below)) (both days inclusive), during which period no transfer of Shares will be effected. In order to be entitled to attend and vote at the SGM, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 9 March 2017.
7. The SGM will be held on Tuesday, 14 March 2017 as scheduled regardless of whether or not a tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force in Hong Kong at any time on that day.

However, if a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force in Hong Kong at 9:00 a.m. on Tuesday, 14 March 2017, the SGM will not be held on that day but will automatically be postponed and, by virtue of this notice, be held at the same time and place on Wednesday, 15 March 2017 instead.

Shareholders who have any queries concerning these arrangements, please call the Company at +852 2128 8888 during business hours from 9:00 a.m. to 5:00 p.m. on Mondays to Fridays, excluding public holidays.

Members of the Company should make their own decision as to whether they would attend the SGM under bad weather conditions at their own risk having regard to their own situation and if they should choose to do so, they are advised to exercise care and caution.

8. In the case of joint holders of a Share, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such Share as if he/she/it was solely entitled thereto. If more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
9. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

*This circular (both English and Chinese versions) (“**Circular**”) has been posted on the Company’s website at 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 the Circular since both language versions are bound together into one booklet.