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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 Power Assets Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the 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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Power Assets Holdings Ltd.
電能實業有限公司

Incorporated in Hong Kong with limited liability
Stock Code: 6

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

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

Independent Financial Adviser
to the Independent Board Committee and Independent Shareholders



PLATINUM
Securities

A letter from the Board to the Shareholders is set out on pages 11 to 38 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Joint Venture Transaction is set out on pages 39 to 40 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Joint Venture Transaction is set out on pages 41 to 64 of this circular.

A notice convening the General Meeting to be held at **the Grand Ballroom, 1st Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong** on Tuesday, 30 October 2018 at 2:15 p.m. (or, in the event that a black rainstorm warning signal or tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on Wednesday, 31 October 2018) is set out on pages 71 to 72 of this circular. A form of proxy for the use at the General Meeting is enclosed. Whether or not you are able to attend the General Meeting or any adjournment thereof in person, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it to the Company's registered office at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the General Meeting 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 General Meeting or at any adjournment thereof if you so wish.

A transportation guide to Harbour Grand Hong Kong is despatched to Shareholders together with this circular. Shareholders may also access the Company's website at www.powerassets.com under 'What's New' > 'Notice of General Meeting' to view the transportation guide.

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

10 October 2018

This circular has been posted in both the English and Chinese languages on the Company's website at www.powerassets.com. If, for any reason, Shareholders who have chosen (or are deemed to have consented) to receive corporate communications through the Company's website have difficulty in gaining access to this circular, they may request that a printed copy of this circular be sent to them free of charge by mail.

Shareholders may at any time choose to receive all future corporate communications either in printed form or through the Company's website, by writing to the Company at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong or to the share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by emailing to the Company's email address at mail@powerassets.com.

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DEFINITIONS

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

“30 June 2018 Distribution”	has the meaning given to it in the section headed “2. Acquisition – 2.2 Implementation of the Trust Schemes” in the Letter from the Board
“ACCC”	the Australian Competition and Consumer Commission
“Acquisition”	the proposed acquisition by Bidco of all of the Target Securities in issue from the Target Securityholders by way of the Trust Schemes to be carried out concurrently with one another
“Announcement”	the joint announcement of CKA, CKI, the Company and CKHH dated 13 August 2018 in relation to the Acquisition and the Joint Venture Transaction
“Approval Determination Date”	the date on which the relevant meetings of shareholders are held to consider the JV Transaction Shareholders’ Approvals
“APT”	Australian Pipeline Trust, a unit trust formed under the laws of Australia and a registered managed investment scheme
“APTIT”	APT Investment Trust, a unit trust formed under the laws of Australia and a registered managed investment scheme
“ASIC”	the Australian Securities and Investments Commission
“Asset/Business”	has the meaning given to it in paragraph 2.3.10(vii) in the section headed “2. Acquisition – 2.3 Conditions to the Trust Schemes” in the Letter from the Board in this circular
“associate”	has the meaning ascribed to such term in the Listing Rules
“ASX”	ASX Limited or the market operated by it, as the context requires
“AUD”	Australian dollars, the official currency of Australia

DEFINITIONS

“Bidco”	CKM 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
“CKA”	CK Asset 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)
“CKA Board”	the board of directors of CKA
“CKA Circular”	has the meaning given to it in paragraph 2.7(i) in the section headed “ <i>2. Acquisition – 2.7 Recommendations and undertaking with respect to the CKA Transaction Shareholders’ Approval</i> ” in the Letter from the Board
“CKA Group”	CKA and its subsidiaries
“CKA Holdco”	CKA Holdings UK Limited, an indirect wholly-owned subsidiary of CKA which is incorporated under the laws of England and Wales
“CKA Transaction Shareholders’ Approval”	if the Joint Venture Transaction does not proceed, the approval by the shareholders of CKA as required under the Listing Rules for approving the Acquisition as a major transaction for CKA
“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)
“CKI”	CK Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
“CKI Group”	CKI and its subsidiaries

DEFINITIONS

“CKI Holdco”	CKI Gas Infrastructure Limited, an indirect wholly-owned subsidiary of CKI which is incorporated under the laws of England and Wales
“Company”	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)
“Company Holdco”	PAH Gas Infrastructure Limited, an indirect wholly-owned subsidiary of the Company which is incorporated under the laws of England and Wales
“connected person”	has the meaning ascribed to such term in the Listing Rules
“Consortium”	CKA, CKI and the Company (until such time as any of them becomes a Non-Continuing Member), and “ Consortium Member(s) ” shall be construed accordingly
“Consortium Formation Agreement”	the consortium formation agreement dated 12 August 2018 which was entered into between, among others, the Consortium Members, the Consortium Holdcos, 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”	CKA Holdco, CKI Holdco and the Company Holdco and “ Consortium Holdco ” shall be construed accordingly
“Consortium Midcos”	a number of private limited liability companies incorporated under the laws of England and Wales each holding a certain percentage of the equity interest in JV Co and which, together, hold 100% of the equity interest in JV Co and “ Consortium Midco ” shall be construed accordingly
“Corporations Act”	the Australian Corporations Act 2001 (Cth), as modified by any applicable ASIC relief
“Court”	the Supreme Court of the New South Wales or such other court of competent jurisdiction under the Corporations Act as Bidco and Target RE may agree
“Director(s)”	the director(s) of the Company

DEFINITIONS

“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 is a discretionary beneficiary, and the trustee of which is TDT1
“DT2”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, 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 is a discretionary beneficiary, 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 is a discretionary beneficiary, and the trustee of which is TDT4
“EC Approval”	the European Commission taking a decision (or deemed to have taken a decision) under Article 6(1)(b) of the EU Merger Regulation declaring the Joint Venture Transaction and the Acquisition (or part thereof) compatible with the common market
“End Date”	31 March 2019, or such other date as is agreed by Bidco and Target RE
“Explanatory Memorandum”	the information booklet to be despatched to Target Securityholders which must include a notice of meeting and proxy form for the proposed resolutions to be put to the Target Securityholders as detailed in paragraph 2.3.5 in the section headed “2. Acquisition – 2.3 Conditions to the Trust Schemes” in the Letter from the Board
“FIRB”	the Australian Foreign Investment Review Board
“FIRB Act”	the Foreign Acquisitions and Takeovers Act 1975 (Cth)
“Funding Date”	three business days prior to the implementation date of the Trust Schemes or such other date agreed by the parties to the Consortium Formation Agreement provided that such date is at least two business days before the implementation date of the Trust Schemes

DEFINITIONS

“General Meeting”	the general meeting of the Company to be held on Tuesday, 30 October 2018 at 2:15 p.m. at the Grand Ballroom, 1st Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong (or any adjournment thereof) for the purposes of considering and, if thought fit, passing an ordinary resolution to approve the Joint Venture Transaction
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	the International Financial Reporting Standards
“Implementation Agreement”	the implementation agreement dated 12 August 2018 and entered into by Bidco, the Target, CKA, CKI and the Company in respect of the Trust Schemes
“Independent Board Committee”	the independent board committee of the Board, comprising Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea and Mr. Wu Ting Yuk, Anthony, being independent non-executive Directors, established to advise the Independent Shareholders on the Joint Venture Transaction
“Independent Expert”	the independent expert appointed by Target RE pursuant to the Implementation Agreement
“Independent Financial Adviser”	Platinum Securities Company 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 a material interest (which is different from that of the other Shareholders) in the Joint Venture Transaction
“Independent Shareholders’ Approval”	the approval of the Independent Shareholders as required under the Listing Rules for approving the Joint Venture Transaction by the Company

DEFINITIONS

“Joint Venture Transaction”	the arrangements contemplated under the Consortium Formation Agreement and the Shareholders’ Agreement to form the Consortium and to effect the Acquisition
“JV Co”	CKM UK Holdings Limited, a private limited liability company, which is incorporated under the laws of England and Wales, and an indirect holding company of Bidco
“JV Transaction Shareholders’ Approvals”	(a) the approval by the shareholders (excluding any shareholders with a material interest in the Joint Venture Transaction) of each of CKA, CKI and the Company as required under the Listing Rules for approving the Joint Venture Transaction as a connected transaction for each of them, and (b) the approval by the shareholders (excluding any shareholders with a material interest in the Joint Venture Transaction) of CKA as required under the Listing Rules for approving the Joint Venture Transaction and the Acquisition by Bidco (as an entity which shares are held as to 60% or 80% by CKA) as major transactions for CKA, in each case by the Approval Determination Date, and each a “JV Transaction Shareholders’ Approval”
“Latest Practicable Date”	3 October 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Letter from the Board”	the letter from the Board 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”	12 February 2020, being the date falling 18 months after the date of the Consortium Formation Agreement
“Main Board”	the Main Board of the Stock Exchange
“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

DEFINITIONS

- “Non-Continuing Member(s)”** means:
- (a) CKI, if one or both of the JV Transaction Shareholders’ Approvals in respect of CKA and CKI is/are not obtained on the Approval Determination Date; and/or
 - (b) the Company, if one or both of the JV Transaction Shareholders’ Approvals in respect of CKA and the Company is/are not obtained on the Approval Determination Date
- “Notice of General Meeting”** means the notice convening the General Meeting, as set out on pages 71 to 72 of this circular
- “percentage ratios”** have the meaning ascribed to such term in Chapter 14 of the Listing Rules
- “Respective Proportion(s)”** means:
- (a) in relation to CKA, 60%;
 - (b) in relation to CKI, 20%; and
 - (c) in relation to the Company, 20%
- “Respective Proportions Determination Side Letter”** a letter agreement dated 5 October 2018 between CKA, CKI and the Company, together with the other parties of the Consortium Formation Agreement, pursuant to which the Respective Proportions and the Revised Respective Proportions have, among other things, been determined and agreed
- “Revised Respective Proportion(s)”** means:
- (a) in the event that the Company becomes a Non-Continuing Member:
 - (i) in relation to CKA, 80%; and
 - (ii) in relation to CKI, 20%; and
 - (b) in the event that CKI becomes a Non-Continuing Member:
 - (i) in relation to CKA, 80%; and
 - (ii) in relation to the Company, 20%

DEFINITIONS

“Sale Shares”	have the meaning given to it in paragraph 3.2.6 in the section headed “3. <i>Joint Venture Transaction – 3.2 The Shareholders’ Agreement</i> ” in the Letter from the Board
“Scheme Consideration”	the consideration payable by Bidco for the transfer to Bidco of the Target Securities held by a Target Securityholder in accordance with the Implementation Agreement, which is AUD11.00 (equivalent to approximately HK\$63.80) per Target Security
“Second Judicial Advice”	has the meaning given to it in paragraph 2.3.6 in the section headed “2. <i>Acquisition – 2.3 Conditions to the Trust Schemes</i> ” in the Letter from the Board
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shareholder(s)”	the holders of Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between the Company, the other Consortium Members, 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 of the Company
“Special Distribution”	has the meaning given to it in the section headed “2. <i>Acquisition – 2.2 Implementation of the Trust Schemes</i> ” in the Letter from the Board
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to such term in the Listing Rules
“Target”	the ASX-listed stapled entity known as APA which comprises APT and APTIT, and a reference to “ Target ” is to any one or more of APT or APTIT (as the context requires)
“Target Group”	the Target and its subsidiaries and controlled entities
“Target Joint Venture Entity”	means any entity in which a member (or members, in aggregate) of the Target Group has an ownership interest of less than 100%

DEFINITIONS

“Target RE”	Australian Pipeline Limited, a public company incorporated under the laws of Australia, whose registered office is at Level 25, 580 George Street, Sydney NSW 2000, Australia, in its capacity as the responsible entity of APT and APTIT
“Target Scheme Meetings”	the meeting or meetings of the unitholders of APT and APTIT to consider the Trust Schemes
“Target Securities”	the stapled securities of the Target, each comprising one unit in APT and one unit in APTIT, which are quoted on the ASX (ASX Code: APA)
“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
“Trust”	DT1, DT2, DT3, DT4, UT1 and UT3, and where the context requires, any of them
“Trust Schemes”	the arrangement, to be implemented in accordance with Australian Takeovers Panel Guidance Note 15 (Trust Scheme Mergers), ASIC Regulatory Guide 74 and facilitated by amendments to the constitutions of APT and APTIT, under which Bidco will acquire all of the Target Securities from Target Securityholders
“Trustee Shares”	1,028,753,254 ordinary shares in the share capital of CKA held by the trustees of the Trust and/or their relevant subsidiaries as at the date of the Implementation Agreement, representing approximately 27.82% of the issued share capital and voting rights in CKA as at that date

DEFINITIONS

“UK Gas Group”	a body with members comprising companies involved in gas investments globally (currently in Australia and the United Kingdom) to provide a discussion forum among its members
“UT1”	The Li Ka-Shing Unity Trust
“UT3”	The Li Ka-Shing Castle Trust
“Voting Undertaking”	has the meaning given to it in paragraph 2.7(ii) in the section headed “2. Acquisition – 2.7 Recommendations and undertaking with respect to the CKA Transaction Shareholders’ Approval” in the Letter from the Board
“%”	per cent

Note: The figures in “AUD” are converted into HK\$ at a rate of AUD1.00: HK\$5.80 (being the exchange rate used in the Announcement) 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



Power Assets Holdings Ltd.
電能實業有限公司

Incorporated in Hong Kong with limited liability
Stock Code: 6

Executive Directors

FOK Kin Ning, Canning (*Chairman*)
TSAI Chao Chung, Charles (*Chief Executive Officer*)
CHAN Loi Shun
Andrew John HUNTER
Neil Douglas MCGEE
WAN Chi Tin

Registered Office

Rooms 1913-1914
19th Floor, Hutchison House
10 Harcourt Road
Hong Kong

Non-executive Director

LI Tzar Kuoi, Victor

Independent Non-executive Directors

IP Yuk-keung, Albert
Ralph Raymond SHEA
WONG Chung Hin
WU Ting Yuk, Anthony

10 October 2018

To the Shareholder(s)

Dear Sir or Madam,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

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

1. INTRODUCTION

Reference is made to the Announcement of CKA, CKI, the Company and CKHH on 13 August 2018 in relation to the Acquisition and the Joint Venture Transaction.

As stated in the Announcement:

- (i) on 12 August 2018, a consortium comprising CKA, CKI and the Company entered into the Implementation Agreement with Bidco and the Target to implement the Acquisition; and

LETTER FROM THE BOARD

- (ii) in connection with the Acquisition, CKA, CKI and the Company (being the Consortium Members) have also entered into the Consortium Formation Agreement on 12 August 2018 pursuant to which, subject to the fulfilment of certain conditions, the relevant Consortium Members will enter into the Joint Venture Transaction to, among other things, form the Consortium, enter into the Shareholders' Agreement and indirectly fund the Acquisition by Bidco according to the Respective Proportions or the Revised Respective Proportions (as the case may be).

On 5 October 2018, among others, CKA, CKI and the Company entered into the Respective Proportions Determination Side Letter and determined and agreed the final percentages making up the Respective Proportions and the Revised Respective Proportions as follows:

- (i) if all three of CKA, CKI and the Company will participate in the Joint Venture Transaction, the Respective Proportions of CKA, CKI and the Company should be respectively 60%, 20% and 20%; and
- (ii) if CKA and only one of CKI or the Company will participate in the Joint Venture Transaction, the Revised Respective Proportions of CKA and CKI or the Company should be respectively 80% and 20%.

The participation of CKA, CKI and the Company in the Joint Venture Transaction is subject to, amongst other conditions, obtaining the necessary JV Transaction Shareholders' Approvals. If such conditions are not fulfilled, the Joint Venture Transaction will not proceed and CKA will, subject to obtaining the CKA Transaction Shareholders' Approval and the fulfilment of certain conditions, proceed with the Acquisition alone. If the necessary JV Transaction Shareholders' Approvals in respect of only one of CKI's or the Company's participation in the Joint Venture Transaction are obtained, the composition of the Consortium shall be varied accordingly.

The purpose of this circular is to:

- (i) provide Shareholders with further information regarding details of the Acquisition and the Joint Venture Transaction;
- (ii) set out the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Joint Venture Transaction;
- (iii) 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) give Shareholders the Notice of General Meeting at which the Independent Shareholders' Approval will be sought; and
- (v) provide Shareholders with other information required under the Listing Rules in connection with the Acquisition and the Joint Venture Transaction.

LETTER FROM THE BOARD

2. ACQUISITION

On 12 August 2018, the Company, the other Consortium Members, Bidco and the Target entered into the Implementation Agreement in connection with the Acquisition. The Acquisition and the Implementation Agreement are not conditional on the completion of the Joint Venture Transaction but are conditional upon obtaining the CKA Transaction Shareholders' Approval and the fulfilment of certain other conditions as set out in the Implementation Agreement.

If the conditions to the Joint Venture Transaction are not fulfilled and the Joint Venture Transaction does not proceed:

- (i) the Consortium will not be formed and Bidco will remain wholly-owned by CKA;
- (ii) CKI's and the Company's participation in the Acquisition, including to provide guarantees in respect of the relevant obligations of Bidco under the Implementation Agreement as set out in section 2.4 below, will lapse;
- (iii) subject to CKA obtaining the CKA Transaction Shareholders' Approval and the Trust Schemes becoming effective, CKA will proceed with the Acquisition on the terms and conditions of the Implementation Agreement alone;
- (iv) the guarantee in respect of the relevant obligations of Bidco under the Implementation Agreement as set out in section 2.4 below will be provided solely by CKA (namely, as to 100%);
- (v) the Scheme Consideration and transaction costs and estimated stamp duty payable by CKA under the Implementation Agreement will be up to AUD13,166 million (equivalent to approximately HK\$76,363 million); and
- (vi) CKA intends to finance the Scheme Consideration and transaction costs under the Implementation Agreement from its internal resources and/or external borrowings.

The principal terms of the Implementation Agreement are as follows:

2.1 The outline of the Trust Schemes

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

- (i) all of the Target Securities will be transferred to Bidco in accordance with the terms of the Trust 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 Trust Schemes.

LETTER FROM THE BOARD

2.2 Implementation of the Trust Schemes

Target RE agrees to take all reasonable steps to implement the Trust Schemes. Bidco and the Consortium Members agree to take all reasonable steps to assist Target RE in the implementation of the Trust Schemes and, if the Trust Schemes become effective, to pay the Scheme Consideration. The implementation of the Trust Schemes is subject to certain conditions as described in section 2.3 below.

Based on the Scheme Consideration of AUD11.00 (equivalent to approximately HK\$63.80) per Target Security held by a Target Securityholder and the total number of Target Securities in issue as at the Latest Practicable Date, being 1,179,893,848 Target Securities, the Scheme Consideration for all the Target Securities would be approximately AUD12,979 million (equivalent to approximately HK\$75,278 million). The Scheme Consideration was determined based on the Consortium's valuation of the Target's businesses.

Pursuant to an announcement by APA on 22 August 2018, Target RE shall pay to the Target Securityholders a cash distribution equal to AUD0.24 (equivalent to approximately HK\$1.39) per Target Security for the six months ended 30 June 2018 (the "**30 June 2018 Distribution**"), and no adjustment will be made to the Scheme Consideration payable by Bidco as a result of the 30 June 2018 Distribution.

If the Trust Schemes are implemented after 31 December 2018, Target RE may pay to the Target Securityholders a cash distribution of up to AUD0.04 (equivalent to approximately HK\$0.23) per Target Security for each full calendar month between 31 December 2018 up to, and including, the date the Trust Schemes are implemented (except that in respect of March 2019, if the Trust Schemes are implemented on or after 29 March 2019, AUD0.04 (equivalent to approximately HK\$0.23) per Target Security shall be payable for March 2019) (the "**Special Distribution**"). No adjustment will be made to the Scheme Consideration payable by Bidco as a result of the Special Distribution.

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

2.3 Conditions to the Trust Schemes

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

2.3.1 either:

- (i) the Treasurer of the Commonwealth of Australia (or his delegate) provides a written no objection notification under the FIRB Act to the Acquisition either without conditions or subject only to (a) tax-related conditions which are in the form, or substantially in the form, of those

LETTER FROM THE BOARD

set out in Part A of Attachment A of FIRB Guidance Note 47 on 'Tax Conditions' (in the form released on 24 November 2016) and (b) any conditions that Bidco reasonably considers to be acceptable; or

- (ii) following notice of the Acquisition having been given by Bidco to the Treasurer of the Commonwealth of Australia under the FIRB Act, the Treasurer has ceased to become empowered to make any order under Part 3 of the FIRB Act because the applicable time limited on making orders and decisions under the FIRB Act has expired;

2.3.2 ASIC and ASX issue or provide any consents or approvals, or do any other acts, which Target RE and Bidco agree are reasonably necessary or desirable to implement the Trust Schemes, and those consents, approvals or other acts have not been withdrawn or revoked at that time, including:

- (i) ASIC granting a modification of item 7 of section 611 of the Corporations Act allowing the Target Securityholders (other than those excluded from voting because they are associates of Bidco) to vote in favour of the implementation of the Trust Schemes at the Target Scheme Meeting;
- (ii) Target RE obtaining relief from the requirement to provide a financial services guide in connection with the Explanatory Memorandum;
- (iii) ASIC granting relief from prohibitions on making unsolicited offers to acquire Target Securities under the Acquisition under the Corporations Act; and
- (iv) ASX confirming that it does not object to the proposed amendments to the constitutions of APT and APTIT to be made in connection with the implementation of the Trust Schemes;

2.3.3 ACCC advises Bidco in writing that it does not intend to oppose the Acquisition or does not intend to oppose the Acquisition subject to undertakings, commitments or conditions that Bidco reasonably considers to be acceptable, and that advice has not been withdrawn or revoked;

2.3.4 the EC Approval is obtained;

2.3.5 the Target Securityholders approve the following resolutions by the requisite majorities at the Target Scheme Meeting in accordance with the Corporations Act:

- (i) in respect of each of APT and APTIT, an ordinary resolution to approve the Acquisition for the purposes of item 7 of section 611 of the Corporations Act including the acquisition of a relevant interest in all the Target Securities by Bidco; and

LETTER FROM THE BOARD

- (ii) conditional on the ordinary resolution referred to in sub-paragraph (i) above being duly approved, in respect of each of APT and APTIT, a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve certain amendments to the constitutions of each of APT and APTIT which are required for the implementation of the Trust Schemes;
- 2.3.6 Target RE obtains confirmations from the Court under section 63 of the Trustee Act 1925 (NSW) confirming, amongst other things, that:
 - (i) Target RE would be justified in convening the Target Scheme Meeting; and
 - (ii) Target RE would be justified in proceeding to implement the Trust Schemes (the “**Second Judicial Advice**”);
- 2.3.7 the CKA Transaction Shareholders’ Approval is obtained by the date that is seven days before the date of the Target Scheme Meeting;
- 2.3.8 no Court or regulatory authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise prohibiting, materially restricting, making illegal or restraining the implementation of the Trust Schemes, or taken any material enforcement action or announced or commenced any investigation against or involving a member of the Target Group, Bidco or the Consortium Members or any of their subsidiaries, and no such order, decree, ruling, other action or refusal is in effect as at 8:00 a.m. (Sydney time) on the date on which the Second Judicial Advice is obtained;
- 2.3.9 the Independent Expert provides the independent expert’s report to the Target, stating that in its opinion the Trust Schemes are fair and reasonable and in the best interests of Target Securityholders before the date on which the Explanatory Memorandum is provided to ASIC, and the Independent Expert does not change that opinion or withdraw its independent expert’s report prior to the Target Scheme Meeting;
- 2.3.10 none of the “Target Prescribed Events”, which are events (including those set out below) specifically set out in the Implementation Agreement, occurs between the date of the Implementation Agreement and 8:00 a.m. (Sydney time) on the date on which the Second Judicial Advice is obtained:
 - (i) Target RE converts all or any of the Target Securities into a larger or smaller number of securities, or a resolution is passed to do so;
 - (ii) any member of the Target Group reduces, or resolves to reduce, its capital in any way, or reclassifies, combines, splits or redeems or repurchases directly or indirectly any of its securities, other than to

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effect a distribution of cash from: (a) a wholly-owned subsidiary of Target to its immediate holding entity or entities within the Target Group; or (b) a Target Joint Venture Entity to its securityholders on a pro rata basis;

- (iii) any member of the Target Group buys back or agrees to buy back any of its securities, other than for cash consideration payable by: (a) a wholly-owned subsidiary of Target to its immediate holding entity or entities within the Target Group; or (b) a Target Joint Venture Entity to its securityholders on a pro rata basis;
- (iv) Target RE makes or declares, or announces an intention to make or declare, any distribution in respect of Target Securities (whether by way of dividend, capital reduction or otherwise, and whether in cash or in specie), other than the 30 June 2018 Distribution and any Special Distribution;
- (v) any member of the Target Group issues or agrees to issue units, equity securities, options over its units or equity securities, or instruments convertible into its units or equity securities, or issues or agrees to issue any other form of equity instrument, other than: (a) to an entity, all the issued shares or units of which are owned by one or more members of the Target Group, or (b) where the issuing entity is a Target Joint Venture Entity, an issuance by the entity to its securityholders on a pro-rata basis (including where the members of the Target Group who directly own an interest in a Target Joint Venture Entity subscribes, on a pro rata basis, for any additional securities as a result of other members in the Target Joint Venture Entity not taking up their full entitlement), to fund the operation of the Target Joint Venture Entity in the ordinary course of its business;
- (vi) Target RE or the Target adopts a new constitution, makes any material change or repeals its respective constitution or a provision of it (other than pursuant to the amendments required for the implementation of the Trust Schemes);
- (vii) any member of the Target Group acquires or disposes of, agrees to acquire or dispose of, or offers, proposes, announces a bid or tenders for, any asset, security, entity, business or undertaking (or similar business arrangement) (each an “**Asset/Business**”):
 - A. of any consideration or value, where the Asset/Business is, or involves assets or securities that are, located or issued outside of Australia; or

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- B. if sub-paragraph A. above does not apply, the total consideration or value of which exceeds AUD50 million (equivalent to approximately HK\$290 million) (either individually or, in the case of related businesses or classes of assets or a series of related transactions, collectively),

other than:

- C. a lease, licence or acquisition of an Asset/Business (other than a security, entity, business or undertaking (or similar business arrangement)) in, or which is used in, the ordinary and usual course of business;
 - D. for a development or capital project which is one of the capital projects disclosed, or which is of a type consistent with the types or categories of capital projects disclosed, to Bidco prior to the date of the Implementation Agreement;
 - E. the acquisition or disposal of any financial Asset/Business (other than an entity, business or undertaking (or similar business arrangement)) or financial instrument located outside Australia or issued by an entity that is located outside Australia, in each case as part of the Target Group's treasury management activities in the ordinary course and consistent with past practice;
 - F. the transfer of an Asset/Business (other than a security in a member of the Target Group) to or from a member of the Target Group (where no party to the transaction is a Target Joint Venture Entity); or
 - G. the transfer of a security in a member of the Target Group to or from a member of the Target Group (where no party to the transaction is a Target Joint Venture Entity) that Bidco has given its prior written consent to (such consent not to be unreasonably withheld);
- (viii) any member of the Target Group enters into, or materially varies or terminates, any contract that:
- A. is not consistent with the Target Group's past practice or would reasonably be expected to result in a credit rating downgrade by Moody's Investor Services Limited or S&P Global Ratings of the Target Group;

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- B. generates, or is expected to generate, annual revenue for the Target Group in excess of AUD50 million (equivalent to approximately HK\$290 million) individually, or in excess of AUD150 million (equivalent to approximately HK\$870 million) when aggregated with all related contracts; or
- C. generates, or is expected to generate, gross annual expenditure for the Target Group in excess of AUD20 million (equivalent to approximately HK\$116 million) individually, or in excess of AUD100 million (equivalent to approximately HK\$580 million) when aggregated with all related contracts,

other than in relation to capital projects which have been disclosed, or which are of a type consistent with the types or categories of capital projects which have been disclosed, to Bidco prior to the date of the Implementation Agreement;

- (ix) any member of the Target Group enters into any commitments for capital expenditure on capital projects, other than commitments for capital expenditure on capital projects:
 - A. under a legally binding contract entered into by a member of the Target Group which has been disclosed to Bidco prior to the date of the Implementation Agreement; or
 - B. which have been disclosed, or which are of a type consistent with the types or categories of capital projects which have been disclosed, to Bidco prior to the date of the Implementation Agreement;
- (x) any member of the Target Group takes any action that is intended to result in any asset becoming subject to economic regulation by the Australian Energy Regulator, Economic Regulation Authority Western Australia or a similar body that is material to the Acquisition (taking into account the entirety of the operations of the Target Group);
- (xi) a claim is brought against any member of the Target Group (other than a frivolous or vexatious claim) which will or is likely to have an adverse effect on the Target in excess of AUD50 million (equivalent to approximately HK\$290 million) (excluding any amount recoverable, or reasonably considered to be recoverable, under a contract of insurance to which a member of the Target Group is a party) or if any member of the Target Group becomes the subject of regulatory prosecution that will or is likely to have an adverse effect on the Target in excess of AUD50 million (equivalent to approximately HK\$290 million) (excluding any amount recoverable, or reasonably

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considered to be recoverable, under a contract of insurance to which a member of the Target Group is a party) (either individually or in the case of related claims or a series of related claims, collectively); or

- (xii) the Target is delisted from ASX or the quotation on ASX of Target Securities is subject to suspension or cessation for five or more business days other than due to, or as a result of, an action taken by Bidco or a Consortium Member or at the request of the Target or Target RE arising from the need to provide information to ASX in connection with acquisition proposals relating to the Target or its material assets,

provided that a “Target Prescribed Event” will not occur (among other exceptions) where (a) the event is required or permitted by the Implementation Agreement, the Supplemental Deeds Poll or Deed Poll (as defined in the Implementation Agreement), the Acquisition or the transactions contemplated by any of them, (b) the event has been disclosed to Bidco prior to the date of the Implementation Agreement, (c) Target RE has first consulted with Bidco in relation to the event and Bidco or a Consortium Member has approved the proposed event or not objected to it within 5 business days of being so consulted, (d) the event is undertaken or implemented by, or occurs in relation to, a Target Joint Venture Entity, without being authorised or permitted by a member of the Target Group, or (e) a Target Joint Venture Entity enters into any financing arrangement, agreement or instrument in relation to the financing of a capital project which has been disclosed to the Bidco prior to the date of the Implementation Agreement; and

2.3.11 no “Target Material Adverse Change” occurs between the date of the Implementation Agreement and 8:00 a.m. (Sydney time) on the date on which the Second Judicial Advice is obtained, and “Target Material Adverse Change”, being an event, occurrence or matter that:

- (i) occurs after the date of Implementation Agreement;
- (ii) occurs before the date of the Implementation Agreement but is only announced or publicly disclosed after the date of the Implementation Agreement; or
- (iii) will or is likely to occur after the date of the Implementation Agreement and which has not been publicly announced prior to the date of the Implementation Agreement,

which has, has had or is reasonably likely to have, either individually or when aggregated with any event, occurrence or matters of a similar kind or category, the effect of (a) the consolidated net assets (but not including any diminution in intangible assets) of the Target Group, taken as a whole, being reduced by at least AUD500 million (equivalent to approximately

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HK\$2,900 million) against what it would reasonably be expected to have been but for that event, occurrence or matter; or (b) the consolidated earnings before interest, tax, depreciation and amortisation (excluding the value of any asset value adjustments) of the Target Group being reduced by at least AUD150 million (equivalent to approximately HK\$870 million) per financial year in any two or more financial years, but does not include:

- A. any matter required or permitted by the Implementation Agreement, the Supplemental Deeds Poll or Deed Poll (as defined in the Implementation Agreement), the Acquisition or the transactions contemplated by any of them;
- B. any matter disclosed to Bidco prior to the date of the Implementation Agreement (or which ought reasonably have been expected to arise from a matter, event or circumstance which was so disclosed);
- C. any matter, event or circumstance which arises from:
 - (a) changes in commodity prices, exchange rates or interest rates;
 - (b) general economic, political or business conditions, including material adverse changes or major disruptions to, or fluctuations in, domestic or international financial markets, and acts of terrorism, war (whether or not declared), natural disaster or the like;
 - (c) changes to accounting standards, laws or policies of a government agency in Australia; or
 - (d) any law not in force as at the date of the Implementation Agreement or the application, or any change in the application or interpretation, by any regulatory authority of any law, requirement, obligation, principle, standard, policy, rule, regulation or administrative practice in respect of which any member of the Target Group is required to comply or which otherwise has any direct or indirect impact on a member of the Target Group,

but excludes any matter, event or circumstances which has a disproportionate effect on the Target Group, taken as a whole, as compared to other participants in the industries in which the Target Group operates; or

- D. any change occurring with the written consent of Bidco or any Consortium Member, or as a result of any action taken within the control of Bidco or any Consortium Member.

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Pursuant to the Implementation Agreement, Bidco is required to use its reasonable endeavours to satisfy or procure satisfaction of the conditions set out in paragraphs 2.3.1, 2.3.3, 2.3.4 and 2.3.7 above, Target RE is required to use its reasonable endeavours to satisfy or procure satisfaction of the conditions set out in paragraphs 2.3.5, 2.3.6, 2.3.9, 2.3.10 and 2.3.11 above, and Bidco and Target RE are required to each use its respective reasonable endeavours to satisfy or procure the satisfaction of the conditions set out in paragraphs 2.3.2 and 2.3.8 above.

Bidco and Target RE may jointly waive any condition set out in paragraphs 2.3.2, 2.3.3, 2.3.6 and 2.3.8 above, Bidco may alone waive any condition set out in paragraphs 2.3.4, 2.3.7, 2.3.10 and 2.3.11 above, and Target RE may alone waive the condition set out in paragraph 2.3.9. The conditions set out in paragraphs 2.3.1 and 2.3.5 above may not be waived by either Bidco or Target RE.

The condition set out in paragraph 2.3.4 above will cease to apply and be automatically waived if the JV Transaction Shareholders' Approvals in respect of the Joint Venture Transaction are not obtained or if such condition is not satisfied or waived on or before the date that is seven days before the date of the Target Scheme Meeting.

The condition set out in paragraph 2.3.7 above will cease to apply and be automatically waived if the JV Transaction Shareholders' Approvals in respect of the Joint Venture Transaction and EC Approval are obtained.

As at the Latest Practicable Date, the condition set out in paragraphs 2.3.3 above has been satisfied, and the other conditions are yet to be satisfied.

In connection with the condition set out in paragraph 2.3.3 above, ACCC announced on 12 September 2018 that it will not oppose the Acquisition subject to binding undertakings given by Bidco and the Consortium Members to dispose of certain assets of the Target Group following completion of the Trust Schemes, namely the Parmelia Gas Pipeline, the Goldfields Gas Pipeline, the Kalgoorlie to Kambalda Pipeline and the Mondarra gas storage facility (the "**Disposals**").

The Company and the other Consortium Members were aware of potential concerns which may be raised by the ACCC, particularly over the potential overlapping gas transmission and storage services in Western Australia. It was therefore anticipated that the Disposals may be required, and the Company and the other Consortium Members took into account the potential Disposals when determining their valuation of the Target Group's businesses and agreeing the Scheme Consideration at the time of execution of the Implementation Agreement. As the Disposals would be carried out with independent third parties on arms' length terms, thereby achieving market value for the Disposal assets, the Company and the Consortium Members had expected that the Disposals would have a neutral effect on the Scheme Consideration. As at the Latest Practicable Date, the Company and the other Consortium Members are not in any negotiations, nor have they reached any agreement, with any third parties regarding the Disposals.

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The Disposal assets comprise gas transmission and storage services assets located within Western Australia. The Company and the Consortium Members understand from the Target Group that these assets have their own separate on-the-ground operations teams, and therefore the Disposals would not have any impact on the overall operations of the Target Group.

Upon the Trust Schemes becoming effective, the Trust 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).

2.4 Guarantee

Under the Implementation Agreement, each of the Company and the other Consortium Members agrees to guarantee, on a several basis and in its Respective Proportion or Revised Respective Proportion (as applicable), the performance and observance by Bidco of all of the obligations of Bidco under the Implementation Agreement (including the payment of the Scheme Consideration and the reverse break fee as set out below). However, the obligations of CKI and the Company to provide the guarantees under the Implementation Agreement are conditional on the necessary JV Transaction Shareholders' Approvals being obtained. If the necessary JV Transaction Shareholders' Approvals are not obtained, Bidco shall remain an indirect wholly-owned subsidiary of CKA in which case CKA alone will provide the guarantee.

2.5 Exclusivity

Under the Implementation Agreement, Target RE has represented and warranted that, as at the date of that agreement, it is not in any negotiations or discussions in respect of any competing transaction. During the period from the date of the Implementation Agreement until the earlier of termination of the Implementation Agreement and the End Date, Target RE shall not (and shall procure its representatives shall not) directly or indirectly solicit, invite, encourage or initiate any competing transaction, or (subject to fiduciary duties or statutory obligations of the directors of Target RE) negotiate or enter into, or participate in, negotiations or discussions with any other person regarding a competing transaction.

2.6 Target break fee

Pursuant to the Implementation Agreement, Target RE has agreed to pay to Bidco a break fee of AUD130 million (equivalent to approximately HK\$754 million) if:

- (i) at least a majority of the directors of Target RE fail to recommend to the Target Securityholders that they vote in favour of the Trust Schemes or, having made such recommendation, withdraw their recommendation or adversely change their recommendation, provided that in each case Bidco has terminated the Implementation Agreement (except where (A) that failure is because the Independent Expert does not give an opinion that the Acquisition is fair and reasonable and in the best interests of the Target

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Securityholders (other than where the reason for that opinion is a competing transaction); (B) Target RE has validly terminated, or has the right to terminate, the Implementation Agreement due to Bidco being in material and unremedied breach of the Implementation Agreement; or (C) the conditions in section 2.3 above are not satisfied other than as a result of a breach by Target RE of its obligation to use reasonable endeavours to procure satisfaction of such conditions); or

- (ii) a competing transaction is announced or made prior to the date on which the Second Judicial Advice is obtained and is completed within nine months of the Implementation Agreement being entered into.

In addition, Target RE has agreed to pay to Bidco a break fee of AUD50 million (equivalent to approximately HK\$290 million) if Bidco validly terminates the Implementation Agreement due to Target RE being in material and unremedied breach of the Implementation Agreement.

Upon payment by Target RE of the break fees, Target RE shall not have any further liabilities under the Implementation Agreement. The maximum aggregate liability of Target RE under or in connection with the Implementation Agreement is AUD50 million (equivalent to approximately HK\$290 million) or, if an AUD130 million (equivalent to approximately HK\$754 million) break fee is payable as described above, AUD130 million (equivalent to approximately HK\$754 million).

2.7 Recommendations and undertaking with respect to the CKA Transaction Shareholders' Approval

Pursuant to the Implementation Agreement, CKA has agreed to procure that:

- (i) the CKA Board states in the circular to be sent by CKA to its shareholders in connection with an extraordinary general meeting of CKA to consider the resolution for the CKA Transaction Shareholders' Approval (the "**CKA Circular**") that the CKA Board unanimously recommends that the shareholders of CKA approve the resolution for the CKA Transaction Shareholders' Approval, and must not change that recommendation unless the CKA Board determines that it must change the recommendation because of any fiduciary or statutory duties to the shareholders of CKA; and
- (ii) within five business days after the CKA Circular has been despatched to the shareholders of CKA, the trustees of the Trust and/or their relevant subsidiaries who are registered holders of the Trustee Shares, provide to the Target an irrevocable and unconditional undertaking to vote the Trustee Shares in favour of the resolution for the CKA Transaction Shareholders' Approval (the "**Voting Undertaking**").

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2.8 Reverse break fee

Pursuant to the Implementation Agreement, Bidco has agreed to pay to the Target a reverse break fee of AUD50 million (equivalent to approximately HK\$290 million) if:

- (i) both of the following occur: (A) CKA has not procured the Voting Undertaking or the trustees of the Trust and/or their relevant subsidiaries who are registered holders of the Trustee Shares fail to vote the Trustee Shares in favour of the resolution for the CKA Transaction Shareholders' Approval in accordance with the Voting Undertaking; and (B) the relevant extraordinary general meeting of CKA is held and the CKA Transaction Shareholders' Approval is not obtained; or
- (ii) Target RE validly terminates the Implementation Agreement due to Bidco being in material and unremedied breach of the Implementation Agreement.

Upon payment by Bidco of the reverse break fee, Bidco and the relevant Consortium Members shall not have any further liabilities under the Implementation Agreement. The maximum aggregate liability of Bidco and the Consortium Members under or in connection with the Implementation Agreement (other than the obligation to pay the Scheme Consideration if the Trust Schemes become effective) is AUD50 million (equivalent to approximately HK\$290 million).

2.9 End Date

If the Trust 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 Target RE or Bidco has the right to terminate the Implementation Agreement.

2.10 Recommendation by and voting intentions of directors of Target RE

Pursuant to the Implementation Agreement, Target RE has agreed to procure that:

- (i) the Target announcement that was released on the date of the Announcement, as well as the Explanatory Memorandum, state that the directors of Target RE unanimously consider the Trust Schemes to be in the best interests of Target Securityholders and recommend that Target Securityholders approve the Trust Schemes, subject to the Independent Expert concluding, and continuing to conclude, that the Trust Schemes are fair and reasonable and in the best interests of Target Securityholders and subject also to there being no superior proposal for the Target; and
- (ii) Target RE shall use its best endeavours to ensure that no Target RE director changes such a recommendation, unless the provisos in paragraph (i) above applies or if the Target RE directors determine that they must change the recommendation because of any fiduciary or statutory duties to Target Securityholders.

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3. JOINT VENTURE TRANSACTION

3.1 The Consortium Formation Agreement

In connection with the Acquisition, on 12 August 2018, the Company entered into the Consortium Formation Agreement with, among others, the other Consortium Members, JV Co, Consortium Midcos and Bidco in order to govern the formation of the Consortium, including the funding and operation of JV Co and Bidco for the purposes of the Acquisition. Formation of the Consortium is subject to obtaining the necessary JV Transaction Shareholders' Approvals and the fulfilment of certain conditions.

Subject to other conditions, including EC Approval, being fulfilled:

- (i) the Company's participation in the Joint Venture Transaction with CKA is subject to obtaining the JV Transaction Shareholders' Approvals in respect of CKA and the Company;
- (ii) the Company's participation in the Joint Venture Transaction with CKI is subject to obtaining the JV Transaction Shareholders' Approvals in respect of the Company; and
- (iii) the Company's participation in the Joint Venture Transaction with both CKA and CKI is subject to obtaining the JV Transaction Shareholders' Approvals in respect of CKA, CKI and the Company.

Assuming satisfaction of the other conditions, including EC Approval:

- (i) if the JV Transaction Shareholders' Approvals in respect of CKA, CKI and the Company are all obtained, the Joint Venture Transaction will proceed between CKA, CKI and the Company as to 60%, 20% and 20% respectively;
- (ii) if the JV Transaction Shareholders' Approvals in respect of CKA and CKI are both obtained, but the JV Transaction Shareholders' Approval in respect of the Company is not obtained, the Joint Venture Transaction will proceed between CKA and CKI as to 80% and 20% respectively; and
- (iii) if the JV Transaction Shareholders' Approvals in respect of CKA and the Company are both obtained, but the JV Transaction Shareholders' Approval in respect of CKI not obtained, the Joint Venture Transaction will proceed between CKA and the Company as to 80% and 20% respectively.

As at the Latest Practicable Date, Bidco is an indirect wholly-owned subsidiary of JV Co, which is in turn owned by the Consortium Midcos. The Consortium Midcos are then wholly-owned by CKA Holdco, a wholly-owned subsidiary of CKA.

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

3.1.1 Participation of the Consortium Members – JV Transaction Shareholders’ Approvals and EC Approval

The General Meeting of the Company for obtaining the necessary JV Transaction Shareholders’ Approvals in respect of the Company will be held in advance of the Funding Date. The Company has been informed that the extraordinary general meeting of CKA and the special general meeting of CKI for the purposes of obtaining the JV Transaction Shareholders’ Approvals in respect of CKA and CKI will also be held in advance of the Funding Date.

If:

- (i) the JV Transaction Shareholders’ Approvals in respect of CKA and CKI and the EC Approval are obtained, subject to the fulfilment of certain conditions, CKI, through its wholly-owned subsidiary CKI Holdco, will acquire the entire issued share capital in the relevant Consortium Midcos (so as to allow CKI to hold its final Respective Proportion of interests in JV Co) from CKA Holdco. Following such acquisition, such relevant Consortium Midcos will become wholly-owned subsidiaries of CKI Holdco; and
- (ii) the JV Transaction Shareholders’ Approvals in respect of CKA and the Company and the EC Approval are obtained, subject to the fulfilment of certain conditions, the Company, through its wholly-owned subsidiary Company Holdco, will acquire the entire issued share capital in the relevant Consortium Midcos (so as to allow the Company to hold its final Respective Proportion of interests in JV Co) from CKA Holdco. Following such acquisition, such relevant Consortium Midcos will become wholly-owned subsidiaries of Company Holdco.

If the relevant Consortium Midcos become wholly-owned subsidiaries of CKI Holdco and Company Holdco respectively, JV Co will be owned by CKA, CKI and the Company in the Respective Proportions or Revised Respective Proportions (as the case may be). In such case, the relevant Consortium Members, the Consortium Midcos and JV Co will enter into the Shareholders’ Agreement, the principal terms of which are summarised under the section headed “3. *Joint Venture Transaction – 3.2 The Shareholders’ Agreement*” below.

Thereafter, if the conditions precedent to the Trust Schemes becoming effective (as set out in the section headed “2. *Acquisition – 2.3 Conditions to the Trust Schemes*” above) are satisfied or waived, each relevant Consortium Holdco (directly or indirectly, including through its wholly-owned Consortium Midco(s)) will contribute its Respective Proportion (or Revised Respective Proportion, as appropriate) of funding to JV Co by subscribing for additional shares in JV Co

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and/or providing loans to JV Co and/or its wholly-owned subsidiary, which will in turn provide funding down to Bidco to satisfy the Scheme Consideration and the transaction costs.

Please refer to the section headed “2. *Acquisition*” above for further details regarding the terms of the Acquisition.

Subject to the relevant JV Transaction Shareholders’ Approvals and the EC Approval being obtained, each of the relevant Consortium Members and Bidco agrees to use its best endeavours to procure that the Trust Schemes are implemented in accordance with the Implementation Agreement.

3.1.2 Maximum Financial Commitment

If the JV Transaction Shareholders’ Approvals in respect of CKA and the Company and EC Approval are obtained and the Company shall participate in the Consortium and the Joint Venture Transaction, the Maximum Financial Commitment of the Company will be approximately AUD2,633 million (equivalent to approximately HK\$15,272 million), representing its Respective Proportion of the Scheme Consideration and the transaction costs under the Implementation Agreement.

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

If the Consortium is formed pursuant to the Joint Venture Transaction:

- (i) JV Co will be indirectly held by the relevant Consortium Members through the Consortium Midcos in the Respective Proportions (or Revised Respective Proportions, as applicable); and
- (ii) (if the Company is a Consortium Member) the Target will be accounted for as a joint venture by the Company in its consolidated financial statements.

3.1.3 Termination

Among other things, the Consortium Formation Agreement will automatically terminate:

- (i) on the Longstop Date;
- (ii) if the JV Transaction Shareholders’ Approvals in respect of CKA, on the one hand, or the JV Transaction Shareholders’ Approvals in respect of both CKI and the Company, on the other hand, are not obtained on the Approval Determination Date;

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- (iii) if EC Approval with respect to the Joint Venture Transaction and/or the Acquisition is not obtained on or before the date that is seven days before the date of the Target Scheme Meetings; or
- (iv) if the Implementation Agreement is terminated in accordance with its terms.

If the necessary JV Transaction Shareholders' Approvals and EC Approval are obtained, the Consortium Formation Agreement will also be terminated on the first business day following the indirect contribution of the relevant funding by each Consortium Midco to JV Co as described in paragraph 3.1.1 in this section above.

3.2 The Shareholders' Agreement

Pursuant to the Consortium Formation Agreement, following the acquisition of the relevant Consortium Midcos by CKI Holdco and/or Company Holdco (as applicable) in accordance with the terms and conditions set out therein, the relevant Consortium Members, the Consortium Midcos and JV Co will enter into the Shareholders' Agreement. Under the terms of the Shareholders' Agreement, the relevant Consortium Members will agree on certain ongoing rights and obligations governing their relationship as ultimate shareholders of JV Co and the management and operation of JV Co and the Target Group upon implementation of the Trust Schemes.

The principal terms of the Shareholders' Agreement (as agreed under the Consortium Formation Agreement and the Respective Proportions Determination Side Letter) are as follows:

3.2.1 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 Holdco, through its relevant Consortium Midcos, shall have the right to procure the nomination of one director for appointment on the board of directors of JV Co in respect of each 10% of the shares in JV Co it indirectly owns.

3.2.2 Quorum

The quorum for the transaction of business at any board meeting of JV Co shall be at least one director indirectly nominated by each relevant Consortium Member (through its Consortium Midco, as shareholder of JV Co) (unless a relevant Consortium Member procures its Consortium Midco to waive the quorum requirement to the extent that it relates to its nominated director(s) or if that Consortium Member, through its 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.

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3.2.3 Voting on board resolutions

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. The matters subject to such special majority 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 wholly-owned 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 wholly-owned subsidiaries where the assets or business to be acquired have a value in excess of 2% of the enterprise value of JV Co and its subsidiaries as determined by the board of directors of JV Co from time to time;
- (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% (per annum in aggregate) of the enterprise value of JV Co and its subsidiaries as determined by the board of directors of JV Co from time to time.

3.2.4 Shareholder Reserved Matters

In addition, a number of fundamental corporate actions are expressly reserved as shareholder matters. These include, among other things, amendments to JV Co's constitution and (save for certain exceptions) the allotment and issue of share or loan capital by JV Co. JV Co and its wholly-owned subsidiaries cannot take any of these actions 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.

3.2.5 Dividend and distribution policy

Unless otherwise agreed as a shareholder reserved matter of JV Co, the dividend and distribution policy of JV Co and its wholly-owned subsidiaries shall be to maximize distributions subject to normal commercial considerations deemed

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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.

3.2.6 Pre-emption rights

Unless a Consortium Midco, as shareholder of JV Co, 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**"), such Consortium Midco must first offer these Sale Shares to the other 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 Midco 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.

4. INFORMATION ON THE TARGET GROUP

The Target is an owner and operator of energy infrastructure assets in Australia, including: energy infrastructure (comprising gas transmission, gas storage and processing, gas-fired and renewable energy power generation businesses located across Australia), asset management services for the majority of the Target's energy investments and for third parties, and energy investments in unlisted entities. It consists of two separate entities, being APT and APTIT. The interests in these two entities (being the ordinary units in each of APT and APTIT) are traded together as stapled securities which are listed on the ASX (ASX Code: APA).

The principal assets currently owned and operated by the Target include:

- (a) Wallumbilla Gladstone Pipeline, a gas transmission pipeline in Queensland, Australia;
- (b) South West Queensland Pipeline, a gas transmission pipeline in Queensland, Australia;
- (c) Moomba Sydney Pipeline, a gas transmission pipeline in New South Wales, Australia;
- (d) Central West Pipeline, a gas transmission pipeline in New South Wales, Australia;
- (e) Central Ranges Pipeline, a gas transmission pipeline in New South Wales, Australia;
- (f) Victorian Transmission System, a transmission system in Victoria, Australia;
- (g) Dandenong LNG Storage Facility, a gas storage facility in Victoria, Australia;

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- (h) Goldfields Gas Pipeline, a gas transmission pipeline in Western Australia, Australia; and
- (i) Diamantina and Leichardt Power Stations, power stations in Queensland, Australia.

According to the audited consolidated financial statements of the Target Group for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018 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 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 2016, 30 June 2017 and 30 June 2018 are set out below:

	Year ended 30 June		
	2016	2017	2018
Profit before taxation	AUD302 million (equivalent to approximately HK\$1,752 million)	AUD386 million (equivalent to approximately HK\$2,239 million)	AUD430 million (equivalent to approximately HK\$2,494 million)
Profit after taxation	AUD179 million (equivalent to approximately HK\$1,038 million)	AUD237 million (equivalent to approximately HK\$1,375 million)	AUD265 million (equivalent to approximately HK\$1,537 million)

According to the audited consolidated financial statements of the Target Group for the financial year ended 30 June 2018 prepared in accordance with the Australian Accounting Standards, the Corporations Act and other authoritative pronouncements of the Australian Accounting Standards Board, the audited consolidated net asset value of the Target Group as at 30 June 2018 was approximately AUD4,127 million (equivalent to approximately HK\$23,937 million).

The implied multiple of the Acquisition is 14.8x of FY2018 EV/EBITDA.

(Note: Enterprise Value (“EV”) is based on 1,179,893,848 APA stapled securities in issue and APA net debt as at 30 June 2018 of AUD9,550 million (equivalent to approximately HK\$55,390 million) and APA FY2018 EBITDA of AUD1,518 million (equivalent to approximately HK\$8,804 million).)

5. INFORMATION ON THE GROUP

The principal activities of the Group are investment in energy and utility-related businesses in the United Kingdom, Hong Kong, Australia, New Zealand, Mainland China, Thailand, the Netherlands, Portugal, Canada and the United States.

LETTER FROM THE BOARD

6. INFORMATION ON THE CKA GROUP

The CKA Group is a leading multinational corporation and has diverse capabilities with activities encompassing property development and investment, hotel and serviced suite operation, property and project management, joint ventures in infrastructure and utility asset operation and aircraft leasing.

7. INFORMATION ON THE CKI GROUP

The principal activities of the CKI Group are development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, Continental Europe, Australia, New Zealand and North America.

8. REASONS FOR, AND BENEFITS OF, THE JOINT VENTURE TRANSACTION

The Consortium Members believe that the Target's energy infrastructure assets in Australia represent an attractive opportunity for investors with the potential for growth opportunities. Among the Consortium Members, CKA is the only bidding party with the size and immediate resources to make an offer conditional only upon the conditions detailed in the section headed "2. Acquisition – 2.3 Conditions to the Trust Schemes" above.

The investment in the Target, through the Joint Venture Transaction, allows the Group to expand its existing energy platforms, is consistent with its strategy of investing in energy infrastructure opportunities globally, and confirms its commitment to consolidate investments in the global gas sector through the UK Gas Group in the United Kingdom. The Board therefore consider that, subject to the completion of the Acquisition, the respective companies could benefit from the co-operation with the others through the Joint Venture Transaction.

Having considered the above reasons, the Directors (other than Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea and Mr. Wu Ting Yuk, Anthony, being independent non-executive Directors who are members of the Independent Board Committee established to make recommendations to the Independent Shareholders on the Joint Venture Transaction, and whose views are set out in the "Letter from the Independent Board Committee" in this circular, but including Mr. Wong Chung Hin, the other independent non-executive Director, who has not been appointed as a member of such Independent Board Committee due to his also being an independent non-executive director of CKHH) consider that the terms of the Joint Venture Transaction are 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 in the interest of the Company and the Shareholders as a whole.

Mr. Li Tzar Kuoi, Victor, being a non-executive Director, has voluntarily abstained from voting on the board resolutions of the Company for approving the Joint Venture Transaction.

LETTER FROM THE BOARD

9. IMPLICATIONS UNDER THE LISTING RULES

Under the Joint Venture Transaction, as one or more of the applicable percentage ratios of the Company based on the Maximum Financial Commitment of the Group exceeds 5% but all are 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. CKI currently holds approximately 38.01% of the issued shares of the Company. As a substantial shareholder of the Company, CKI is a connected person of the Company under Chapter 14A of the Listing Rules. Further, given that 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 32.40% of the issued share capital of CKA as at the Latest Practicable Date, CKA may also be regarded as a connected person of the Company under the Listing Rules. Therefore, the Joint Venture Transaction as between CKA, CKI (if applicable) 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 CKA, CKI (if applicable) 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.

For the avoidance of doubt, the Maximum Financial Commitment referred to in this regard represents the Maximum Financial Commitment of the Group if the Group holds up to 20% of JV Co, which is the highest shareholding in JV Co that the Group can hold under the Consortium Formation Agreement if the Joint Venture Transaction proceeds.

The Independent Board Committee is required under the Listing Rules to advise the Independent Shareholders in relation to the Joint Venture Transaction after taking into account the advice from the Independent Financial Adviser. Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea and Mr. Wu Ting Yuk, Anthony, being 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. Since Mr. Wong Chung Hin, an independent non-executive Director, is also an independent non-executive director of CKHH of which CKI is a subsidiary, he was not appointed as a member of the Independent Board Committee.

LETTER FROM THE BOARD

10. GENERAL MEETING AND VOTING

The Company will convene the General Meeting for the Independent Shareholders to consider and, if thought fit, pass an ordinary resolution to approve the Joint Venture Transaction. A notice convening the General Meeting to be held at the Grand Ballroom, 1st Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Tuesday, 30 October 2018 at 2:15 p.m. is set out on pages 71 to 72 of this circular.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. The chairman of the forthcoming General Meeting will therefore put the ordinary resolution to be proposed at the General Meeting to be voted by way of a poll pursuant to article 81 of the Company's articles of association.

After the conclusion of the General Meeting, the results of the poll will be released on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.powerassets.com.

All Shareholders who have a material interest (which is different from that of the 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 General Meeting.

CKI will, and will procure its associates to, abstain from voting on the ordinary resolution at the General Meeting.

A proxy form for use at the General Meeting is enclosed with this circular. Whether or not you are able to attend the General Meeting or any adjourned meeting in person, you are requested to complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's registered office at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof should you so wish and, in such event, the proxy form shall be deemed to be revoked.

LETTER FROM THE BOARD

11. RECOMMENDATIONS

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

Having taken into account the reasons for and benefits of the Joint Venture Transaction as set out in the section headed “8. *Reasons for, and benefits of, the Joint Venture Transaction*” above, the Directors (other than those on the Independent Board Committee, whose views are set out in the Letter from the Independent Board Committee of this circular) consider that the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business of the Company and, the terms of the Joint Venture Transaction are fair and reasonable and 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 of this circular) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the General Meeting to approve the Joint Venture Transaction.

Mr. Li Tzar Kuoi, Victor, being a non-executive Director, has voluntarily abstained from voting on the board resolutions of the Company for approving the Joint Venture Transaction.

11.2 Recommendation from the Independent Board Committee

The Independent Board Committee (comprising Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea and Mr. Wu Ting Yuk, Anthony, being independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders in respect of the Joint Venture Transaction after taking into account the advice from the Independent Financial Adviser.

Your attention is drawn to (i) the Letter from the Independent Board Committee set out on pages 39 and 40 of this circular which contains its recommendation to the Independent Shareholders on the Joint Venture Transaction; and (ii) the Letter from the Independent Financial Adviser set out on pages 41 to 64 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its advice.

The Independent Board Committee, having considered the reasons for and 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

LETTER FROM THE BOARD

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 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 General Meeting to approve the Joint Venture Transaction.

11.3 Recommendation from the Independent Financial Adviser

Platinum Securities Company Limited has been engaged as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Joint Venture Transaction, and whether it is in the ordinary and usual course of business of the Group, on normal commercial terms and is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

Your attention is drawn to the Letter from the Independent Financial Adviser set out on pages 41 to 64 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its advice.

Having taken into account the principal factors and reasons therein, the Independent Financial Adviser 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 General Meeting to approve the Joint Venture Transaction.

12. FURTHER INFORMATION

Your attention is drawn to the Letter from the Independent Board Committee as set out on pages 39 to 40 of this circular, the Letter from the Independent Financial Adviser as set out on pages 41 to 64 of this circular, the additional information as set out in the Appendix of this circular, and the Notice of General Meeting as set out on pages 71 to 72 of this circular.

LETTER FROM THE BOARD

As completion of the Acquisition and/or the Joint Venture Transaction is conditional on the satisfaction or waiver of certain conditions, including the obtaining of the CKA Transaction Shareholders' Approval or the JV Transaction Shareholders' Approvals (as applicable), there remains the possibility that the Acquisition and/or the Joint Venture Transaction may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares and other securities of the Company.

Yours faithfully,
For and on behalf of the Board of
Power Assets Holdings Limited
FOK Kin Ning, Canning
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Joint Venture Transaction.



Power Assets Holdings Ltd.
電能實業有限公司

Incorporated in Hong Kong with limited liability
Stock Code: 6

10 October 2018

To the Independent Shareholders

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

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

We refer to the circular of Power Assets Holdings Limited dated 10 October 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you in connection with the Joint Venture Transaction, details of which are set out in the “*Letter from the Board*” of the Circular.

Platinum Securities Company Limited has been engaged to act as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Joint Venture Transaction, and whether it is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

We wish to draw your attention to the “*Letter from the Independent Financial Adviser*” as set out on pages 41 to 64 of the Circular, which contains its advice and recommendation to us and the Independent Shareholders and its recommendation to Independent Shareholders as to how to vote in respect of the ordinary resolution to be proposed at the General Meeting to approve the Joint Venture Transaction.

Having considered the reasons for and benefits of the Joint Venture Transaction as set out in the Circular, the terms of the Joint Venture Transaction, the reasons considered by, and the opinion of, the Independent Financial Adviser as stated in its letter of advice, and the relevant information contained in the Letter from the Board, we are of the opinion that the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

course of business of the Group, is on terms which are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that you vote in favour of the ordinary resolution to be proposed at the General Meeting to approve the Joint Venture Transaction.

Yours faithfully,
For and on behalf of the
Independent Board Committee

IP Yuk-keung, Albert
*Independent Non-executive
Director*

Ralph Raymond SHEA
*Independent Non-executive
Director*

WU Ting Yuk, Anthony
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of 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 for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700
Website www.platinum-asia.com

10 October 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

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

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction. Details of the terms of the Joint Venture Transaction are contained in the circular of the Company dated 10 October 2018 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 13 August 2018, CKA, CKI, the Company and CKHH jointly announced that a consortium comprising CKA, CKI and the Company entered into the Implementation Agreement with Bidco and the Target to implement the Acquisition (comprising the acquisition of all of the stapled securities in issue of the Target).

In connection with the Acquisition, CKA, CKI and the Company, being the Consortium Members, have also entered into the Consortium Formation Agreement on 12 August 2018 pursuant to which, subject to the fulfilment of certain conditions, the relevant Consortium Members will enter into the Joint Venture Transaction to, among other things, form the Consortium, enter into the Shareholders’ Agreement and indirectly fund the Acquisition by Bidco according to the Respective Proportions or the Revised Respective Proportions (as the case may be).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 5 October 2018, among others, CKA, CKI and the Company entered into the Respective Proportions Determination Side Letter and determined and agreed the final percentages making up the Respective Proportions and the Revised Respective Proportions as follows:

- (i) if all three of CKA, CKI and the Company will participate in the Joint Venture Transaction, the Respective Proportions of CKA, CKI and the Company should be respectively 60%, 20% and 20%; and
- (ii) if CKA and only one of CKI or the Company will participate in the Joint Venture Transaction, the Revised Respective Proportions of CKA and CKI or the Company should be respectively 80% and 20%.

The participation of CKA, CKI and the Company in the Joint Venture Transaction is subject to, amongst other conditions, obtaining the necessary JV Transaction Shareholders' Approvals. If such conditions are not fulfilled, the Joint Venture Transaction will not proceed and CKA will, subject to obtaining the CKA Transaction Shareholders' Approval and the fulfilment of certain conditions, proceed with the Acquisition alone. If the necessary JV Transaction Shareholders' Approvals in respect of only one of CKI's or the Company's participation in the Joint Venture Transaction are obtained, the composition of the Consortium shall be varied accordingly.

As a substantial shareholder of the Company, CKI is a connected person of the Company under Chapter 14A of the Listing Rules. Further, given that 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 32.40% of the issued share capital of CKA as at the Latest Practicable Date, CKA may also be regarded as a connected person of the Company under the Listing Rules. Therefore, the Joint Venture Transaction as between CKA, CKI (if applicable) 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 CKA, CKI (if applicable) 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.

For the avoidance of doubt, the Maximum Financial Commitment referred to in this regard represents the Maximum Financial Commitment of the Group if the Group holds up to 20% of JV Co, which is the highest shareholding in JV Co that the Group can hold under the Consortium Formation Agreement if the Joint Venture Transaction proceeds.

BASIS OF OUR OPINION

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Joint Venture Transaction are fair and reasonable so far as the Independent Shareholders are concerned and whether the Joint Venture Transaction is in the interests of the Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and recommendation to the Independent Shareholders as to whether the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the General Meeting to approve the Joint Venture Transaction.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

- (i) the announcement jointly issued by CKHH, CKA, CKI and the Company dated 13 August 2018 (the “**Joint Announcement**”) in relation to the Acquisition and the Joint Venture Transaction;
- (ii) the Respective Proportions Determination Side Letter;
- (iii) the Consortium Formation Agreement;
- (iv) the draft Shareholders’ Agreement;
- (v) the annual reports of the Company for each of the two financial years ended 31 December 2016 and 2017 (the “**2016 Annual Report**”, and the “**2017 Annual Report**”);
- (vi) the interim report of the Company for six months period ended 30 June 2018 (the “**2018 Interim Report**”);
- (vii) the respective annual reports of the Target for each of the financial years ended 30 June 2016, 2017 and 2018 (the “**2016 Target’s Annual Report**”, “**2017 Target’s Annual Report**” and “**2018 Target’s Annual Report**” respectively); and
- (viii) other publicly available information in relation to the Acquisition, the Joint Venture Transaction, the Group and the Target Group.

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete, accurate and not misleading at the time they were made and continue to be so in all material respects as at the Latest Practicable Date and we have relied on the same, except that no assumption is made by us in respect of our own opinions contained in the Circular. The Directors have confirmed that they collectively and individually accept full responsibility for the Circular, and have confirmed, having made all reasonable inquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive and there are no matters the omission of which would make any statement in the Circular misleading.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or the management of the Company. Furthermore, we have no reason to suspect the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

reasonableness of the opinions and representations expressed by the Directors and/or management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs and underlying assets of the Company or conducted any valuation or appraisal of any assets or liabilities of the Company or conducted any form of investigation into the commercial viability of the future prospects of the Target Group. We have also relied on information available to the public (such as the documents published by the Company) which we assumed to be accurate and reliable. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the terms of the Joint Venture Transaction.

During the past two years, we had acted as independent financial adviser to the Company regarding (i) connected transaction and discloseable transaction as mentioned in the circular dated 22 February 2017 – 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; and (ii) continuing connected transaction as mentioned in the circular dated 11 April 2018 – revision of existing annual caps under the services agreements and the midstream services agreement. The past engagements were limited to providing independent advisory services pursuant to the Listing Rules or the Code on Takeovers and Mergers for which we received normal professional fees. Accordingly, we do not consider the past engagements give rise to any conflict of interest for us in acting as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction. As at the Latest Practicable Date, we are independent from, and are not associated with the Company or any other party to the Joint Venture Transaction, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules, and there is no conflict of interest existing or arising in relation to our appointment and accordingly, are considered eligible to give independent advice on the Joint Venture Transaction. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction. Apart from the normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Joint Venture Transaction or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

Since Mr. Wong Chung Hin, an independent non-executive Director, is also an independent non-executive director of CKHH of which CKI is a subsidiary, he was not appointed as a member of the Independent Board Committee. The Independent Board Committee, comprising Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea and Mr. Wu Ting Yuk, Anthony, has been established to advise the Independent Shareholders as to whether the terms of the Joint Venture Transaction are fair and reasonable so far as the Independent Shareholders are concerned and whether the Joint Venture Transaction is in the interests of the Company and the Shareholders as a whole, and to make recommendations as to whether the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the General Meeting to approve the Joint Venture Transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Acquisition and the Joint Venture Transaction, we have taken into account the following principal factors and reasons:

1. Background of the Acquisition and the Joint Venture Transaction

On 12 August 2018, the Company, the other Consortium Members, Bidco and the Target entered into the Implementation Agreement in connection with the Acquisition. The Acquisition and the Implementation Agreement are not conditional on the completion of the Joint Venture Transaction but are conditional upon obtaining the CKA Transaction Shareholders' Approval and the fulfilment of certain other conditions as set out in the Implementation Agreement.

If the conditions to the Joint Venture Transaction are not fulfilled and the Joint Venture Transaction does not proceed:

- (i) the Consortium will not be formed and Bidco will remain wholly-owned by CKA;
- (ii) CKI's and the Company's participation in the Acquisition, including to provide guarantees in respect of the relevant obligations of Bidco under the Implementation Agreement as set out under section 2.4 in the Circular, will lapse;
- (iii) subject to CKA obtaining the CKA Transaction Shareholders' Approval and the Trust Schemes becoming effective, CKA will proceed with the Acquisition on the terms and conditions of the Implementation Agreement alone;
- (iv) the guarantee in respect of the relevant obligations of Bidco under the Implementation Agreement as set out under section 2.4 in the Circular will be provided solely by CKA (namely, as to 100%);
- (v) the Scheme Consideration and transaction costs and estimated stamp duty payable by CKA under the Implementation Agreement will be up to AUD13,166 million (equivalent to approximately HK\$76,363 million); and
- (vi) CKA intends to finance the Scheme Consideration and transaction costs under the Implementation Agreement from its internal resources and/or external borrowings.

Details of terms of the Implementation Agreement, please refer to the Circular under the section of "2. ACQUISITION". We have reviewed the media release made by ACCC dated 12 September 2018 and understand that ACCC will not oppose the Acquisition subject to binding undertakings given by Bidco and the Consortium Members to dispose of certain assets of the Target Group following completion of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Trust Schemes, namely the Parmelia Gas Pipeline, the Goldfields Gas Pipeline, the Kalgoorlie to Kambalda Pipeline and the Mondarra gas storage facility (the “Disposals”).

The Company and the other Consortium Members were aware of potential concerns which may be raised by the ACCC, particularly over the potential overlapping gas transmission and storage services in Western Australia. It was therefore anticipated that the Disposals may be required, and the Company and the other Consortium Members took into account the potential Disposals when determining their valuation of the Target Group’s businesses and agreeing the Scheme Consideration at the time of execution of the Implementation Agreement. As the Disposals would be carried out with independent third parties on arms’ length terms, thereby achieving market value for the Disposal assets, the Company and the Consortium Members had expected that the Disposals would have a neutral effect on the Scheme Consideration. As at the Latest Practicable Date, the Company and the other Consortium Members are not in any negotiations, nor have they reached any agreement, with any third parties regarding the Disposals.

The Disposal assets comprise gas transmission and storage services assets located within Western Australia. The Company and the Consortium Members understand from the Target Group that these assets have their own separate on-the-ground operations teams, and therefore the Disposals would not have any impact on the overall operations of the Target Group.

In connection with the Acquisition, on 12 August 2018, the Company entered into the Consortium Formation Agreement with, among others, the other Consortium Members, JV Co, Consortium Midcos and Bidco in order to govern the formation of the Consortium, including the funding and operation of JV Co and Bidco for the purposes of the Acquisition. Formation of the Consortium is subject to obtaining the necessary JV Transaction Shareholders’ Approvals and the fulfilment of certain conditions.

Subject to other conditions, including EC Approval, being fulfilled:

- (i) the Company’s participation in the Joint Venture Transaction with CKA is subject to obtaining the JV Transaction Shareholders’ Approvals in respect of CKA and the Company;
- (ii) the Company’s participation in the Joint Venture Transaction with CKI is subject to obtaining the JV Transaction Shareholders’ Approvals in respect of the Company; and
- (iii) the Company’s participation in the Joint Venture Transaction with both CKA and CKI is subject to obtaining the JV Transaction Shareholders’ Approvals in respect of CKA, CKI and the Company.

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Assuming satisfaction of the other conditions, including EC Approval:

- (i) if the JV Transaction Shareholders' Approvals in respect of CKA, CKI and the Company are all obtained, the Joint Venture Transaction will proceed between CKA, CKI and the Company as to 60%, 20% and 20% respectively;
- (ii) if the JV Transaction Shareholders' Approvals in respect of CKA and CKI are both obtained, but the JV Transaction Shareholders' Approval in respect of the Company is not obtained, the Joint Venture Transaction will proceed between CKA and CKI as to 80% and 20% respectively; and
- (iii) if the JV Transaction Shareholders' Approvals in respect of CKA and the Company are both obtained, but the JV Transaction Shareholders' Approval in respect of CKI not obtained, the Joint Venture Transaction will proceed between CKA and the Company as to 80% and 20% respectively.

As at the Latest Practicable Date, Bidco is an indirect wholly-owned subsidiary of JV Co, which is in turn owned by the Consortium Midcos. The Consortium Midcos are then wholly-owned by CKA Holdco, a wholly-owned subsidiary of CKA.

2. Background information on the Company and the Group

The principal activity of the Company is investment holding. The Group is a global investor in energy and utility-related businesses, with interests in the generation of the thermal and renewable power, the transmission of electricity, gas and oil as well as the distribution of electricity and gas. The principal activities of the Group are investment in energy and utility-related businesses in the United Kingdom, Hong Kong, Australia, New Zealand, mainland China, Thailand, the Netherlands, Portugal, Canada and the United States.

The long-term development strategy of the Group is to focus on the sectors where it has a natural expertise, within stable, well-structured international markets, namely renewable, energy-from-waste, electricity, and gas infrastructure businesses.

2.1 Financial performance of the Group

Set out below are the highlights of certain financial information on the Group as extracted from the consolidated statement of profit or loss for each of the two years ended 31 December 2016 (“**FY2016**”) and 31 December 2017 (“**FY2017**”) and for the six months ended 30 June 2018 (“**1H2018**”).

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	FY2016 <i>(Audited)</i> <i>HK\$</i> <i>million</i>	FY2017 <i>(Audited)</i> <i>HK\$</i> <i>million</i>	1H2018 <i>(Unaudited)</i> <i>HK\$</i> <i>million</i>
Revenue	1,288	1,420	769
Share of profits less losses of joint ventures and associates	6,401	6,154	3,417
Profit before taxation	6,405	8,416	4,169
Profit attributable to the equity shareholders of the Company	6,417	8,319	4,120

Group revenue comprises interest income from loans granted to joint ventures and associates, dividends from other financial assets and engineering and consulting services fees. As disclosed in the 2017 Annual Report, the total revenue of the Group recorded an increase of approximately 10.2% from HK\$1,288 million for FY2016 to HK\$1,420 million for FY2017. The increase in revenue was mainly due to the increase in interest income of the Group for FY2017. Share of profits less losses of joint ventures and associates of the Group amounted to HK\$6,154 million for FY2017 which represented a slight decrease of 3.9% comparing with the same period of last year. Profit attributable to the equity shareholders of the Company amounted to HK\$8,319 million for FY2017, increased by approximately 29.6% from HK\$6,417 million in FY2016 and such increase was mainly due to an one-off gain on disposal of properties recorded in 2017, while the Group has achieved HK\$4,120 million for 1H2018.

2.2 Financial position of the Group

Set out below are the highlights of the consolidated statements of financial position of the Group as at 31 December 2016, 31 December 2017 and 30 June 2018 as extracted from the 2017 Annual Report and 2018 Interim Report.

	As at 31 December 2016 <i>(Audited)</i> <i>HK\$</i> <i>million</i>	2017 <i>(Audited)</i> <i>HK\$</i> <i>million</i>	As at 30 June 2018 <i>(Unaudited)</i> <i>HK\$</i> <i>million</i>
Total assets	129,777	107,001	91,006
Total liabilities	11,366	11,421	7,601
Net assets attributable to equity shareholders of the Company	118,411	95,580	83,405

The Group's capital expenditure and investments are primarily funded by cash from operations, dividends and other repatriation from investments. The net assets attributable to equity shareholders of the Company amounted to HK\$83,405

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million as at 30 June 2018 representing a decrease of approximately 12.7% from HK\$95,580 million as at 31 December 2017. The decrease in net assets was mainly due to a decline in bank deposits and cash of the Group as at 30 June 2018.

3. Background information on the Target

The Target is an owner and operator of energy infrastructure assets in Australia, including: energy infrastructure (comprising gas transmission, gas storage and processing, gas-fired and renewable energy power generation businesses located across Australia), asset management services for the majority of the Target's energy investments and for third parties, and energy investments in unlisted entities. It consists of two separate entities, being APT and APTIT. The interests in these two entities (being the ordinary units in each of APT and APTIT) are traded together as stapled securities which are listed on the ASX (ASX Code: APA).

The principal assets currently owned and operated by the Target include:

- (i) Wallumbilla Gladstone Pipeline, a gas transmission pipeline in Queensland, Australia;
- (ii) South West Queensland Pipeline, a gas transmission pipeline in Queensland, Australia;
- (iii) Moomba Sydney Pipeline, a gas transmission pipeline in New South Wales, Australia;
- (iv) Central West Pipeline, a gas transmission pipeline in New South Wales, Australia;
- (v) Central Ranges Pipeline, a gas transmission pipeline in New South Wales, Australia;
- (vi) Victorian Transmission System, a transmission system in Victoria, Australia;
- (vii) Dandenong LNG Storage Facility, a gas storage facility in Victoria, Australia;
- (viii) Goldfields Gas Pipeline, a gas transmission pipeline in Western Australia, Australia; and
- (ix) Diamantina and Leichardt Power Stations, power stations in Queensland, Australia.

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3.1 Financial information of the Target Group

The following table sets out certain selected financial information of the Target Group for each of the financial years ended 30 June 2016, 2017 and 2018 as extracted from the 2016 Target's Annual Report, 2017 Target's Annual Report and 2018 Target's Annual Report respectively.

	For the financial year ended		
	30 June		
	2016	2017	2018
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>AUD</i>	<i>AUD</i>	<i>AUD</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Revenue	2,077	2,305	2,365
EBITDA	1,331	1,470	1,518
Net profit attributable to Target Securityholders	179	237	265

	As at 30 June		
	2016	2017	2018
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>AUD</i>	<i>AUD</i>	<i>AUD</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Total assets	14,843	15,046	15,227
Net assets	4,029	3,978	4,127

The revenue of the Target Group comprises energy infrastructure, asset management, operating and finance income. For each of the financial year ended 30 June 2016, 2017 and 2018, the revenue was approximately AUD2,077 million, AUD2,305 million and AUD2,365 million, respectively, which represented a compound annual growth rate of approximately 4.4%. EBITDA of the Target Group has been continuous increasing for the past three years from AUD1,331 million for the year ended 30 June 2016 to AUD1,518 million for the year ended 30 June 2018, indicating the Target Group had experienced a sustainable growth and had delivered reliable income streams over the years. The net profit attributable to Target Securityholders amounted to approximately AUD265 million for the financial year ended 30 June 2018 representing an increase of approximately 11.8% comparing with same period of last year.

The asset base of the Target Group showed an increasing trend from 30 June 2016 to 30 June 2018, of which a significant portion of the assets consisted of property, plant and equipment, as well as the intangible assets, being principally third party operating and maintenance contracts. The combined gross carrying amount of AUD3,591 million amortises over terms ranging from one to twenty years and goodwill.

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4. 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 formation of the Consortium, including the funding and operation of JV Co and Bidco for the purposes of the Acquisition, and (ii) Shareholders' Agreement, under which the relevant Consortium Members will agree on certain ongoing rights and obligations governing their relationship as ultimate shareholders of JV Co and the management and operation of JV Co and the Target Group upon implementation of the Trust Schemes. The principal terms of each of the Consortium Formation Agreement and the Shareholders' Agreement are set out below.

4.1 *The Consortium Formation Agreement*

In connection with the Acquisition, on 12 August 2018, the Company entered into the Consortium Formation Agreement with, among others, the other Consortium Members, JV Co, Consortium Midcos and Bidco in order to govern the formation of the Consortium, including the funding and operation of JV Co and Bidco for the purposes of the Acquisition. Formation of the Consortium is subject to obtaining the necessary JV Transaction Shareholders' Approvals and the fulfilment of certain conditions.

(a) *Participation of the Consortium Members – JV Transaction Shareholders' Approvals and EC Approval*

The General Meeting of the Company for obtaining the necessary JV Transaction Shareholders' Approvals in respect of the Company will be held in advance of the Funding Date. The Company has been informed that the extraordinary general meeting of CKA and the special general meeting of CKI for the purposes of obtaining the JV Transaction Shareholders' Approvals in respect of CKA and CKI will also be held in advance of the Funding Date.

If:

- (i) the JV Transaction Shareholders' Approvals in respect of CKA and CKI and the EC Approval are obtained, subject to the fulfilment of certain conditions, CKI, through its wholly-owned subsidiary CKI Holdco, will acquire the entire issued share capital in the relevant Consortium Midcos (so as to allow CKI to hold its final Respective Proportion of interests in JV Co) from CKA Holdco. Following such acquisition, such relevant Consortium Midcos will become wholly-owned subsidiaries of CKI Holdco; and
- (ii) the JV Transaction Shareholders' Approvals in respect of CKA and the Company and the EC Approval are obtained, subject to the fulfilment of certain conditions, the Company, through its wholly-owned subsidiary Company Holdco, will acquire the entire

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issued share capital in the relevant Consortium Midcos (so as to allow the Company to hold its final Respective Proportion of interests in JV Co) from CKA Holdco. Following such acquisition, such relevant Consortium Midcos will become wholly-owned subsidiaries of Company Holdco.

If the relevant Consortium Midcos become wholly-owned subsidiaries of CKI Holdco and Company Holdco respectively, JV Co will be owned by CKA, CKI and the Company in the Respective Proportions or Revised Respective Proportions (as the case may be). In such case, the relevant Consortium Members, the Consortium Midcos and JV Co will enter into the Shareholders' Agreement, the principal terms of which are summarized under the section headed "3. *Joint Venture Transaction – 3.2 The Shareholders' Agreement*" in the Circular.

Thereafter, if the conditions precedent to the Trust Schemes becoming effective (as set out in the section headed "2. *Acquisition – 2.3 Conditions to the Trust Schemes*") are satisfied or waived, each relevant Consortium Holdco (directly or indirectly, including through its wholly-owned Consortium Midco(s)) will contribute its Respective Proportion (or Revised Respective Proportion, as appropriate) of funding to JV Co by subscribing for additional shares in JV Co and/or providing loans to JV Co and/or its wholly-owned subsidiary, which will in turn provide funding down to Bidco to satisfy the Scheme Consideration and the transaction costs.

Subject to the relevant JV Transaction Shareholders' Approvals and the EC Approval being obtained, each of the relevant Consortium Members and Bidco agrees to use its best endeavours to procure that the Trust Schemes are implemented in accordance with the Implementation Agreement.

(b) Maximum Financial Commitment

If the JV Transaction Shareholders' Approvals in respect of CKA and the Company and EC Approval are obtained and the Company shall participate in the Consortium and the Joint Venture Transaction, the Maximum Financial Commitment of the Company will be approximately AUD2,633 million (equivalent to approximately HK\$15,272 million), representing its Respective Proportion of the Scheme Consideration and the transaction costs under the Implementation Agreement.

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

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If the Consortium is formed pursuant to the Joint Venture Transaction:

- (i) JV Co will be indirectly held by the relevant Consortium Members through the Consortium Midcos in the Respective Proportions (or Revised Respective Proportions, as applicable); and
- (ii) (if the Company is a Consortium Member) the Target will be accounted for as a joint venture by the Company in its consolidated financial statements.

(c) *Termination*

Among other things, the Consortium Formation Agreement will automatically terminate:

- (i) on the Longstop Date;
- (ii) if the JV Transaction Shareholders' Approvals in respect of CKA, on the one hand, or the JV Transaction Shareholders' Approvals in respect of both CKI and the Company, on the other hand, are not obtained on the Approval Determination Date;
- (iii) if EC Approval with respect to the Joint Venture Transaction and/or the Acquisition is not obtained on or before the date that is seven days before the date of the Target Scheme Meetings; or
- (iv) if the Implementation Agreement is terminated in accordance with its terms.

If the necessary JV Transaction Shareholders' Approvals and EC Approval are obtained, the Consortium Formation Agreement will also be terminated on the first business day following the indirect contribution of the relevant funding by each Consortium Midco to JV Co.

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. On the assumption that JV Transaction Shareholders' Approvals in respect of CKA, CKI and the Company are all obtained, the Joint Venture Transaction will proceed between CKA, CKI and the Company as to 60%, 20% and 20% respectively. The Consortium Members will then fund the Acquisition if the Trust Schemes become effective.

The ultimate shareholders of the JV Co will differ, which it rests with the outcomes of the JV Transaction Shareholders' Approvals. It should be noted that for the Company to participate in the Joint Venture Transaction, the Independent Shareholders' approval will be required, in which case the

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Company will obtain a 20% indirect interest in the JV Co, which will through the Bidco to acquire the Target. Otherwise, the Company will become a Non-Continuing Member and will not participate in the Acquisition.

The Scheme Consideration and the relevant transaction costs and estimated stamp duty payable under the Implementation Agreement will be up to AUD13,166 million (equivalent to approximately HK\$76,363 million). The Maximum Financial Commitment of the Company will be approximately AUD2,633 million (equivalent to approximately HK\$15,272 million), representing its maximum Respective Proportion of the Scheme Consideration and the transaction costs under the Implementation Agreement which is determined on a pro-rata basis based on its respective interest in the JV Co, which we consider to be fair.

4.2 *The Shareholders' Agreement*

Pursuant to the Consortium Formation Agreement, following the acquisition of the relevant Consortium Midcos by CKI Holdco and/or Company Holdco (as applicable) in accordance with the terms and conditions set out therein, the relevant Consortium Members, the Consortium Midcos and JV Co will enter into the Shareholders' Agreement. Under the terms of the Shareholders' Agreement, the relevant Consortium Members will agree on certain ongoing rights and obligations governing their relationship as ultimate shareholders of JV Co and the management and operation of JV Co and the Target Group upon implementation of the Trust Schemes.

The principal terms of the Shareholders' Agreement (as agreed under the Consortium Formation Agreement and the Respective Proportions Determination Side Letter) 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 Holdco, through its relevant Consortium Midcos, shall have the right to procure the nomination of one director for appointment on the board of directors of JV Co in respect of each 10% of the shares in JV Co it indirectly owns.

(b) Quorum

The quorum for the transaction of business at any board meeting of JV Co shall be at least one director indirectly nominated by each relevant Consortium Member (through its Consortium Midco, as shareholder of JV Co) (unless a relevant Consortium Member procures its Consortium Midco to waive the quorum requirement to the extent that it relates to its nominated

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director(s) or if that Consortium Member, through its 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.

(c) Voting on board resolutions

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. The matters subject to such special majority 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 wholly-owned 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 wholly-owned subsidiaries where the assets or business to be acquired have a value in excess of 2% of the enterprise value of JV Co and its subsidiaries as determined by the board of directors of JV Co from time to time;
- (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% (per annum in aggregate) of the enterprise value of JV Co and its subsidiaries as determined by the board of directors of JV Co from time to time.

(d) Shareholder Reserved Matters

In addition, a number of fundamental corporate actions are expressly reserved as shareholder matters. These include, among other things, amendments to JV Co's constitution and (save for certain exceptions) the allotment and issue of share or loan capital by JV Co. JV Co and its wholly-owned subsidiaries cannot take any of these actions 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.

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(e) Dividend and distribution policy

Unless otherwise agreed as a shareholder reserved matter of JV Co, the dividend and distribution policy of JV Co and its wholly-owned subsidiaries shall be to maximize 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 Midco, as shareholder of JV Co, 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**"), such Consortium Midco must first offer these Sale Shares to the other 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 Midco 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.

Our views on the Consortium Formation Agreement

The Shareholders' Agreement will be entered into following the initial funding to Consortium Midcos by CKA, CKI and the Company in accordance with the Consortium Formation Agreement. On the assumption that the Company is not a Non-Continuing Member, the Company shall have the right to procure the nomination of two (2) directors of JV Co. We consider that such voting arrangements, including the veto power by each of the Consortium Members on various decisions that afford a reasonable minority protection and are usual features seen in joint venture arrangements.

5. Reasons for and benefits of the Joint Venture Transaction

The Consortium Members believe that the Target's energy infrastructure assets in Australia represent an attractive opportunity for investors with the potential for growth opportunities. We consider that the Target Group is a sizable business, enabling to provide a stable revenue and predictable returns, which is in line with the development strategy of the Group.

(i) Enlarging project portfolio and expanding energy platforms of the Group

The Group currently has invested more than 15 assets worldwide across Asia, Australia, North America and Europe that covers a wide spectrum of energy sectors including power generation, renewable energy, oil and gas networks, electricity networks and energy from waste business.

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The Target Group is the largest owner and operator of energy infrastructure in Australia. It owns and/or operates in excess of AUD20 billion of energy infrastructure assets across Australia, and operates these with a skilled workforce of in excess of 1,700 people. In addition, the Target Group has diverse portfolio of over 15,000 kilometers of gas transmission pipelines that spans every state and territory on mainland Australia and delivers about half the nation's natural gas. We believe that the Target Group's business would further facilitate Group's existing business exposures in Australia with prospects for generating long-term stable and predictable revenues to the Group.

As such, we concur with the management of the Company that the investment in the Target, through the Joint Venture Transaction, allows the Group to expand its existing energy platforms, which is consistent with its strategy of investing in energy infrastructure opportunities globally, and confirms its commitment to consolidate investments in the global gas sector through the UK Gas Group in the United Kingdom.

(ii) The Joint Venture Transaction creates synergies

Australia is a key market for the Group. Since entering the market in 2000, the Group has steadily increased presence across generation, transmission and distribution. As disclosed in 2017 Annual Report, the profit contribution by Australia business segment accounted for 19% of the total profit of the Group for the year end 31 December 2017.

In Australia, the majority of the Group's infrastructure investments are energy business made jointly with CKI Group. Such joint investments consist of (i) Powercor Australia Limited – operating a major electricity distribution network, covering an area of 150,000 square kilometers in the state of Victoria, (ii) SA Power Networks – primary electricity distribution business for the state of South Australia, (iii) CitiPower I Pty Ltd – operating the electricity distribution network in the central business district and inner suburban areas of Melbourne, Victoria, (iv) Australian Gas Networks Limited – one of the Australia's largest distributors of natural gas and (v) DUET Group – Operating electricity and gas distribution network in the state of Victoria, natural gas transmission pipeline connecting the Carnarvon/Browse Basins with Perth, as well as owns and operates power generation facilities. As such, we believe that the Joint Venture Transaction would strengthen the position of CKI and the Group in the field of gas infrastructure in Australia given the previous strategic initiatives, and it is reasonable to assume the Consortium Members would support sensible synergy proposals.

In addition, as to expand the geographical coverage of the business in the region, the Group can leverage on the expertise of the Target's existing management as well as through service agreements with the joint ventures with, and associates of CKI to support the management of the Target's business as to

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facilitate and improve the operating efficiency in the network operations acreage, information technology and a more efficient utilisation of the existing infrastructure and resources.

(iii) Dividend distribution policy of the Target and the JV Co

In with the terms of the Consortium Formation Agreement, if the Independent Shareholders' Approval of the Company is obtained, the Joint Venture Transaction will proceed and the Group will hold 20% interest in the Target Group. In this case, the Joint Venture Transaction will be recorded as an investment item in the consolidated financial statement of the Group and no financial consolidation will be conducted to reflect the performance of the Target Group.

As such, the dividend distribution policy of the Target as well as the JV Co is critical for the Company to determine the fairness of the Joint Venture Transaction.

The following table sets out the dividend distribution of the Target for each of the financial years ended 30 June 2016, 2017 and 2018 as extracted from the 2016 Target's Annual Report, 2017 Target's Annual Report and 2018 Target's Annual Report respectively.

	For the financial year ended		
	30 June		
	2016	2017	2018
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>AUD</i>	<i>AUD</i>	<i>AUD</i>
Distribution per stapled security of the Target	0.415	0.435	0.450

We note that the distribution per stapled security of the Target has been increasing for the past three years provided a sound track record in distributing a progressive dividend to its securityholders of the Target.

Apart from the distribution record of the Target, we also note that the dividend and distribution policy of JV Co and its wholly-owned subsidiaries shall maximize distributions subject to normal commercial consideration deemed appropriate by the relevant board of directors. Therefore, considering the predictable cashflows to be generated from the operation of the Target Group, we are of the view that the investment in the Target Group provides a stable cash inflow to the Company and thus strengthen its liquidity.

In light of the above, we consider that the Joint Venture Transaction is in the interests of the Company and the Shareholders as a whole.

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6. Analysis on 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, we have analyzed the Scheme Consideration of AUD12,979 million.

6.1 Comparable companies analysis

To assess the fairness and reasonableness of the Scheme Consideration of the Target, we have identified companies (the "**Comparable Companies**") which are (i) currently listed on the ASX and (ii) principally engaged in public utility or energy infrastructure, or in the business of transmission and/or distribution of electricity and/or natural gas in Australia. We have identified two (2) Comparable Companies which have been selected exhaustively based on the above criteria according to our research through public information. We consider these companies are comparable with the Target Group and should give an indication of whether the Scheme Consideration is fair and reasonable.

We have assessed these Comparable Companies and the Target using an EV/EBITDA multiple, which we think is the most appropriate measure when assessing the acquisition of a company or business. Details of our findings are as follows:

Comparable Companies	Ticker	Market capitalisation as at the Latest Practicable Date	EV	EBITDA	EV/EBITDA
		(AUD million) (Note 1)	(AUD million) (Note 2)	(AUD million)	(x) (Note 3)
AusNet Services Limited	AST.ASX	5,928	12,843	1,143	11.2
Spark Infrastructure Group (Note 4)	SKI.ASX	3,801	9,174	891	10.3
				Average	10.8
				Maximum	11.2
				Minimum	10.3
The Target	APA.ASX	12,979 (Note 5)	22,529	1,518	14.8

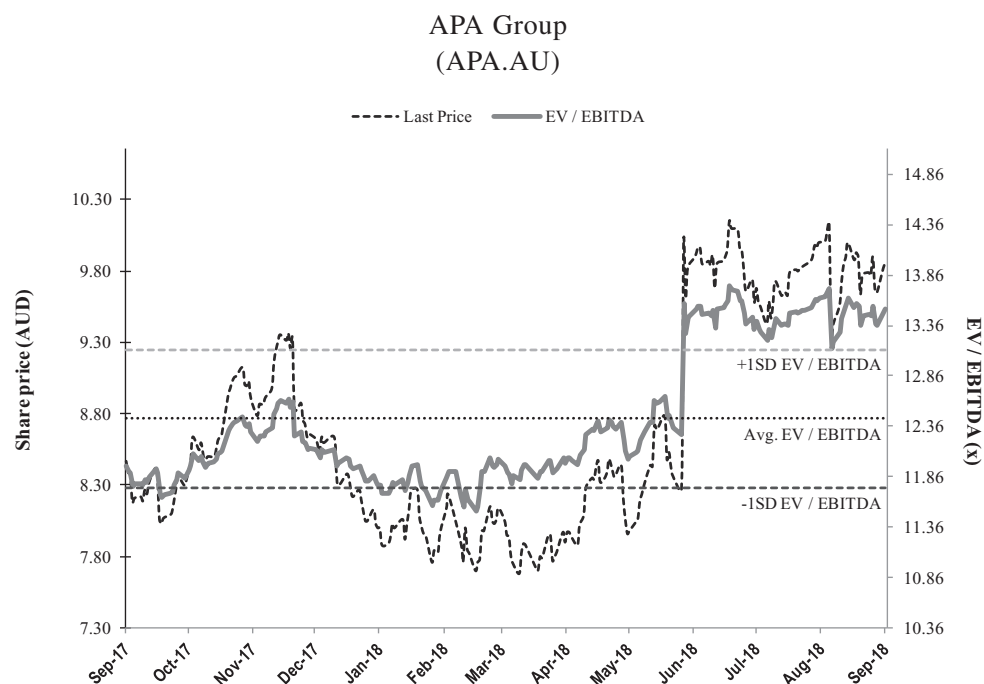
Source: Bloomberg and the respective companies' latest annual reports

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Notes:

- (1) The market capitalisations of the respective Comparable Companies are as at the Latest Practicable Date extracted from Bloomberg.
- (2) Enterprise value of each Comparable Company is the sum of the respective market capitalisation as described in note (1) and the amount of net debt, being the amounts of borrowings minus the cash and cash equivalent of the respective Comparable Companies as obtained from their latest published financial information.
- (3) EV/EBITDA ratio is calculated based on the enterprise value as described in note (2) above as at the Latest Practicable Date divided by the earnings before interest tax depreciation and amortisation of the respective Comparable Companies as obtained from their latest published financial information.
- (4) The principal business of Spark Infrastructure is investing in electricity distribution and transmission business in Australia through investments in associates. EV and EBITDA figures have been calculated with reference to its underlying investment assets, by adjusting the EV and EBITDA figures for the relevant figures as contained in the latest financial statements of the investments in associates, multiplied by Spark Infrastructure Group's respective percentage interest in each of the investment associates.
- (5) Being the Scheme Consideration for all Target Securities on the basis of 1,179,893,848 Target Securities in issue as at the Latest Practicable Date.

We note that the EV/EBITDA ratio of the Comparable Companies ranged from approximately 10.3 times to 11.2 times (“**Trading EV/EBITDA Range**”) with an average of 10.8 times (“**Trading EV/EBITDA Average**”). The implied EV/EBITDA multiple of the Scheme Consideration of the Target is approximately 14.8 times, where it falls beyond the Trading EV/EBITDA Range and is below the Trading EV/EBITDA Average. However, we have also looked into the EV/EBITDA multiple of the Target for the past one year as shown below:



Source: Bloomberg

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We note that the EV/EBITDA multiple of the Target was traded between approximately 11.5x to 13.7x, with an average of approximately 12.4x for the past one year (the “**Historical Target EV/EBITDA**”). We think that the Historical Target EV/EBITDA was usually traded higher than the above Comparable Companies. In addition, we consider that the market capitalizations of the Comparable Companies do not factor in a control premium and only represent valuations with no influence or power on changes in control, where, comparing with the Target, although the Group will acquire interests in JV Co with its 20% shareholdings and may share management expertise in the operation of the Target, the JV Co will own 100% equity interest in the Target upon completion of the Joint Venture Transaction including assign majority representation on the board of JV Co. Moreover, the Consortium Members believe that the Target’s energy infrastructure assets in Australia represent an attractive opportunity for investors with the potential for growth opportunities, which we have discussed under the section of “5. Reasons for and benefits of the Joint Venture Transaction” contained in this letter. Therefore, having considered the basis of above analysis, we are of the view that the implied EV/EBITDA multiple of the Target which is the basis for determining the Scheme Consideration, is fair and reasonable so far as the Independent Shareholders are concerned.

6.2 Comparable transactions analysis

We have also conducted a comparable transactions (the “**Comparable Transactions**”) analysis to assess the fairness and reasonableness of Scheme Consideration of the Target. We have selected the precedent transactions based on the following criteria:

- (i) the business of the acquisition target was mainly engaged in utility/energy infrastructure sector in Australia or in the business of transmission and/or distribution of electricity and/or natural gas in Australia; and
- (ii) the acquisition was initially announced in the past five years prior to the Latest Practicable Date; and
- (iii) the transactions are in relation to majority stake transaction (i.e. above 50% of interest) of acquisition target.

The precedent transactions have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information. In our assessment, we have compared the EV/EBITDA based on the same rationale as discussed in the above of comparable companies’ analysis.

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Date of announcement	Target entity/asset	Size of consideration	Interest acquired %	Acquiror	EV (AUD million) (Note 1)	EBITDA (AUD million) (Note 2)	EV/EBITDA x
May 2017	Darling Downs Pipeline	392	100%	Jemena	392	N/A	15.0 (Note 3)
January 2017	DUET Group	7,411	100%	CKI-led Consortium	13,470	972	13.9
October 2016	Ausgrid	16,189	50.4%	IFM, AusSuper	20,312	1,356	15.0
November 2015	TransGrid	10,258	100%	HFM, Spark, CDPQ, ADIA, Wren House	10,258	705	14.6
December 2014	Queensland Curtis LNG Pipeline	6,049	100%	APA Group	6,049	464	13.0
September 2014	Envestra	2,372	100%	CKI	4,393	360	12.2
						Average	14.0
						Median	14.3
						Maximum	15.0
						Minimum	12.2
August 2018	The Target	12,979	100%	CKI-led Consortium	22,529 (Note 4)	1,518	14.8

Source: Bloomberg, respective companies' annual reports, and press release

Notes:

- The enterprise value of the respective precedent transactions were sum of (i) the total equity value of transaction targets which derived by the consideration and the percentage of interest acquired by the acquirers; and (ii) the net debt amount of transaction targets before the completion. These figures sourced from relevant press releases, public announcements and annual reports of the transaction targets.
- EV/EBITDA ratio is derived based on the enterprise value as described in note (a) above divided by the earnings before interest tax depreciation and amortisation of the respective transaction targets as obtained from their latest annual reports before the completion of transaction.
- According to the press releases issued by the acquiror (Jemena Gas Pipelines Holdings Pty Ltd) and acquiree (Origin Energy Limited), the acquiror and acquiree disclosed transaction EV/EBITDA multiples of 13.0x and 16.9x, respectively. As such, we have averaged the respective EV/EBITDA multiples disclosed by acquiror and acquiree and came up with approximately of 15.0x of EV/EBITDA multiple regarding the Darling Downs Pipeline transaction for calculation purpose.
- 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 1,179,893,848 Target Securities in issue as at the Latest Practicable Date.

As shown above, the EV/EBITDA multiple of the Comparable Transaction ranged from 12.2 times to 15.0 times (“**Transactions EV/EBITDA Range**”) with an average of 14.0 times (“**Transactions EV/EBITDA Average**”) and a median of 14.3 times (“**Transactions EV/EBITDA Median**”). The EV/EBITDA multiple of the Target as represented by the Scheme Consideration of approximately 14.8 times is higher than the Transactions EV/EBITDA Average and Transactions EV/EBITDA Median, but within the Transactions EV/EBITDA Range. We consider that the Comparable Transactions, in general, serve as fair and representative samples for the purpose of comparison with the Target given the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

precedent transactions indicate the valuation of takeover transactions of majority stake of Australian utility/infrastructure companies, and it provides a fair and reasonable comparison for the Acquisition. As such, we consider that the Scheme Consideration is fair and in a reasonable range so far as the Independent Shareholders are concerned.

7. Financial effects of the Joint Venture Transaction

Assuming JV Transaction Shareholders' Approvals in respect of CKA, CKI and the Company are all obtained, the Joint Venture Transaction will proceed between CKA, CKI and the Company as to 60%, 20% and 20% respectively.

7.1 Effect on net assets and earnings

It is expected that the Target will be accounted for as a joint venture of the Company upon completion of the Joint Venture Transaction. Therefore, the results and assets and liabilities of the Target will be incorporated in the Company's consolidated financial statements using the equity accounting method. As the Target Group has been profitable in recent years, it is expected that the Acquisition could contribute an immediate profit to the Group.

7.2 Working capital position and financing of the Maximum Financial Commitment

As disclosed in the 2018 Interim Report, the Group had a total of current assets of approximately HK\$7,255 million (including bank deposits and cash of HK\$6,987 million) as at 30 June 2018. Company's Maximum Financial Commitment for the Joint Venture Transaction is approximately HK\$15,272 million. We understand from the management of the Company that the Group intends to finance the Maximum Financial Commitment and relevant transaction costs from its internal resources and/or external borrowings. The gearing ratio of the Group (total debt to total equity) was 4.3% as at 30 June 2018; therefore, we consider that the current gearing of the Group is relatively lower especially for an infrastructure company. According to Standard & Poor's Global Ratings, it has raised the long-term issuer credit rating on the Company to "A" from "A-".

The Target Group generated operating cash flow (net cash from operations after interest and tax payments) of approximately AUD90.7 cents per stapled security and distributed to the Target Securityholders AUD45.0 cents per stapled security for the year ended 30 June 2018. Based on the Scheme Consideration of AUD11.0 per stapled security, the implied operating cash flow yield and distribution yield are approximately 8.2% and 4.1% respectively. According to the management of the Company, given the healthy gearing level and the upgraded credit rating, it is expected that the Group will obtain favourable financing terms at a borrowing rate lower than the implied distribution yield to fund the Maximum Financial Commitment, and we do not foresee material difficulties for the Group to draw down or obtain any external borrowings, which we think it will meet the Maximum Financial Commitment when it falls due.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (a) the Joint Venture Transaction is in the ordinary and usual course of business and in line with the business strategy of the Group;
- (b) the Joint Venture Transaction is in the interest of the Company and the Shareholders as a whole;
- (c) the Maximum Financial Commitment for the Joint Venture Transaction, based on the Scheme Consideration, is fair and reasonable so far as the Independent Shareholders are concerned;
- (d) the Joint Venture Transaction will have a positive impact on the net assets and earnings of the Group; and
- (e) the Group has a strong credit profile and we consider the completion of the Joint Venture Transaction will not place any material financial burden on the Group's balance sheet or financial resources.

Having considered the principal factors and reasons above, we are of the view 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.

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 General Meeting to approve the Joint Venture Transaction.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Liu Chee Ming
Managing Director

Li Lan
Director and Co-head of Corporate Finance

Both Mr. Liu Chee Ming and Mr. Li Lan are licensed persons registered with the Securities and Futures Commission and as responsible officers of Platinum Securities Company Limited to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Liu Chee Ming and Mr. Li Lan have over thirty years and twelve years of experience in corporate finance industry, respectively.

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

2.1 Interests in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO): (a) which were 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, if any, which they were taken or deemed to have under such provisions of the SFO); (b) which were entered in the register required to be kept by the Company under Section 352 of the SFO, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 of the Listing Rules were as follows:

2.1.1 Long Position in Shares of the Company

<u>Name of Director</u>	<u>Capacity</u>	<u>Nature of Interests</u>	<u>Number of Shares Held</u>	<u>Approximate % of shareholding</u>
Tsai Chao Chung, Charles	Beneficial owner	Personal	4,022	≈0%

2.1.2 Long Positions in Shares of Associated Corporation

HK Electric Investments and HK Electric Investments Limited

<u>Name of Director</u>	<u>Capacity</u>	<u>Nature of Interests</u>	<u>Number of Shares Stapled Units Held</u>	<u>Approximate % of Issued Share Stapled Units</u>
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000 (Note 1)	0.08%
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000 (Note 2)	0.02%
Tsai Chao Chung, Charles	Beneficial owner	Personal	880	≈0%

Notes:

- (1) Such share stapled units of HK Electric Investments and HK Electric Investments Limited (“HKEI”) comprise:
- (a) 2,700,000 share stapled units of HKEI held by Lankford Profits Limited, 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; and
 - (b) 5,170,000 share stapled units of HKEI 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.
- (2) Such share stapled units of HKEI are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (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 or short positions which they were taken or deemed to have under such provisions of the SFO); (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.

2.2 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 have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements 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.

2.3 Directors' Interests in Competing Businesses

As at the Latest Practicable Date, the interests of Directors in businesses which may compete with the Group's business of development, investment and operation of power generation, transmission and distribution and other energy related infrastructure facilities (the "**Business**") were as follows:

<u>Name of Director</u>	<u>Name of Company</u>	<u>Nature of Interests</u>
Fok Kin Ning, Canning	CK Hutchison Holdings Limited	Group Co-Managing Director
	CK Infrastructure Holdings Limited	Deputy Chairman
	Husky Energy Inc.	Co-Chairman
Chan Loi Shun	CK Infrastructure Holdings Limited	Executive Director and Chief Financial Officer
Andrew John Hunter	CK Infrastructure Holdings Limited	Deputy Managing Director
Li Tzar Kuoi, Victor	CK Asset Holdings Limited	Chairman and Managing Director
	CK Hutchison Holdings Limited	Chairman and Group Co-Managing Director
	CK Infrastructure Holdings Limited	Chairman
	Husky Energy Inc.	Co-Chairman
Neil Douglas McGee	Husky Energy Inc.	Director

The Board is of the view that the Group is capable of carrying on the Business independent of, and at arm's length from the businesses of the above companies. When making decisions on the Business, the above Directors, in the performance of their duties as Directors, have acted and will continue to act in the commercial best interest of the Group and all its Shareholders.

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 business of the Group.

2.4 Common directors

As at the Latest Practicable Date, the following Directors are also directors of certain companies which have an interest or short position 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>
Fok Kin Ning, Canning	CK Infrastructure Holdings Limited CK Hutchison Global Investments Limited CK Hutchison Holdings Limited
Li Tzar Kuoi, Victor	Hyford Limited CK Infrastructure Holdings Limited CK Hutchison Global Investments Limited CK Hutchison Holdings Limited
Chan Loi Shun	Interman Development Inc. Venniton Development Inc. Univest Equity S.A. Monitor Equities S.A. CK Infrastructure Holdings Limited
Andrew John Hunter	CK Infrastructure Holdings Limited
Neil Douglas McGee	Hutchison Infrastructure Holdings Limited
Wong Chung Hin	CK Hutchison Holdings Limited

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

4.1 Qualification of expert

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

<u>Name</u>	<u>Qualifications</u>
Platinum Securities Company Limited	A licensed corporation permitted to carry out type 1 (dealing in securities), and, type 6 (advising on corporate finance) regulated activities under the SFO

4.2 Interests of expert

As at the Latest Practicable Date, Platinum Securities Company 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 Platinum Securities Company Limited did not have any direct or indirect interest in any assets which had been, since 31 December 2017 (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

Platinum Securities Company 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 are respectively appear in this circular.

6. MATERIAL ADVERSE CHANGES

The Group is a diversified infrastructure investment company with businesses in the United Kingdom, Hong Kong, Australia, New Zealand, Mainland China, Thailand, the Netherlands, Portugal, Canada and the United States, 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 results of operations, 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 transactions.

The fluctuations in currencies and in particular, the unclear outcome of the negotiations of the United Kingdom to leave the European Union which may lead to fluctuations in pound sterling, will have 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 2017, 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 Linklaters at 10th Floor, Alexandra House, Chater Road, Hong Kong on any weekday, except Saturdays, Sundays and public holidays, during the period of 14 days from the date of this circular:

- (i) the Implementation Agreement;
- (ii) the Consortium Formation Agreement, including the form of the Shareholders' Agreement;
- (iii) the Respective Proportions Determination Side Letter;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the "*Letter from the Independent Board Committee*" to this circular;
- (v) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the "*Letter from the Independent Financial Adviser*" to this circular;
- (vi) the written consent referred to in the section headed "5. *Consent*" above; and
- (vii) this circular.

NOTICE OF GENERAL MEETING



Power Assets Holdings Ltd.
電能實業有限公司

Incorporated in Hong Kong with limited liability
Stock Code: 6

NOTICE IS HEREBY GIVEN that a general meeting (the “**Meeting**”) of Power Assets Holdings Limited (the “**Company**”) will be held at the Grand Ballroom, 1st Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Tuesday, 30 October 2018 at 2:15 p.m. *(or, in the event that a black rainstorm warning signal or tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on Wednesday, 31 October 2018)* for the purpose 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 the Company and its subsidiaries on the one hand, and CK Asset Holdings Limited and its subsidiaries (or, with CK Asset Holdings Limited and its subsidiaries and CK Infrastructure Holdings Limited and its subsidiaries) on the other hand pursuant to, and in connection with, the Consortium Formation Agreement (a copy of the circular of the Company dated 10 October 2018 (the “**Circular**”) marked “**A**” together with a copy of the Consortium Formation Agreement marked “**B**” having 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 with CK Asset Holdings Limited, CK Infrastructure Holdings Limited (if applicable) and the Company in relation to the Joint Venture Transaction, 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 may in his absolute discretion consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the above resolution and all of the transactions contemplated thereunder.”

By Order of the Board
Alex Ng
Company Secretary

Hong Kong, 10 October 2018

NOTICE OF GENERAL MEETING

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this notice.
2. At the Meeting, the Chairman of the Meeting will exercise his power under article 81 of the Company's articles of association to put the above resolution to the vote by way of a poll. The poll results will be published on the website of the Company at www.powerassets.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk as soon as possible in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
3. **A member of the Company is entitled to appoint another person (whether a member or not) as a proxy to exercise all or any of the member's rights to attend and to speak and vote at the Meeting in his/her stead, and may appoint separate proxies to represent respectively the number of shares held by the member that is specified in their instruments of appointment.** To be valid, all forms of proxy must be completed in accordance with the instructions printed thereon and deposited at the registered office of the Company at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong, not later than 48 hours before the time for holding the Meeting. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the Meeting or at any adjourned meeting thereof should the member so wish, and in such event the form of proxy shall be deemed to be revoked.
4. For the purpose of ascertaining members who are entitled to attend and vote at the Meeting (or any adjournment thereof), the register of members of the Company will be closed from Thursday, 25 October 2018 to Tuesday, 30 October 2018 (or Wednesday, 31 October 2018 in the event that the Meeting is to be held on Wednesday, 31 October 2018 because of a black rainstorm warning signal or tropical cyclone warning signal no. 8 or above is in force in Hong Kong (as detailed in note 5 below)), both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the right to attend and vote at the Meeting (or any adjournment thereof), all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 24 October 2018.
5. If 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, 30 October 2018, the Meeting 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, 31 October 2018. Members may call the Company at (852) 2122 9122 during business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, excluding public holidays or visit the website of the Company at www.powerassets.com for details of alternative meeting arrangements. The Meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force in Hong Kong.

Members should make their own decision as to whether they would attend the Meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.
6. In case of inconsistency between the Chinese translation and the English text of this notice, the English text shall prevail.