
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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 OF ALL OF THE STAPLED SECURITIES IN ISSUE OF THE TARGET WHICH ARE LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE BY WAY OF SCHEMES

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



PLATINUM
Securities

A letter from the Board to the Shareholders is set out on pages 11 to 31 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in relation to the Joint Venture Transaction is set out on page 32 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction is set out on pages 33 to 62 of this circular.

A notice convening the General Meeting to be held on Tuesday, 14 March 2017 at 2:15 p.m. at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong is set out on pages 69 to 70 of this circular. A form of proxy for use at the General Meeting is enclosed. Whether or not you are able to attend the General Meeting or any adjournment thereof, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it at the Company's 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 holding 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 any adjournment thereof if you so wish.

A transportation guide to Harbour Grand Kowloon 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 case of inconsistency between the Chinese version and the English version of this circular, the English version will prevail.

22 February 2017

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.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	11
1. Introduction	11
2. Joint Venture Transaction	12
3. Scheme Implementation Agreement	20
4. Information on the Target Group	26
5. Information on the CKPH Group	28
6. Information on the CKI Group	28
7. Information on the Group	28
8. Reasons for and benefits of the Joint Venture Transaction	28
9. Implications under the Listing Rules	29
10. General Meeting and voting	29
11. Recommendations	30
12. Further information	31
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	32
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	33
APPENDIX – GENERAL INFORMATION	63
NOTICE OF GENERAL MEETING	69

DEFINITIONS

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

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

DEFINITIONS

“CKI”	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
“CKI Group”	CKI and its subsidiaries
“CKI Holdco”	CKI Gas Infrastructure Limited, an indirect wholly-owned subsidiary of CKI which is incorporated under the laws of England
“CKPH”	Cheung Kong Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1113)
“CKPH Group”	CKPH and its subsidiaries
“CKPH Holdco”	CK William Topco Limited, an indirect wholly-owned subsidiary of CKPH which is incorporated under the laws of England
“Company”	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
“connected person”	has the meaning ascribed to such term in the Listing Rules
“Consortium”	CKPH, CKI and the Company (until such time as a party becomes a Non-Continuing Member), and “ Consortium Member ” shall be construed accordingly
“Consortium Formation Agreement”	the consortium formation agreement dated 14 January 2017 which was entered into between, among others, the Consortium Members, CKI Holdco, the Company Holdco, the Consortium Midcos, JV Co and Bidco with respect to the direct or indirect subscription for equity interest in JV Co and funding for the Acquisition
“Consortium Holdcos”	CKPH Holdco, CKI Holdco and the Company Holdco, and “ Consortium Holdco ” shall be construed accordingly

DEFINITIONS

“Consortium Midcos”	Midco 1, Midco 2 and Midco 3, and “Consortium Midco” shall be construed accordingly
“Corporations Act”	the Corporations Act 2001 (Cth)
“Court”	the Supreme Court of the New South Wales or such other court of competent jurisdiction as Bidco and Target may agree in writing
“Cth”	Commonwealth of Australia
“Deed Poll”	the deed poll to be executed by Bidco, CKPH, and (if the meeting(s) for obtaining the relevant Independent Shareholders’ Approval(s) is/are before the date of the Court hearing to approve the issuance of the Scheme Booklet, subject to the obtaining of the relevant Independent Shareholders’ Approval(s)), CKI and/or the Company for the purpose of providing various covenants (acting severally in their Respective Proportions (or Revised Respective Proportions, as appropriate) in relation to the Schemes) in favour of eligible Target Securityholders
“DFL”	DUET Finance Limited, a public company incorporated under the laws of Australia, whose registered office is at Level 14, 20 Martin Place, Sydney, NSW 2000, Australia, in its personal capacity and as the responsible entity of DFT
“DFT”	DUET Finance Trust, a unit trust formed under the laws of Australia and a registered managed investment scheme, whose registered office is at Level 14, 20 Martin Place, Sydney, NSW 2000, Australia
“DIHL”	DUET Investment Holdings Limited, a public company incorporated under the laws of Australia, whose registered office is at Level 14, 20 Martin Place, Sydney, NSW 2000, Australia
“Director(s)”	the director(s) of the Company

DEFINITIONS

“DRP”	the dividend reinvestment plan of the Target, under which Target Securityholders have the option of reinvesting any distributions of the Target owing to them in new Target Securities, which shall be issued to such Target Securityholders opting to participate in the DRP based on (i) the amount of the distributions of the Target owed to them; and (ii) the VWAP of the Target during the Pricing Period
“DT1”	The Li Ka-Shing Unity Discretionary Trust, of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT1
“DT2”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT2
“DT3”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT3
“DT4”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT4
“DUECo”	DUET Company Limited, a public company incorporated under the laws of Australia, whose registered office is at Level 14, 20 Martin Place, Sydney, NSW 2000, Australia
“End Date”	30 June 2017, or such later date as Bidco and the Target may agree in writing pursuant to the terms of the Scheme Implementation Agreement
“Funding Date”	three business days prior to the implementation date of the Schemes or such other date agreed by the parties to the Consortium Formation Agreement provided that such date is at least 2 business days before the implementation date of the Schemes

DEFINITIONS

“General Meeting”	the general meeting of the Company to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 14 March 2017 for the purpose of considering and, if thought fit, approving the Joint Venture Transaction
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea and Mr. Wu Ting Yuk, Anthony, being independent non-executive Directors of the Company, established for the purpose of giving recommendation to the Independent Shareholders in relation to the Joint Venture Transaction
“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 material interest (which is different from that of all other Shareholders) in the Joint Venture Transaction
“Independent Shareholders’ Approvals”	the approval of the shareholders (excluding any shareholders with a material interest in the Joint Venture Transaction) of each of CKPH, CKI and the Company as required under the Listing Rules for authorising the Joint Venture Transaction by the Approval Determination Date, and each an “Independent Shareholders’ Approval”
“Joint Venture Transaction”	the transactions contemplated under the Consortium Formation Agreement and the Shareholders’ Agreement

DEFINITIONS

“JV Co”	CK William UK Holdings Limited, a private limited liability company, which is incorporated under the laws of England, and an indirect holding company of Bidco
“Latest Practicable Date”	17 February 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Longstop Date”	the date falling 18 months after the date of the Consortium Formation Agreement
“Maximum Financial Commitment”	in relation to a Consortium Member and its subsidiaries, the maximum financial commitment of such Consortium Member and its subsidiaries under the Joint Venture Transaction, based on the Scheme Consideration and the transaction costs, which for the avoidance of doubt, include the estimated adjustments to the total amount of Scheme Consideration, as more particularly described under the section headed “ <i>Scheme Implementation Agreement – Implementation of the Schemes</i> ” in the “ <i>Letter from the Board</i> ” in this circular
“Midco 1”	CK William Midco 1 Limited, a private limited liability company, which is incorporated under the laws of England, and which holds 40% of the equity interest in JV Co
“Midco 2”	CK William Midco 2 Limited, a private limited liability company, which is incorporated under the laws of England, and which holds 40% of the equity interest in JV Co
“Midco 3”	CK William Midco 3 Limited, a private limited liability company, which is incorporated under the laws of England, and which holds 20% of the equity interest in JV Co

DEFINITIONS

“Non-Continuing Member(s)”	means: <ul style="list-style-type: none">(a) CKI, if one or both of the Independent Shareholders’ Approval(s) of CKPH and CKI is/are not obtained on the Approval Determination Date; and/or(b) the Company, if the Independent Shareholders’ Approval of the Company is not obtained on the Approval Determination Date
“percentage ratios”	have the meaning ascribed to such term in Chapter 14 of the Listing Rules
“Pricing Period”	the 10 trading days prior to 10 February 2017
“Respective Proportion(s)”	means: <ul style="list-style-type: none">(a) in relation to CKPH, 40%;(b) in relation to CKI, 40%; and(c) in relation to the Company, 20%
“Revised Respective Proportion(s)”	means: <ul style="list-style-type: none">(a) in the event that the Company becomes a Non-Continuing Member:<ul style="list-style-type: none">(i) in relation to CKPH, 60%; and(ii) in relation to CKI, 40%; and(b) in the event that CKI becomes a Non-Continuing Member:<ul style="list-style-type: none">(i) in relation to CKPH, 80%; and(ii) in relation to the Company, 20%
“Scheme Booklet”	the notice of meeting and explanatory memorandum to be prepared in respect of the Schemes in accordance with the terms and conditions of the Scheme Implementation Agreement and to be despatched by the Target to the Target Securityholders

DEFINITIONS

“Scheme Consideration”	the consideration payable to the Target Securityholders in accordance with the Scheme Implementation Agreement, which is AUD3.00 (equivalent to approximately HK\$17.19) per Target Security subject to adjustment in accordance with the terms of the Scheme Implementation Agreement, as more particularly set out under the section headed “ <i>Scheme Implementation Agreement – Implementation of the Schemes</i> ” in the “ <i>Letter from the Board</i> ” in this circular
“Scheme Documents”	the Scheme Implementation Agreement, the Scheme Booklet and the Deed Poll entered into in accordance with the terms and conditions of the Scheme Implementation Agreement
“Scheme Implementation Agreement”	the scheme implementation agreement dated 14 January 2017 and entered into by Bidco, DUECo, DIHL, DFL (in its personal capacity and as the responsible entity of DFT) and by CKPH, CKI and the Company (each in the capacity as guarantor) in respect of the Schemes
“Schemes”	the Target Company Schemes and the Trust Scheme
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between CKPH, CKI, the Company, the Consortium Midcos and JV Co to govern the shareholder relationship in JV Co as well as the downstream businesses of the Target
“Shares”	ordinary shares in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to such term in the Listing Rules
“Target”	collectively, DFL, DFT, DIHL and DUECo or any one or more of them (as the context requires)

DEFINITIONS

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

DEFINITIONS

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

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

LETTER FROM THE BOARD



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

22 February 2017

To the Shareholder(s)

Dear Sir or Madam,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

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

1. INTRODUCTION

Reference is made to the Announcement of CKPH, CKHH, CKI and the Company on 16 January 2017 in relation to the Joint Venture Transaction and the Acquisition. As provided in the Announcement, on 14 January 2017, the Consortium Members, CKI Holdco, the Company Holdco and the Consortium Midcos entered into the Consortium Formation Agreement with, among others, JV Co and Bidco in order to govern the funding and operation of JV Co and Bidco, pursuant to which, subject to the obtaining of the necessary Independent

LETTER FROM THE BOARD

Shareholders' Approvals, the relevant Consortium Members will, among other things, indirectly fund the Acquisition according to the Respective Proportions or Revised Respective Proportions (as the case may be) and enter into the Shareholders' Agreement.

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

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

2. JOINT VENTURE TRANSACTION

A. The Consortium Formation Agreement

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

The Company's participation in the Joint Venture Transaction with CKPH and CKI is subject to the Independent Shareholders' Approval of the Company. CKI's participation in the Joint Venture Transaction does not require the Independent Shareholders' Approval of the Company, but its participation in the Joint Venture Transaction with CKPH will require the Independent Shareholders' Approvals of both CKPH and CKI. If the Independent Shareholders' Approvals of each of CKPH, CKI and the Company are obtained, the Joint Venture Transaction will proceed between CKPH, CKI and the Company as to 40%, 40% and 20%, respectively. If the Independent Shareholders' Approvals of both CKPH and CKI are obtained, but the Independent Shareholders' Approval of the Company is not obtained, the Joint Venture Transaction will proceed between CKPH and CKI as to 60% and 40%, respectively. If the Independent Shareholders' Approval of the Company is obtained, but the Independent Shareholders' Approval(s) of CKPH and/or CKI is/are not obtained, the Joint Venture Transaction will proceed between CKPH and the Company as to 80% and 20%, respectively.

LETTER FROM THE BOARD

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

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

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

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

In the event that, prior to the Funding Date:

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

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

LETTER FROM THE BOARD

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

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

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

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

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

In the event that:

- (i) the necessary Independent Shareholders' Approvals of both CKPH and CKI are obtained, but one or both of such approvals is/are only obtained after the Funding Date and on or prior to the Longstop Date, CKI will (through CKI Holdco), after obtaining both such approvals, contribute substantial funding to Midco 2 through a subscription for shares in Midco 2, or through a subscription for shares in, and the provision of shareholder loans to, Midco 2. Midco 2 will use such contribution to:

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

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

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

- (ii) the Independent Shareholders' Approval of the Company is obtained after the Funding Date and on or prior to the Longstop Date, irrespective of whether or not the Independent Shareholders' Approval of CKPH and/or CKI in respect of CKI's participation in the Joint Venture Transaction is obtained, the Company will (through the

LETTER FROM THE BOARD

Company Holdco), after obtaining its necessary Independent Shareholders' Approval, contribute substantial funding to Midco 3 through a subscription for shares in Midco 3, or through a subscription for shares in, and the provision of shareholder loans to, Midco 3. Midco 3 will use such contribution to:

- (1) redeem, cancel or buy-back all outstanding shares held by CKPH Holdco (if any); and
- (2) repay all shareholder loans owed by Midco 3 to CKPH Holdco,

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

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

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

(c) *Maximum Financial Commitment*

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

- (i) if all the necessary Independent Shareholders' Approvals are obtained, the Target will be indirectly held by CKPH, CKI and the Company as to 40%, 40% and 20% respectively, subject to the Schemes becoming effective, and the Maximum Financial Commitment of the Company (through its shareholding held in Midco 3) will be equal to 20% of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement, which will be up to approximately AUD1,506 million (equivalent to approximately HK\$8,629 million);
- (ii) where only the necessary Independent Shareholders' Approvals for CKI's participation in the Joint Venture Transaction are obtained, the Target will be indirectly held by CKPH and CKI as to 60% and 40% respectively, subject to the Schemes becoming effective; and
- (iii) where only the Independent Shareholders' Approval for the Company's participation in the Joint Venture Transaction is obtained, the Target will be indirectly held by CKPH and the Company as to 80% and 20%

LETTER FROM THE BOARD

respectively, subject to the Schemes becoming effective, and the Maximum Financial Commitment of the Company (through its shareholding held in Midco 3) will be equal to 20% of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement, which will be up to approximately AUD1,506 million (equivalent to approximately HK\$8,629 million).

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

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

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

(d) Termination

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

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

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

LETTER FROM THE BOARD

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

(e) UK Gas Executive Committee

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

B. The Shareholders’ Agreement

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

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

(a) Board role and composition

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

LETTER FROM THE BOARD

(b) *Quorum*

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

(c) *Board voting*

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

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

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

LETTER FROM THE BOARD

(d) Shareholder Reserved Matters

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

These shareholder reserved matters include, among other things:

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

(e) Dividend and distribution policy

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

(f) Pre-emption rights

Unless a Consortium Member is transferring some or all of its equity interest in JV Co held by it or its direct or indirect subsidiaries to a member of its group as permitted under the Shareholders' Agreement (the "**Sale Shares**"), a Consortium Member must first offer these Sale Shares to the remaining shareholders of JV Co on a pro rata basis. If the Sale Shares are not fully taken

LETTER FROM THE BOARD

up by the aforesaid shareholders of JV Co, the selling Consortium Member will be entitled to sell all of (and not some of) the unsold Sale Shares within three months of completion of the pre-emption process.

3. SCHEME IMPLEMENTATION AGREEMENT

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

(a) The outline of the Schemes

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

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

(b) Implementation of the Schemes

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

Based on the Scheme Consideration per Target Security of AUD3.00 (equivalent to approximately HK\$17.19) per Target Security held by a Target Securityholder and the total number of Target Securities in issue as at the Latest Practicable Date, being 2,470,769,861 Target Securities (which includes the new Target Securities that were issued on 16 February 2017 pursuant to the DRP for the distribution for the financial half year ended 31 December 2016), the Scheme Consideration for all the Target Securities would be approximately AUD7,412 million (equivalent to approximately HK\$42,471 million) (subject to the adjustment set out in sub-paragraph (b)(i) below, as appropriate). The Scheme Consideration was determined based on the Consortium's valuation of the Target's businesses. The Target is permitted to pay to the Target Securityholders a full distribution of up to AUD0.0925 (equivalent to approximately HK\$0.53) per Target Security for its financial half year ended 31 December 2016 and no adjustment will be made to the Scheme Consideration payable by Bidco as a result of such distribution.

LETTER FROM THE BOARD

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

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

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

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

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

LETTER FROM THE BOARD

(c) Conditions to the Schemes

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

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

LETTER FROM THE BOARD

- (vi) the Court granting all necessary or customary approvals, orders and judicial advice in relation to the issuance of the Scheme Booklet and the implementation of the Schemes;
- (vii) no judgement, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other government agency that remains in effect at 8:00 a.m. (Sydney, Australia time) on the date for Court approval of the Schemes that prohibits, materially restricts, makes illegal or restrains the implementation of the Schemes;
- (viii) the Trust Scheme being approved by way of (i) a member approved amendment to the constitution of DFT by the requisite majority of unitholders set out in the constitution of DFT (namely, 75% by number of votes) and (ii) an approval of the acquisition of the Target Securities of DFT by the requisite majority of unitholders (namely, 50% by number of votes) at the relevant Target Scheme Meeting;
- (ix) no event, occurrence or matter (whether individually or when aggregated with all such events, occurrence or matters of a like kind) having occurred between:
 - (1) the date of Scheme Implementation Agreement; and
 - (2) the first date of hearing (or the first date of any adjourned hearing) for the application made to Court for approval of the Target Company Schemes and confirmation from the Court in respect of the implementation of the Trust Scheme,

which has had or is reasonably likely to have (a) the effect of a diminution in the value of the consolidated net assets (but not including any diminution in intangible assets) of the Target, taken as a whole, by at least AUD170 million (equivalent to approximately HK\$974 million); or (b) the effect of a diminution in the consolidated earnings before interest, tax, depreciation and amortisation of the Target, taken as a whole, by at least AUD100 million (equivalent to approximately HK\$573 million) per financial year in recurring financial years of the Target; or (c) the effect of a diminution in the consolidated earnings before interest, tax, depreciation and amortisation of one of the Target's business divisions (being the Energy Developments division), taken as a whole, by at least AUD35 million (equivalent to approximately HK\$201 million) per financial year in recurring financial years of the Target; and

- (x) no specified "DUET Regulated Event" occurring, which is an event that is specifically prohibited by the Scheme Implementation Agreement.

LETTER FROM THE BOARD

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

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

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

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

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

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

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

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

LETTER FROM THE BOARD

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

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

(e) Break fees

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

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

LETTER FROM THE BOARD

(f) Costs reimbursement

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

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

(g) Completion

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

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

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

4. INFORMATION ON THE TARGET GROUP

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

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

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

LETTER FROM THE BOARD

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

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

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

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

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

LETTER FROM THE BOARD

5. INFORMATION ON THE CKPH GROUP

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

6. INFORMATION ON THE 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, the Netherlands, Portugal, Australia, New Zealand and Canada.

7. INFORMATION ON THE GROUP

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

8. REASONS FOR AND BENEFITS OF THE JOINT VENTURE TRANSACTION

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

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

The investment in the Target, through the Joint Venture Transaction, allows the Group to expand on its existing energy platforms, and is consistent with its strategy of investing in power infrastructure opportunities globally. The Board therefore considers that, subject to completion of the Acquisition, the Company would benefit from the co-operation with the other Consortium Members through the Joint Venture Transaction. In particular, the Target will become a member of the UK Gas ExCo as mentioned above. Participation in the UK Gas ExCo will facilitate the development and operation of Multinet Gas and the Dampier to Bunbury Pipeline in accordance with common group policies and practices in the gas sector.

LETTER FROM THE BOARD

9. IMPLICATIONS UNDER THE LISTING RULES

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

CKI held approximately 38.87% of the issued Shares as at the Latest Practicable Date. 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 30.62% of the issued share capital of CKPH as at the Latest Practicable Date, CKPH may also be regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Joint Venture Transaction as between CKPH (or, CKPH and CKI) on the one hand and the Company on the other hand also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Company based on the Maximum Financial Commitment of the Group under the Joint Venture Transaction exceeds 5%, the Joint Venture Transaction as between CKPH (or, CKPH and CKI) on the one hand and the Company on the other hand is subject to the Company's compliance with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee is required under the Listing Rules to advise the Independent Shareholders in relation to the Joint Venture Transaction. Since Mr. 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. As a result, Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea and Mr. Wu Ting Yuk, Anthony, being the remaining independent non-executive Directors, have been appointed to and constitute the Independent Board Committee to advise the Independent Shareholders in relation to the Joint Venture Transaction.

10. 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 Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 14 March 2017 at 2:15 p.m. is set out on pages 69 to 70 of this circular.

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

LETTER FROM THE BOARD

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

A form of proxy for use at the General Meeting is enclosed with this circular. Whether or not you are able to attend the General Meeting, you are requested to complete and return the enclosed form of proxy 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 later than 48 hours before the time appointed for holding the General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting should you so wish.

11. RECOMMENDATIONS

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

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

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

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

(b) 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 established to advise the Independent Shareholders in relation to the Joint Venture Transaction.

LETTER FROM THE BOARD

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

(c) 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 in respect of the Joint Venture Transaction. The text of the letter of advice from the Independent Financial Adviser is set out on pages 33 to 62 of this circular.

In the “*Letter from the Independent Financial Adviser*” set out in this circular, the Independent Financial Adviser stated that having considered the principal factors and reasons therein, the Independent Financial Adviser is 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, 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 page 32 of this circular, the letter from the Independent Financial Adviser as set out on pages 33 to 62 of this circular, the additional information as set out in the Appendix and the notice of the General Meeting as set out on pages 69 to 70.

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



Power Assets Holdings Ltd.
電能實業有限公司

Incorporated in Hong Kong with limited liability
Stock Code: 6

22 February 2017

To the Independent Shareholders

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

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

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

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

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

We draw the attention of the Independent Shareholders to (1) the letter from the Board set out on pages 11 to 31 of the Circular; and (2) the letter from the Independent Financial Adviser, which sets out the factors and reasons taken into account in arriving at its advice to the Independent Board Committee and the Independent Shareholders, on pages 33 to 62 of the Circular.

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

22 February 2017

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 OF ALL OF THE STAPLED SECURITIES IN ISSUE OF THE TARGET WHICH ARE LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE BY WAY OF SCHEMES

INTRODUCTION

We refer to our 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 22 February 2017 (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.

The boards of directors of CKPH, CKHH and CKI and the Board jointly announced that on 14 January 2017, a consortium comprising CKPH, CKI and the Company entered into the Consortium Formation Agreement, pursuant to which, subject to the obtaining of the necessary Independent Shareholders’ Approvals, the relevant Consortium Members will, among other things, indirectly fund the Acquisition accordingly to the Respective Proportions or Revised Respective Proportions (as the case may be) and enter into the Shareholders’ Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 CKPH, CKHH, CKI and the Company dated 16 January 2017 (the “**Joint Announcement**”) in relation to the Acquisition and the Joint Venture Transaction;
- (ii) the Consortium Formation Agreement;
- (iii) the draft Shareholders’ Agreement;
- (iv) the respective annual reports of the Company for each of the financial years ended 31 December 2013, 2014 and 2015 (the “**2013 Annual Report**”, “**2014 Annual Report**” and “**2015 Annual Report**” respectively);
- (v) the interim report of the Company for six months ended 30 June 2016 (the “**2016 Interim Report**”);
- (vi) the respective annual reports of the Target for each of the financial years ended 30 June 2014, 2015 and 2016 (the “**2014 Target’s Annual Report**”, “**2015 Target’s Annual Report**” and “**2016 Target’s Annual Report**” respectively);
- (vii) the interim results of the Target for six months ended 31 December 2016 (the “**2017 Target’s Interim Results**”); 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 other matters the omission of which would make any statement in the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 only acted as independent financial adviser to the Company regarding (i) certain proposed continuing connected transactions as mentioned in the circular of the Company dated 31 March 2015; and (ii) the proposed merger of CKI and the Company involving a share exchange offer as mentioned in the circular of the Company dated 20 October 2015. 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.

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 and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background of the Acquisition and the Joint Venture Transaction

On 14 January 2017, Bidco, the Target and the Consortium Members (as guarantors of Bidco's obligations under the Scheme Implementation Agreement) have entered into the Scheme Implementation Agreement, pursuant to which, the Target agrees to recommend the Schemes to the Target Securityholders and implement the Schemes, subject to the Schemes being approved by the requisite majorities at the Target Scheme Meetings, and Bidco agrees to assist the Target in the implementation of the Schemes and to pay the Scheme Consideration.

Based on the Scheme Consideration per Target Security of AUD3.00 (equivalent to approximately HK\$17.19) per Target Security held by a Target Securityholder and the total number of Target Securities in issue as at the Latest Practicable Date, being 2,470,769,861 Target Securities (which includes the new Target Securities that were issued on 16 February 2017 pursuant to the DRP for the distribution for the financial half year ended 31 December 2016), the Scheme Consideration for all the Target Securities would be approximately AUD7,412 million (equivalent to approximately HK\$42,471 million) (subject to the adjustment as described below). The Scheme Consideration was determined based on the Consortium's valuation of the Target's businesses. The Target is permitted to pay to the Target Securityholders a full distribution of up to AUD0.0925 (equivalent to approximately HK\$0.53) per Target Security for its financial half year ended 31 December 2016 and no adjustment will be made to the Scheme Consideration payable by Bidco as a result of such distribution. In addition, distributions of the Target's income will be made to the Target Securityholders for the period from 1 July 2016 to the date the Schemes are implemented (to the extent that income has not already been distributed for the financial half year ended 31 December 2016 as described above). The Target Distributions may reduce the Scheme Consideration per Target Security payable by Bidco, to the extent and in the amount by which they exceed AUD0.03 (equivalent to approximately HK\$0.17) per Target Security.

In addition, on 14 January 2017, the Consortium Members, CKI Holdco, the Company Holdco and the Consortium Midcos entered into the Consortium Formation Agreement with, among others, JV Co and Bidco in order to govern the funding and operation of JV Co and Bidco, subject to the obtaining of the necessary Independent Shareholders' Approvals. As at the Latest Practicable Date, each Consortium Midco is wholly owned by CKPH Holdco. In turn, JV Co is owned by Midco 1 as to 40%, Midco 2 as to 40% and Midco 3 as to 20%, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Summary of the Consortium Formation Agreement

Set out below is the summary of the Consortium Formation Agreement.

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

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

In the event that, prior to the Funding Date:

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

(b) If the Independent Shareholders' Approvals sought after the Funding Date

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that:

- (i) the necessary Independent Shareholders' Approvals of both CKPH and CKI are obtained, but one or both of such approvals is/are only obtained after the Funding Date and on or prior to the Longstop Date, CKI will (through CKI Holdco), after obtaining both such approvals, contribute substantial funding to Midco 2 through a subscription for shares in Midco 2, or through a subscription for shares in, and the provision of shareholder loans to, Midco 2. Midco 2 will use such contribution to (1) redeem, cancel or buy-back all outstanding shares held by CKPH Holdco (if any); and (2) repay all shareholder loans owed by Midco 2 to CKPH Holdco, such that Midco 2 will become a wholly-owned subsidiary of CKI Holdco and CKI will indirectly hold the Target as to 40%; and/or

- (ii) the Independent Shareholders' Approval of the Company is obtained after the Funding Date and on or prior to the Longstop Date, irrespective of whether or not the Independent Shareholders' Approval of CKPH and/or CKI in respect of CKI's participation in the Joint Venture Transaction is obtained, the Company will (through the Company Holdco), after obtaining its necessary Independent Shareholders' Approval, contribute substantial funding to Midco 3 through a subscription for shares in Midco 3, or through a subscription for shares in, and the provision of shareholder loans to, Midco 3. Midco 3 will use such contribution to (1) redeem, cancel or buy-back all outstanding shares held by CKPH Holdco (if any); and (2) repay all shareholder loans owed by Midco 3 to CKPH Holdco, such that Midco 3 will become a wholly-owned subsidiary of the Company Holdco and the Company will indirectly hold the Target as to 20%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

**Maximum Financial
Commitment:**

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

- (i) if all the necessary Independent Shareholders' Approvals are obtained, the Target will be indirectly held by CKPH, CKI and the Company as to 40%, 40% and 20% respectively, subject to the Schemes becoming effective, and the Maximum Financial Commitment of the Company (through its shareholdings held in Midco 3) will be equal to 20% of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement, which will be up to approximately AUD1,506 million (equivalent to approximately HK\$8,629 million);
- (ii) where only the necessary Independent Shareholders' Approvals for CKI's participation in the Joint Venture Transaction are obtained, the Target will be indirectly held by CKPH and CKI as to 60% and 40% respectively, subject to the Schemes becoming effective, and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) where only the Independent Shareholders' Approval for the Company's participation in the Joint Venture Transaction is obtained, the Target will be indirectly held by CKPH and the Company as to 80% and 20% respectively, subject to the Schemes becoming effective, and the Maximum Financial Commitment of the Company (through its shareholding held in Midco 3) will be equal to 20% of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement, which will be up to approximately AUD1,506 million (equivalent to approximately HK\$8,629 million).

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

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

Termination:

Among other things, the Consortium Formation Agreement will be automatically terminated: (i) on the Longstop Date; (ii) if both CKI and the Company do not obtain their necessary Independent Shareholders' Approvals; or (iii) if the Scheme Implementation Agreement is terminated in accordance with its terms.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

**UK Gas Executive
Committee:**

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

3. Summary of the Shareholders' Agreement

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the summary of the Shareholders' Agreement.

- Board role and composition:** The business of JV Co shall be managed by its board of directors, who may exercise all the powers of JV Co subject to the terms and provisions of the Shareholders' Agreement, the articles of association or applicable laws. Each Consortium Midco shall have the right to nominate one director for appointment on the board of directors of JV Co in respect of each complete ten per cent (10%) of the shares in JV Co it owns (either directly or through its subsidiaries).
- Quorum:** The quorum for the transaction of business at any board meeting of JV Co shall be at least one director appointed by each Consortium Midco (unless a Consortium Midco waives the quorum requirement to the extent that it relates to its appointed director(s) or if that Consortium Midco has a conflict of interest), provided that if a quorum is not present (or ceases to be present) at a board meeting, the board meeting shall be adjourned. If a quorum is not present (or ceases to be present) at an adjourned board meeting, as a result of the non-attendance of the director(s) nominated by a Consortium Midco who did not have a director nominated by it in attendance at the prior adjourned board meeting, then the quorum at the adjourned meeting will not require the attendance of any director nominated by that Consortium Midco.
- Board voting:** Except for reserved matters, all board resolutions of JV Co are made by simple majority of directors present and entitled to vote on the resolution.
- A small number of board matters of JV Co require a special majority, being a resolution which is approved by directors who together hold greater than 85% of the total number of votes held by directors present and entitled to vote on the resolution. These include, among other customary reserved matters:
- (i) any change to the dividend and distribution policy;
 - (ii) the declaration, determination or payment of any dividend or distribution by JV Co and its subsidiaries other than in accordance with the dividend and distribution policy;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the acquisition of any assets or business which are not related to the operation of the business of JV Co and its subsidiaries where the assets or business to be acquired have a value in excess of 2% of the enterprise value;
- (iv) the adoption and/or amendment of an annual business plan;
- (v) the appointment or removal of the chief executive officer or chief financial officer of the Target Group; and
- (vi) JV Co and its wholly-owned subsidiaries borrowing money in excess of 3% of the aggregate enterprise value per annum.

Shareholder

Reserved Matters:

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

These shareholder reserved matters include, among other things:

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Dividend and distribution policy:

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

Pre-emption rights:

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

We have discussed with the management of the Company and understand that the Company and CKI have worked together on joint venture projects in the past and their previous experience of working together successfully makes each a suitable partner for the others for the Joint Venture Transaction. As at the Latest Practicable Date, there are thirteen projects co-invested by the Group and the CKI Group. We have reviewed the terms of the Shareholders' Agreement and compared with the terms of the Shareholders' Agreement with the terms of joint venture projects that are currently co-invested by the Group and the CKI Group and noted that the effect of the major terms of the Shareholders' Agreement such as the role of board, board composition, board voting, dividend policy and pre-emption rights, are in line with the terms of joint venture projects that adopted by the Group and the CKI Group.

As such, we are of the view that the terms of the Shareholders' Agreement to be entered are on normal commercial terms, fair and reasonable and in the interest of the Company.

4. Background of the Group

4.1 Business of the Group

The principal activities of the Group are investment in power and utility-related businesses in Hong Kong and overseas. Upon the spin-off of the Group's Hong Kong electricity business in 2014, the principal activities of the Group changed from generation and supply of electricity to investment in power and utility-related businesses.

Currently, the Group has interests in and participates in the management of businesses in power generation, transmission and distribution, gas distribution, and energy from waste and renewables worldwide, including Hong Kong, the United Kingdom, Australia, Mainland China, New Zealand, Thailand, Canada, the Netherlands and Portugal.

According to the 2015 Annual Report, the development strategy of the Group is to focus on the sectors where it has a natural expertise, within stable and well-structured international markets, namely renewables, electricity, and gas infrastructure businesses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Historical financial performance

Financial performance

The following table sets out certain selected financial information of the Group for each of the financial years ended 31 December 2013, 2014 and 2015 (“FY2013”, “FY2014” and “FY2015” respectively) and for the six months ended 30 June 2016 (“HY2016”) as extracted from the 2013 Annual Report, 2014 Annual Report, 2015 Annual Report and 2016 Interim Report, respectively.

	FY2013 <i>(Audited)</i> <i>HK\$ million</i>	FY2014 <i>(Audited)</i> <i>HK\$ million</i>	FY2015 <i>(Audited)</i> <i>HK\$ million</i>	HY2016 <i>(Unaudited)</i> <i>HK\$ million</i>
Revenue	11,578	2,131	1,308	629
Share of profits less losses of joint ventures and associates	6,226	6,961	6,747	3,058
Profit before taxation	<u>11,591</u>	<u>61,098</u>	<u>7,721</u>	<u>3,470</u>
Reported profit for the year/ period attributable to the Shareholders	11,165	61,005	7,732	3,476
Less: One-time gain to the Group arising from spin-off of HK Electric Investments	–	(52,928)	–	–
Add: One-time loss to the Group arising from disposal of 16.53% interest in HK Electric Investments	<u>–</u>	<u>–</u>	<u>532</u>	<u>–</u>
Normalised profit attributable to the Shareholders	<u>11,165</u>	<u>8,077</u>	<u>8,264</u>	<u>3,476</u>
	As at 31 December 2013 <i>(Audited)</i> <i>HK\$ million</i>	As at 31 December 2014 <i>(Audited)</i> <i>HK\$ million</i>	As at 31 December 2015 <i>(Audited)</i> <i>HK\$ million</i>	As at 30 June 2016 <i>(Unaudited)</i> <i>HK\$ million</i>
Bank deposits and cash	7,894	61,291	68,149	65,946
Total assets	105,237	136,274	135,358	131,936
Total equity attributable to equity shareholders of the Company	69,438	123,088	123,597	120,099

As disclosed in the 2014 Annual Report, the Group’s profit attributable to the Shareholders in FY2014 amounted to HK\$61,005 million, representing an increase of approximately 446.4% compared with FY2013 and it was mainly due to a one-time gain of HK\$52,928 million arising from the spin-off of Hong Kong electricity business in January 2014. Excluding the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

one-time gain of HK\$52,928 million arising from the spin-off of Hong Kong electricity business, the Group's profit attributable to the Shareholders in FY2014 amounted to HK\$8,077 million, representing a decrease of approximately 27.7% and it was mainly due to the reduction of interest in Hong Kong electricity business from 100% to 49.9% after the spin-off of Hong Kong electricity business and deferred tax credits arising from a reduction of corporate tax in the United Kingdom from 23% to 20% recorded in 2013.

For FY2015, the Group's profit attributable to the Shareholders amounted to HK\$7,732 million, including a one-time loss of HK\$532 million arising from the disposal of a 16.53% interest in Hong Kong electricity business during the year. Excluding the one-time loss in FY2015 and the one-time gain of HK\$52,928 million arising from the spin-off of Hong Kong electricity business, the Group's profit attributable to the Shareholders for FY2014 and FY2015 were HK\$8,077 million and HK\$8,264 million respectively, representing an increase of 2% and it was mainly due to a reduction of corporate tax rate in the United Kingdom.

As disclosed in the 2016 Interim Report, the unaudited profit attributable to the Shareholders in HY2016 was HK\$3,476 million, representing a decrease of approximately 7.8% compared with the corresponding period in 2015 of HK\$3,769 million (excluding the one-time loss of HK\$532 million arising from the disposal of 16.53% interest in the Hong Kong electricity business) and it was mainly due to the reduction in shareholding of Hong Kong electricity business and weakening of the pound sterling that affected the profit contribution of the Group's investment in the United Kingdom.

Financial position

Bank deposits and cash

The bank deposits and cash of the Group increased significantly in FY2014 and it was mainly due to the completed spin-off and separate listing of the Group's Hong Kong electricity business by way of the listing of the share stapled units jointly issued by HK Electric Investments ("HKEI") and HK Electric Investments Limited ("HKEIL") on the Main Board of the Stock Exchange on 29 January 2014. Upon subsequent repayment of a promissory note which the Company received as consideration for the sale, the Company received net cash proceed of HK\$30,764 million. In addition, the Company received a 49.9% interest in HKEI with a carrying value of HK\$24,031 million. Furthermore, the Company also obtained repayment of its intercompany loan from its disposed subsidiaries for HK\$27,445 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's bank deposits and cash further increased by HK\$6,858 million during FY2015, mainly due to the Group further disposed of 16.53% interest in Hong Kong electricity business for a net cash consideration of HK\$7,597 million and the Group has retained its shareholding in HKEI and HKEIL of approximately 33.37% since then.

5. Background of Target Group

5.1 Business of Target Group

The Target consists of four separate legal entities, namely DUECo, DFL, DIHL and DFT. All of the shares in issue of DUECo, DFL and DIHL and all of the units in DFT are traded together as stapled securities and listed on the ASX.

As stated in the Letter from the Board contained in the Circular, the Target Group currently owns and operates energy utility assets in Australia, the United States, the United Kingdom and Europe.

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

(i) *United Energy*

United Energy is owned as to 66% by the Target Group and has an electricity distribution network covers 1,472km² of south-east Melbourne and the Mornington Peninsula, and it is adjacent to the existing project, namely Victoria Power Networks, which is majority owned by the CKI Group and the Group. The distribution network transports electricity from the high voltage transmission network to residential, commercial and industrial electricity users, representing approximately 25% of population in Victoria, Australia.

(ii) *Multinet Gas*

Multinet Gas is wholly owned by the Target Group and is a gas distribution company in Victoria, Australia covering 1,860km² of the eastern and south-eastern suburbs of Melbourne, and the distribution network is surrounded by the Australian Gas Networks which is majority owned by the CKI Group and the Group. Multinet Gas transports gas from the high pressure transmission network to residential, commercial and industrial gas users and it is the largest gas distributor in Victoria in terms of number of customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Dampier to Bunbury Pipeline (“DBP”)

DBP is the owner and operator of the Dampier to Bunbury natural gas pipeline which is an important piece of energy infrastructure in Western Australia. It connects the natural gas reserves in Western Australia to the industrial, commercial and residential customers in Perth and the surrounding regions. The pipeline has been in continuous operation since 1984, and it has a remaining life of around 50 years.

(iv) Energy Developments

Energy Developments was acquired by the Target Group in 2015 and it is an Australian based owner and operator of remote and clean energy power generation projects located in Australia, Europe and the United States.

Within the remote energy sector, Energy Developments provides electricity to remote towns, communities and mines that are not connected to power grid infrastructure. All remote energy projects operated by Energy Developments are located in Australia.

Energy Developments also operates clean energy projects that cover Australia, United Kingdom, Greece and the United States. Among these projects, Energy Developments generates power from methane gas extracted from underground metallurgical coal mines and landfills.

5.2 Historical financial performance

The following table sets out certain selected financial information of the Target Group for each of the financial years ended 30 June 2014, 2015 and 2016 and for the six months ended 31 December 2016 as extracted from the 2014 Target’s Annual Report, 2015 Target’s Annual Report, 2016 Target’s Annual Report and 2017 Target’s Interim Results respectively.

	For the financial year ended 30 June 2014 <i>(Audited)</i> AUD’000	For the financial year ended 30 June 2015 <i>(Audited)</i> AUD’000	For the financial year ended 30 June 2016 <i>(Audited)</i> AUD’000	For the six months ended 31 December 2016 <i>(Unaudited)</i> AUD’000
Revenue	1,251,416	1,269,315	1,638,206	853,016
Consolidated EBITDA	800,606	783,490	946,813	465,106
Net profit attributable to Target Securityholders	190,485	48,101	195,830	65,590

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June 2014 <i>(Audited)</i> AUD'000	As at 30 June 2015 <i>(Audited)</i> AUD'000	As at 30 June 2016 <i>(Audited)</i> AUD'000	As at 31 December 2016 <i>(Unaudited)</i> AUD'000
Total assets	8,846,247	9,065,823	11,105,076	11,146,810
Total equity attributable to Target Securityholders	1,633,578	1,828,774	3,321,534	3,223,128

For the financial year ended 30 June 2015, revenue of the Target Group increased by approximately 1.4% to approximately AUD1.27 billion, mainly due to the increase in distribution revenue of the Group. However, increase in operating expenses by approximately AUD38.7 million and the fair value loss on derivative contracts of approximately AUD28.4 million, resulting the decrease in net profit attributable to Target Securityholders during the year. In addition, we noted from the 2015 Target's Annual Report that there were one-off deferred tax credit of approximately AUD107 million recorded in the financial year ended 30 June 2014 and thus affected the percentage of decrease in net profit for the financial year ended 30 June 2015.

The net assets of the Target Group attributable to the Target Securityholders increased by AUD195.2 million to AUD1,828.8 million during the financial year ended 30 June 2015. The increase in net assets was mainly due to proceeds from issues of stapled securities of AUD409.6 million net of costs.

For the financial year ended 30 June 2016, revenue of the Target Group increased by approximately 29.1% to approximately AUD1.64 billion, mainly due to the contribution from the acquisitions of Energy Developments and DBP that the Target completed during the year. The net assets of the Target Group attributable to the Target Securityholders increased by AUD1,493 million to AUD3,322 million during the year. The increase was due to additional equity raised during the year of AUD1,879 million, net of costs and taxes to fund the acquisition of Energy Developments and the remaining 20% ownership interest in DBP.

For the six months ended 31 December 2016, revenue of the Target Group increased by approximately 5.3% to approximately AUD853 million, mainly due to the increase in revenue contribution from DBP. However, increase in operating expenses by approximately AUD46 million to AUD216 million and depreciation expenses by approximately AUD55 million to AUD184 million, resulting the decrease in net profit attributable to Target Securityholders during the period from AUD89 million to AUD66 million. The net assets of the Target Group attributable to the Target Securityholders slightly decreased by approximately AUD98 million to AUD3,223 million, mainly due to the increase in debt position of the Target Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Reason for and benefits of the Joint Venture Transaction

(a) Enhanced project portfolio of the Group

As per our discussion with the management of the Company, the Company aims to deliver long-term earnings growth through investing in a portfolio of selected global companies. The development strategy of the Group is to focus on the sectors where it has a natural expertise, within stable and well-structured international markets, namely renewables, electricity, and gas infrastructure businesses.

Currently, the Group has invested in 18 energy projects globally (excluding businesses in Hong Kong) that cover a wide spectrum of energy sectors including power generation, renewable energy, oil and gas networks, electricity networks and energy from waste. The Target will become a member of the UK Gas ExCo as mentioned in the Consortium Formation Agreement and it will facilitate the development and operation of Multinet Gas and the Dampier to Bunbury Pipeline.

As mentioned above, the Target Group owns and operates energy utility assets that cover electricity distribution, power generation, gas distribution and gas transmission in Australia, the United States, the United Kingdom and Europe. As disclosed in the 2016 Target's Annual Report, the Target Group aims to maximise its securityholders' value by owning and controlling energy utility businesses that provide stable and predictable cashflows, which is consistent with the development strategy of the Group. Given the consistency in business strategy and the expertise of both of the Group and the Target Group in energy sector, we consider the Joint Venture Transaction would allow the Group to expand their project portfolio in energy sector and provide a stable and predictable return to the Group.

(b) Synergies from the Joint Venture Transaction

We have discussed with the management of the Company and understand that there are synergy effects that could arise from the Joint Venture Transaction.

Electricity Distribution Business

As per our discussion with the management of the Company, we understand that the Group has invested and operated energy projects in Australia since 2000 including a majority interest (held with CKI) in Victoria Power Networks ("VPN") which comprising two of the five electricity distribution networks in Victoria under the regulatory supervision of Australian Energy Regulator. These two regulated electricity networks under VPN are located adjacent to the regulated electricity networks owned by United Energy. We have discussed with the management of the Company regarding the potential competition to the Group's existing projects and understand that each of VPN and United Energy is monopolistic electricity distributor in their own region and thus no competition would exist between

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

them. Indeed, the distribution network of VPN covers central business district (“CBD”) and inner suburbs of Melbourne, central and western part of Victoria; while the distribution network of United Energy covers south-east part of Melbourne and the Mornington Peninsula region. As such, through the Joint Venture Transaction, the Group would be able to expand its geographical coverage of electricity networks in Victoria. Furthermore, upon the completion of the Joint Venture Transaction, the Company together with CKI, a long-term joint venture partner of the Company, will hold majority interest in both VPN and United Energy, and this will allow the Company and CKI to optimise the entire electricity distribution business operation in the region. In view of the above strategic initiatives, it is reasonable to assume the joint venture partners would support sensible synergy proposals.

Gas Distribution Business

In October 2014, the Company, together with CKHH and CKI, acquired Australian Gas Network Limited (formerly known as Envestra Limited) (“AGN”), which is one of Australia’s largest natural gas distribution companies and owns strategic gas distribution networks and transmission pipelines that operate in South Australia, Victoria and Queensland, New South Wales and the Northern Territory.

On the other hand, Multinet Gas is wholly owned by the Target Group and is principally engaged in the business of gas distribution covering 1,860km² of the eastern and south-eastern suburbs of Melbourne, and is the largest gas distributor in Victoria in terms of the number of customers. We had discussion with the management of the Company and understand that the distribution network of Multinet Gas is surrounded by AGN and the management of the Company considers that the Joint Venture Transaction would allow the Group to expand its geographical coverage of gas distribution network in the region.

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

In accordance 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out the dividend distribution of the Target for each of the financial years ended 30 June 2014, 2015 and 2016 extracted from the 2014 Target's Annual Report, 2015 Target's Annual Report and 2016 Target's Annual Report respectively.

	For the financial year ended 30 June 2014 (Audited) AUD	For the financial year ended 30 June 2015 (Audited) AUD	For the financial year ended 30 June 2016 (Audited) AUD
Distribution paid to the securityholders of Target Group	217,176,000	261,393,000	427,885,000
Distribution per stapled security of Target	0.170	0.175	0.180

From the above table, it shows that the Target has a well track record in distributing a progressive dividend to its securityholders. Furthermore, we noted from the annual reports of the Target that the management of the Target would refer to the achievement of the distribution target, which predetermined and disclosed to its securityholders in the preceding year, as an evaluation benchmark of the performance of Target Group for the succeeding year and it indicates the understanding of the management regarding the importance of cash return to its securityholders, in particular the minority securityholders.

Besides, in accordance with the term regarding dividend and distribution policy under the Shareholders' Agreement, the JV Co is required, subject to normal commercial considerations deemed appropriate by the relevant board of directors of JV Co, to maximise the distributions. Given the dividend distribution policy stated in the Shareholders' Agreement and 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 therefore strengthen its liquidity.

In light of the above factors and reasons, we are of the view that the Joint Venture Transaction is in the interest of the Company and the Shareholders as a whole.

7. Evaluation of the Maximum Financial Commitment

7.1 Comparable companies analysis

To assess the fairness and reasonableness of the Maximum Financial Commitment, we have performed a trading multiple analysis by comparing the pricing ratios represented by the Maximum Financial Commitment against the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

market valuation of other listed companies (the “**Comparable Companies**”) which are engaged in the energy utility sector in Australia. We have selected the Comparable Companies based on the following criteria:

- (i) principally engaged in the businesses of utility energy sector (i.e. at least 70% of revenue generated from utility energy sector);
- (ii) currently listed on the ASX; and
- (iii) with market capitalisation of not less than USD1 billion given the market capitalisation of Target Group implied by the Maximum Financial Commitment being approximately AUD7.4 billion.

The Comparable Companies 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 considered (i) enterprise-value-to-earnings-before-interest-tax-depreciation-and-amortisation ratio (“**EV/EBITDA**”); (ii) price-to-book ratio (“**P/B**”); and (iii) dividend yield in this analysis.

We have conducted our analysis based on EV/EBITDA, P/B and dividend yield, mainly due to the following reasons:

EV/EBITDA

Since the net profit among companies are greatly affected by factors such as accounting system and taxation rate and policy, comparison of net profit between companies located in different countries are less meaningful. In contrast, EBITDA can reflect the operation results and performance of an enterprise because the effects of non-operation factors, such as financial leverage, change in depreciation policy and taxation rate and policy are eliminated.

P/B

The P/B ratio indicates the level of premium or discount that investors willing to pay and it is commonly adopted in analysis of takeover transactions.

Dividend yield

As mentioned above, the Company, through the Joint Venture Transaction, will acquire 20% interest in the Target Group and no financial consolidation will be conducted to reflect the performance of the Target Group. Therefore, the level of dividend yield of the Target Group acts as a crucial factor for the Company to consider the Joint Venture Transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below illustrates the EV/EBITDA ratios, P/B ratios and dividend yield of each of the Comparable Companies which were derived based on their respective market capitalisation as at the Latest Practicable Date and the implied ratios of the Acquisition based on, among others, the Scheme Consideration and the aggregate Maximum Financial Commitment of all Consortium Members.

Comparable Companies	Stock Code	EV/ EBITDA	P/B	Dividend yield
		(Note 1) (Note 2) (Note 3) (x)		
APA Group	APA.ASX	14.5	2.4	4.8
AusNet Services Limited	AST.ASX	11.1	1.7	5.3
Spark Infrastructure Group	SKI.ASX	29.6	1.9	5.6
	Average	18.4	2.0	5.2
	Median	14.5	1.9	5.3
	Maximum	29.6	2.4	5.6
	Minimum	11.1	1.7	4.8
The Acquisition implied multiples		14.1	2.3	6.1
<i>(Note 6):</i>				

Source: Bloomberg and the respective companies' latest annual reports

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 audited financial statements.
- (4) P/B ratio is calculated based on the market capitalisation of the respective Comparable Companies as at the Latest Practicable Date divided by the net assets attributable to shareholders of the respective Comparable Companies as obtained from their latest published financial information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (5) Dividend yield is calculated based on the dividend paid by the Comparable Companies over the last 12 months (from the Latest Practicable Date) divided by the market capitalisation of the respective Comparable Companies as at the Latest Practicable Date.
- (6) The Acquisition implied multiples are calculated based on the aggregate amount of Maximum Financial Commitment of all Consortium Members, the dividend paid by the Target Group over the last 12 months (from the Latest Practicable Date), and relevant financial information (including the amounts of borrowings of the Target Group, the amount of cash and cash equivalent of the Target Group and the equity attributable to the Target Securityholders) are extracted from the latest published financial information. The earning before interest tax depreciation and amortisation of the Target Group is extracted from 2016 Target's Annual Report.

To summarise the ratios as shown above, (i) the EV/EBITDA ratio of the Comparable Companies ranged from approximately 11.1 times to 29.6 times (“**Trading EV/EBITDA Range**”) with an average of 18.4 times (“**Trading EV/EBITDA Average**”); (ii) the P/B ratio of the Comparable Companies ranged from approximately 1.7 times to 2.4 times (“**Trading P/B Range**”) with an average of 2.0 times (“**Trading P/B Average**”); and (iii) the dividend yield of the Comparable Companies ranged from approximately 4.8% to 5.6% (“**Trading Yield Range**”) with an average of 5.2% (“**Trading Yield Average**”).

We note that (i) the Acquisition implied EV/EBITDA ratio of approximately 14.1 times is lower than the Trading EV/EBITDA Average and within the Trading EV/EBITDA Range; (ii) the Acquisition implied P/B ratio of approximately 2.3 times is close to the Trading P/B Average and within the Trading P/B Range; and (iii) the Acquisition implied dividend yield of 6.1% is higher than the Trading Yield Range and the Trading Yield Average.

We consider that the Comparable Companies, in general, serve as fair and representative samples for the purpose of comparison with the Target Group because: (i) the principal businesses of the Comparable Companies are similar to that of the Target Group; (ii) the geographic location of major operations of Comparable Companies are same as that of the Target Group; and (iii) the size of the Comparable Companies in terms of their market capitalisation is similar to that of the Target Group. Despite the implied P/B ratio of the Acquisition is slightly higher than the Trading P/B Average, we noted that the Trading P/B Range is relatively narrow and the implied P/B ratio of the Acquisition is within the Trading P/B Range. In addition, the implied EV/EBITDA ratio of the Acquisition is lower than the Trading EV/EBITDA Average and the implied dividend yield, which is a crucial factor that the Company needs to consider in the case of taking minority stake of the Target through the Joint Venture Transaction, is higher than the Trading Yield Range and the Trading Yield Average.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7.2 Comparable transactions analysis

Apart from the comparable companies analysis, we have also conducted a comparable transactions analysis to assess the fairness and reasonableness of the consideration of the Acquisition, being the aggregate amount of Maximum Financial Commitment of all Consortium Members. We have selected the precedent transactions based on the following criteria:

- (i) the acquisition target was mainly engaged in businesses of utility sector in Australia;
- (ii) the acquisition was completed within 5 years prior to the Latest Practicable Date;
- (iii) the transactions are in relation to majority stake transaction (i.e. above 50% of interest) of acquisition target; and
- (iv) the size of consideration was no less than AUD1 billion which we consider is comparable to the Acquisition.

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 discussed in the comparable companies analysis above.

Completion Date	Target Name	Enterprise Value (in AUD mil.)	Percent Sought	EV/EBITDA <i>(Note a)</i> <i>(Note b)</i>
December 2016	AusGrid	22,729	50.4	16.8
December 2016	TransGrid	10,258	100	14.6
October 2015	Energy Developments Pty Ltd	1,848	100	8.5
October 2014	Australian Gas Networks Ltd	4,512	82.54	11.2
			Average	12.8
			Median	12.9
			Maximum	16.8
			Minimum	8.5
The Acquisition: <i>(Note c)</i>		13,375		14.1

Source: Bloomberg and the respective companies' announcements and annual reports

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

- (a) 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 sought 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.
- (b) 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.
- (c) The enterprise value of the Target Group and the Acquisition implied multiple are derived based on the Maximum Financial Commitment of all Consortium Members divided by earnings before interest tax depreciation and amortisation as extracted from the 2016 Target's Annual Report.

To summarise the ratios as shown above, the EV/EBITDA ratio derived from precedent transactions ranged from approximately 8.5 times to 16.8 times (“**Transactions EV/EBITDA Range**”) with an average of 12.8 times (“**Transactions EV/EBITDA Average**”).

We note that the Acquisition implied EV/EBITDA ratio of approximately 14.1 times is slightly higher than the Transactions EV/EBITDA Average and within the Transactions EV/EBITDA Range. Nonetheless, we have discussed with the management of the Company and understand that the total consideration of the Acquisition was determined based on arm's length negotiation between parties and the Joint Venture Transaction provides an attractive opportunity to the Company to enhance its project portfolio in a well-developed energy market. In addition, it is shown from the above table that the EV/EBITDA ratios of AusGrid and TransGrid, which were both completed in last quarter of 2016 and with closer size of enterprise value to the Target Group, are higher than that of the Acquisition, indicating that higher valuation to the utility assets is provided by investors under the current market sentiment.

We consider that the precedent transactions, in general, serve as fair and representative samples for the purpose of comparison with the Target Group because: (i) the precedent transactions indicate the valuation of takeover transactions of majority stake of Australian utilities companies, and it gives a fair and reasonable comparison for the Acquisition; and (ii) the size of the precedent transactions in terms of their enterprise value is comparable to that of the Target Group. As such, we consider the comparable transactions analysis provides a meaningful comparison in assessing the fairness and reasonableness of the Acquisition.

In light of the above results of analyses, we are of the view that the consideration of the Acquisition, being the aggregate Maximum Financial Commitment of all Consortium Members, is fair and reasonable. As the consideration of the Joint Venture Transaction is in proportion to the shareholding

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in JV Co among the Consortium Members, thus we are of the view that the consideration of the Joint Venture Transaction for the Company (i.e. the Maximum Financial Commitment of the Company) is fair and reasonable.

8. Financial effects of the Joint Venture Transaction

8.1 Effect on the earnings

According to the 2015 Annual Report, the Group recorded revenue of approximately HK\$1,308 million and profit attributable to the Shareholder for the financial year ended 31 December 2015 was approximately HK\$7,732 million. It is expected that the Joint Venture Transaction may potentially enhance the earnings of the Group as the results of the Target Group will be equity accounted as share of profits of joint venture in the financial statements of the Group.

Therefore, we are of the view that the Joint Venture Transaction may have a potential positive impact on the earnings of the Group.

8.2 Effect on the net asset value

According to the 2016 Interim Report, net asset value attributable to the Shareholders was approximately HK\$120,099 million as at 30 June 2016. Upon Completion, the assets of the Target Group will be equity accounted as interest in joint venture in the financial statements of the Group, therefore we are of the view that the Joint Venture Transaction may not have a material adverse impact on the net asset value of the Group.

8.3 Working capital position

As disclosed in the 2016 Interim Report, the Group had net current assets of approximately HK\$63,656 million as at 30 June 2016. The Company's Maximum Financial Commitment and the transaction costs for the Joint Venture Transaction will be approximately HK\$8,629 million. Therefore, we are of the view that the Joint Venture Transaction will not have a material adverse impact on the liquidity of the Group.

8.4 Effect on the gearing

As disclosed in the 2016 Interim Report, the Group had a net cash position of approximately HK\$56,882 million. Given the Company's Maximum Financial Commitment and the transaction costs for the Joint Venture Transaction will be approximately HK\$8,629 million, the Group may remain net cash position after the Joint Venture Transaction.

Therefore, we are of the view that the Joint Venture Transaction will not have a material adverse impact on the gearing of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of that the Joint Venture Transaction will have:

- (i) a positive impact on the Group's earnings;
- (ii) no material adverse impact on the net asset value of the Group;
- (iii) no material adverse impact on the liquidity and the working capital of the Group; and
- (iv) no material adverse impact on the gearing and debt position of the Group,

we are of the view that the Joint Venture Transaction will have an overall positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

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; and
- (c) the Maximum Financial Commitment for the Joint Venture Transaction is fair and reasonable so far as the Independent Shareholders are concerned; and
- (d) the Joint Venture Transaction will have an overall positive financial effect and are in the interest of the Company and the Independent Shareholders as a whole.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 ten 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

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

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

(1) Long Positions in the Shares

Name of Director	Capacity	Nature of Interests	Number of Shares Held	Approximate % of Shareholding
Tsai Chao Chung, Charles	Beneficial owner	Personal	4,022	≈0%

(2) Long Positions in the Shares of Associated Corporation
HK Electric Investments and HK Electric Investments Limited

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

Note:

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 (“LKSOFF”). By virtue of the terms of the constituent documents of LKSOFF, 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 LKSOFF; 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.

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 and 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.

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

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

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

(c) Directors' Interests in Competing Businesses

As at the Latest Practicable Date, the interests of Directors in the 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:

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

(d) Common directors

As at the Latest Practicable Date, the following Directors are also directors of certain companies which have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (the “**Relevant Companies**”):

Name of Director	Relevant Companies in which the Director is also a director
Fok Kin Ning, Canning	Cheung Kong Infrastructure Holdings Limited Hutchison International Limited Hutchison Whampoa Limited Cheung Kong (Holdings) Limited CK Hutchison Global Investments Limited CK Hutchison Holdings Limited
Li Tzar Kuoi, Victor	Hyford Limited Cheung Kong Infrastructure Holdings Limited Hutchison International Limited Hutchison Whampoa Limited Cheung Kong (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. Cheung Kong Infrastructure Holdings Limited
Andrew John Hunter	Cheung Kong 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

(a) Qualification of expert

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

Name	Qualification
Platinum Securities Company Limited	Licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

(b) 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 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. CONSENT

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 respectively appear in this circular.

6. MATERIAL ADVERSE CHANGES

The Group is a diversified energy infrastructure investment company with businesses in Hong Kong, the United Kingdom, Australia, Mainland China, New Zealand, Thailand, Canada, the Netherlands and Portugal, and is exposed to potential currency fluctuations in these countries and places in which the Group operates. The results of the Group are recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the

Group's financial position or potential income, asset value and liabilities. To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (i) appropriate level of borrowings denominated in the local currencies; and (ii) entering into forward foreign exchange contract. The Group confirms that it has not entered into any speculative derivative transaction.

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

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

7. DOCUMENTS AVAILABLE FOR INSPECTION

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

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

NOTICE OF 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 of the Shareholders of Power Assets Holdings Limited (the “**Company**”) will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on **Tuesday, 14 March 2017** *(see Note (5))* at 2:15 p.m. 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 Cheung Kong Property Holdings Limited (or, Cheung Kong Property Holdings Limited and Cheung Kong Infrastructure Holdings Limited) on the one hand and the Company on the other hand pursuant to, or in connection with, the Consortium Formation Agreement (as defined and described in the circular of the Company dated 22 February 2017 (the “**Circular**”)) (a copy of the Circular marked “**A**” together with a copy of the Consortium Formation Agreement marked “**B**” have been tabled before the meeting and initialled by the Chairman of the Meeting for the purpose of identification)), including, but not limited to, the formation of a consortium between Cheung Kong Property Holdings Limited, Cheung Kong Infrastructure Holdings Limited (if applicable) and the Company in relation to the Joint Venture Transaction (as defined in the Circular), be and is hereby approved; and
- (b) the directors of the Company, acting collectively and individually, be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he may in his absolute discretion consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the Consortium Formation Agreement and all of the transactions contemplated thereunder.”

By Order of the Board
Alex Ng
Company Secretary

Hong Kong, 22 February 2017

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 General Meeting, the Chairman of the General 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 General 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, Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong, not later than 48 hours before the time for holding the General Meeting. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the General 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 General Meeting (or any adjournment thereof), the register of members of the Company will be closed from Friday, 10 March 2017 to Tuesday, 14 March 2017 (or Wednesday, 15 March 2017 in the event that the General Meeting is to be held on Wednesday, 15 March 2017 because of a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force in Hong Kong (as detailed below)), both days inclusive. In order to qualify for the right to attend and vote at the General 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, not later than 4:30 p.m. on Thursday, 9 March 2017. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
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, 14 March 2017, the General 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, 15 March 2017. 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 General 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 of the Company should make their own decision as to whether they would attend the General 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.