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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in CK Infrastructure Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CK Infrastructure Holdings Limited****長江基建集團有限公司***(Incorporated in Bermuda with limited liability)***(Stock Code: 1038)****CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION****FORMATION OF A JOINT VENTURE  
IN CONNECTION WITH THE PROPOSED ACQUISITION  
BY BIDCO BY WAY OF THE TRUST SCHEMES OF ALL OF  
THE STAPLED SECURITIES IN ISSUE OF APA WHICH ARE LISTED  
ON THE AUSTRALIAN SECURITIES EXCHANGE**

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

**SOMERLEY CAPITAL LIMITED**

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A letter from the Board to the Shareholders is set out on pages 11 to 39 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Joint Venture Transaction is set out on pages 40 and 41 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Joint Venture Transaction is set out on pages 42 to 66 of this circular.

A notice convening the SGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Tuesday, 30 October 2018 at 12:00 noon (or, in the event that a black rainstorm warning signal or tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on Wednesday, 31 October 2018) is set out on pages 77 and 78 of this circular. A form of proxy for the use at the SGM is also enclosed. Whether or not you are able to attend the SGM or any adjournment thereof in person, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it to the Company's principal place of business in Hong Kong at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjournment thereof if you so wish.

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

10 October 2018

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## DEFINITIONS

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

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

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## DEFINITIONS

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<b>“Board”</b>	the board of Directors
<b>“business day(s)”</b>	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
<b>“CKA”</b>	CK Asset Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1113)
<b>“CKA Board”</b>	the board of directors of CKA
<b>“CKA Circular”</b>	has the meaning given to it in paragraph 2.7(i) in the section headed “2. Acquisition – 2.7 Recommendations and undertaking with respect to the CKA Transaction Shareholders’ Approval” in the Letter from the Board
<b>“CKA Group”</b>	CKA and its subsidiaries
<b>“CKA Holdco”</b>	CKA Holdings UK Limited, an indirect wholly-owned subsidiary of CKA which is incorporated under the laws of England and Wales
<b>“CKA Transaction Shareholders’ Approval”</b>	if the Joint Venture Transaction does not proceed, the approval by the shareholders of CKA as required under the Listing Rules for approving the Acquisition as a major transaction for CKA
<b>“CKHH”</b>	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)
<b>“Company”</b>	CK Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
<b>“Company Holdco”</b>	CKI Gas Infrastructure Limited, an indirect wholly-owned subsidiary of the Company which is incorporated under the laws of England and Wales
<b>“connected person”</b>	has the meaning ascribed to such term in the Listing Rules

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## DEFINITIONS

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<b>“Consortium”</b>	CKA, the Company and PAH (until such time as any of them becomes a Non-Continuing Member), and <b>“Consortium Member(s)”</b> shall be construed accordingly
<b>“Consortium Formation Agreement”</b>	the consortium formation agreement dated 12 August 2018 which was entered into between, among others, the Consortium Members, the Consortium Holdcos, the Consortium Midcos, JV Co and Bidco with respect to the direct or indirect subscription for equity interest in JV Co and funding for the Acquisition
<b>“Consortium Holdcos”</b>	CKA Holdco, the Company Holdco and PAH Holdco and <b>“Consortium Holdco”</b> shall be construed accordingly
<b>“Consortium Midcos”</b>	a number of private limited liability companies incorporated under the laws of England and Wales each holding a certain percentage of the equity interest in JV Co and which, together, hold 100% of the equity interest in JV Co and <b>“Consortium Midco”</b> shall be construed accordingly
<b>“Corporations Act”</b>	the Australian Corporations Act 2001 (Cth), as modified by any applicable ASIC relief
<b>“Court”</b>	the Supreme Court of the New South Wales or such other court of competent jurisdiction under the Corporations Act as Bidco and Target RE may agree
<b>“Director(s)”</b>	the director(s) of the Company
<b>“DT1”</b>	The Li Ka-Shing Unity Discretionary Trust, of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT1
<b>“DT2”</b>	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT2
<b>“DT3”</b>	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT3

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## DEFINITIONS

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<b>“DT4”</b>	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary, and the trustee of which is TDT4
<b>“EC Approval”</b>	the European Commission taking a decision (or deemed to have taken a decision) under Article 6(1)(b) of the EU Merger Regulation declaring the Joint Venture Transaction and the Acquisition (or part thereof) compatible with the common market
<b>“End Date”</b>	31 March 2019, or such other date as is agreed by Bidco and Target RE
<b>“Explanatory Memorandum”</b>	the information booklet to be despatched to Target Securityholders which must include a notice of meeting and proxy form for the proposed resolutions to be put to the Target Securityholders as detailed in paragraph 2.3.5 in the section headed “2. Acquisition – 2.3 Conditions to the Trust Schemes” in the Letter from the Board
<b>“FIRB”</b>	the Australian Foreign Investment Review Board
<b>“FIRB Act”</b>	the Foreign Acquisitions and Takeovers Act 1975 (Cth)
<b>“Funding Date”</b>	three business days prior to the implementation date of the Trust Schemes or such other date agreed by the parties to the Consortium Formation Agreement provided that such date is at least two business days before the implementation date of the Trust Schemes
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“IFRS”</b>	the International Financial Reporting Standards
<b>“Implementation Agreement”</b>	the implementation agreement dated 12 August 2018 and entered into by Bidco, the Target, CKA, the Company and PAH in respect of the Trust Schemes

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## DEFINITIONS

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<b>“Independent Board Committee”</b>	the independent board committee of the Board, comprising Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Lan Hong Tsung, David, Mr. Barrie Cook and Mr. Paul Joseph Tighe, being independent non-executive Directors, established to advise the Independent Shareholders on the Joint Venture Transaction
<b>“Independent Expert”</b>	the independent expert appointed by Target RE pursuant to the Implementation Agreement
<b>“Independent Financial Adviser”</b>	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction
<b>“Independent Shareholders”</b>	Shareholders other than those who have a material interest (which is different from that of the other Shareholders) in the Joint Venture Transaction
<b>“Independent Shareholders’ Approval”</b>	the approval of the Independent Shareholders as required under the Listing Rules for approving the Joint Venture Transaction by the Company
<b>“Joint Venture Transaction”</b>	the arrangements contemplated under the Consortium Formation Agreement and the Shareholders’ Agreement to form the Consortium and to effect the Acquisition
<b>“JV Co”</b>	CKM UK Holdings Limited, a private limited liability company, which is incorporated under the laws of England and Wales, and an indirect holding company of Bidco
<b>“JV Transaction Shareholders’ Approvals”</b>	(a) the approval by the shareholders (excluding any shareholders with a material interest in the Joint Venture Transaction) of each of CKA, the Company and PAH as required under the Listing Rules for approving the Joint Venture Transaction as a connected transaction for each of them, and (b) the approval by the shareholders (excluding any shareholders with a material interest in the Joint Venture Transaction) of CKA as required under the Listing Rules for approving the Joint Venture Transaction and the Acquisition by Bidco (as an entity which shares are held as to 60% or 80% by CKA) as major transactions for CKA, in each case by the Approval Determination Date, and each a <b>“JV Transaction Shareholders’ Approval”</b>

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## DEFINITIONS

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<b>“Latest Practicable Date”</b>	3 October 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
<b>“Letter from the Board”</b>	the letter from the Board contained in this circular
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
<b>“Longstop Date”</b>	12 February 2020, being the date falling 18 months after the date of the Consortium Formation Agreement
<b>“Main Board”</b>	the Main Board of the Stock Exchange
<b>“Maximum Financial Commitment”</b>	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
<b>“Non-Continuing Member(s)”</b>	means:  (a) the Company, if one or both of the JV Transaction Shareholders’ Approvals in respect of the Company and CKA is/are not obtained on the Approval Determination Date; and/or  (b) PAH, if one or both of the JV Transaction Shareholders’ Approvals in respect of CKA and PAH is/are not obtained on the Approval Determination Date
<b>“Notice of SGM”</b>	means the notice convening the SGM, as set out on pages 77 and 78 of this circular
<b>“PAH”</b>	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)
<b>“PAH Group”</b>	PAH and its subsidiaries
<b>“PAH Holdco”</b>	PAH Gas Infrastructure Limited, an indirect wholly-owned subsidiary of PAH which is incorporated under the laws of England and Wales

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## DEFINITIONS

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<b>“percentage ratios”</b>	have the meaning ascribed to such term in Chapter 14 of the Listing Rules
<b>“Respective Proportion(s)”</b>	means: <ul style="list-style-type: none"><li>(a) in relation to CKA, 60%;</li><li>(b) in relation to the Company, 20%; and</li><li>(c) in relation to PAH, 20%</li></ul>
<b>“Respective Proportions Determination Side Letter”</b>	a letter agreement dated 5 October 2018 between CKA, the Company and PAH, together with the other parties of the Consortium Formation Agreement, pursuant to which the Respective Proportions and the Revised Respective Proportions have, among other things, been determined and agreed
<b>“Revised Respective Proportion(s)”</b>	means: <ul style="list-style-type: none"><li>(a) in the event that PAH becomes a Non-Continuing Member:<ul style="list-style-type: none"><li>(i) in relation to CKA, 80%; and</li><li>(ii) in relation to the Company, 20%</li></ul></li><li>(b) in the event that the Company becomes a Non-Continuing Member:<ul style="list-style-type: none"><li>(i) in relation to CKA, 80%; and</li><li>(ii) in relation to PAH, 20%</li></ul></li></ul>
<b>“Sale Shares”</b>	have the meaning given to it in paragraph 3.2.6 in the section headed “3. Joint Venture Transaction – 3.2 The Shareholders’ Agreement” in the Letter from the Board
<b>“Scheme Consideration”</b>	the consideration payable by Bidco for the transfer to Bidco of the Target Securities held by a Target Securityholder in accordance with the Implementation Agreement, which is AUD11.00 (equivalent to approximately HK\$63.80) per Target Security
<b>“Second Judicial Advice”</b>	has the meaning given to it in paragraph 2.3.6 in the section headed “2. Acquisition – 2.3 Conditions to the Trust Schemes” in the Letter from the Board

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“SGM”	the special general meeting of the Company to be held on Tuesday, 30 October 2018 at 12:00 noon at the Grand Ballroom, 1st Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong or any adjournment thereof for the purposes of considering and, if thought fit, passing an ordinary resolution to approve the Joint Venture Transaction
“Shareholder(s)”	the holders of Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between the Company, the other Consortium Members, the Consortium Midcos and JV Co to govern the shareholder relationship in JV Co as well as the downstream businesses of the Target
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of HK\$1.00 each
“Special Distribution”	has the meaning given to it in the section headed “2. Acquisition – 2.2 Implementation of the Trust Schemes” in the Letter from the Board
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	the ASX-listed stapled entity known as APA which comprises APT and APTIT, and a reference to “ <b>Target</b> ” is to any one or more of APT or APTIT (as the context requires)
“Target Group”	the Target and its subsidiaries and controlled entities
“Target Joint Venture Entity”	means any entity in which a member (or members, in aggregate) of the Target Group has an ownership interest of less than 100%
“Target RE”	Australian Pipeline Limited, a public company incorporated under the laws of Australia, whose registered office is at Level 25, 580 George Street, Sydney NSW 2000, Australia, in its capacity as the responsible entity of APT and APTIT

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## DEFINITIONS

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<b>“Target Scheme Meetings”</b>	the meeting or meetings of the unitholders of APT and APTIT to consider the Trust Schemes
<b>“Target Securities”</b>	the stapled securities of the Target, each comprising one unit in APT and one unit in APTIT, which are quoted on the ASX (ASX Code: APA)
<b>“Target Securityholders”</b>	each person registered as the holder of Target Securities
<b>“TDT1”</b>	Li Ka-Shing Unity Trustee Corporation Limited, a company incorporated in the Cayman Islands, which is the trustee of DT1
<b>“TDT2”</b>	Li Ka-Shing Unity Trustcorp Limited, a company incorporated in the Cayman Islands, which is the trustee of DT2
<b>“TDT3”</b>	Li Ka-Shing Castle Trustee Corporation Limited, a company incorporated in the Cayman Islands, which is the trustee of DT3
<b>“TDT4”</b>	Li Ka-Shing Castle Trustcorp Limited, a company incorporated in the Cayman Islands, which is the trustee of DT4
<b>“Trust”</b>	DT1, DT2, DT3, DT4, UT1 and UT3, and where the context requires, any of them
<b>“Trust Schemes”</b>	the arrangement, to be implemented in accordance with Australian Takeovers Panel Guidance Note 15 (Trust Scheme Mergers), ASIC Regulatory Guide 74 and facilitated by amendments to the constitutions of APT and APTIT, under which Bidco will acquire all of the Target Securities from Target Securityholders
<b>“Trustee Shares”</b>	1,028,753,254 ordinary shares in the share capital of CKA held by the trustees of the Trust and/or their relevant subsidiaries as at the date of the Implementation Agreement, representing approximately 27.82% of the issued share capital and voting rights in CKA as at that date
<b>“UK Gas Group”</b>	a body with members comprising companies involved in gas investments globally (currently in Australia and the United Kingdom) to provide a discussion forum among its members

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## DEFINITIONS

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<b>“UT1”</b>	The Li Ka-Shing Unity Trust
<b>“UT3”</b>	The Li Ka-Shing Castle Trust
<b>“Voting Undertaking”</b>	has the meaning given to it in paragraph 2.7(ii) in the section headed “2. Acquisition – 2.7 Recommendations and undertaking with respect to the CKA Transaction Shareholders’ Approval” in the Letter from the Board
<b>“%”</b>	per cent

*Note: The figures in “AUD” are converted into HK\$ at a rate of AUD1.00: HK\$5.80 (being the exchange rate used in the Announcement) throughout this circular for indicative purposes only, and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.*

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LETTER FROM THE BOARD

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**CK Infrastructure Holdings Limited**  
**長江基建集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

**Board of Directors**

**Executive Directors**

LI Tzar Kuoi, Victor (*Chairman*)

FOK Kin Ning, Canning

*(Deputy Chairman)*

Frank John SIXT

KAM Hing Lam

*(Group Managing Director)*

IP Tak Chuen, Edmond

*(Deputy Chairman)*

Andrew John HUNTER

*(Deputy Managing Director)*

CHAN Loi Shun

*(Chief Financial Officer)*

CHEN Tsien Hua

**Registered Office**

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

**Independent Non-executive Directors**

CHEONG Ying Chew, Henry

KWOK Eva Lee

SNG Sow-mei alias POON Sow Mei

Colin Stevens RUSSEL

LAN Hong Tsung, David

Barrie COOK

Paul Joseph TIGHE

**Alternate Directors**

CHOW WOO Mo Fong, Susan

*(alternate to FOK Kin Ning, Canning)*

MAN Ka Keung, Simon

*(alternate to IP Tak Chuen, Edmond)*

Eirene YEUNG

*(alternate to KAM Hing Lam)*

**Principal Place of  
Business**

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

**Non-executive Directors**

LEE Pui Ling, Angelina

George Colin MAGNUS

**Company Secretary**

Eirene YEUNG

10 October 2018

Dear Shareholder(s),

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

**1. INTRODUCTION**

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

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## LETTER FROM THE BOARD

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As stated in the Announcement:

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

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

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

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

The purpose of this circular is to:

- (i) provide Shareholders with further information regarding details of the Acquisition and the Joint Venture Transaction;
- (ii) set out the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Joint Venture Transaction;
- (iii) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction;

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## LETTER FROM THE BOARD

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- (iv) give Shareholders the Notice of SGM at which the Independent Shareholders' Approval will be sought; and
- (v) provide Shareholders with other information required under the Listing Rules in connection with the Acquisition and the Joint Venture Transaction.

### 2. ACQUISITION

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

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

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

The principal terms of the Implementation Agreement are as follows:

#### 2.1 The outline of the Trust Schemes

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

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

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## LETTER FROM THE BOARD

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

### 2.2 Implementation of the Trust Schemes

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

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

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

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

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

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## LETTER FROM THE BOARD

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### 2.3 Conditions to the Trust Schemes

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

#### 2.3.1 either:

- (i) the Treasurer of the Commonwealth of Australia (or his delegate) provides a written no objection notification under the FIRB Act to the Acquisition either without conditions or subject only to (a) tax-related conditions which are in the form, or substantially in the form, of those set out in Part A of Attachment A of FIRB Guidance Note 47 on 'Tax Conditions' (in the form released on 24 November 2016) and (b) any conditions that Bidco reasonably considers to be acceptable; or
- (ii) following notice of the Acquisition having been given by Bidco to the Treasurer of the Commonwealth of Australia under the FIRB Act, the Treasurer has ceased to become empowered to make any order under Part 3 of the FIRB Act because the applicable time limited on making orders and decisions under the FIRB Act has expired;

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

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

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## LETTER FROM THE BOARD

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- 2.3.3 ACCC advises Bidco in writing that it does not intend to oppose the Acquisition or does not intend to oppose the Acquisition subject to undertakings, commitments or conditions that Bidco reasonably considers to be acceptable, and that advice has not been withdrawn or revoked;
- 2.3.4 the EC Approval is obtained;
- 2.3.5 the Target Securityholders approve the following resolutions by the requisite majorities at the Target Scheme Meeting in accordance with the Corporations Act:
- (i) in respect of each of APT and APTIT, an ordinary resolution to approve the Acquisition for the purposes of item 7 of section 611 of the Corporations Act including the acquisition of a relevant interest in all the Target Securities by Bidco; and
  - (ii) conditional on the ordinary resolution referred to in sub-paragraph (i) above being duly approved, in respect of each of APT and APTIT, a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve certain amendments to the constitutions of each of APT and APTIT which are required for the implementation of the Trust Schemes;
- 2.3.6 Target RE obtains confirmations from the Court under section 63 of the Trustee Act 1925 (NSW) confirming, amongst other things, that:
- (i) Target RE would be justified in convening the Target Scheme Meeting; and
  - (ii) Target RE would be justified in proceeding to implement the Trust Schemes (the “**Second Judicial Advice**”);
- 2.3.7 the CKA Transaction Shareholders’ Approval is obtained by the date that is seven days before the date of the Target Scheme Meeting;
- 2.3.8 no Court or regulatory authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise prohibiting, materially restricting, making illegal or restraining the implementation of the Trust Schemes, or taken any material enforcement action or announced or commenced any investigation against or involving a member of the Target Group, Bidco or the Consortium Members or any of their subsidiaries, and no such order, decree, ruling, other action or refusal is in effect as at 8:00 a.m. (Sydney time) on the date on which the Second Judicial Advice is obtained;

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## LETTER FROM THE BOARD

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- 2.3.9 the Independent Expert provides the independent expert's report to the Target, stating that in its opinion the Trust Schemes are fair and reasonable and in the best interests of Target Securityholders before the date on which the Explanatory Memorandum is provided to ASIC, and the Independent Expert does not change that opinion or withdraw its independent expert's report prior to the Target Scheme Meeting;
- 2.3.10 none of the "Target Prescribed Events", which are events (including those set out below) specifically set out in the Implementation Agreement, occurs between the date of the Implementation Agreement and 8:00 a.m. (Sydney time) on the date on which the Second Judicial Advice is obtained:
- (i) Target RE converts all or any of the Target Securities into a larger or smaller number of securities, or a resolution is passed to do so;
  - (ii) any member of the Target Group reduces, or resolves to reduce, its capital in any way, or reclassifies, combines, splits or redeems or repurchases directly or indirectly any of its securities, other than to effect a distribution of cash from: (a) a wholly-owned subsidiary of Target to its immediate holding entity or entities within the Target Group; or (b) a Target Joint Venture Entity to its securityholders on a pro rata basis;
  - (iii) any member of the Target Group buys back or agrees to buy back any of its securities, other than for cash consideration payable by: (a) a wholly-owned subsidiary of Target to its immediate holding entity or entities within the Target Group; or (b) a Target Joint Venture Entity to its securityholders on a pro rata basis;
  - (iv) Target RE makes or declares, or announces an intention to make or declare, any distribution in respect of Target Securities (whether by way of dividend, capital reduction or otherwise, and whether in cash or in specie), other than the 30 June 2018 Distribution and any Special Distribution;
  - (v) any member of the Target Group issues or agrees to issue units, equity securities, options over its units or equity securities, or instruments convertible into its units or equity securities, or issues or agrees to issue any other form of equity instrument, other than: (a) to an entity, all the issued shares or units of which are owned by one or more members of the Target Group, or (b) where the issuing entity is a Target Joint Venture Entity, an issuance by the entity to its securityholders on a pro-rata basis (including where the members of the Target Group who directly own an interest in a Target Joint Venture Entity subscribes, on a pro rata basis, for any additional

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## LETTER FROM THE BOARD

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securities as a result of other members in the Target Joint Venture Entity not taking up their full entitlement), to fund the operation of the Target Joint Venture Entity in the ordinary course of its business;

- (vi) Target RE or the Target adopts a new constitution, makes any material change or repeals its respective constitution or a provision of it (other than pursuant to the amendments required for the implementation of the Trust Schemes);
- (vii) any member of the Target Group acquires or disposes of, agrees to acquire or dispose of, or offers, proposes, announces a bid or tenders for, any asset, security, entity, business or undertaking (or similar business arrangement) (each an “**Asset/Business**”):
  - A. of any consideration or value, where the Asset/Business is, or involves assets or securities that are, located or issued outside of Australia; or
  - B. if sub-paragraph A. above does not apply, the total consideration or value of which exceeds AUD50 million (equivalent to approximately HK\$290 million) (either individually or, in the case of related businesses or classes of assets or a series of related transactions, collectively),

other than:

- C. a lease, licence or acquisition of an Asset/Business (other than a security, entity, business or undertaking (or similar business arrangement)) in, or which is used in, the ordinary and usual course of business;
- D. for a development or capital project which is one of the capital projects disclosed, or which is of a type consistent with the types or categories of capital projects disclosed, to Bidco prior to the date of the Implementation Agreement;
- E. the acquisition or disposal of any financial Asset/Business (other than an entity, business or undertaking (or similar business arrangement)) or financial instrument located outside Australia or issued by an entity that is located outside Australia, in each case as part of the Target Group’s treasury management activities in the ordinary course and consistent with past practice;
- F. the transfer of an Asset/Business (other than a security in a member of the Target Group) to or from a member of the Target Group (where no party to the transaction is a Target Joint Venture Entity); or

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## LETTER FROM THE BOARD

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- G. the transfer of a security in a member of the Target Group to or from a member of the Target Group (where no party to the transaction is a Target Joint Venture Entity) that Bidco has given its prior written consent to (such consent not to be unreasonably withheld);
- (viii) any member of the Target Group enters into, or materially varies or terminates, any contract that:
- A. is not consistent with the Target Group's past practice or would reasonably be expected to result in a credit rating downgrade by Moody's Investor Services Limited or S&P Global Ratings of the Target Group;
  - B. generates, or is expected to generate, annual revenue for the Target Group in excess of AUD50 million (equivalent to approximately HK\$290 million) individually, or in excess of AUD150 million (equivalent to approximately HK\$870 million) when aggregated with all related contracts; or
  - C. generates, or is expected to generate, gross annual expenditure for the Target Group in excess of AUD20 million (equivalent to approximately HK\$116 million) individually, or in excess of AUD100 million (equivalent to approximately HK\$580 million) when aggregated with all related contracts,
- other than in relation to capital projects which have been disclosed, or which are of a type consistent with the types or categories of capital projects which have been disclosed, to Bidco prior to the date of the Implementation Agreement;
- (ix) any member of the Target Group enters into any commitments for capital expenditure on capital projects, other than commitments for capital expenditure on capital projects:
- A. under a legally binding contract entered into by a member of the Target Group which has been disclosed to Bidco prior to the date of the Implementation Agreement; or
  - B. which have been disclosed, or which are of a type consistent with the types or categories of capital projects which have been disclosed, to Bidco prior to the date of the Implementation Agreement;

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## LETTER FROM THE BOARD

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- (x) any member of the Target Group takes any action that is intended to result in any asset becoming subject to economic regulation by the Australian Energy Regulator, Economic Regulation Authority Western Australia or a similar body that is material to the Acquisition (taking into account the entirety of the operations of the Target Group);
- (xi) a claim is brought against any member of the Target Group (other than a frivolous or vexatious claim) which will or is likely to have an adverse effect on the Target in excess of AUD50 million (equivalent to approximately HK\$290 million) (excluding any amount recoverable, or reasonably considered to be recoverable, under a contract of insurance to which a member of the Target Group is a party) or if any member of the Target Group becomes the subject of regulatory prosecution that will or is likely to have an adverse effect on the Target in excess of AUD50 million (equivalent to approximately HK\$290 million) (excluding any amount recoverable, or reasonably considered to be recoverable, under a contract of insurance to which a member of the Target Group is a party) (either individually or in the case of related claims or a series of related claims, collectively); or
- (xii) the Target is delisted from ASX or the quotation on ASX of Target Securities is subject to suspension or cessation for five or more business days other than due to, or as a result of, an action taken by Bidco or a Consortium Member or at the request of the Target or Target RE arising from the need to provide information to ASX in connection with acquisition proposals relating to the Target or its material assets,

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

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## LETTER FROM THE BOARD

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

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

which has, has had or is reasonably likely to have, either individually or when aggregated with any event, occurrence or matters of a similar kind or category, the effect of (a) the consolidated net assets (but not including any diminution in intangible assets) of the Target Group, taken as a whole, being reduced by at least AUD500 million (equivalent to approximately HK\$2,900 million) against what it would reasonably be expected to have been but for that event, occurrence or matter; or (b) the consolidated earnings before interest, tax, depreciation and amortisation (excluding the value of any asset value adjustments) of the Target Group being reduced by at least AUD150 million (equivalent to approximately HK\$870 million) per financial year in any two or more financial years, but does not include:

- A. any matter required or permitted by the Implementation Agreement, the Supplemental Deeds Poll or Deed Poll (as defined in the Implementation Agreement), the Acquisition or the transactions contemplated by any of them;
- B. any matter disclosed to Bidco prior to the date of the Implementation Agreement (or which ought reasonably have been expected to arise from a matter, event or circumstance which was so disclosed);
- C. any matter, event or circumstance which arises from:
  - (a) changes in commodity prices, exchange rates or interest rates;
  - (b) general economic, political or business conditions, including material adverse changes or major disruptions to, or fluctuations in, domestic or international financial markets, and acts of terrorism, war (whether or not declared), natural disaster or the like;

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## LETTER FROM THE BOARD

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- (c) changes to accounting standards, laws or policies of a government agency in Australia; or
- (d) any law not in force as at the date of the Implementation Agreement or the application, or any change in the application or interpretation, by any regulatory authority of any law, requirement, obligation, principle, standard, policy, rule, regulation or administrative practice in respect of which any member of the Target Group is required to comply or which otherwise has any direct or indirect impact on a member of the Target Group,

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

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

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

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

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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

### **2.4 Guarantee**

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

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## LETTER FROM THE BOARD

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### 2.5 Exclusivity

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

### 2.6 Target break fee

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

- (i) at least a majority of the directors of Target RE fail to recommend to the Target Securityholders that they vote in favour of the Trust Schemes or, having made such recommendation, withdraw their recommendation or adversely change their recommendation, provided that in each case Bidco has terminated the Implementation Agreement (except where (A) that failure is because the Independent Expert does not give an opinion that the Acquisition is fair and reasonable and in the best interests of the Target Securityholders (other than where the reason for that opinion is a competing transaction); (B) Target RE has validly terminated, or has the right to terminate, the Implementation Agreement due to Bidco being in material and unremedied breach of the Implementation Agreement; or (C) the conditions in section 2.3 above are not satisfied other than as a result of a breach by Target RE of its obligation to use reasonable endeavours to procure satisfaction of such conditions); or
- (ii) a competing transaction is announced or made prior to the date on which the Second Judicial Advice is obtained and is completed within nine months of the Implementation Agreement being entered into.

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

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

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## LETTER FROM THE BOARD

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

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

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

### 2.8 Reverse break fee

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

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

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

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## LETTER FROM THE BOARD

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### 2.9 End Date

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

### 2.10 Recommendation by and voting intentions of directors of Target RE

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

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

## 3. JOINT VENTURE TRANSACTION

### 3.1 The Consortium Formation Agreement

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

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

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

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## LETTER FROM THE BOARD

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

Assuming satisfaction of the other conditions, including EC Approval:

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

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

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

### ***3.1.1 Participation of the Consortium Members – JV Transaction Shareholders' Approvals and EC Approval***

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

If:

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

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## LETTER FROM THE BOARD

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

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

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

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

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

### ***3.1.2 Maximum Financial Commitment***

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

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## LETTER FROM THE BOARD

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

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

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

### **3.1.3 Termination**

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

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

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

### **3.2 The Shareholders' Agreement**

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

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## LETTER FROM THE BOARD

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Members will agree on certain ongoing rights and obligations governing their relationship as ultimate shareholders of JV Co and the management and operation of JV Co and the Target Group upon implementation of the Trust Schemes.

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

### ***3.2.1 Board role and composition***

The business of JV Co shall be managed by its board of directors, who may exercise all the powers of JV Co subject to the terms and provisions of the Shareholders' Agreement, the articles of association or applicable laws. Each Consortium Holdco, through its relevant Consortium Midcos, shall have the right to procure the nomination of one director for appointment on the board of directors of JV Co in respect of each 10% of the shares in JV Co it indirectly owns.

### ***3.2.2 Quorum***

The quorum for the transaction of business at any board meeting of JV Co shall be at least one director indirectly nominated by each relevant Consortium Member (through its Consortium Midco, as shareholder of JV Co) (unless a relevant Consortium Member procures its Consortium Midco to waive the quorum requirement to the extent that it relates to its nominated director(s) or if that Consortium Member, through its Consortium Midco, has a conflict of interest), provided that if a quorum is not present (or ceases to be present) at a board meeting, the board meeting shall be adjourned.

### ***3.2.3 Voting on board resolutions***

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

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

- (i) any change to the dividend and distribution policy;
- (ii) the declaration, determination or payment of any dividend or distribution by JV Co and its wholly-owned subsidiaries other than in accordance with the dividend and distribution policy;

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## LETTER FROM THE BOARD

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

### ***3.2.4 Shareholder Reserved Matters***

In addition, a number of fundamental corporate actions are expressly reserved as shareholder matters. These include, among other things, amendments to JV Co's constitution and (save for certain exceptions) the allotment and issue of share or loan capital by JV Co. JV Co and its wholly-owned subsidiaries cannot take any of these actions unless the resolution is approved by shareholders of JV Co who together hold greater than 85% of the total number of votes held by shareholders of JV Co present and entitled to vote on the resolution.

### ***3.2.5 Dividend and distribution policy***

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

### ***3.2.6 Pre-emption rights***

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

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## LETTER FROM THE BOARD

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### 4. INFORMATION ON THE TARGET GROUP

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

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

- (a) Wallumbilla Gladstone Pipeline, a gas transmission pipeline in Queensland, Australia;
- (b) South West Queensland Pipeline, a gas transmission pipeline in Queensland, Australia;
- (c) Moomba Sydney Pipeline, a gas transmission pipeline in New South Wales, Australia;
- (d) Central West Pipeline, a gas transmission pipeline in New South Wales, Australia;
- (e) Central Ranges Pipeline, a gas transmission pipeline in New South Wales, Australia;
- (f) Victorian Transmission System, a transmission system in Victoria, Australia;
- (g) Dandenong LNG Storage Facility, a gas storage facility in Victoria, Australia;
- (h) Goldfields Gas Pipeline, a gas transmission pipeline in Western Australia, Australia; and
- (i) Diamantina and Leichardt Power Stations, power stations in Queensland, Australia.

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## LETTER FROM THE BOARD

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According to the audited consolidated financial statements of the Target Group for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018 prepared in accordance with Australian Accounting Standards, the Corporations Act and other authoritative pronouncements of the Australian Accounting Standards Board and which comply with the IFRS as issued by the International Accounting Standards Board, the audited consolidated profit before and after income tax of the Target Group for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018 are set out below:

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

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

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

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

### 5. INFORMATION ON THE GROUP

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

### 6. INFORMATION ON THE CKA GROUP

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

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## LETTER FROM THE BOARD

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### 7. INFORMATION ON THE PAH GROUP

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

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

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

The Joint Venture Transaction is consistent with the Company's strategies of holding its investments in global gas assets through the UK Gas Group in the United Kingdom and, more generally, of investing in energy infrastructure opportunities around the world and embracing new growth opportunities through diversification. The Board therefore consider that, subject to the completion of the Acquisition, the respective companies could benefit from the co-operation with the others through the Joint Venture Transaction.

Having considered the above reasons, the Directors (other than Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Lan Hong Tsung, David, Mr. Barrie Cook and Mr. Paul Joseph Tighe, being independent non-executive Directors who are members of the Independent Board Committee established to make recommendations to the Independent Shareholders on the Joint Venture Transaction, and whose views are set out in the "Letter from the Independent Board Committee" in this circular, but including Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel, being the other independent non-executive Directors, each of whom has not been appointed as a member of the Independent Board Committee due to each of them also being an independent non-executive director of CKA) consider that the terms of the Joint Venture Transaction are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Joint Venture Transaction are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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

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## LETTER FROM THE BOARD

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### 9. IMPLICATIONS UNDER THE LISTING RULES

Under the Joint Venture Transaction, as one or more of the applicable percentage ratios of the Company based on the Maximum Financial Commitment of the Group exceeds 5% but all are less than 25%, the Joint Venture Transaction constitutes a discloseable transaction for the Company and is subject to the Company's compliance with the announcement and notification requirements, but is not subject to the shareholders' approval requirement, under Chapter 14 of the Listing Rules. Given that Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor (who is a Director) and the Trust have been deemed as a group of connected persons by the Stock Exchange and they directly and/or indirectly held an aggregate of approximately 32.40% of the issued share capital of CKA as at the Latest Practicable Date, CKA may be regarded as a connected person of the Company under the Listing Rules. Therefore, the Joint Venture Transaction as between CKA and the Company also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Company based on the Maximum Financial Commitment of the Group under the Joint Venture Transaction exceeds 5%, the Joint Venture Transaction as between CKA and the Company is subject to the Company's compliance with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

The Independent Board Committee is required under the Listing Rules to advise the Independent Shareholders in relation to the Joint Venture Transaction after taking into account the advice from the Independent Financial Adviser. Since Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel, being independent non-executive Directors, are also independent non-executive directors of CKA, they were not appointed as members of the Independent Board Committee. As a result, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Lan Hong Tsung, David, Mr. Barrie Cook and Mr. Paul Joseph Tighe, being the remaining independent non-executive Directors, have been appointed to and constitute the Independent Board Committee to advise the Independent Shareholders in relation to the Joint Venture Transaction.

### 10. SGM AND VOTING

The Company will convene the SGM for the Independent Shareholders to consider and, if thought fit, pass an ordinary resolution to approve the Joint Venture Transaction.

A notice convening the SGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Tuesday, 30 October 2018 at 12:00 noon is set out on pages 77 and 78 of this circular.

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## LETTER FROM THE BOARD

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Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. The chairman of the forthcoming SGM will therefore put the ordinary resolution to be proposed at the SGM to be voted by way of a poll pursuant to the Company's Bye-law 66. After the conclusion of the SGM, the results of the poll will be released on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.cki.com.hk](http://www.cki.com.hk).

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

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

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

A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM or any adjourned meeting in person, you are requested to complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and, in such event, the proxy form shall be deemed to be revoked.

### 11. RECOMMENDATIONS

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

Having taken into account the reasons for and benefits of the Joint Venture Transaction as set out in the section headed "8. *Reasons for, and benefits of, the Joint Venture Transaction*" above, the Directors (other than those on the Independent Board Committee, whose views are set out in the Letter from the Independent Board Committee of this circular) consider that the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business of the Company and, the terms of the Joint Venture Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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

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

### **11.2 Recommendation from the Independent Board Committee**

The Independent Board Committee (comprising Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Lan Hong Tsung, David, Mr. Barrie Cook and Mr. Paul Joseph Tighe, being independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders in respect of the Joint Venture Transaction after taking into account the advice from the Independent Financial Adviser. Since Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel, being independent non-executive Directors, are also independent non-executive directors of CKA, they were not appointed as members of the Independent Board Committee.

Your attention is drawn to (i) the Letter from the Independent Board Committee set out on pages 40 and 41 of this circular which contains its recommendation to the Independent Shareholders on the Joint Venture Transaction; and (ii) the Letter from the Independent Financial Adviser set out on pages 42 to 66 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its advice.

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

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## LETTER FROM THE BOARD

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Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Joint Venture Transaction.

### **11.3 Recommendation from the Independent Financial Adviser**

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

Your attention is drawn to the Letter from the Independent Financial Adviser set out on pages 42 to 66 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its advice.

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

## **12. FURTHER INFORMATION**

Your attention is drawn to the Letter from the Independent Board Committee as set out on pages 40 and 41 of this circular, the Letter from the Independent Financial Adviser as set out on pages 42 to 66 of this circular, the additional information as set out in the Appendix of this circular, and the Notice of SGM as set out on pages 77 and 78 of this circular.

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## LETTER FROM THE BOARD

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

Yours faithfully,

For and on behalf of the Board of  
**CK Infrastructure Holdings Limited**  
**LI Tzar Kuoi, Victor**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



# CK Infrastructure Holdings Limited

## 長江基建集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

10 October 2018

*To the Independent Shareholders*

### CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

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

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

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

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

We wish to draw your attention to the “*Letter from the Independent Financial Adviser*” as set out on pages 42 to 66 of the Circular, which contains its advice and recommendation to us and the Independent Shareholders and its recommendation to Independent Shareholders as to how to vote in respect of the ordinary resolution to be proposed at the SGM to approve the Joint Venture Transaction.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the reasons for and benefits of the Joint Venture Transaction as set out in the Circular, the terms of the Joint Venture Transaction, the reasons considered by, and the opinion of, the Independent Financial Adviser as stated in its letter of advice, and the relevant information contained in the Letter from the Board, we are of the opinion that the Joint Venture Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, is on terms which are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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

Yours faithfully,

**KWOK Eva Lee**  
**SNG Sow-mei alias POON Sow Mei**  
**LAN Hong Tsung, David**  
**Barrie COOK**  
**Paul Joseph TIGHE**  
*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



**SOMERLEY CAPITAL LIMITED**

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

10 October 2018

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

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

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Joint Venture Transaction. Details of the Joint Venture Transaction are set out in the circular of the Company dated 10 October 2018 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Joint Venture Transaction comprises the transactions contemplated under (i) the Consortium Formation Agreement dated 12 August 2018 which was entered into between, among others, the Consortium Members, the Consortium Holdcos, the Consortium Midcos, JV Co and Bidco in order to govern the formation of the Consortium; and (ii) the Shareholders' Agreement to be entered into between the relevant Consortium Members, the Consortium Midcos and JV Co to govern, among others, the shareholder relationship in JV Co and the downstream businesses of the Target Group. On 5 October 2018, among others, CKA, the Company and PAH entered into the Respective Proportions Determination Side Letter to determine and agree the final percentages making up the Respective Proportions and the Revised Respective Proportions.

Given Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor (who is a Director) and the Trust have been deemed as a group of connected persons by the Stock Exchange and they directly and/or indirectly held an aggregate of approximately 32.40% of the issued share capital of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

The Independent Board Committee has been formed as required by the Listing Rules to advise the Independent Shareholders in relation to the Joint Venture Transaction. Since Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel, being independent non-executive Directors, are also independent non-executive directors of CKA, they were not appointed as members of the Independent Board Committee. As a result, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei, Mr. Lan Hong Tsung, David, Mr. Barrie Cook and Mr. Paul Joseph Tighe, 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. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Joint Venture Transaction.

During the past two years, Somerley Capital Limited has acted as an independent financial adviser to (i) the Company in relation to the formation of a joint venture between the Group and certain of its connected persons (details of which are set out in the circular issued by the Company dated 22 February 2017), and (ii) Hui Xian Real Estate Investment Trust (stock code: 87001). The past engagements were limited to providing independent advisory services to the relevant entities, for which Somerley Capital Limited received normal professional fees. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Company, the other Consortium Members, the Target or their respective subsidiaries, associated companies or joint ventures that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Group, which we have assumed to be true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have reviewed (i) the Consortium Formation Agreement; (ii) the draft Shareholders' Agreement; (iii) the Implementation Agreement; (iv) the annual report and interim report of the Company for the year ended 31 December 2017 and the six months ended 30 June 2018 respectively; and (v) information contained in the Circular. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information which we have received is sufficient for us to reach our opinion and recommendation as set out in this letter and to justify our reliance on such information. We have, however, not conducted any independent investigation into the business and affairs of the Company, the other Consortium Members, the Target or their respective subsidiaries, associated companies or joint ventures. We have also assumed that all representations contained or referred to in the Circular are true as at the date of the Circular.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

#### **1. Background and reasons**

##### *(i) The Group*

The Group is principally engaged in the development, investment and operation of a number of businesses including energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy, household infrastructure and infrastructure related businesses. Its investments are located in Hong Kong, Mainland China, the United Kingdom, Continental Europe, Australia, New Zealand and North America. The Group recorded total assets of approximately HK\$158.8 billion as at 30 June 2018, with a market capitalisation of approximately HK\$164.9 billion as at the Latest Practicable Date.

In recent years, the Group has continued the expansion of its business portfolio through both organic growth and acquisitions. The Group has made three sizeable acquisitions, including (i) a 40% interest in the DUET Group, an owner and operator of energy utility assets principally in Australia, (ii) a 25% interest in Reliance Home Comfort, a building equipment service provider operating primarily in Canada, and (iii) a 35% interest in ista, an energy management services provider with strong presence in Europe. The Company adopts a conservative approach for potential acquisitions and has stringent investment criteria, that potential targets must be able to provide attractive returns and stable recurring cash flows. The above newly acquired businesses

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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have a solid performance track record, and they generate steady recurrent cash flows for the Group. These investments, as with certain other past investments of the Group, were made with the CKA Group and/or the PAH Group as joint venture partners.

From a geographical perspective, there has been an increasing profit contribution from Group's investment portfolio in Australia, in particular after the acquisition of the DUET Group in 2017. During the first half of 2018, the Group's Australian portfolio contributed profit of approximately HK\$1.2 billion, representing an increase of approximately 37% over the same period in 2017, and approximately 18% of the Group's overall profit for the first half of 2018. A majority of the Group's investments in Australia are energy infrastructure businesses, including majority interests in each of (i) SA Power Networks Partnership, the primary electricity distributor in South Australia, Australia, (ii) Victoria Power Networks Pty Limited, which operates electricity distribution networks in Victoria, Australia, (iii) Australian Gas Networks Limited, one of Australia's largest natural gas distribution and transmission businesses, and (iv) the DUET Group.

As stated in the Company's 2017 annual report, the Group will continue to nurture organic growth of existing businesses and maximise synergies within the global portfolio, and the Group will work with its strategic partners, including the CKA Group and the PAH Group, which have robust financial positions and ample cash on hand, in seizing new and sizeable investment opportunities.

### *(ii) CKA Group and PAH Group*

The CKA Group is a leading multinational corporation and has diverse capabilities with activities encompassing property development and investment, hotel and serviced suite operation, property and project management, joint ventures in infrastructure and utility asset operation and aircraft leasing. As at 30 June 2018, the CKA Group recorded total assets of approximately HK\$458.6 billion, including bank balances and deposits of approximately HK\$55.2 billion.

The PAH Group is principally engaged in investment in energy and utility-related businesses in the United Kingdom, Hong Kong, Australia, New Zealand, Mainland China, Thailand, the Netherlands, Portugal, Canada and the United States. As at 30 June 2018, the PAH Group recorded total assets of approximately HK\$91.0 billion, including bank deposits and cash of approximately HK\$7.0 billion.

Based on our discussions with the management of the Group, the Acquisition is its largest overseas infrastructure business acquisition in recent years in terms of total consideration. The Group has in the past adopted a strategic partnership with the CKA Group and the PAH Group when approaching sizeable potential investments.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

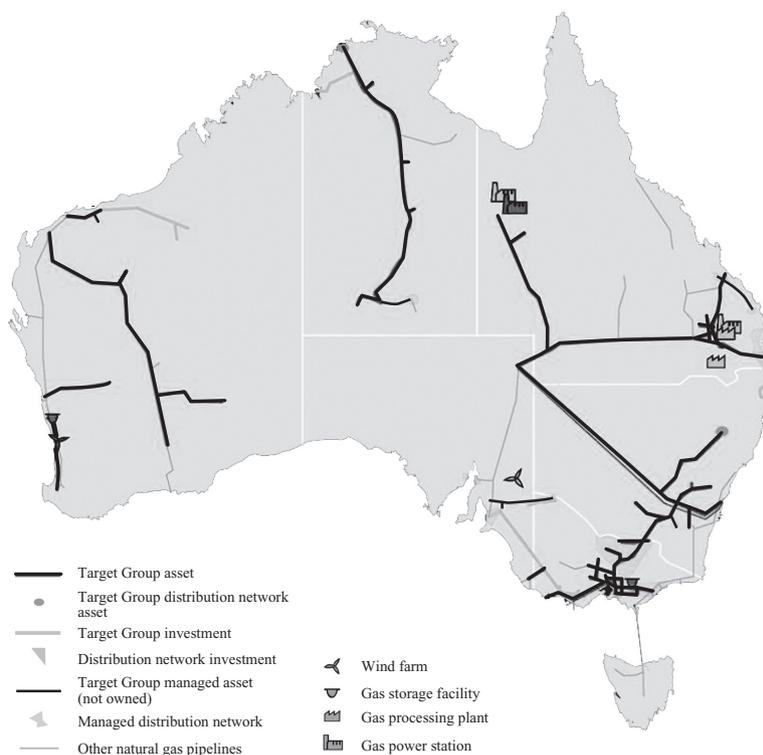
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### *(iii) The Target Group*

The Target Group is a leading Australian energy infrastructure business. It consists of two separate entities, APT and APTIT, the ordinary units in each of which are traded together as stapled securities on the ASX. The principal activities of the Target Group are the ownership and operation of:

- (a) energy infrastructure, comprising gas transmission, gas storage and processing; and gas-fired and renewable energy power generation businesses located across Australia;
- (b) asset management services for the majority of the Target's energy investments and for third parties, including Australian Gas Networks Limited ("AGN"), a company jointly controlled by CKHH, the Company and PAH; and
- (c) energy investments in unlisted entities.

According to the Target's annual report for the financial year ended 30 June 2018 ("**Target FY18 Annual Report**"), the Target has a portfolio of over 15,000 kilometres of gas transmission pipelines, which we understand from the management of the Group to be the largest in Australia. Set out below is a map illustrating the assets currently owned and operated by the Target Group in Australia:



Source: website of the Target

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Major gas transmission pipelines of the Target Group (based on their contributions to the earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of the Target Group), include the Wallumbilla Gladstone Pipeline and the South West Queensland Pipeline in Queensland, and the Moomba Sydney Pipeline in New South Wales. The above pipelines connect natural gas fields in Queensland and Southern Australia to export facilities in Queensland and major cities in New South Wales. As shown in the above map, the Target Group has assets and investments in every major state and territory in mainland Australia.

According to Target FY2018 Annual Report, the Target Group generates stable revenue mainly through long-term negotiated revenue contracts with a weighted average contract tenor of more than 12 years. Around 10% of energy infrastructure revenue was derived from regulated assets for the financial year ended 30 June 2018. The Target Group recorded revenue of approximately AUD2.4 billion, EBITDA of approximately AUD1,518 million, profit attributable to stapled securityholders of approximately AUD265 million, and basic earnings per stapled security of AUD23.3 cents, according to the audited consolidated financial statements of the Target Group for the financial year ended 30 June 2018. The Target Group has been able to achieve growing returns, with its EBITDA gradually increasing from approximately AUD1,269 million for the financial year ended 30 June 2015 to approximately AUD1,518 million for the financial year ended 30 June 2018 as stated above.

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

The Consortium Members believe that the Target’s energy infrastructure assets in Australia represent an attractive opportunity with potential for growth. Given that the Target Group generated stable revenues historically and has secure income from long-term arrangements or revenue contracts, we are of the view that the Acquisition falls within the investment criteria of the Group.

As set out in the Letter from the Board, ACCC announced on 12 September 2018 that it will not oppose the Acquisition subject to binding undertakings given by Bidco and the Consortium Members to dispose of certain assets of the Target Group following completion of the Trust Schemes, namely the Parmelia Gas Pipeline, the Goldfields Gas Pipelines, the Kalgoorlie to Kambalda Pipeline and Mondarra gas storage facility. The Group has informed us that such divestments are not expected to have material impacts on the Target Group’s financial position and performance.

The Company has informed us that some efficiencies are possible through improvements in areas such as asset optimisation, network improvement and safety performance by way of, for example, sharing of technical know-how and experience among different managements at operating level and some cost optimization by running the business as a private company versus a listed entity. In addition, APA is currently the operator of AGN’s gas distribution networks, and there are likely to be efficiencies in streamlining this arrangement under common ownership.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note that the Group, the PAH Group and/or the CKA Group have jointly made investments in energy infrastructure businesses in the past, such as the acquisition of the DUET Group in 2017. Given the past joint venture relationship, the substantial size of the Acquisition and the financial capability of the Group, we consider it would be appropriate for CKA and/or PAH to be a member of the Consortium, so as to maintain the financial resources and gearing of CKI at appropriate levels. More importantly and as set out in the Letter from the Board, CKA is the only bidding party, among the Consortium Members, with the size and immediate resources to make an offer conditional only upon the conditions set out in the section headed “2. Acquisition – 2.3 Conditions to the Trust Schemes” in the Letter from the Board. The Joint Venture Transaction is structured in a way that if the necessary JV Transaction Shareholders’ Approvals in respect of the Company and PAH’s participation in the Joint Venture Transaction cannot be obtained, CKA will, subject to obtaining the CKA Transaction Shareholders’ Approval and the fulfilment of certain conditions, proceed with the Acquisition alone.

### **2. Principal terms of the Joint Venture Transaction**

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

#### ***(i) The Consortium Formation Agreement***

On 12 August 2018, the Company entered into the Consortium Formation Agreement with, among others, the other Consortium Members, the Consortium Midcos, JV Co and Bidco in order to govern the formation of the Consortium, including the funding and operation of JV Co and Bidco for the purposes of the Acquisition, subject to obtaining the necessary JV Transaction Shareholders’ Approvals and the fulfilment of certain conditions. On 5 October 2018, among others, CKA, the Company and PAH entered into the Respective Proportions Determination Side Letter to determine and agree the final percentage making up the Respective Proportions and the Revised Respective Proportions. As at the Latest Practicable Date, Bidco is an indirect wholly-owned subsidiary of JV Co, which is in turn owned by the Consortium Midcos. The Consortium Midcos are wholly-owned by CKA Holdco, a wholly-owned subsidiary of CKA. Subject to the JV Transaction Shareholders’ Approvals in respect of CKA and the Company being both obtained, and assuming satisfaction of the other conditions, including EC Approval, the Group will participate through a 100% ownership of the relevant Consortium Midcos, and so will have a 20% interest in JV Co.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(a) Participation of the Consortium Members*

The SGM for obtaining the necessary JV Transaction Shareholders' Approval in respect of the Company will be held in advance of the Funding Date, which is three business days prior to the implementation date of the Trust Schemes (or such other date agreed by the parties to the Consortium Formation Agreement). The Company has been informed that the extraordinary general meeting of CKA and the general meeting of PAH for the purposes of obtaining their respective necessary JV Transaction Shareholders' Approvals will also be held in advance of the Funding Date. The principal terms of the Consortium Formation Agreement are presented below.

In the event that, prior to the Funding Date:

- (i) the JV Transaction Shareholders' Approvals in respect of CKA and the Company and the EC Approval are obtained, subject to the fulfilment of certain conditions, the Company, through Company Holdco, will acquire the entire issued share capital in the relevant Consortium Midcos from CKA Holdco, so as to allow the Company to hold its final Respective Proportion of interests in JV Co; and
- (ii) the JV Transaction Shareholders' Approvals in respect of CKA and PAH and the EC Approval are obtained, irrespective of whether or not the JV Transaction Shareholders' Approval in respect of the Company is obtained, subject to the fulfilment of certain conditions, PAH will take the steps similar to (i) above.

If the necessary JV Transaction Shareholders' Approvals in respect of both the Company and PAH, or the EC Approval, are not obtained, the Joint Venture Transaction will not proceed, and the Company and PAH will not acquire the entire issued share capital in the relevant Consortium Midcos from CKA Holdco and will not contribute any funding to JV Co as set out above. However, CKA will, subject to obtaining the CKA Transaction Shareholders' Approval and the fulfilment of certain conditions, proceed with the Acquisition alone.

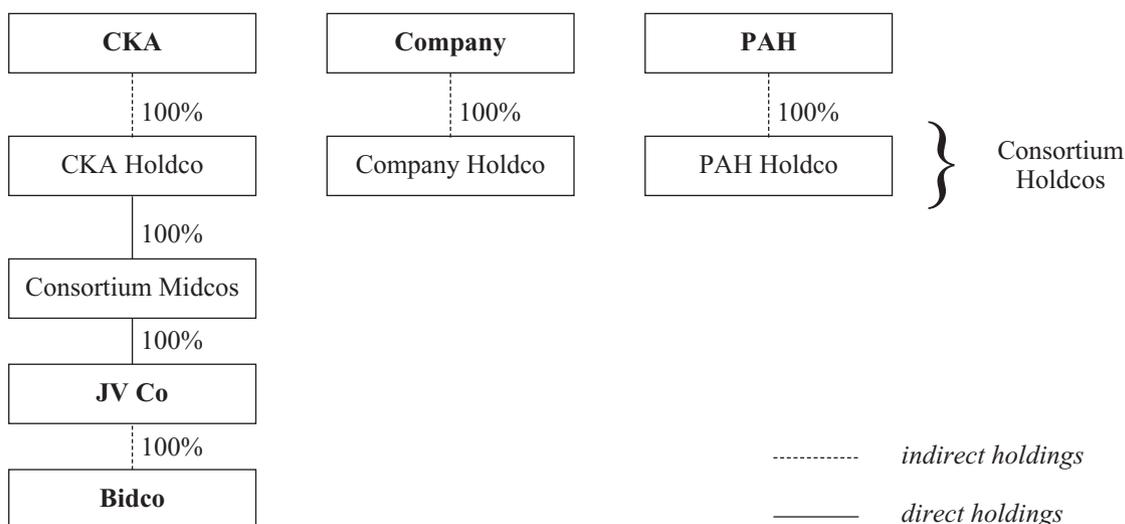
If the JV Transaction Shareholders' Approvals in respect of the Company and/or PAH, and the EC Approval, are obtained, and the conditions precedent to the Trust Schemes becoming effective are satisfied or waived, each relevant Consortium Holdco will contribute its Respective Proportion (or Revised Respective Proportion, as appropriate) of funding to JV Co by subscribing for additional shares in JV Co and/or providing loans to JV Co and/or its wholly-owned subsidiary, which will in turn provide funding to Bidco to satisfy the Scheme Consideration and the transaction costs.

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

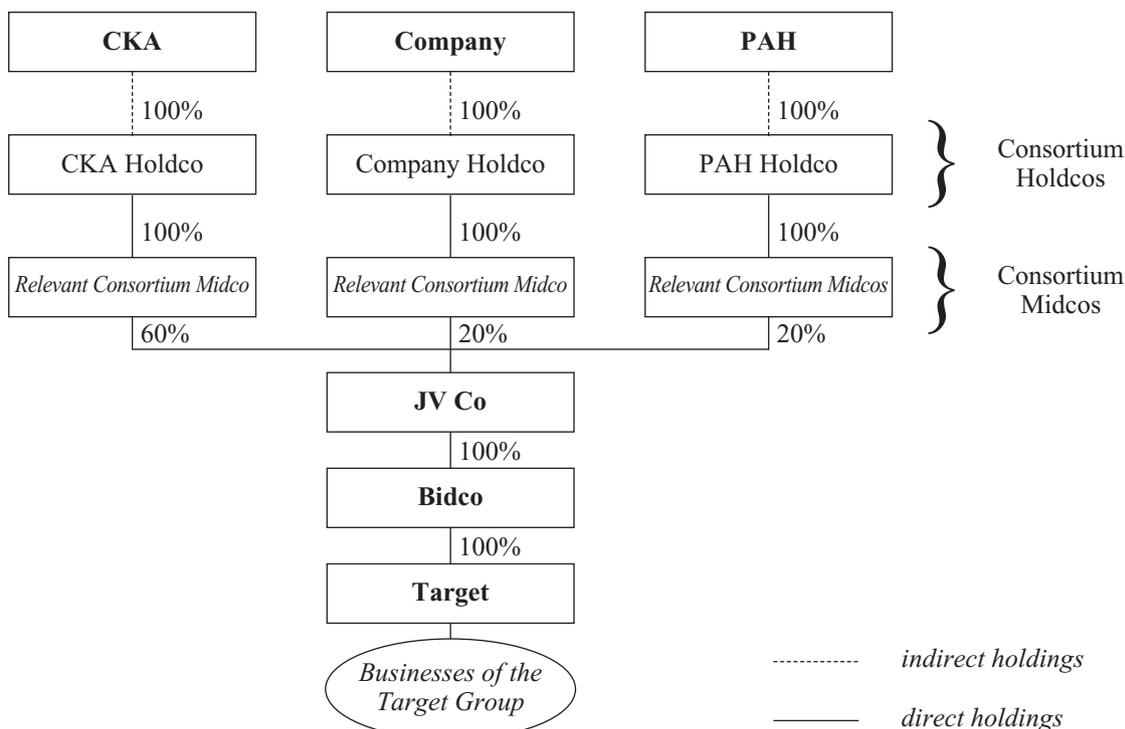
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

As at the Latest Practicable Date:



Upon the Trust Schemes becoming effective:



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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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If all the JV Transaction Shareholders' Approvals and the EC Approval are obtained, JV Co will be indirectly held by CKA, the Company and PAH as to 60%, 20% and 20% respectively, as shown above. Where only the necessary JV Transactions Shareholders' Approvals in respect of CKA and the Company are obtained, JV Co will be indirectly held by CKA and the Company as to 80% and 20% respectively. In other words, provided the JV Transaction Shareholders' Approval in respect of the Company and that of CKA are obtained, the Company will have a 20% interest in the Joint Venture Transaction whether or not PAH participates.

*(b) Maximum Financial Commitment*

If the JV Transaction Shareholders' Approvals in respect of CKA and the Company and the EC Approval are obtained and the Company participates in the Consortium and the Joint Venture Transaction, the Maximum Financial Commitment of the Company will be equal to 20% of the Scheme Consideration and the transaction costs under the Implementation Agreement, which will be approximately AUD2,633 million (equivalent to approximately HK\$15,272 million).

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

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

Where the JV Transaction Shareholders' Approval in respect of the Company is not obtained, the Company will become a Non-Continuing Member, and will not participate in the Joint Venture Transaction.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(c) Termination*

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

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

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

Independent Shareholders should make reference to the section headed "*3. Joint Venture Transaction – 3.1 The Consortium Formation Agreement*" in the Letter from the Board as regards to further details on the Consortium Formation Agreement.

*Our views on the Consortium Formation Agreement*

As at the Latest Practicable Date, the Bidco, JV Co and the Consortium Midcos are all wholly-owned by CKA through its subsidiary, CKA Holdco. The Consortium Formation Agreement governs the funding and operation of the JV Co and its wholly-owned subsidiary, Bidco, for the purpose of the Acquisition. On the assumption that all the JV Transaction Shareholders' Approvals are obtained and certain other conditions are fulfilled, the Company will acquire the entire issued share capital in the relevant Consortium Midco from CKA Holdco, so as to allow the Company to indirectly hold a 20% interest in JV Co, alongside CKA's 60% and PAH's 20% indirect interests. On or before the Funding Date, the Consortium Members will fund the Acquisition in their respective proportions if the Trust Schemes become effective.

For the Company to participate in the Joint Venture Transaction, JV Transaction Shareholders' Approval from both CKA and the Company will be required. If this is achieved, the Company will obtain a 20% indirect interest in

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the JV Co. Otherwise, the Company will become a Non-Continuing Member and will not participate in the Acquisition. The Consortium Formation Agreement is not a pre-requisite for the Acquisition to complete.

The Scheme Consideration, the transaction costs and estimated stamp duty under the Implementation Agreement in aggregate amount to approximately AUD13,166 million (equivalent to approximately HK\$76,363 million). The Maximum Financial Commitment of the Company of approximately AUD2,633 million (equivalent to approximately HK\$15,272 million) is determined on a pro-rata basis based on the Company's potential 20% interest in the JV Co. We consider the pro-rata basis to be a fair principle.

*(ii) The Shareholders' Agreement*

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

Under the terms of the Shareholders' Agreement, the relevant Consortium Members will agree on certain ongoing rights and obligations governing their relationship as ultimate shareholders of JV Co and the management and operation of JV Co and the Target Group upon implementation of the Trust Schemes.

*(a) Board role and composition*

The business of JV Co shall be managed by its board of directors, who may exercise all the powers of JV Co subject to the terms and provisions of the Shareholders' Agreement, the articles of association or applicable laws. Each Consortium Holdco, through its relevant Consortium Midcos, shall have the right to procure the nomination of one director for appointment on the board of directors of JV Co in respect of each 10% of the shares in JV Co it indirectly owns.

*(b) Quorum*

The quorum for the transaction of business at any board meeting of JV Co shall be at least one director indirectly nominated by each relevant Consortium Member (through its Consortium Midco, as shareholder of JV Co) (unless a Consortium Member procures its Consortium Midco to waive the quorum requirement to the extent that it relates to its nominated director(s) or if that Consortium Member, through its Consortium Midco, has a conflict of interest), provided that if a quorum is not present (or ceases to be present) at a board meeting, the board meeting shall be adjourned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(c) Voting on board resolutions*

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

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

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

*(d) Shareholder Reserved Matters*

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(e) Dividend and distribution policy*

Unless otherwise agreed as a shareholder reserved matter of JV Co, the dividend and distribution policy of JV Co and its wholly-owned subsidiaries shall be to 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 credit rating of JV Co and its wholly-owned subsidiaries.

*(f) Pre-emption rights*

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

Independent Shareholders should make reference to the section headed "*3. Joint Venture Transaction – 3.2 The Shareholders' Agreement*" in the Letter from the Board as regards to further details on the Shareholders' Agreement.

*Our views on the Shareholders' Agreement*

The Shareholders' Agreement governs the ongoing rights and obligations of the Consortium Members as ultimate shareholders of the JV Co, and the management and operation of JV Co. It will be entered into following the acquisition of the relevant Consortium Midcos by Company Holdco and/or PAH Holdco (as applicable) in accordance with the Consortium Formation Agreement.

On the assumption that the Company is not a Non-Continuing Member, the Company will have the right to appoint 2 directors of JV Co out of 10, in proportion to its 20% interest in JV Co. Resolutions relating to regular business matters will be made by simple majority, so CKA, by virtue of having the right to appoint 6 out of 10 directors of JV Co, would control the board of JV Co in this context. Resolutions relating to reserved matters, such as a change in dividend and distribution policy, adoption and/or amendment of an annual business plan or the allotment and issue of share or loan capital by JV Co, require a higher approval threshold of 85% of the total number of votes held by directors or shareholders of JV Co. The threshold of 85% effectively means that these important decisions require a unanimous consent of the Consortium Members, including the Company and PAH, each holding 20% of JV Co (assuming the Company and PAH are not Non-Continuing Members). We consider such voting

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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arrangements, including the veto power by each of the Consortium Members on important decisions, afford a reasonable minority protection and are not uncommon features seen in joint venture arrangements.

### 3. The Acquisition

#### *(i) Background to the Trust Schemes*

On 13 June 2018 the Target announced that it has received an unsolicited proposal (the “**Indicative Proposal**”) from a consortium led by the Company to acquire the Target at AUD11.00 per Target Security. Following a due diligence exercise, on 12 August 2018, the Company, the other Consortium Members, Bidco and the Target entered into the Implementation Agreement to acquire all of the Target Securities in issue from the Target Securityholders by way of the Trust Schemes.

The Acquisition and the Implementation Agreement are not conditional on the completion of the Joint Venture Transaction but are conditional upon obtaining the CKA Transaction Shareholders’ Approval and the fulfilment of certain conditions, including certain Australian regulatory approval procedures and approval by the Target Securityholders. On 12 September 2018, ACCC stated that it will not oppose the Acquisition.

#### *(ii) Summary of the principal terms of the Implementation Agreement*

##### *(a) The outline of the Trust Schemes*

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

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

##### *(b) Implementation of the Trust Schemes*

Target RE agrees to take all reasonable steps to implement the Trust Schemes. Bidco and the Consortium Members agree to take all reasonable steps to assist Target RE in the implementation of the Trust Schemes and, if the Trust Schemes become effective, to pay the Scheme Consideration.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Pursuant to an announcement by the Target on 22 August 2018, Target RE shall pay to the Target Securityholders a cash distribution equal to AUD0.24 per Target Security for the six months ended 30 June 2018. If the Trust Schemes are implemented after 31 December 2018, Target RE may pay to the Target Securityholders a cash distribution of up to AUD0.04 per Target Security for each full calendar month between 31 December 2018 up to, and including, the date the Trust Schemes are implemented. No adjustment will be made to the Scheme Consideration payable by Bidco as a result of such distributions.

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

*(c) Conditions to the Trust Schemes*

Each of the Trust Schemes are inter-conditional and shall be implemented at the same time. In order for the Trust Schemes to become effective, conditions precedent, as set out in the Letter from the Board, must be satisfied. The non-waivable conditions precedent are as follows:

- (i) (a) the Treasurer of the Commonwealth of Australia (or his delegate) provides a written no objection notification under the FIRB Act to the Acquisition either without conditions or subject only to (a) tax-related conditions which are in the form, or substantially in the form, of those set out in Part A of Attachment A of FIRB Guidance Note 47 on 'Tax Conditions' (in the form released on 24 November 2016) and (b) any conditions that Bidco reasonably considers to be acceptable; or
- (b) following notice of the Acquisition having been given by Bidco to the Treasurer of the Commonwealth of Australia under the FIRB Act, the Treasurer has ceased to become empowered to make any order under Part 3 of the FIRB Act because the applicable time limited on making orders and decisions under the FIRB Act has expired; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) the Target Securityholders approve the following resolutions by the requisite majorities at the Target Scheme Meeting in accordance with the Corporations Act:
  - (a) in respect of each of APT and APTIT, an ordinary resolution to approve the Acquisition for the purposes of item 7 of section 611 of the Corporations Act including the acquisition of a relevant interest in all the Target Securities by Bidco; and
  - (b) conditional on the ordinary resolution referred to in sub-paragraph (a) above being duly approved, in respect of each of APT and APTIT, a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve certain amendments to the constitutions of each of APT and APTIT which are required for the implementation of the Trust Schemes.

Pursuant to the Implementation Agreement, Bidco and Target RE are required to use their respective reasonable endeavours to satisfy, or procure satisfaction of, the conditions precedent to the Trust Schemes (to the extent such party is responsible for such fulfilment). As at the Latest Practicable Date, among the non-waivable conditions, none of the condition above had been satisfied.

*(d) Guarantee and impact of the JV Transaction Shareholders' Approvals*

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

*(e) Break fees*

Target RE has agreed to pay to Bidco a break fee of AUD130 million (equivalent to approximately HK\$754 million) if, among others, at least a majority of the directors of Target RE fail to recommend to the Target Securityholders to vote in favour of the Trust Schemes, or if a competing

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Bidco has agreed to pay to the Target a reverse break fee of AUD50 million (equivalent to approximately HK\$290 million) if, among others, both of the following occur: (A) CKA has not procured the Voting Undertaking or the trustees of the Trust fail to vote the Trustee Shares in favour of the resolution for the CKA Transaction Shareholders' Approval; and (B) the CKA Transaction Shareholders' Approval is not obtained, or if Target RE validly terminates the Implementation Agreement due to Bidco being in material and unremedied breach of the Implementation Agreement.

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

Independent Shareholders should make reference to the section headed "2. Acquisition" in the Letter from the Board as regards to further details on the Implementation Agreement.

### *(iii) Analysis of the Scheme Consideration*

Pursuant to the Implementation Agreement, if the Trust Schemes become effective, Bidco and the Consortium Members agree to pay the Scheme Consideration of approximately AUD12,979 million (equivalent to approximately HK\$75,278 million). The Scheme Consideration was determined based on the Consortium's valuation of the Target's businesses and forms the basis for our evaluation of the Company's contribution of funding under the Joint Venture Transaction.

#### *(a) Precedent transactions*

We have researched publicly disclosed acquisitions of majority interests in entities and/or assets that are principally engaged or invested in the businesses of transmission and/or distribution of natural gas and/or electricity in Australia (the "**Comparable Transactions**") initially announced in the past three years. We consider the list of Comparable Transactions set out below to be an exhaustive list according to our research based on the above criteria. As the Target Group is principally an owner and operator of energy infrastructure assets, we consider it most appropriate to have regard to the enterprise value ("**EV**") to EBITDA ratio in analysing the Comparable Transactions. We consider the EV/EBITDA ratio the most commonly used metric in evaluating and comparing such entities. The result of our research is as follows:

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Target entity/asset	Size of consideration	EV	EBITDA	EV/EBITDA multiple
		(AUD million) (percentage of interest acquired)	(Note 2) (AUD million)	(Note 3) (AUD million)	
May 2017	Darling Downs Pipeline ("DDP")	392 (100%)	392	Not available	13.0/16.9 (Note 4)
January 2017	DUET Group	7,412 (100%)	13,470	972	13.9
November 2015	TransGrid	10,258 (100%)	10,258	705	14.6
				Mean	14.6
				Median	14.3
				Minimum	13.0
				Maximum	16.9
<b>August 2018</b>	<b>The Target</b>	<b>12,979</b>	<b>22,529</b> (Note 5)	<b>1,518</b>	<b>14.8</b>

*Notes:*

1. *Transaction figures sourced from relevant press releases, public announcements, or regulatory filings*
2. *EV for each transaction represents either (a) the sum of the respective (i) market capitalisation as implied by the equity consideration and (ii) non-controlling interests and borrowings, minus cash and bank deposits, as extracted from the respective latest published financial statements, if available, or (b) the EV, or if not available, the total equity value on the basis of the consideration, as disclosed in or implied by relevant public sources, on or before the announcements of the respective transactions*
3. *EBITDA for each transaction represents either (a) the earnings before net interest expenses, taxes, depreciation and amortisation, as extracted from the respective latest published full year financial statements, if available, or (b) the EBITDA as disclosed in or implied by relevant public sources, on or before the announcements of the respective transactions*
4. *According to the press release from the seller of DDP, the transaction consideration represented EBITDA multiple of 16.9 times, based on the incremental earnings impact to the seller of all firm contracted transport services net of saved operating expenditure. According to the press release from the buyer of DDP, however, the transaction consideration represented EV/EBITDA multiple of approximately 13 times, based on total forecast pipeline revenues and operating expenditures inclusive of synergies. The above two EV/EBITDA ratios have been treated as separate entries for the purpose of our analysis of the Comparable Transactions (including the calculation of mean, median, minimum and maximum). No relevant public disclosure of DDP's EBITDA was identified*
5. *EV of the Target is calculated based on note 2 above, with the market capitalisation being the Scheme Consideration for all Target Securities on the basis of 1,179,893,848 Target Securities in issue as at 30 June 2018*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown above, the EV/EBITDA multiple of the Comparable Transactions ranged from approximately 13.0 times to 16.9 times. The EV/EBITDA multiple of the Target as represented by the Scheme Consideration of approximately 14.8 times is within the range of EV/EBITDA multiples of the Comparable Transactions, and close to the mean and median of approximately 14.6 times and 14.3 times respectively.

*(b) Trading comparables*

We have also carried out a review of Australian listed entities that are principally engaged or invested in the businesses of transmission and/or distribution of natural gas and/or electricity in Australia (the “**Trading Comparables**”). Based on the above criteria, we identified Spark Infrastructure Group (“**Spark**”, stock code: SKI) and AusNet Services Limited (“**AusNet**”, stock code: AST) as comparables. We consider the list of Trading Comparables set out below to be an exhaustive list according to our research based on the above criteria. Details of our findings are as follows:

<u>Entity name</u>	<u>Price per share/security as at the Latest Practicable Date</u>	<u>Market capitalisation as at the Latest Practicable Date</u>	<u>EV</u>	<u>EBITDA</u>	<u>EV/EBITDA multiple</u>
	<i>(AUD)</i>	<i>(AUD million)</i>	<i>(AUD million)</i> <i>(Note 1)</i>	<i>(AUD million)</i> <i>(Note 2)</i>	
Spark <i>(Note 3)</i>	2.260	3,801	9,174	891	10.3
AusNet	1.640	5,928	12,834	1,143	11.2
<b>The Target</b>	<b>11.00</b> <i>(Note 4)</i>	<b>12,979</b> <i>(Note 5)</i>	<b>22,529</b>	<b>1,518</b>	<b>14.8</b>

*Notes:*

1. *EV for each entity represents the sum of the respective (i) market capitalisation as at the Latest Practicable Date and (ii) non-controlling interests and borrowings, minus cash and bank deposits, as extracted from the respective latest published financial statements*
2. *EBITDA for each entity represents the earnings before net interest expenses, taxes, depreciation and amortisation, as extracted from the respective latest published full year financial statements*
3. *Spark holds its principal businesses through investments in associates. Accordingly, EV and EBITDA figures have been derived with reference to its underlying businesses, by adjusting the EV and EBITDA figures for the relevant figures of the associates as disclosed in the financial statements of Spark, multiplied by Spark’s respective percentage interest in each of the investments*
4. *Being the Scheme Consideration per Target Security*
5. *Being the Scheme Consideration for all Target Securities on the basis of 1,179,893,848 Target Securities in issue as at 30 June 2018*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The EV/EBITDA multiple of the Target as represented by the Scheme Consideration is approximately 14.8 times, higher than the EV/EBITDA multiples of Spark and AusNet. We note that this is consistent with past experience, in that the market price of the Target has historically been trading at a premium over the two Trading Comparables. For the past three months up to the last trading day immediately prior to the announcement of the Indicative Proposal, i.e. 13 June 2018, the Target has consistently been trading at higher EV/EBITDA multiples than Spark and AusNet, with an average of approximately 19%, indicating that investors value the Target at a premium rating.

In addition, the market capitalisations of the listed Trading Comparables represent a valuation for small stakes traded in the stock market, without any ability to exert control or significant influence over the business. As the Consortium is acquiring all the Target Securities and therefore full control of the Target, a control premium is incorporated in the Scheme Consideration. Assuming the Company participates in the Joint Venture Transaction and the Acquisition is completed, the Group will have a significant influence over the Target through its 20% equity interest and its board representation on JV Co. On this basis, we consider it reasonable that the implied EV/EBITDA multiple of the Target should be higher than for small stakes in the listed Trading Comparables, reflecting a greater level of influence.

Shareholders should note that the Target and its ultimate beneficial owners are third parties independent of the Group. Consequently, the terms of the Implementation Agreement, including the Scheme Consideration, were negotiated on an arm's length basis.

Based on the above, and the potential growth opportunities that the Target Group is expected to bring in conjunction with the Group's existing energy infrastructure businesses in Australia, we consider the Scheme Consideration to be reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

#### (i) *Net assets and earnings*

Assuming the necessary JV Transaction Shareholders' Approvals in respect of both CKA and the Company and the EC Approval are obtained, the Company will participate in the Consortium and the Joint Venture Transaction and, subject to the Trust Schemes becoming effective, own a 20% interest in the Target. It is expected that the Target will be accounted for as a joint venture by the Company in its consolidated financial statements. Accordingly, the results and assets and liabilities of the Target will be incorporated in the Company's consolidated financial statements using the equity method of accounting.

The profit attributable to stapled securityholders of the Target increased in the past three years, with approximately AUD179 million (equivalent to approximately HK\$1,038 million), AUD237 million (equivalent to approximately HK\$1,375 million), AUD265 million (equivalent to approximately HK\$1,537 million) recorded in the financial years ended 30 June 2016, 2017 and 2018 respectively, based on the audited consolidated financial statements of the Target Group for the financial years ended 30 June 2016, 2017 and 2018. On this basis and given the consistently profitable results of the Target Group, the Group's acquisition of a 20% interest in the Target is expected to bring an immediate profit contribution to the Group.

#### (ii) *Financing of the Maximum Financial Commitment and gearing*

Pursuant to the Consortium Formation Agreement, assuming the JV Transaction Shareholders' Approvals in respect of CKA and the Company and the EC Approval are obtained, subject to the fulfilment of certain conditions, the Maximum Financial Commitment to be contributed by the Group will be approximately AUD2,633 million (equivalent to approximately HK\$15,272 million). Apart from this, we understand from management of the Group that there is no immediate plan or requirement for any further capital contribution by the Consortium Members to the Target Group. The Company intends to finance the Maximum Financial Commitment from its internal resources and/or external borrowings.

As at 30 June 2018, bank balances and deposits of the Group amounted to HK\$9,620 million, and the total borrowings of the Group amounted to HK\$31,342 million. As disclosed in the Company's 2018 interim report, a substantial proportion of the above-mentioned borrowings as at 30 June 2018 are repayable between 2019 and 2022 and/or beyond 2022. The net debt position of the Group amounted to HK\$21,722 million, and the net debt to net total capital ratio (being net debt divided by the sum of net debt and total equity) was approximately 15.2% as at 30 June 2018, representing a decrease of approximately 2.4 percentage points when compared to the position as at 31 December 2017. We consider this level of gearing to be healthy for an infrastructure group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Separately, we note that the Company published an announcement on 31 August 2018 that the Group agreed to pay a consideration of approximately US\$917.2 million (equivalent to approximately HK\$7,200 million) to the CKHH Group in exchange for 30% of the economic benefits in a portfolio of infrastructure assets comprising businesses owned and carried on by the CKHH Group (the “**Economic Benefits Agreement**”). Despite the potential cash outflow arising from the Acquisition and the Economic Benefits Agreement, with the Company’s recently upgraded “A” credit rating from Standard & Poor as announced on 21 September 2018, a track record of strong net cash inflow from operating activities and a healthy gearing level as an infrastructure group, we do not foresee material difficulties for the Group to draw down existing borrowings or obtaining new borrowings to meet the Maximum Financial Commitment when it falls due. The Group adopts conservative treasury policies and cash and financial management, and has been able to secure sufficient financing in the past to fund its acquisitions. Despite the general trend of raising interest rates, the recently upgraded credit rating enables the Group to obtain external borrowings at favourable financing terms. For the financial year ended 30 June 2018, the Target Group generated operating cash flow (defined as net cash from operation after interest and tax payments) of approximately AUD90.7 cents per stapled security, and distributed to the Target Securityholders AUD45.0 cents per stapled security. Based on the Scheme Consideration of AUD11.0 per stapled security, the implied operating cash flow yield and distribution yield are approximately 8.2% and 4.1% respectively. According to the management of the Group, given its healthy gearing level and current credit rating as stated above, it is expected that the Group will obtain favourable financing terms at an interest rate lower than the implied distribution yield to fund the Acquisition.

### DISCUSSION OF THE PRINCIPAL FACTORS AND REASONS

#### *The Acquisition is in line with the Company’s investment strategy*

The Company has been making sizeable acquisitions and expanding its global footholds in recent years, notably with the 2017 acquisitions of DUET, Reliance Home Comfort and ista, all of which have track records of generating recurrent cash flows and are able to provide immediate profit contributions to the Group. The Target is an owner and operator of energy infrastructure assets in Australia with a number of gas transmission pipelines and other related assets in its asset portfolio, which generates revenues mainly through long-term negotiated revenue contracts. We consider the Acquisition represents another move, more significant in terms of transaction size, by the Group in line with its existing holdings in Australia and its investment strategies to invest in global energy infrastructure assets with steady revenue streams, and to embrace new growth opportunities through diversification. Drawing on experience from its other energy infrastructure investments in Australia, the Group will be able to capitalise on its thorough understanding of the operating environment in Australia.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Terms of the Joint Venture Transaction*

The Joint Venture Transaction represents arrangements to form the Consortium between CKA, the Company and PAH as contemplated under (i) the Consortium Formation Agreement and (ii) the Shareholders' Agreement, for the purpose of effecting the Acquisition. The Company is familiar with this transaction structure, with similar ones utilised in the acquisition of DUET and ista with CKA and/or PAH. The Consortium Formation Agreement regulates the way the Consortium Members will participate in the project, the JV Transaction Shareholders' Approvals required, and the amount of funding to be committed by each Consortium Member. Funding obligations, including transaction costs, are in the same proportion as shareholdings. The Company is expected to be interested in 20% of JV Co, with the Maximum Financial Commitment of approximately HK\$15.3 billion.

The principal terms of the Shareholders' Agreement, to be entered into at a later stage, relate to membership of the board of directors of JV Co and general management of JV Co. On the assumption that the Company is not a Non-Continuing Member, the Company has the right to appoint two board members out of ten, based on its 20% indirect interest in JV Co. A number of reserved matters require approvals of directors and/or shareholders holding more than 85% of JV Co. This effectively means that the Company (and PAH), holding 20% of JV Co, can block certain actions even if CKA supports them. We consider this to be a reasonable protection to the Company.

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

### *Valuation of the Target and financial effect to the Group*

The Scheme Consideration payable for the Target has been negotiated at arm's length with independent third parties. The Scheme Consideration is, in our view, in line with the Comparable Transactions in Australia which we have been able to identify. Looking at the Trading Comparables, we consider the premium as represented by the Scheme Consideration over the Target's listed peers is justified by the Target's superior trading performance in the past and the Company's ability to exert a significant influence over the Target.

The Group had a net gearing position of approximately 15.2% as at 30 June 2018, which we consider to be healthy for an infrastructure company. The Group is expected to be able to meet its financial commitment of approximately HK\$15.3 billion from internal resources and/or external borrowings, which we consider realistic based on its strong credit profile and its fund-raising capability in the past.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OPINION AND RECOMMENDATION

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

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

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

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

*Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited. He has over ten years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. INTERESTS OF DIRECTORS

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

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

#### 2.1.1 Long Position in Shares

Name of Company	Name of Director	Capacity	Number of Ordinary Shares / Share Stapled Units				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
The Company	Li Tzar Kuoi, Victor	Interest of child or spouse & beneficiary of trusts	-	227,000	-	5,428,000 (Note 1)	5,655,000	0.21%
	Kam Hing Lam	Beneficial owner	100,000	-	-	-	100,000	0.003%
CK Hutchison Holdings Limited	Li Tzar Kuoi, Victor	Beneficial owner, interest of child or spouse, interest of controlled corporations & beneficiary of trusts	220,000	405,200	2,572,350 (Note 3)	1,160,195,710 (Note 2)	1,163,393,260	30.16%
	Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	-	-	108,400	0.002%
	Fok Kin Ning, Canning	Interest of controlled Corporation	-	-	5,111,438 (Note 8)	-	5,111,438	0.13%
	Frank John Sixt	Beneficial owner	136,800	-	-	-	136,800	0.003%
	Lan Hong Tsung, David	Beneficial owner	13,680	-	-	-	13,680	0.0003%
	Lee Pui Ling, Angelina	Beneficial owner	111,334	-	-	-	111,334	0.002%

Name of Company	Name of Director	Capacity	Number of Ordinary Shares / Share Stapled Units				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	85,361	16,771	–	833,868 (Note 9)	936,000	0.02%
	Chow Woo Mo Fong, Susan	Beneficial owner	129,960	–	–	–	129,960	0.003%
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	9,895 (Note 10)	11,895 (Note 10)	–	–	11,895	0.0003%
Power Assets Holdings Limited	Kam Hing Lam	Interest of child or spouse	–	100,000	–	–	100,000	0.004%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	–	–	–	8,800	0.0004%
HK Electric Investments and HK Electric Investments Limited	Li Tzar Kuoi, Victor	Interest of controlled corporations	–	–	7,870,000 (Note 5)	–	7,870,000	0.08%
	Kam Hing Lam	Interest of child or spouse	–	1,025,000	–	–	1,025,000	0.01%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	2,000,000 (Note 8)	–	2,000,000	0.02%
	Lee Pui Ling, Angelina	Beneficial owner	2,000	–	–	–	2,000	0.00002%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	–	1,000,000 (Note 8)	–	5,100,000	0.037%
	Frank John Sixt	Beneficial owner	1,000,000	–	–	–	1,000,000	0.007%
Hutchison Telecommunications Hong Kong Holdings Limited	Li Tzar Kuoi, Victor	Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	–	192,000	2,764,796 (Note 7)	153,280 (Note 6)	3,110,076	0.06%
	Fok Kin Ning, Canning	Interest of controlled corporation	–	–	1,202,380 (Note 8)	–	1,202,380	0.025%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	–	–	13,333	0.0003%
	Chow Woo Mo Fong, Susan	Beneficial owner	250,000	–	–	–	250,000	0.005%
Hutchison China MediTech Limited	Fok Kin Ning, Canning	Interest of child or spouse	–	26,740	–	–	26,740	0.04%

### 2.1.2 Long Positions in Underlying Shares

Name of Company	Name of Director	Capacity	Number of Underlying Shares				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Telecommunications Hong Kong Holdings Limited	Frank John Sixt	Beneficial owner	255,000 (Note 11)	–	–	–	255,000

## 2.1.3 Long Positions in Debentures

Name of Company	Name of Director	Capacity	Amount of Debentures				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Whampoa International (09) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	-	-	US\$45,792,000 7.625% Notes due 2019 (Note 4)	-	US\$45,792,000 7.625% Notes due 2019
CK Hutchison Capital Securities (17) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	-	-	US\$38,000,000 Subordinated Guaranteed Perpetual Capital Securities (Note 4)	-	US\$38,000,000 Subordinated Guaranteed Perpetual Capital Securities

*Notes:*

- (1) The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of the trustees of DT1 and DT2 holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. Li Ka-Shing Unity Trustee Company Limited (“**TUT1**”) as trustee of UT1 holds a total of 5,428,000 shares of the Company.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited (“**Unity Holdco**”). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

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

- (2) The 1,160,195,710 shares in CKHH comprise:
- 1,003,380,744 shares held by TUT1 as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings (“**TUT1 related companies**”). By virtue of being a director of the Company and a discretionary beneficiary of each of DT1 and DT2 as described in Note 1 above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of CKHH held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.
  - 72,387,720 shares held by Li Ka-Shing Castle Trustee Company Limited (“**TUT3**”) as trustee of UT3 together with certain companies which TUT3 as trustee of UT3 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings (“**TUT3 related companies**”). The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of the trustees of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust.

The entire issued share capital of TUT3 and of the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited (“**Castle Holdco**”). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of CKHH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when

performing its functions as trustee, exercises its power to hold interests in the shares of CKHH independently without any reference to Castle Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid.

By virtue of the above and as a director of the Company and a discretionary beneficiary of each of DT3 and DT4, Mr. Li Tzar Kuoi, Victor is also taken to have a duty of disclosure in relation to the said 72,387,720 shares of CKHH held by TUT3 as trustee of UT3 and TUT3 related companies under the SFO.

- (c) 84,427,246 shares held by a company controlled by Li Ka-Shing Castle Trustee Corporation Limited as trustee of DT3.
- (3) The 2,572,350 shares in CKHH comprise:
- (a) 2,272,350 shares held by certain companies in which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
  - (b) 300,000 shares held by Li Ka Shing Foundation Limited (“**LKSF**”). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (4) Such interests are held by certain companies of which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (5) The 7,870,000 share stapled units in HK Electric Investments and HK Electric Investments Limited comprise:
- (a) 2,700,000 share stapled units held by a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation (“**LKSOF**”). By virtue of the terms of the constituent documents of LKSOF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF.
  - (b) 5,170,000 share stapled units held by LKSF. By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (6) 153,280 shares in Hutchison Telecommunications Hong Kong Holdings Limited (“**HTHK**”) are held by TUT3 as trustee of UT3. By virtue of being a director of the Company and discretionary beneficiary of each of DT3 and DT4 as described in Note 2(b) above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said 153,280 shares of HTHK held by TUT3 as trustee of UT3 under the SFO.
- (7) The 2,764,796 shares in HTHK comprise:
- (a) 2,519,250 shares held by certain companies in which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
  - (b) 245,546 shares held by LKSOF. By virtue of the terms of the constituent documents of LKSOF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF.
- (8) Such interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.
- (9) Such interests comprise 184,000 shares held by a company controlled by a trust under which Mr. George Colin Magnus is a discretionary beneficiary and 649,868 shares indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.
- (10) Such 9,895 shares are jointly held by Mr. Man Ka Keung, Simon and his wife, the remaining 2,000 shares are held by his wife.
- (11) Such underlying shares are derived from the 17,000 American Depositary Shares (each representing 15 ordinary shares) in HTHK beneficially owned by Mr. Frank John Sixt.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## **2.2 Interests in assets, contracts or arrangements of the Group**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited 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 was significant in relation to the business of the Group taken as a whole.

## **2.3 Competing Businesses**

### **2.3.1 Core Business Activities of the Group**

The core business activities of the Group comprise the following:

- (1) development, investment and operation of energy infrastructure;
- (2) development, investment and operation of transportation infrastructure;
- (3) development, investment and operation of water infrastructure;
- (4) development, investment and operation of waste management and waste-to-energy businesses;
- (5) development, investment and operation of household infrastructure;
- (6) development, investment and operation and commercialisation of infrastructure related business;
- (7) investment holding and project management; and
- (8) securities investment.

### 2.3.2 Interests in Competing Businesses

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

<u>Name of Director</u>	<u>Name of Company</u>	<u>Nature of Interest</u>	<u>Competing Business (Note)</u>
Li Tzar Kuoi, Victor	CK Asset Holdings Limited	Chairman and Managing Director	(1), (2) and (5)
	CK Hutchison Holdings Limited	Chairman and Group Co-Managing Director	(1), (2), (3), (4) and (7)
	Power Assets Holdings Limited	Non-executive Director	(1), (4), (7) and (8)
	HK Electric Investments and HK Electric Investments Limited	Non-executive Director and Deputy Chairman	(1) and (7)
	CK Life Sciences Int’l., (Holdings) Inc.	Chairman	(8)
	Husky Energy Inc.	Co-Chairman	(1)
Kam Hing Lam	CK Asset Holdings Limited	Deputy Managing Director	(1), (2) and (5)
	CK Hutchison Holdings Limited	Deputy Managing Director	(1), (2), (3), (4) and (7)
	CK Life Sciences Int’l., (Holdings) Inc.	President and Chief Executive Officer	(8)
Ip Tak Chuen, Edmond	CK Asset Holdings Limited	Deputy Managing Director	(1), (2) and (5)
	CK Hutchison Holdings Limited	Deputy Managing Director	(1), (2), (3), (4) and (7)
	CK Life Sciences Int’l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(8)
Fok Kin Ning, Canning	CK Hutchison Holdings Limited	Group Co-Managing Director	(1), (2), (3), (4) and (7)
	Power Assets Holdings Limited	Chairman	(1), (4), (7) and (8)
	HK Electric Investments and HK Electric Investments Limited	Chairman	(1) and (7)
	Hutchison Telecommunications Hong Kong Holdings Limited	Chairman	(7)
	Husky Energy Inc.	Co-Chairman	(1)
Andrew John Hunter	Power Assets Holdings Limited	Executive Director	(1), (4), (7) and (8)

<u>Name of Director</u>	<u>Name of Company</u>	<u>Nature of Interest</u>	<u>Competing Business (Note)</u>
Chan Loi Shun	Power Assets Holdings Limited	Executive Director	(1), (4), (7) and (8)
	HK Electric Investments and HK Electric Investments Limited	Executive Director	(1) and (7)
Frank John Sixt	CK Hutchison Holdings Limited	Group Finance Director and Deputy Managing Director	(1), (2), (3), (4) and (7)
	HK Electric Investments and HK Electric Investments Limited	Alternate Director	(1) and (7)
	TOM Group Limited Husky Energy Inc.	Non-executive Chairman Director	(7) and (8) (1)
Lee Pui Ling, Angelina	TOM Group Limited	Non-executive Director	(7) and (8)
	Henderson Land Development Company Limited	Non-executive Director	(1), (2) and (7)
George Colin Magnus	CK Hutchison Holdings Limited	Non-executive Director	(1), (2), (3), (4) and (7)
	Husky Energy Inc.	Director	(1)
Chow Woo Mo Fong, Susan	CK Hutchison Holdings Limited	Non-executive Director	(1), (2), (3), (4) and (7)
	HK Electric Investments and HK Electric Investments Limited	Alternate Director	(1) and (7)
Man Ka Keung, Simon	Vermillion Aviation Holdings Limited	Director	(2)
Eirene Yeung	Accipiter Holdings Designated Activity Company	Director	(2)

*Note: Such Businesses may be conducted through subsidiaries, associated companies or by way of other forms of investments. Please refer to “2.3.1 Core Business Activities of the Group” above for the types of the Competing Businesses.*

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

## 2.4 Common directors

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

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

## 3. DIRECTORS’ SERVICE CONTRACTS

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

#### 4. EXPERT

##### 4.1 Qualification of expert

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

<b>Name</b>	<b>Qualifications</b>
Somerley Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

##### 4.2 Interests of expert

As at the Latest Practicable Date, Somerley Capital Limited was not interested in any securities of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, and Somerley Capital Limited did not have any direct or indirect interest in any assets which had been, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

#### 5. CONSENT

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

#### 6. MATERIAL ADVERSE CHANGES

The Group is a diversified infrastructure investment company with businesses in Hong Kong, Mainland China, the United Kingdom, Continental Europe, Australia, New Zealand and North America, and is exposed to potential currency fluctuations in these countries and places in which the Group operates. The results of the Group are recorded in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's financial position or results of operations, asset value and liabilities. To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (i) currency swaps and (ii) appropriate level of borrowings denominated in the local currencies. The Group has not entered into any speculative derivative transactions.

The fluctuations in currencies and in particular, the unclear outcome of the negotiations of the United Kingdom to leave the European Union which may lead to fluctuations in pound sterling, will have impact on all businesses in the market that have exposure in the United Kingdom and/or to pound sterling. While the Company is not immune from such impact, there is no material change beyond market expectation.

After taking into account the above, the Directors confirm that there have been no material adverse changes in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Linklaters at 10th Floor, Alexandra House, Chater Road, Hong Kong on any weekday, except Saturdays, Sundays and public holidays, during the period of 14 days from the date of this circular:

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

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## NOTICE OF SGM

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# CK Infrastructure Holdings Limited 長江基建集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of CK Infrastructure Holdings Limited (the “**Company**”) will be held at the Grand Ballroom, 1st Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Tuesday, 30 October 2018 at 12:00 noon (or, in the event that a black rainstorm warning signal or tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on Wednesday, 31 October 2018) for the purpose of considering and, if thought fit, passing with or without amendment the following resolution as an ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the connected transaction that is contemplated between the Company and its subsidiaries with CK Asset Holdings Limited and its subsidiaries pursuant to, and in connection with, the Consortium Formation Agreement (a copy of the circular of the Company dated 10 October 2018 (the “**Circular**”) marked “**A**” together with a copy of the Consortium Formation Agreement marked “**B**” having been tabled before the meeting and initialled by the Chairman of the Meeting for the purpose of identification), including, but not limited to, the formation of a consortium with CK Asset Holdings Limited, the Company and (if applicable) Power Assets Holdings Limited in relation to the Joint Venture Transaction, be and is hereby approved; and
- (b) the directors of the Company, acting collectively and individually, be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the above resolution and all of the transactions contemplated thereunder.”

By Order of the Board

**Eirene YEUNG**

*Company Secretary*

10 October 2018

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## NOTICE OF SGM

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*Notes:*

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this notice.
2. At the Meeting, the Chairman of the Meeting will put the above resolution to be voted by way of a poll under the Company's Bye-law 66.
3. Any member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. Any such member who is a holder of two or more Shares may appoint more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
4. To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's principal place of business in Hong Kong at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof (as the case may be).
5. Completion and return of the proxy form will not preclude a member from attending and voting in person at the Meeting or any adjournment thereof (as the case may be) should the member so desires, and, in such event, the proxy form shall be deemed to be revoked.
6. For the purpose of determining the entitlement to attend and vote at the Meeting, the Register of Members of the Company will be closed from Thursday, 25 October 2018 to Tuesday, 30 October 2018 (or Wednesday, 31 October 2018 in the event that the Meeting is to be held on Wednesday, 31 October 2018 because of a black rainstorm warning signal or tropical cyclone warning signal no. 8 or above is in force in Hong Kong (as detailed in note 7 below)), both days inclusive, during which period no transfer of Shares will be effected. In order to be entitled to attend and vote at the Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 24 October 2018.
7. The Meeting will be held at 12:00 noon on Tuesday, 30 October 2018 as scheduled regardless of whether or not an amber or red rainstorm warning signal or a tropical cyclone warning signal no. 3 or below is in force in Hong Kong at any time on that day.

However, if a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 9:00 a.m. on Tuesday, 30 October 2018, the Meeting will not be held on that day but will be automatically postponed and, by virtue of this notice, be held at the same time and place on Wednesday, 31 October 2018 instead.

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

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

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

*This circular (both English and Chinese versions) (“Circular”) has been posted on the Company’s website at [www.cki.com.hk](http://www.cki.com.hk). Shareholders who have chosen (or are deemed to have consented) to read the Company’s corporate communications (including but not limited to the Circular) published on the Company’s website in place of receiving printed copies thereof may request the printed copy of the Circular in writing to the Company c/o the Company’s Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong or by email to [cki.ecom@computershare.com.hk](mailto:cki.ecom@computershare.com.hk).*

*Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company’s website and who for any reason have difficulty in receiving or gaining access to the Circular posted on the Company’s website will upon request in writing to the Company c/o the Company’s Branch Share Registrar or by email to [cki.ecom@computershare.com.hk](mailto:cki.ecom@computershare.com.hk) promptly be sent the Circular in printed form free of charge.*

*Shareholders may at any time choose to change your choice as to the means of receipt (i.e. in printed form or by electronic means through the Company’s website) and/or the language of the Company’s corporate communications by reasonable prior notice in writing to the Company c/o the Company’s Branch Share Registrar or sending a notice to [cki.ecom@computershare.com.hk](mailto:cki.ecom@computershare.com.hk).*

*Shareholders who have chosen to receive printed copy of the corporate communications in either English or Chinese version will receive both English and Chinese versions of the Circular since both language versions are bound together into one booklet.*