
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Cheung Kong Property 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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CHEUNG KONG PROPERTY HOLDINGS LIMITED **長江實業地產有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1113)

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

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

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

ANGLO CHINESE 英
CORPORATE FINANCE, LIMITED 高

A letter from the Board is set out on pages 11 to 34 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 35 to 36 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 37 to 63 of this circular.

A notice convening the EGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 14 March 2017 at 11:00 a.m. (or, in the event that a black rainstorm warning signal or tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on Wednesday, 15 March 2017) is set out on pages 72 to 73 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend the EGM or any adjournment thereof in person, you are requested to complete and sign 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 7th 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 EGM 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 EGM 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.

22 February 2017

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	11
1. Introduction	11
2. Joint Venture Transaction	12
3. Scheme Implementation Agreement	20
4. Information on the Target Group	26
5. Information on the Group	28
6. Information on the CKI Group	28
7. Information on the PAH Group	28
8. Reasons for and benefits of the Joint Venture Transaction	28
9. Implications under the Listing Rules	30
10. EGM and voting	31
11. Recommendations	32
12. Further information	34
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	35
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	37
APPENDIX – GENERAL INFORMATION	64
NOTICE OF EXTRAORDINARY GENERAL MEETING	72

DEFINITIONS

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

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

DEFINITIONS

“ CKI ”	Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
“ CKI Group ”	CKI and its subsidiaries
“ CKI Holdco ”	CKI Gas Infrastructure Limited, an indirect wholly-owned subsidiary of CKI which is incorporated under the laws of England
“ Company ”	Cheung Kong Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1113)
“ Company Holdco ”	CK William Topco Limited, an indirect wholly-owned subsidiary of the Company which is incorporated under the laws of England
“ connected person ”	has the meaning ascribed to such term in the Listing Rules
“ Consortium ”	the Company, CKI and PAH (until such time as a party becomes a Non-Continuing Member), and “ Consortium Member ” shall be construed accordingly
“ Consortium Formation Agreement ”	the consortium formation agreement dated 14 January 2017 which was entered into between, among others, the Consortium Members, CKI Holdco, PAH Holdco, the Consortium Midcos, JV Co and Bidco with respect to the direct or indirect subscription for equity interest in JV Co and funding for the Acquisition
“ Consortium Holdcos ”	the Company Holdco, CKI Holdco and PAH Holdco and “ Consortium Holdco ” shall be construed accordingly
“ Consortium Midcos ”	Midco 1, Midco 2 and Midco 3 and “ Consortium Midco ” shall be construed accordingly
“ Corporations Act ”	the Corporations Act 2001 (Cth)
“ Court ”	the Supreme Court of the New South Wales or such other court of competent jurisdiction as Bidco and Target may agree in writing
“ Cth ”	Commonwealth of Australia

DEFINITIONS

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

DEFINITIONS

“DT2”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT2
“DT3”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT3
“DT4”	a discretionary trust of which Mr. Li Ka-shing is the settlor and, among others, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard are discretionary beneficiaries, and the trustee of which is TDT4
“DUECo”	DUET Company Limited, a public company incorporated under the laws of Australia, whose registered office is at Level 14, 20 Martin Place, Sydney, NSW 2000, Australia
“EGM”	the extraordinary general meeting of the Company to be held on Tuesday, 14 March 2017 at 11:00 a.m. at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong for the purpose of considering and, if thought fit, approve, the Joint Venture Transaction
“End Date”	30 June 2017, or such later date as Bidco and the Target may agree in writing pursuant to the terms of the Scheme Implementation Agreement
“Funding Date”	three business days prior to the implementation date of the Schemes or such other date agreed by the parties to the Consortium Formation Agreement provided that such date is at least 2 business days before the implementation date of the Schemes
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board established to advise the Independent Shareholders on the Joint Venture Transaction, comprising Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine, Mr. Simon Murray and Mr. Yeh Yuan Chang, Anthony, being independent non-executive Directors
“Independent Financial Adviser” or “Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, and which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Joint Venture Transaction
“Independent Shareholders”	Shareholders other than those who have a material interest in the Joint Venture Transaction
“Independent Shareholders’ Approvals”	the approval of the shareholders (excluding any shareholders with a material interest in the Joint Venture Transaction) of each of the Company, CKI and PAH as required under the Listing Rules for authorising the Joint Venture Transaction by the Approval Determination Date, and each an “Independent Shareholders’ Approval”
“Joint Venture Transaction”	the transactions contemplated under the Consortium Formation Agreement and the Shareholders’ Agreement
“JV Co”	CK William UK Holdings Limited, a private limited liability company, which is incorporated under the laws of England, and an indirect holding company of Bidco
“Latest Practicable Date”	17 February 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Longstop Date”	the date falling 18 months after the date of the Consortium Formation Agreement
“Main Board”	the Main Board of the Stock Exchange

DEFINITIONS

“Maximum Financial Commitment”	in relation to a Consortium Member and its subsidiaries, the maximum financial commitment of such Consortium Member and its subsidiaries under the Joint Venture Transaction, based on the Scheme Consideration and the transaction costs, which for the avoidance of doubt, include the estimated adjustments to the total amount of Scheme Consideration, as more particularly described under the section headed “3. <i>Scheme Implementation Agreement – (b) Implementation of the Schemes</i> ” in the Letter from the Board in this circular
“Midco 1”	CK William Midco 1 Limited, a private limited liability company, which is incorporated under the laws of England, and which holds 40% of the equity interest in JV Co
“Midco 2”	CK William Midco 2 Limited, a private limited liability company, which is incorporated under the laws of England, and which holds 40% of the equity interest in JV Co
“Midco 3”	CK William Midco 3 Limited, a private limited liability company, which is incorporated under the laws of England, and which holds 20% of the equity interest in JV Co
“Non-Continuing Member(s)”	means: (a) CKI, if one or both of the Independent Shareholders’ Approval(s) of the Company and CKI is/are not obtained on the Approval Determination Date; and/or (b) PAH, if the Independent Shareholders’ Approval of PAH is not obtained on the Approval Determination Date
“PAH”	Power Assets Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6)
“PAH Group”	PAH and its subsidiaries
“PAH Holdco”	PAH Gas Infrastructure Limited, an indirect wholly-owned subsidiary of PAH which is incorporated under the laws of England

DEFINITIONS

“percentage ratios”	have the meaning ascribed to such term in Chapter 14 of the Listing Rules
“Pricing Period”	the 10 trading days prior to 10 February 2017
“Respective Proportion(s)”	means: <ul style="list-style-type: none">(a) in relation to the Company, 40%;(b) in relation to CKI, 40%; and(c) in relation to PAH, 20%
“Revised Respective Proportion(s)”	means: <ul style="list-style-type: none">(a) in the event that PAH becomes a Non-Continuing Member:<ul style="list-style-type: none">(i) in relation to the Company, 60%; and(ii) in relation to CKI, 40%; and(b) in the event that CKI becomes a Non-Continuing Member:<ul style="list-style-type: none">(i) in relation to the Company, 80%; and(ii) in relation to PAH, 20%
“Scheme Booklet”	the notice of meeting and explanatory memorandum to be prepared in respect of the Schemes in accordance with the terms and conditions of the Scheme Implementation Agreement and to be despatched by the Target to the Target Securityholders
“Scheme Consideration”	the consideration payable to the Target Securityholders in accordance with the Scheme Implementation Agreement, which is AUD3.00 (equivalent to approximately HK\$17.19) per Target Security subject to adjustment in accordance with the terms of the Scheme Implementation Agreement, as more particularly set out under the section headed “3. <i>Scheme Implementation Agreement – (b) Implementation of the Schemes</i> ” in the Letter from the Board in this circular

DEFINITIONS

“Scheme Documents”	the Scheme Implementation Agreement, the Scheme Booklet and the Deed Poll entered into in accordance with the terms and conditions of the Scheme Implementation Agreement
“Scheme Implementation Agreement”	the scheme implementation agreement dated 14 January 2017 and entered into by Bidco, DUECo, DIHL, DFL (in its personal capacity and as the responsible entity of DFT) and by the Company, CKI and PAH (each in the capacity as guarantors) in respect of the Schemes
“Schemes”	the Target Company Schemes and the Trust Scheme
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shareholder(s)”	the holders of Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between the Company, CKI, PAH, the Consortium Midcos and JV Co to govern the shareholder relationship in JV Co as well as the downstream businesses of the Target
“Shares”	ordinary shares of HK\$1.00 par value each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	collectively, DFL, DFT, DIHL and DUECo or any one or more of them (as the context requires)
“Target Company Schemes”	the schemes of arrangement made in accordance with Part 5.1 of the Corporations Act, under which all the fully paid ordinary shares of each of DUECo, DIHL and DFL will be transferred to Bidco pursuant to the form attached to the Scheme Implementation Agreement or as otherwise agreed by Bidco and the Target (together with any amendment or modification made pursuant to section 411 (6) of the Corporations Act)
“Target Distributions”	shall have the meaning given to it under “3. <i>Scheme Implementation Agreement – (b) Implementation of the Schemes</i> ” in the Letter from the Board in this circular
“Target Group”	the Target and its subsidiaries

DEFINITIONS

“Target Scheme Meetings”	means the meetings of the shareholders of DIHL, DFL and DUECo to consider the Target Company Schemes, and the meeting of the unitholders of DFT to consider the Trust Scheme
“Target Securities”	all of the shares in issue of DUECo, DIHL and DFL and all of the units in DFT, the stapled securities of Target (comprising issued, fully paid ordinary shares in each of DUECo, DIHL and DFL and ordinary units in DFT) which are listed on the ASX (ASX Code: DUE)
“Target Securityholders”	each person registered as the holder of Target Securities
“TDT1”	Li Ka-Shing Unity Trustee Corporation Limited, a company incorporated in the Cayman Islands, which is the trustee of DT1
“TDT2”	Li Ka-Shing Unity Trustcorp Limited, a company incorporated in the Cayman Islands, which is the trustee of DT2
“TDT3”	Li Ka-Shing Castle Trustee Corporation Limited, a company incorporated in the Cayman Islands, which is the trustee of DT3
“TDT4”	Li Ka-Shing Castle Trustcorp Limited, a company incorporated in the Cayman Islands, which is the trustee of DT4
“Trust”	DT1, DT2, DT3, DT4, UT1 and UT3, and where the context requires, any of them
“Trust Scheme”	the arrangement made in accordance with Guidance Note 15 (Trust Scheme Mergers) issued by the Takeovers Panel of Australia, under which the Bidco will acquire all of the fully paid ordinary units in DFT from Target Securityholders subject to the relevant approvals of the members of DFT
“UT1”	The Li Ka-Shing Unity Trust
“UT3”	The Li Ka-Shing Castle Trust

DEFINITIONS

“**VWAP**” volume weighted average price

“**%**” per cent

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

LETTER FROM THE BOARD



CHEUNG KONG PROPERTY HOLDINGS LIMITED 長江實業地產有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1113)

Registered Office: PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Principal Place of Business: 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong

Board of Directors

Executive Directors

LI Ka-shing *Chairman*
LI Tzar Kuoi, Victor *Managing Director and Deputy Chairman*
KAM Hing Lam *Deputy Managing Director*
IP Tak Chuen, Edmond *Deputy Managing Director*
CHUNG Sun Keung, Davy
CHIU Kwok Hung, Justin
CHOW Wai Kam
PAU Yee Wan, Ezra
WOO Chia Ching, Grace

Independent Non-executive Directors

CHEONG Ying Chew, Henry
CHOW Nin Mow, Albert
HUNG Siu-lin, Katherine
Simon MURRAY
YEH Yuan Chang, Anthony

Company Secretary

Eirene YEUNG

22 February 2017

Dear Shareholder(s),

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

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

1. INTRODUCTION

Reference is made to the Announcement of the Company, CKHH, CKI and PAH on 16 January 2017 in relation to the Joint Venture Transaction and the Acquisition. As provided in the Announcement, on 14 January 2017, the Consortium Members, CKI Holdco, PAH Holdco and the Consortium Midcos entered into the Consortium Formation Agreement with, among others, JV Co and Bidco in order to govern the funding and operation of JV Co and Bidco, pursuant to which, subject to the obtaining of the necessary Independent Shareholders' Approvals, the relevant Consortium Members will, among other things, indirectly fund the Acquisition according to the Respective Proportions or Revised Respective Proportions (as the case may be) and enter into the Shareholders' Agreement. In addition, in connection with the Acquisition,

LETTER FROM THE BOARD

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

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

2. JOINT VENTURE TRANSACTION

A. The Consortium Formation Agreement

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

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

LETTER FROM THE BOARD

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

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

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

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

In the event that, prior to the Funding Date:

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

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

LETTER FROM THE BOARD

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

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

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

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

In the event that:

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

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

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

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

LETTER FROM THE BOARD

substantial funding to Midco 3 through a subscription for shares in Midco 3, or through a subscription for shares in, and the provision of shareholder loans to, Midco 3. Midco 3 will use such contribution to:

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

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

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

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

(c) *Maximum Financial Commitment*

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

- (i) if all the necessary Independent Shareholders' Approvals are obtained, the Target will be indirectly held by the Company, CKI and PAH as to 40%, 40% and 20% respectively, subject to the Schemes becoming effective, and the Maximum Financial Commitment of the Company (through its shareholding held in Midco 1) will be equal to 40% of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement, which will be up to approximately AUD3,012 million (equivalent to approximately HK\$17,259 million);
- (ii) where only the necessary Independent Shareholders' Approvals for CKI's participation in the Joint Venture Transaction are obtained, the Target will be indirectly held by the Company and CKI as to 60% and 40% respectively, subject to the Schemes becoming effective, and the Maximum Financial Commitment of the Company (through its shareholding held in Midco 1 and Midco 3) will be 60% of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement, which will be up to approximately AUD4,518 million (equivalent to approximately HK\$25,888 million); and

LETTER FROM THE BOARD

- (iii) where only the Independent Shareholders' Approval for PAH's participation in the Joint Venture Transaction is obtained, the Target will be indirectly held by the Company and PAH as to 80% and 20% respectively, subject to the Schemes becoming effective, and the Maximum Financial Commitment of the Company (through its shareholding held in Midco 1 and Midco 2) will be equal to 80% of the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement, which will be up to approximately AUD6,024 million (equivalent to approximately HK\$34,518 million).

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

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

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

(d) Termination

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

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

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

LETTER FROM THE BOARD

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

(e) UK Gas Executive Committee

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

B. The Shareholders’ Agreement

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

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

(a) Board role and composition

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

LETTER FROM THE BOARD

(b) *Quorum*

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

(c) *Board voting*

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

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

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

LETTER FROM THE BOARD

(d) Shareholder Reserved Matters

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

These shareholder reserved matters include, among other things:

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

(e) Dividend and distribution policy

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

(f) Pre-emption rights

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

LETTER FROM THE BOARD

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

3. SCHEME IMPLEMENTATION AGREEMENT

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

(a) The outline of the Schemes

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

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

(b) Implementation of the Schemes

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

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

LETTER FROM THE BOARD

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

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

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

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

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

LETTER FROM THE BOARD

(c) Conditions to the Schemes

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

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

LETTER FROM THE BOARD

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

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

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

LETTER FROM THE BOARD

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

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

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

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

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

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

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

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

LETTER FROM THE BOARD

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

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

(e) Break fees

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

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

LETTER FROM THE BOARD

(f) Costs reimbursement

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

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

(g) Completion

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

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

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

4. INFORMATION ON THE TARGET GROUP

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

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

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

LETTER FROM THE BOARD

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

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

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

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

LETTER FROM THE BOARD

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

5. INFORMATION ON THE GROUP

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

6. INFORMATION ON THE CKI GROUP

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

7. INFORMATION ON THE PAH GROUP

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

8. REASONS FOR AND BENEFITS OF THE JOINT VENTURE TRANSACTION

The Consortium Members believe that the Target's energy utility assets in Australia, the United States, the United Kingdom and Europe represent an attractive opportunity for investors with the potential for growth opportunities. Among the Consortium Members, the Company is the only bidding party with the size and immediate resources to make an offer conditional only upon the conditions set out under the section headed "3. *Scheme Implementation Agreement – (c) Conditions to the Schemes*" above.

As disclosed in the Company's Annual Report 2015, its Interim Report 2016 and its announcement published on 2 December 2016, the Group is currently highly liquid and is in a net cash position. However, in the current cyclical stage of the local property market, high property prices have presented risks rendering it challenging to identify property investments with reasonable returns. The Group has given serious and prudent consideration to and participated in quality global investments that meet the investment criteria set out in its Annual Report 2015, with a view to extending its reach to new business areas to enhance its revenue streams and supplement the cyclical impact on cash flow associated with property development.

In circumstances where the Company is extending its reach into new business areas, it should, where appropriate, collaborate with parties that have a proven track record and expertise in the relevant area, in particular, as a reputable manager in extrapolating potential value in invested assets thus enhancing the asset value and liquidity over

LETTER FROM THE BOARD

time. The Company can collaborate most effectively with parties with which its management team has a history of working together successfully. The formation of the Consortium under the Joint Venture Transaction would allow the Company, CKI and PAH to share their management and strategic expertise in the management and operation of the Target. Therefore, the Joint Venture Transaction with CKI and PAH would be beneficial to the Company's business and consistent with its strategy since these companies have a strong track record in infrastructure investments of the kind that meet the Company's investment criteria and also have historical ties with the Company.

The Target will become a member of the UK Gas ExCo as mentioned above. Active membership of the UK Gas ExCo will provide the Company with access to a significant body of expertise in relation to a significant portion of the Target's businesses and promote the development of its own expertise in this sector.

If the Independent Shareholders' Approval of the Company and/or the Independent Shareholders' Approvals of both CKI and PAH cannot be obtained, and the Joint Venture Transaction does not proceed, the Company will, through Bidco (which will remain an indirect wholly-owned subsidiary of the Company), proceed with the Acquisition. In such case, the Target still represents a quality investment for the Group for the following reasons:

- (a) the Target Group is a sizeable business, and will provide the Company with the opportunity to make its first investment to enter into an area in infrastructure business in Australia, which is consistent with the Company's global diversification strategy;
- (b) the Target Group provides a steady income on a long term basis through its regulated and contracted revenues, and has a long track record of stable financial performance. Its stable infrastructure revenue and cash flows will help to supplement the cyclical impact of the local property market;
- (c) the Company can leverage on the expertise of the Target's existing management such as through service agreements with the joint ventures and associates of CKI and/or PAH and/or other professionals to support the management of the Target's business. Moreover, through the Target's membership of the consolidated gas structure and the UK Gas ExCo, the Company will have direct access to common policies and management discussions applicable to a significant portion of the Target's businesses; and
- (d) the Target Group's energy utility assets in Australia, the United States, the United Kingdom and Europe will represent a quality investment for the Group with potential for appropriate growth opportunities.

The Directors (including the independent non-executive directors) are of the opinion that, whether or not the Joint Venture Transaction proceeds, the Acquisition is fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

Having considered the above reasons, the Directors (other than Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine, Mr. Simon Murray and Mr. Yeh Yuan Chang, Anthony, being independent non-executive directors of the Company 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) consider that the terms of the Joint Venture Transaction are on normal commercial terms and the terms of the Joint Venture Transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor has or may be regarded as having a material interest in the Joint Venture Transaction, each of them has voluntarily abstained from voting on the board resolutions of the Company for approving the Joint Venture Transaction.

9. IMPLICATIONS UNDER THE LISTING RULES

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

As at the Latest Practicable Date, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and the Trust currently directly and/or indirectly hold an aggregate of approximately 30.62% of the issued share capital of the Company and an aggregate of approximately 30.16% of the issued share capital of CKHH. CKHH has been deemed by the Stock Exchange to be a connected person of the Company under the Listing Rules. As CKHH currently holds approximately 71.93% of the issued share capital of CKI, CKI may also be regarded as a connected person of the Company by virtue of it being a subsidiary of CKHH. Therefore, the Joint Venture Transaction as between the Company and CKI also constitutes a connected transaction for the Company under the Listing Rules. As one or more of the applicable percentage ratios of the Company based on the Maximum Financial Commitment of the Group under the Joint Venture Transaction exceeds 5%, the Joint Venture Transaction as between the Company and CKI 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 JV Co is held as to 80% by the Group, which is the highest shareholding in JV Co that the Group can hold under the Consortium Formation Agreement if the Joint Venture Transaction proceeds.

If the necessary Independent Shareholders’ Approvals in respect of CKI’s participation and PAH’s participation in the Joint Venture Transaction are not obtained, the Joint Venture Transaction will not proceed and Bidco will, as an indirect wholly-owned subsidiary of the Company and subject to the Schemes becoming effective, proceed with the Acquisition. In such case, the Acquisition will constitute a discloseable

LETTER FROM THE BOARD

transaction for the Company as one or more of the applicable percentage ratios of the Company based on the Scheme Consideration and the transaction costs under the Scheme Implementation Agreement will exceed 5% but will be less than 25%, and the Acquisition would be subject to the Company's compliance with announcement and notification requirements, but would not be subject to the shareholders' approval requirement, under Chapter 14 of the Listing Rules. Further announcement(s) as required under the Listing Rules will be made by the Company on the developments of the Joint Venture Transaction and the Acquisition as and when appropriate.

The Independent Board Committee is required under the Listing Rules to advise the Independent Shareholders in relation to the Joint Venture Transaction. Since Mr. Cheong Ying Chew, Henry, an independent non-executive Director, is also an independent non-executive director of CKI, he was not appointed as a member of the Independent Board Committee. As a result, Mr. Chow Nin Mow, Albert, Ms. Hung Siu-Lin, Katherine, Mr. Simon Murray and Mr. Yeh Yuan Chang, Anthony, being the remaining independent non-executive Directors, have been appointed to and constitute the Independent Board Committee to advise the Independent Shareholders in relation to the Joint Venture Transaction.

10. EGM AND VOTING

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, pass an ordinary resolution to approve the Joint Venture Transaction. A notice convening the EGM to be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 14 March 2017 at 11:00 a.m. is set out on pages 72 to 73 of this circular.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. The Chairman of the forthcoming EGM will therefore put the ordinary resolution to be proposed at the EGM to be voted by way of a poll pursuant to Article 81 of the Amended and Restated Articles of Association of the Company.

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

All Shareholders who have a material interest in the Joint Venture Transaction will be required to abstain from voting on the ordinary resolution to approve the Joint Venture Transaction at the EGM. Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and the relevant entities under the Trust will, and will procure their respective associates to, abstain from voting on the ordinary resolution to approve the Joint Venture Transaction at the EGM.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM or any adjourned meeting in person, please 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 7th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong as soon as practicable and in any event

LETTER FROM THE BOARD

not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. In the case of a poll taken more than 48 hours after it was demanded, the completed and signed proxy form shall be received as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the proxy form shall be deemed to be revoked.

11. RECOMMENDATIONS

(a) 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 this letter from the Board above, the Directors (other than those on the Independent Board Committee, whose views are set out in the Letter from the Independent Board Committee of this circular) consider that the Joint Venture Transaction is on normal commercial terms, the terms of the Joint Venture Transaction are fair and reasonable and the entry into the Joint Venture Transaction is in the interests of the Company and the Shareholders as a whole.

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

As each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor has or may be regarded as having a material interest in the Joint Venture Transaction, each of them has voluntarily abstained from voting on the board resolutions of the Company for approving the Joint Venture Transaction.

(b) Recommendation from the Independent Board Committee

The Independent Board Committee (Mr. Chow Nin Mow, Albert, Ms. Hung Siu-Lin, Katherine, Mr. Simon Murray and Mr. Yeh Yuan Chang, Anthony, each 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, an independent non-executive Director, is also an independent non-executive director of CKI, he was not appointed as a member of the Independent Board Committee.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 35 and 36 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 37 to 63 of this circular which contains its advice to the Independent Board Committee and the

LETTER FROM THE BOARD

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 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 as far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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

(c) Recommendation from the Independent Financial Adviser

Anglo Chinese 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 37 to 63 of this circular which contains its advice 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 EGM to approve the Joint Venture Transaction.

LETTER FROM THE BOARD

12. FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 35 to 36 of this circular, the letter from the Independent Financial Adviser as set out on pages 37 to 63 of this circular, the additional information as set out in the Appendix of this circular and the notice of the EGM as set out on pages 72 to 73 of this circular.

Yours faithfully,

For and on behalf of the Board of

CHEUNG KONG PROPERTY HOLDINGS LIMITED

LI Ka-shing

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



CHEUNG KONG PROPERTY HOLDINGS LIMITED
長江實業地產有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1113)

22 February 2017

To the Independent Shareholders

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

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

We refer to the circular of Cheung Kong Property Holdings Limited dated 22 February 2017 (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 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.

Anglo Chinese 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 37 to 63 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 EGM to approve the Joint Venture Transaction.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

course of business of the Group, is on terms which are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Joint Venture Transaction.

Yours faithfully,

CHOW Nin Mow, Albert
Simon MURRAY

HUNG Siu-lin, Katherine
YEH Yuan Chang, Anthony

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Anglo Chinese, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Joint Venture Transaction, which has been prepared for the purpose of incorporation into this circular.

ANGLO CHINESE CORPORATE FINANCE, LIMITED

www.anglochinesegroup.com

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

The Independent Board Committee
and the Independent Shareholders of
Cheung Kong Property Holdings Limited

22nd February, 2017

Dear Sirs

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

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders, being those shareholders in the Company other than Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, the Trust and their respective associates as defined by the Listing Rules, who in aggregate hold approximately 30.62% of the issued share capital of the Company as at the Latest Practicable Date, with respect to the formation of a joint venture between the Company, CKI and PAH to acquire all the stapled securities in issue of the Target by way of Schemes, details of which are set out in the Letter from the Board, set out in the circular, and in our letter. As the Independent Financial Adviser to the Independent Board Committee we are required by the Listing Rules to state whether the terms of the Joint Venture Transaction are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole, the Joint Venture Transaction is on normal commercial terms and in the ordinary and normal course of the business of the Company and advise whether the Independent Shareholders should vote in favour of the Joint Venture Transaction at the EGM convened to approve it. The terms used in this letter shall have the same meaning as defined in the circular, of which this letter forms part, unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the Maximum Financial Commitment of the Group under the Joint Venture Transaction of some AUD7,530 million, equivalent to approximately HK\$43,147 million, the Joint Venture Transaction exceeds 5% but less than 25% of the applicable percentage ratios for notifiable transactions under the Listing Rules. As a result 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 of the Listing Rules but is not subject to its shareholders' approval. Since it is a transaction that it can enter into without its Shareholders' approval, in the event that none of the terms of the Joint Venture Transaction apply to it because the Independent Shareholders, or the independent shareholders of both CKI and PAH, do not approve certain elements which form part of the Joint Venture Transaction, we have not been retained to advise on the Acquisition itself as it is an arm's length transaction with entirely independent third parties.

Given the common shareholdings of some 30% in both the Company and CKHH held by Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and the Trust and their respective associates, the Stock Exchange has deemed that CKHH is a connected person in relation to the Company under the Listing Rules. CKHH presently holds approximately 71.93% of the issued share capital of CKI. Accordingly, the Joint Venture Transaction as it relates to arrangements between the Company and CKI may also be regarded as a connected person in relation to the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios based on the Maximum Financial Commitment of the Group under the Joint Venture Transaction exceeds 5%, the Joint Venture Transaction between the Company and CKI is subject to the Company's compliance with the announcement, reporting the independent shareholders' approval requirements of Chapter 14A of the Listing Rules. It is, therefore, only in relation to certain contractual elements of the Joint Venture Transaction upon which we have been retained to advise and, in particular, the terms as they affect the Company of the Consortium Formation Agreement, the Shareholders' Agreement and the Scheme Implementation Agreement.

The Independent Board Committee, comprising all the independent non-executive Directors, other than Mr. Cheong Ying Chew, Henry as he is an independent non-executive director of both the Company and CKI, has been formed to advise the Independent Shareholders on whether the relevant elements of the Joint Venture Transaction are fair and reasonable and how they are recommended to vote on the relevant resolution to be proposed at the forthcoming EGM convened to approve the Joint Venture Transaction. We have appointed to advise the Independent Board Committee and the Independent Shareholders accordingly.

In formulating our opinion and recommendations, we have reviewed all the information we regard as relevant and sufficient supplied to us by the Company and the opinions expressed by, and representations of the Directors, including those set out in the circular. We have relied on the accuracy of the information, facts, representations and opinions expressed by the Company and the Directors, referred to in the circular. We have assumed that the information, facts, representations and opinions were true at the time they were made and continue to be true at the date of the circular and will continue to be true up to the time the Independent Shareholders vote on the resolutions

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to approve the Joint Venture Transaction. We consider that we have reviewed sufficient information to reach the conclusions set out in this letter and have no reason to believe any of the information provided to us by the Directors is inaccurate or that any material information has been omitted or withheld from the information supplied or the opinions expressed in the circular. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Announcement and the circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs or prospects of the Company, the Target or any of their respective subsidiaries or associates.

Apart from professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, directors, chief executive, substantial shareholders or any associate of any of them. Within the past two years from the Latest Practicable Date, we were previously engaged as an independent financial adviser by CKHH and CKI on two occasions, details of which were set out in the circulars of CKHH and CKI dated 31st March, 2015 and 20th October, 2015, respectively. Given our independent role and normal professional fees received from CKHH and CKI under these past engagements, we do not consider that they will affect our independence in relation to our present engagement to advise the Independent Board Committee and Independent Shareholders.

II. BACKGROUND

In assessing the Joint Venture Transaction and the form it has taken, we consider that it is essential to understand the commercial rationale behind the transaction and the background of how the membership of the Consortium has been established. CKI and PAH identified the opportunity to acquire all of the stapled securities on issue of the Target and submitted an indicative, non-binding and conditional proposal to the Target on behalf of consortium comprising CKI and potentially other Cheung Kong group companies to acquire 100% of the Target. It then was decided that the three Consortium Members, the Company, CKI and PAH, would acquire an interest in the Target and contribute to the joint venture in their respective proportions. Given CKI and PAH's exposure to the infrastructure and public utility sectors and the synergistic benefits that are expected to be achieved by it, as described more fully below, it has also been intended that the negotiation with the Target and implementation of the Schemes would be headed by CKI and PAH. From the outset it was intended that the Company would be essentially an investor with the management of the Target being the direct responsibility of CKI and PAH, given their joint interests in a number of utility investments in Australia and elsewhere. For the Company its proposed investment in the Target conforms with its stated objective of balancing the more cyclical or periodic returns from property development primarily in Hong Kong and Mainland China, which is its principal business focus, with investments which have more predictable and stable cashflows and dividends. In this regard, the Target fully meets criteria of the type of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

investment that the Company has stated as it is seeking to balance its property development and investment activities, which policy the Company articulated in some detail when it announced that the Group had acquired from a subsidiary of CKHH the entire issued share capital of CK Capital Limited, which owns through subsidiary companies a portfolio of forty-three aircraft, and an effective 50% shareholding interest in Vermillion Aviation Holdings Limited, which owns a portfolio of twenty-two aircraft and has a commitment to purchase eight more, as announced on 2nd December, 2016. It follows that, for the Company, in agreeing to acquire the Target, or an interest in it, this is in its normal and ordinary course of its business.

In practical terms, therefore, each of the Consortium Members agreed to the valuation ascribed to the Target which will be received by the holders of its stapled securities. The price being paid by each Consortium Member, therefore, is one which has been negotiated with a third party, independent of all of them, and will only be paid if the holders of stapled securities of the Target approve the Schemes by the requisite majorities and the Schemes are sanctioned by the Court. Such holders of stapled securities are also entirely independent of the Consortium Members. In our opinion, the price at which CKI and PAH will participate with the Company in the Joint Venture Transaction has been determined by arm's length agreement with independent third parties by negotiations in which all Consortium Members were actively involved.

CKI and PAH have been advised that in Australia it would be unusual for a takeover implemented by way of a scheme of arrangement to be conditional upon the approval of the bidder's shareholders and this would be viewed negatively by the board of the Target. In this regard, only the Company was of sufficient size so that, even taking the full purchase consideration to be paid by the Consortium Members in aggregate, the Acquisition would not constitute a transaction greater than a discloseable transaction under the Listing Rules, which transaction would not be required to be conditional upon any prior approval by its Shareholders. It was for this reason that the Joint Venture Transaction has been structured in the way it has been by allowing CKI and PAH to participate in the transaction at the price agreed and negotiated by them collectively but only after their independent shareholders have approved their participation in the Joint Venture Transaction. While it remains a possibility, however remote, that, in the absence of the requisite approvals by the independent shareholders of CKI and PAH, the Company could acquire all the stapled securities of the Target, it is neither the intended or preferred outcome for the Company, which has always participated in these arrangements on the basis that CKI's participation is both desirable and beneficial. This is apparent from the way the Consortium Formation Agreement and the other agreements to implement the Joint Venture Transaction has been structured and by their specific terms. Clearly to the extent that the participation of CKI and PAH add value to the Company's investment in the Target through the more efficient management of its business and the synergies which are anticipated to result from the operation of electricity and gas supply businesses geographically adjacent to the businesses owned by CKI and PAH. These benefits will not be received if CKI and PAH do not participate in the Joint Venture Transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(A) The Target Group

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

The following is the summary of the principal businesses currently owned and operated by the Target Group:

Assets	Percentage owned by the Target	Nature of business
United Energy	66%	<ul style="list-style-type: none">● Electricity distribution business located in Victoria, Australia
Multinet Gas	100%	<ul style="list-style-type: none">● Gas distribution business located in Victoria, Australia
Dampier to Bunbury Natural Gas Pipeline	100%	<ul style="list-style-type: none">● Only natural gas transmission pipeline connecting the Carnarvon/Browse Basins with Perth
Energy Developments	100%	<ul style="list-style-type: none">● Owns and operates remote and clean energy power generation projects with power generation facilities of over 900MW of installed capacity across Australia, Europe and the United States

Source: 2016 annual report of the Target Group

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out a summary of the audited consolidated financial results of the Target Group for each of the three financial years ended 30th June, 2014, 2015 and 2016 as extracted from the Target Group's 2015 and 2016 annual reports, and the unaudited consolidated financial results for the six months ended 31st December, 2016 extracted from the Target Group's 2017 interim report:

	For the year ended			For the
	30th June,			six
	2014	2015	2016	months
<i>(In AUD'000)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	ended
				31st
				December,
				2016
				<i>(Unaudited)</i>
Revenue				
– Distribution revenue	647,868	691,625	920,976	510,299
– Transportation revenue	415,949	394,130	409,383	193,329
– Metering and other operations revenue	86,968	91,928	83,553	32,393
– Green credit revenue	–	–	74,843	52,401
– New connections revenue	2,318	2,156	3,411	3,513
– Other sales revenue	21,829	33,293	32,567	10,125
– Other revenue	66,288	48,814	79,620	34,906
Total revenue	1,241,220	1,261,946	1,604,353	836,966
Total expenses	1,149,763	1,204,383	1,426,757	769,861
Earnings before interests, taxes depreciation and amortisation	800,606	783,490	946,813	465,106
Profit before income tax expense	101,653	64,932	213,193	84,112
Profit after income tax expense	193,061	45,928	217,178	71,554
Profit/(loss) attributable to				
– Stapled securityholders	190,485	48,101	195,830	65,590
– Other non-controlling interests	2,576	(2,173)	21,348	5,964
Basic earnings per stapled security (AUD)	0.1516	0.0339	0.0864	0.0270
Distributions paid per stapled security (AUD)	0.170	0.175	0.180	0.0925

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For each of the financial years ended 30th June, 2014, 2015 and 2016, the actual distributions paid to security holders of the Target was approximately AUD139.7 million, AUD242.7 million and AUD339.6 million, respectively, which represented a compound annual growth rate of approximately 34.5%.

The following table sets out a summary of the audited consolidated financial positions of the Target Group as at 30th June, 2014, 2015 and 2016, extracted from the Target Group's 2015 and 2016 annual reports, and the unaudited consolidated financial positions as at 31st December, 2016 extracted from the Target Group's 2017 interim report:

<i>(In AUD'000)</i>	As at 30th June,			As at 31st
	2014	2015	2016	December,
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Current assets	686,001	597,703	847,777	928,876
Non-current assets	8,160,246	8,468,120	10,257,299	10,217,934
Total assets	8,846,247	9,065,823	11,105,076	11,146,810
Current liabilities	1,177,007	1,582,591	1,408,273	2,189,325
Non-current liabilities	5,864,213	5,487,647	6,285,480	5,636,038
Total liabilities	7,041,220	7,070,238	7,693,753	7,825,363
Net assets	1,805,027	1,995,585	3,411,323	3,321,447

The asset base of the Target Group showed an increasing trend from 30th June, 2014 to 31st December, 2016, of which a significant portion of the assets comprised property, plant and equipment, as well as the intangible assets, being principally the intellectual property, software, distribution licenses and goodwill.

Based on the Scheme Consideration per stapled security of the Target of AUD3.00 and the total number of the stapled securities in issue, being 2,470,769,861 stapled securities as at the Latest Practicable Date, the market capitalisation of Target Group is estimated to be approximately AUD7,412 million, equivalent to approximately HK\$42,471 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

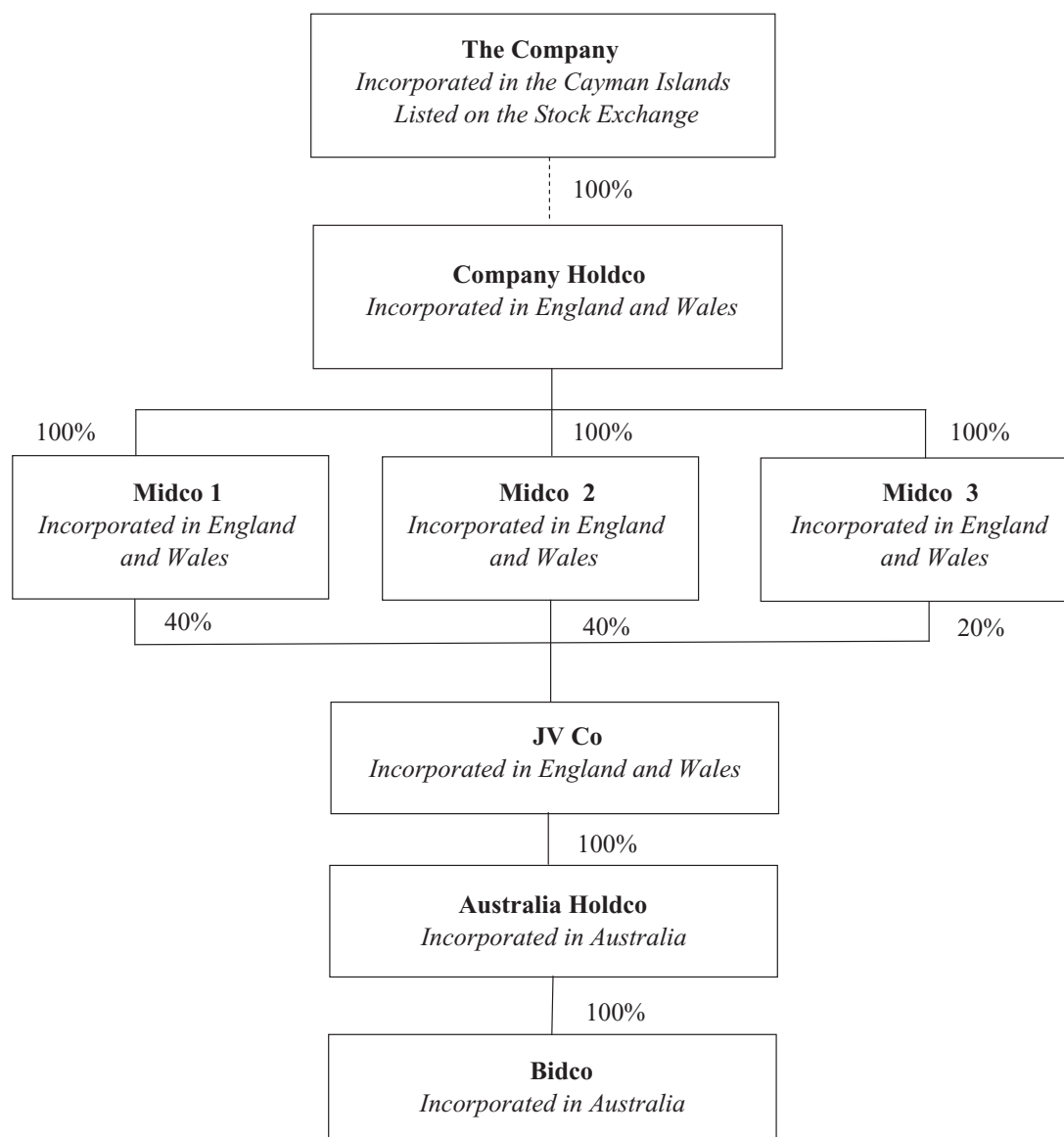
(B) The Consortium Formation Agreement

Purpose of the Consortium Formation Agreement

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

The present ownership structure of JV Co and Bidco

The chart below gives in summary from the present ownership structure of the JV Co and Bidco, which is held through three intermediate holding companies, Consortium Midcos, each of which has a nominal share capital:



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that the independent shareholders of both CKI and PAH do not approve the Joint Venture Transaction then the ownership structure will remain unchanged and the Company will fund in full the obligation of Bidco to pay the holders of the stapled securities of Target the Scheme Consideration under the Schemes. The full consideration payable is some AUD7,530 million, equivalent to approximately HK\$43,147 million. The Company will also be obliged to fund the entire purchase consideration if the requisite approvals sought from the independent shareholders of CKI and PAH are not obtained by the Funding Date and will have to fund that portion of the contribution of either CKI or PAH if the independent shareholders of one of other of those companies has not given the requisite approval to the Joint Venture Transaction by the Funding Date.

The participation of CKI in JV Co through the recapitalisation of Midco 2

In the event that, prior to the Funding Date, the approvals of both the independent shareholders of the Company and CKI are obtained, CKI, through CKI Holdco, will contribute nominal funding to Midco 2 through a subscription of shares in Midco 2, or shares in and the provision of loans to Midco 2, which will enable Midco 2 to redeem, cancel or buy-back any existing shares in Midco 2 held by the Company Holdco, thereby reducing the Company's interest in JV Co and ultimately Bidco by 40%. If the necessary approvals from the independent shareholders of the Company and CKI are not both obtained by the Funding Date, but are both obtained after the Funding Date but on or before the Longstop Date, CKI will contribute funding to Midco 2 through either the subscription of shares in Midco 2 alone or through the subscription of shares in, and the provision of loans to, Midco 2, and the proceeds of which will be used to redeem, cancel or buy-back all the outstanding shares held by the Company Holdco and repay all shareholder loans owed by Midco 2 to the Company Holdco with the result that CKI Holdco will hold all the issued shares in Midco 2 and will have contributed through Midco 2 an amount equal to 40% of the total consideration to be paid to the holders of stapled securities of the Target under the Schemes in the event they are sanctioned.

The participation of PAH in JV Co through the recapitalisation of Midco 3

Similar arrangements will apply to PAH Holdco in respect of Midco 3 in the event that the independent shareholders of PAH approve the Joint Venture Transaction on or before the Longstop Date, irrespective of whether the independent shareholders of the Company or CKI have approved such arrangements. In this case, PAH, through PAH Holdco will contribute 20% of the total consideration to be paid through Bidco for all the stapled securities in the Target under the Schemes in the event they are sanctioned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The amount payable by the Company under the Joint Venture Transaction and the circumstances under which the payments will be made

Following the implementation of the Schemes in the event that:

- (i) the independent shareholders of either the Company or CKI or the independent shareholders of both and the independent shareholders of PAH do not approve the Joint Venture Transaction, the Company will acquire through its indirect interest JV Co and in turn Bidco 100% of the stapled securities of the Target at a total cost of some AUD7,530 million, equivalent to approximately HK\$43,147 million;
- (ii) the independent shareholders of either the Company or CKI or the independent shareholders of both do not approve the Joint Venture Transaction but the independent shareholders of PAH do approve these arrangements before or on the Longstop Date, then the Company will acquire through its interest in JV Co and in turn Bidco 80% of the stapled securities of the Target at a total cost of some AUD6,024 million, equivalent to approximately HK\$34,518 million;
- (iii) the independent shareholders of both the Company and CKI approve the Joint Venture Transaction but the independent shareholders of PAH do not approve of these arrangements, then the Company will acquire through its interest in the JV Co and in turn Bidco 60% of the stapled securities of the Target at a total cost of some AUD4,518 million, equivalent to HK\$25,888 million; and
- (iv) the independent shareholders of the Company, CKI and PAH all approve the Joint Venture Transaction on or before the Longstop Date, then the Company will acquire, through its interest in JV Co and in turn Bidco, 40% of the stapled securities of the Target at a total cost of some AUD3,012 million, equivalent to approximately HK\$17,259 million.

If following the implementation of the Schemes, the shareholding interest of the Company in JV Co is as described as any one of (ii) to (iv) above, the shareholding in JV Co in the Target will be accounted for as a joint venture in the Company's consolidated accounts. In this regard our attention is drawn to the paragraph discussing the same subject in the circular.

Termination of the Consortium Formation Agreement and consequently the Joint Venture Transaction

The Consortium Formation Agreement and consequently the Joint Venture Transaction will be terminated automatically in the event of, among other things;

- on the Longstop Date;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- if the independent shareholders of both CKI and PAH do not approve the Joint Venture Agreement; and
- if the Schemes are not sanctioned and implemented.

(C) The Shareholders' Agreement

In accordance with the Consortium Formation Agreement following the contribution of the relevant funding to Midco 2 and, or, Midco 3, as described above, the relevant Consortium Members, the relevant Consortium Midcos and JV Co will enter into the Shareholders' Agreement which sets out a number of ongoing rights and obligations governing their relationship as direct or indirect shareholders of JV Co and the management and operation of JV Co and the Target Group following the implementation of the Schemes.

The board of directors of JV Co, its composition and related matters

The business of the 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 and applicable laws. Each Consortium Midco shall have the right to nominate one director to the board of JV Co in respect of each complete 10% of the shares in JV Co it owns either directly or through subsidiaries. A quorum for the transaction of business at any board meeting of JV Co shall be at least one director appointed by each Consortium Midco, unless a Consortium Midco waives the quorum requirement or that Consortium Midco has a conflict of interest. Any meeting of the board of JV Co which is inquorate shall be adjourned.

Reserved matters requiring a special majority

Except for reserved matters, all board resolutions of JV Co shall be made by a simple majority of directors present and entitled to vote on the relevant resolution. There are a number of matters which require the approval of a special majority, being a resolution which is approved by directors who together have been nominated by shareholders holding directly or through subsidiaries more than 85% of the total number of shares, which directors are present and entitled to vote on the resolution. The reserved matters, among other customary reserved matters, include:

- any change to the dividend and distribution policy of JV Co, which is more fully described below;
- the declaration, determination or payment of any dividend or distribution by JV Co and its subsidiaries, other than in accordance with the dividend and distribution policy described below;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- the acquisition of any asset or business which is not related to the operation of JV Co and its subsidiaries which asset or business to be acquired has a value in excess of 2% of the enterprise value of JV Co and its subsidiaries;
- the adoption and, or, amendment of an annual business plan;
- the appointment or removal of the chief executive or chief financial officer of the Target Group; and
- JV Co and its wholly-owned subsidiaries borrowing money in excess of 3% per annum of their aggregate enterprise value.

Shareholder reserved matters

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

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

Dividend and distribution policy

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pre-emption rights

Unless a Consortium Member is transferring some or all of its equity interest in JV Co, referred to here as the sale shares, held by it or its direct or indirect subsidiaries to a member of its group as permitted under the Shareholders' Agreement, a Consortium Member must first offer its sale shares to the other shareholders of JV Co on a pro rata basis. If the sale shares are not taken up by the other shareholders of JV Co, the selling Consortium Member shall be entitled to sell all, but not a portion, of the unsold sale shares within three months of the completion of the pre-emption process.

(D) The Scheme Implementation Agreement

On 14th January, 2017, Bidco, the Target and the Consortium Members entered into the Scheme Implementation Agreement in connection with the Acquisition by Bidco of the stapled securities of the Target through the implementation of the Schemes. Many of the provisions of the Scheme Implementation Agreement relate to obligations of the Target in connection with the Schemes and the arrangements and conditions for the implementation of the Schemes and do not affect directly any of the Consortium Members. The matters that do affect directly Consortium Members or serve to protect their interests, include, among others, the following provisions:

- the Scheme Consideration will not be adjusted for the distribution of AUD0.0925 in respect of the financial half year ended 31st December, 2016 to all holders of stapled securities of the Target or any greater distribution in respect of the financial year commencing 1st July, 2016 up to AUD0.03. Any distribution in excess of this will result in the Scheme Consideration of AUD3.00 for each stapled security of the Target being reduced by the amount of the distribution in excess of AUD0.03;
- the dividend reinvestment plan of the Target which enables its stapled security holders to invest distributions owing to them in new stapled securities of the Target will cease for any distribution made in respect of a financial period commencing after 31st December, 2016;
- the Schemes themselves are conditional upon no event, occurrence or matter, whether individually or when aggregated with all such events, occurrences or matters of like kind, having occurred between 14th January, 2017 and the first date, or first date of any adjourned hearing, for the application made to the Court for the approval of the Schemes and the confirmation of the Court in respect of the implementation of the Trust Scheme, which has had or is reasonably likely to have (a) the effect of a diminishing in the value of the Target, taken as a whole, by at least AUD170 million, equivalent to approximately HK\$974 million; or (b) the effect of a diminishing in the consolidated earnings before interest, tax, depreciation and amortisation of the Target, taken as a whole, by at least AUD100 million, equivalent to approximately HK\$573 million, per financial year in recurring financial

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

years of the Target; or (c) the effect of a diminishing in the consolidated earnings before interest, tax, depreciation and amortisation of one of the Target's business divisions, being the Energy Developments division, taken as a whole, by at least AUD35 million, equivalent to HK\$201 million, per financial year in recurring financial years;

- during the period from 14th January, 2017 to the date of the implementation of the Schemes, the Target Group conducts its business and operations in the ordinary course and substantially consistent with the manner which each of its businesses and operations have been conducted; to use its best endeavours to pursue intact the Target Group's current business organisation and relationships: consult with Bidco, and keep it informed of, all material steps taken by the Target Group in connection with any investigation or material reviews of it by any government agency; and preserve the cash balances of the Target Group in the ordinary course and consistent with past practice; and
- the Target will pay to Bidco a break fee of AUD73 million, equivalent to approximately HK\$418 million, if, among other things, (a) a director of the Target fails to recommend or changes his recommendation of the Schemes, or recommends a competing offer, other than in the circumstance when the independent expert appointed by the Target does not give a recommendation that the Schemes are fair and reasonable and in the best interests of the holders of stapled securities of the Target; (b) there is a material and unremedied breach of the terms of the Scheme Implementation Agreement and the Target terminates it or alternatively the Target is in material breach and Bidco terminates the Scheme Implementation Agreement; (c) the condition that the Treasurer of the Commonwealth of Australia or his delegate does not give written notice within the time specified by the Scheme Implementation Agreement that it does not object to the Acquisition of the Target under the Foreign Acquisition and Takeovers Act, other than as a result of the breach of the Target's best endeavours obligations under the Scheme Implementation Agreement; and (d) a competing proposal is announced or made prior to the Court hearing to sanction the Trust Scheme and is completed within twelve months of the Scheme Implementation Agreement being entered into.

Under the Scheme Implementation Agreement, each of the Consortium Members has agreed to guarantee, on a several basis in proportion of their indirect shareholdings in JV Co, their capital contribution in accordance with the Consortium Formation Agreement, the performance of all of the obligations of Bidco under the Scheme Implementation Agreement and the cost reimbursement referred to below. The obligation of CKI and PAH to provide guarantees under these provisions are conditional upon their obtaining the requisite approvals of the Joint Venture Transaction from their respective independent shareholders. In the event that such approvals cannot be obtained, the Company will guarantee in full the obligations of Bidco under the Scheme Implementation Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Under the Scheme Implementation Agreement, Bidco has agreed to reimburse the Target its costs in the amount of AUD5 million, equivalent to approximately HK\$29 million, if the Target terminates the Scheme Implementation Agreement due to a material breach of its terms by another party, not being a subsidiary of the Target. There will be no reimbursement of costs by Bidco in the event that the Scheme Implementation Agreement is terminated by Bidco due to a material and unremedied breach of its terms by another party, not being a Consortium Member, or upon the Schemes becoming effective.

(E) CKI and PAH

The principal activities of the CKI Group are the development, investment and operation of a variety of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, the Netherlands, Portugal, Australia, New Zealand and Canada. While the PAH Group is a global investor in power and utility related businesses with interests in electricity generation, transmission and distribution, renewable energy and gas distribution. CKI has a wider mandate than PAH with diversified investments in energy, infrastructure, transportation infrastructure, waste management and infrastructure related businesses.

The following is the summary of the infrastructure investments made by the CKI Group:

Infrastructure investment according to locations/ segment	Assets
Hong Kong	<ul style="list-style-type: none">● Power Assets Holdings Ltd. (0006.HK)
Mainland China	<ul style="list-style-type: none">● Shen-Shan Highway (Eastern section)● Shantou Bay Bridge● Tangshan Tangle Road● Changsha Wujialing and Wuyilu Bridges● Jiangmen Chaolian Bridge● Panyu Beidou Bridge
The United Kingdom	<ul style="list-style-type: none">● UK Power Networks Holdings Limited● Northumbrian Water Group Limited● Northern Gas Networks Limited● Wales & West Gas Networks (Holdings) Limited● Seabank Power Limited● UK Rails S.a.r.l.● Southern Water Services Ltd.
The Netherlands	<ul style="list-style-type: none">● Dutch Enviro Energy Holdings B.V.
Portugal	<ul style="list-style-type: none">● Portugal Renewable Energy

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- | | |
|-----------------------------------|---|
| <i>Australia</i> | <ul style="list-style-type: none">● <i>SA Power Networks</i>● <i>Victoria Power Networks Pty Ltd</i>● <i>Australian Gas Networks Limited</i>● <i>Transmission Operations (Australia) Pty Ltd.</i> |
| New Zealand | <ul style="list-style-type: none">● Wellington Electricity Lines Limited● Enviro (NZ) Limited |
| Canada | <ul style="list-style-type: none">● Canadian Power Holdings Inc.● Park’N Fly● Husky Midstream Assets |
| Infrastructure related businesses | <ul style="list-style-type: none">● Alliance Construction Materials Limited● Green Island Cement Company, Limited● Green Island Cement (Yunfu) Co. Ltd.● Guangdong Gitic Green Island Cement Company Limited● Siquijor Limestone Quarry |

Sources: 2015 annual report and 2016 interim report of CKI

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out a summary of audited consolidated financial results of CKI for each of the two years ended 31st December, 2014 and 2015, and the unaudited consolidated financial results for six months ended 30th June, 2016 as extracted from CKI's 2015 annual report, and its 2016 interim report:

<i>(In HK\$ million)</i>	For the year ended 31st December,		For the six months ended 30th June,
	2014	2015	2016
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Revenue			
Sales and interest income from infrastructure investments	5,971	5,557	2,588
– Sales of Infrastructure materials	2,642	2,161	920
– Interest income from loans granted to associates	452	378	183
– Interest income from loans granted to joint ventures	1,473	1,714	834
– Sales of waste management services	1,298	1,225	627
– Interest income from investments in securities	56	46	24
– Sales of water supply	50	33	–
Share of turnover of joint ventures	22,226	22,980	11,468
Total revenue	28,197	28,537	14,056
Other income	447	537	374
Operating costs	(4,395)	(2,865)	(1,762)
Finance costs	(906)	(726)	(278)
Exchange (loss)/gain	207	(326)	(498)
Gain on disposal of a subsidiary	2,236	–	–
Gain on disposal of investment in securities	–	–	781
Share of results of associates	23,156	3,275	1,601
Share of results of joint ventures	5,630	6,198	3,004
Profit before taxation	32,346	11,650	5,810
Profit for the year/period attributable to	32,320	11,658	5,803
– Shareholders of CKI	31,782	11,162	5,511
– Owners of perpetual capital securities	543	517	308
– Non-controlling interests	(5)	(21)	(16)
Earnings per share (HK\$)	13.03	4.44	2.19
Dividends per share (HK\$)	2.00	2.15	0.63

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed in the 2015 annual report of CKI, PAH contributed profits of approximately HK\$3,005 million to CKI which represented a decline of 87% when compared to the year of 2014. This was mainly due to the one-off gain booked as a result of the spin-off of HK Electric Investments and HK Electric Investments Limited in 2014 and the accounting losses incurred from the sale of its shares in June, 2015.

The following table sets out a summary of the audited consolidated financial positions of CKI as at 31st December, 2014, 2015 and unaudited consolidated financial positions as at 30th June, 2016, extracted from the CKI's 2015 annual report, and its 2016 interim report:

<i>(In HK\$ million)</i>	As at 31st December,		As at
	2014	2015	30th June,
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Current assets	9,312	9,278	12,619
Non-current assets	116,758	122,824	118,857
Total assets	126,070	132,102	131,476
Current liabilities	6,571	3,681	9,553
Non-current liabilities	17,753	17,862	12,822
Total liabilities	24,324	21,543	22,375
Net assets	101,746	110,559	109,101

As shown in the above summary of unaudited consolidated financial position of CKI as at 30th June, 2016, CKI had total assets of HK\$131,476 million, of which approximately 38.87% were represented by its interest in PAH.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30th June, 2016, PAH had total assets HK\$131,936 million, of which its interests in HK Electric Investments and HK Electric Investments Limited represented HK\$16,344 million, and cash and bank deposits accounted to HK\$65,946 million. Excluding the cash component, the great majority of PAH's assets are co-owned with CKI. Set out below are the co-owned investments; together with the percentage interests held respectively by CKI and PAH:

Assets	Location	Classification of investment as at the Latest Practicable Date	Percentage interests held by CKI	Percentage interests held by PAH
UK Power Networks Holdings Limited	The United Kingdom	Joint venture	40.0%	40.0%
Northern Gas Networks Holdings Limited	The United Kingdom	Joint venture	47.1%	41.3%
Wales & West Gas Networks (Holdings) Limited	The United Kingdom	Joint venture	30.0%	30.0%
Seabank Power Limited	The United Kingdom	Joint venture	25.0%	25.0%
<i>SA Power Networks</i>	<i>Australia</i>	<i>Associate</i>	<i>23.1%</i>	<i>27.9%</i>
<i>Victoria Power Networks Pty Ltd</i>	<i>Australia</i>	<i>Associate</i>	<i>23.1%</i>	<i>27.9%</i>
<i>Australian Gas Networks Limited</i>	<i>Australia</i>	<i>Joint venture</i>	<i>45.0%</i>	<i>27.5%</i>
<i>Transmission General Holdings (Australia) Pty Limited</i>	<i>Australia</i>	<i>Joint venture</i>	<i>50.0%</i>	<i>50.0%</i>
Dutch Enviro Energy Holdings B.V.	The Netherlands	Joint venture	35.0%	20.0%
Wellington Electricity Lines Limited	New Zealand	Joint venture	50.0%	50.0%
Canadian Power Holdings Inc.	Canada	Joint venture	50.0%	50.0%
Husky Midstream Assets	Canada	Joint venture	16.3%	48.8%

Sources: 2015 annual reports of CKI and PAH, and 2016 interim report of PAH

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above summary tables, among the five assets owned and operated by the CKI Group in Australia, four of them are co-owned with PAH. These are SA Power Networks, Victoria Power Networks Pty Ltd, Australian Gas Networks Limited and Transmission General Holdings (Australia) Pty Limited. All of these co-owned assets are principally engaged in utility related businesses, being the distribution of natural gas and electricity distribution in Australia. As discussed in the circular, upon the contribution of equity to Midco 2 and/or Midco 3 by CKI and, or, PAH respectively under the Scheme Implementation Agreement, the Target Group will be accounted for as a joint venture by CKI, PAH and the Company in their respective consolidated financial statements.

(F) Our assessment of the Joint Venture Transaction

The Acquisition

As the Acquisition without taking account of any participation by other Consortium Members constitutes for the Company a discloseable transaction under the Listing Rules and the Acquisition itself is from independent third parties unrelated to the Company, its controlling shareholder and their respective associates as defined by the Listing Rules, there is no requirement under the Listing Rules for the Acquisition to be subject to the approval of either the Shareholders of the Company as a whole or its Independent Shareholders. Accordingly, the consideration of the terms of the Acquisition falls beyond this scope of our engagements, as summarised above, which is to give advice those aspects of the Joint Venture Transaction as they related to the Company and CKI which are deemed to be connected.

Further, as we have already stated, the negotiation of the Acquisition involved all three Consortium Members and the commercial basis for the transaction was for each to take an agreed percentage of the stapled securities of the Target at the price which each Consortium Member had agreed which price was manifestly determined by negotiation at arm's length with the directors of the Target, who are independent of the Consortium Members, and will only be paid, if, among other things, sufficient holders of stapled securities of the Target vote in favour of the Schemes to enable them to be implemented. It is for these reasons, we do not consider that the price of the Acquisition forms part of the connected transaction between the Company and CKI on which we have been engaged to render our advice. The Acquisition price was not determined by negotiation between parties who are deemed to be connected but by negotiation by the Consortium Members on the one hand, and the directors of the Target on the other. Further, the mechanism and form of the Joint Venture Transaction will not result in any sale by the Company, however indirectly, of stapled securities in the Target provided the approval of its independent shareholders is obtained by the Funding Date. Since the special general meeting of the shareholders of CKI is to take place contemporaneously with the EGM of the Company, which is an advance of the despatch of the documents containing the Schemes to the holders of stapled securities of the Target, it is not expected that the funds to be advanced through Midco 2 will be received after the Funding Date and the date on which the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

consideration payable under the Schemes will be made. Accordingly, CKI and PAH will acquire stapled securities directly from their holders at the time the Schemes are implemented and not from the Company.

The participation of CKI and PAH in the Joint Venture Transaction

While it is intended that the Company will on completion of the Acquisition hold indirectly 40% of the stapled securities of the Target, being 40%, it does not intend to be the principal Consortium Member. On the other hand, CKI is the listed company within the public group controlled by Mr. Li Ka-shing and his associates, as defined by the Listing Rules, which has concentrated its business activity on infrastructure and utility investments on a world-wide basis both directly through subsidiary operations and jointly with PAH or through its controlling interest in PAH. In particular, CKI and PAH have a proven record of managing successfully infrastructural and utility operations on an international basis and, as a consequence, are the logical entities within the group to have initiated the Acquisition and on completion to manage it.

CKI and PAH's position in electricity and gas distribution in Australia makes them logical purchasers of the Target which operates in similar markets and in the State of Victoria operates in territories adjacent to those in which CKI and PAH have substantial and similar operations. CKI and PAH have well-regarded management teams in Australia which have established a reputation for the efficient management of its operations and assets. For example, SA Power Networks, the primary electricity supplier in the State of South Australia, in which CKI and PAH have a combined interest of 51%, is regarded as the most efficient electricity distribution operator in Australia on a state wide basis as determined by data collected by the Australian Energy Regulator.

In the State of Victoria, there are expected to be synergistic benefits by bringing the electricity and gas distribution businesses of the Target Group under the overall management of CKI and PAH. In that State, CKI together with PAH holds 51% of Victoria Power Networks Pty Ltd, the holding company of two of the State's five power distribution operations, CitiPower and Powercor. The Target Group owns some 66% of United Energy Distribution, the operation of which borders that of CitiPower. CKI also has a 45% interest in Australian Gas Networks Limited, with PAH holding an additional 27.5%, which is one of the largest natural gas distribution companies in Australia serving over 1.2 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory. The Target Group wholly owns Multinet Gas which operates a gas distribution network serving the eastern and south-eastern suburbs of Melbourne, the Yarra Ranges and Gippsland. This territory borders the area in the State of Victoria which Australian Gas Networks Limited supplies. For the electricity and gas distribution operations jointly controlled by CKI and PAH in the State of Victoria, they have achieved better operating efficiencies, as measured by the ratio of revenue to operating expenses for the calendar year 2015; marginally so in the case of Victoria Power Networks Pty Ltd and more markedly with Australian Gas Networks Limited.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the similarities and proximity of the electricity and gas distribution operations jointly owned by CKI and PAH in the State of Victoria with those of the Target Group, the Directors consider that there should be opportunities to improve the operating efficiency of both group's operations in the areas of network operations, metering, customer services, marketing, billing and information technology through improved contract negotiations and the more efficient utilisation of existing infrastructure and resources. The Directors believe that there will be opportunities to leverage for the benefit of the Target Group's operations the expertise of the existing operations of Victoria Power Networks Pty Ltd and Australian Gas Networks Limited in a number of areas, including in its negotiations with its regulator, customer service, network management and performance, external contracting, treasury and financial reporting, health and safety practice, and information technology. Given the discrete geographic areas in which the respective operations of CKI and PAH on the one hand and the Target Group on the other, the Directors do not anticipate these operations will be in competition with each other.

For the reasons given above, the Directors consider that the inclusion of CKI and PAH as Consortium Members confers significant benefits to its proposed investment in the Target Group and, for these reasons, CKI and PAH's participation should be welcomed. In addition, the Target Group will become a member of the existing UK Gas Executive Committee established by CKI and PAH since beginning of 2015, and can benefit from the considerable expertise of CKI's and PAH's investments in the gas sector. It is accepted that under certain circumstances, however unlikely they may be, the Company could acquire all of the Target Group or a majority shareholding without the benefit of the participation of CKI and PAH. In this event, the Company believes it has the resources both financial and managerial to manage the Target Group successfully. It is, however, not the preferred outcome. The Company's preferred position is for it to be a member of the co-investors in the Target Group. It remains the parties' intention for CKI and PAH to have a principal position in the Consortium because, for the reasons given above, it is anticipated to make a positive contribution to the performance and returns of the Target Group following the completion of its acquisition.

The Consortium Formation Agreement

The Consortium Formation Agreement establishes the structure and mechanism for both CKI and PAH to participate in the Joint Venture Transaction. Effectively, on receipt of the requisite approvals from independent shareholders, CKI and, or, PAH will subscribe and, or, advance sufficient funds to enable the relevant Midco to redeem, cancel or repurchase the nominal capital subscribed by the Company Holdco, thereby constituting the relevant Consortium Midco as a wholly-owned subsidiary of either CKI or PAH. The present timetable of the Joint Venture Transaction anticipates that the EGM of the Company, the special general meeting of the shareholders of CKI and the general meeting of the shareholders of PAH to obtain independent shareholders' approval for the Joint Venture Transaction will have taken place before the despatch of the document containing the Schemes to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

holders of stapled securities of the Target; that is well before the Funding Date, the day on which the Scheme meetings are held and the date by which the consideration for the Acquisition is required to be paid. Accordingly, for all practical purposes, the participation of CKI and PAH will be known well before the Consortium Midcos are required to be fully capitalised. The arrangements under the Consortium Formation Agreement should not result in the Company having effectively to fund Midco 2 and Midco 3, in advance of the subscription and advances by CKI and PAH. If there were to be any delay, however unlikely, resulting in the Company effectively funding temporarily the funding obligation of other Consortium Members it is likely to be of short duration and will not have a significant impact on the Company in the context of the Acquisition.

The Shareholders' Agreement

The Shareholders' Agreement sets out how the board of directors of JV Co will be composed and the reserved matters which require the approval of either the directors or the shareholders of JV Co by super majorities. The reserved matters, themselves, are ones that we would expect to find in an agreement by this kind and, given the level of the super majorities required to approve reserved matters and the proposed shareholding of Consortium Members in JV Co, even if either CKI or PAH do not become shareholders due to the failure of their respective independent shareholders to approve the Joint Venture Transaction, the approval of reserved matters requires for all practical purposes unanimity among shareholders and near unanimity among directors. Accordingly, we consider that these arrangements adequately protect the interests of the Company by giving it an effective veto over all material decisions and decisions outside the normal and usual course of the operation of JV Co and its group following the Acquisition.

The Scheme Implementation Agreement

The Scheme Implementation Agreement makes clear the several obligations of the Consortium Members in funding Bidco and the obligations of the parties in working towards the implementation of the Schemes to effect the Acquisition. For the Consortium Members it also sets out the circumstances when they would be entitled to receive a break fee in the event the Schemes are not implemented and when Consortium Members are obligated to reimburse the costs of the Target in connection with proposing and implementing the Schemes, the amount of which has been fixed. In our view none of the provisions of the Scheme Implementation Agreement are unusual or controversial. Indeed, these are the provisions we would expect in an agreement of this kind and such an agreement is an essential element to a public transaction involving an unsolicited offer for a company to be implemented by way of a scheme of arrangement.

(G) THE SCHEME CONSIDERATION

As we have stated above, the Acquisition consideration was negotiated on an arm's length basis primarily by CKI and PAH and, if the Joint Venture Transaction proceeds as contemplated and on the basis of the present time table,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

these members of the Consortium will become shareholders of the JV Co and, in such capacity, fund the subsequent acquisition of the stapled securities of the Target by Bidco. Further, no shareholders' approval is required for the Company to acquire all or a portion of the stapled securities of the Target. We would also expect that in a joint venture arrangement of the kind contemplated by the Joint Venture Transaction, each joint venture would pay the same consideration for the stapled securities being acquired, as in the case with the Joint Venture Transaction. However, for completeness sake, we have included an assessment of the Scheme Consideration of approximately AUD7,412 million. We have done so on two bases: by comparing the present market valuation of the stapled securities of the Target with comparable companies or trusts listed in Australia and are engaged principally in the distribution and, or, transmission of gas and, or, electricity; and by comparing the consideration to be paid for the Target Group by Consortium Members with publicly disclosed transactions involving the acquisition of companies or operations which are primarily engaged in the distribution and, or, transmission of gas and, or, electricity in Australia.

Trading statistics of comparable listed companies in Australia

We have identified three Australian listed companies which are primarily engaged in the businesses of distribution and, or, transmission of gas and, or electricity in Australia. We consider these companies are comparable with the Target Group and should give an indication of whether the Scheme Consideration is fair and reasonable.

We have assessed these companies and the Target Group using an EV/EBITDA multiple, which we believe is the most appropriate measure when assessing the acquisition of a company or business. For the comparable listed Australian companies and the Target Group the ratio has been calculated using figures extracted from the respective latest published full year audited financial statements.

EV is the enterprise value of a company or business. In the tabulation below, it has been calculated by taking the sum of the market capitalisation of the relevant company or trust at the Latest Practicable Date, and non-controlling interests and borrowings, less cash and bank deposits, extracted from the respective company's latest published full year audited financial statements. If EV is not available, the total equity value on the basis of consideration will be adopted. In the case of Spark Infrastructure Trust, the principal business interests of which are held through associated companies, EV and EBITDA has been adjusted by taking Spark Infrastructure Trust's percentage interest in the financial statements of its associates.

For the Target Group, its market capitalisation has been calculated by multiplying the Scheme Consideration by the number of stapled securities of the Target in issue as at Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

EBITDA represents earnings before interest paid, taxation, depreciation and amortisation. It is a measure of the gross funds generated by a business.

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

As can be seen, the valuation of the Target Group, falls well within the range of comparable listed companies without taking any account of the premium being paid for the control of the Target Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Recent precedent transactions

We have identified three acquisitions of comparable companies in the past five years. As mentioned above we have assessed them on the basis of their respective EV/EBITDA multiples, which we regard is the most appropriate measure. The figures used for these comparisons have been extracted from press releases, public announcements and regulatory filings and have been converted into AUD, if necessary.

Date of announcement	Target company	Size of consideration (AUD million) (percentage of interest acquired)	EV (AUD million)	EBITDA (AUD million)	EV/EBITDA multiple (x)
November 2015	TransGrid	10,258 (100%)	10,258	705	14.6
December 2014	Queensland Curtis LNG Pipeline	6,049 (100%)	6,049	464	13.0
May 2014	Envestra Limited	2,371 (100%)	4,393	360	12.2
				Mean	13.3
				Median	13.0
				Minimum	12.2
				Maximum	14.6
January 2017	The Target Group		13,470	972	13.9

As can be seen from the above tabulation, the Acquisition consideration falls well within the range of comparable acquisitions in the past five years.

Assessment of the Acquisition consideration

On the basis of the traded prices of securities in comparable businesses listed in Australia and comparable acquisitions of businesses operating in comparable sectors to the Target Group, we consider that the Acquisition consideration is fair and reasonable and a fair and reasonable basis for all the Consortium Members to participate in the Joint Venture Transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. RECOMMENDATIONS

Taking into account the considerations and factors set out above, we are of the opinion that the terms of the Joint Venture Transaction in so far as they affect the Company and CKI are fair and reasonable so far as the Independent Shareholders are concerned, the transaction is on normal commercial terms and in the ordinary and usual course of the business of the Company. On the basis that we consider that the inclusion of CKI and PAH as Consortium Members will confer an advantage to the Company, given their exposure to, and experience of, the infrastructure and public utility sectors internationally and the possible synergistical benefits that are expected to be achieved through common ownership interests in Victoria Power Networks Pty Ltd, Australia Gas Networks Limited, United Energy Distribution and Milliner Gas. We consider the Joint Venture Transaction is in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of, and we also advise the Independent Shareholders to vote in favour of, the ordinary resolutions to be proposed at the EGM of the Company to approve the Joint Venture Transaction.

Yours faithfully,

For and on behalf of

Anglo Chinese Corporate Finance, Limited

Stephen Clark

Managing Director

Dennis Cassidy

Director – Head of Corporate Finance

1. Mr. Stephen Clark is a licensed person registered with the Securities and Futures Commission (“SFC”) and as a responsible officer of Anglo Chinese to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.
2. Mr. Dennis Cassidy is a licensed person registered with the SFC and as a responsible officer of Anglo Chinese to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or 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:

Long Position in Shares

(i) *The Company*

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of shareholding
		Personal interest	Family interest	Corporate interest	Other interest		
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts	–	–	133,150,256 <i>(Note 1)</i>	1,028,753,254 <i>(Note 2)</i>	1,161,903,510	30.57%
Li Tzar Kuoi, Victor	Beneficial owner, interests of child or spouse, interest of controlled corporations & beneficiary of trusts	220,000	405,200	3,572,350 <i>(Note 3)</i>	1,028,753,254 <i>(Note 2)</i>	1,032,950,804	27.18%
Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	–	–	108,400	0.0029%
Chow Nin Mow, Albert	Beneficial owner	66	–	–	–	66	=0%
Hung Siu-lin, Katherine	Beneficial owner	43,256	–	–	–	43,256	0.0011%
Yeh Yuan Chang, Anthony	Interest of child or spouse	–	91,920	–	–	91,920	0.0024%

(ii) Associated Corporations

Name of Company	Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of shareholding
			Personal interest	Family interest	Corporate interest	Other interest		
Precise Result Global Limited	Li Ka-shing	Founder of discretionary trusts	-	-	-	15 (Note 4)	15	15%
	Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	15 (Note 4)	15	15%
Jabrin Limited	Li Ka-shing	Founder of discretionary trusts	-	-	-	2,000 (Note 4)	2,000	20%
	Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	2,000 (Note 4)	2,000	20%
Mightycity Company Limited	Li Ka-shing	Founder of discretionary trusts	-	-	-	168,375 (Note 4)	168,375	1.53%
	Li Tzar Kuoi, Victor	Beneficiary of trusts	-	-	-	168,375 (Note 4)	168,375	1.53%

Notes:

- (1) The 133,150,256 shares of the Company comprise:
- (a) 131,850,256 shares held by certain companies of which Mr. Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
 - (b) 1,300,000 shares held by Li Ka Shing Foundation Limited (“**LKSF**”). By virtue of the terms of the constituent documents of LKSF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (2) The two references to 1,028,753,254 shares of the Company relate to the same block of shares comprising:
- (a) 936,462,744 shares held by Li Ka-Shing Unity Trustee Company Limited (“**TUT1**”) as trustee of UT1 and its related companies in 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**”). Mr. Li Ka-shing is the settlor of each of DT1 and DT2. Each of TDT1 and TDT2 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. 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.

The entire issued share capital of TUT1, TDT1 and TDT2 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 only 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.

As Mr. Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO and Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, both Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the shares of the Company held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO as Directors of the Company.

- (b) 7,863,264 shares held by Li Ka-Shing Castle Trustee Company Limited (“TUT3”) as trustee of UT3. Mr. Li Ka-shing is the settlor of each of DT3 and DT4. Each of TDT3 and TDT4 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 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.

The entire issued share capital of TUT3, TDT3 and TDT4 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 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 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.

As Mr. Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO and Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, both Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 under the SFO as Directors of the Company.

- (c) 84,427,246 shares held by a company controlled by TDT3 as trustee of DT3.
- (3) The 3,572,350 shares of the Company comprise:
- (a) 2,272,350 shares 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.
- (b) 1,300,000 shares 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.
- (4) These are subsidiaries of the Company and such shares are held through TUT1 as trustee of UT1. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, as Directors, by virtue of their deemed interests in TUT1 as trustee of UT1 as described in Note (2)(a) above, are taken to have a duty of disclosure in relation to such shares under the SFO.

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

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

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

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

(c) Competing Businesses***(i) Core Business Activities of the Group***

The core business activities of the Group comprise the following:

- (1) property development and investment;
- (2) hotel and serviced suite operation;
- (3) property and project management;
- (4) interests in Real Estate Investment Trusts; and
- (5) ownership and leasing of movable assets.

(ii) 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 (“**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 Businesses (Note)</u>
Li Tzar Kuoi, Victor	Cheung Kong Infrastructure Holdings Limited	Chairman	(5)
	CK Life Sciences Int’l., (Holdings) Inc.	Chairman	(1)
Kam Hing Lam	Cheung Kong Infrastructure Holdings Limited	Group Managing Director	(5)
	CK Life Sciences Int’l., (Holdings) Inc.	President and Chief Executive Officer	(1)
	Hui Xian Asset Management Limited	Chairman	(1), (2), (3) & (4)
Ip Tak Chuen, Edmond	ARA Asset Management Limited	Non-executive Director	(3) & (4)
	Cheung Kong Infrastructure Holdings Limited	Deputy Chairman	(5)
	CK Life Sciences Int’l., (Holdings) Inc.	Senior Vice President and Chief Investment Officer	(1)
	Hui Xian Asset Management Limited	Non-executive Director	(1), (2), (3) & (4)
Chiu Kwok Hung, Justin	ARA Asset Management Limited	Chairman	(3) & (4)
	ARA Asset Management (Fortune) Limited	Non-executive Director	(3) & (4)
	ARA Asia Dragon Limited	Director	(1) & (3)
	ARA Asset Management (Prosperity) Limited	Chairman	(3) & (4)
Chow Wai Kam	AVIC International Holding (HK) Limited	Non-executive Director	(1)

Note: Such businesses may be conducted through subsidiaries, associated companies or by way of other form of investments. Please refer to “(i) 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.

(d) Common directors

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

<u>Name of Director</u>	<u>Relevant Companies in which the Director is also a director</u>
Li Tzar Kuoi, Victor	Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust
	Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust
	Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust
Pau Yee Wan, Ezra	Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust
	Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust
	Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust

3. DIRECTORS’ SERVICE CONTRACTS

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

4. EXPERT**(a) Qualification of expert**

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

<u>Name</u>	<u>Qualification</u>
Anglo Chinese Corporate Finance, Limited	A licensed corporation permitted to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

(b) Interests of expert

As at the Latest Practicable Date, Anglo Chinese 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 Anglo Chinese had no direct or indirect interest in any assets which had been, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. CONSENT

Anglo Chinese 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. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong on any weekday, except Saturdays, Sundays and public holidays, during the period of 14 days from the date of this circular:

- (a) the Consortium Formation Agreement, including the form of the Shareholders' Agreement;
- (b) the Scheme Implementation Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in "Letter from the Independent Board Committee" of this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in "Letter from the Independent Financial Adviser" of this circular;
- (e) the consent letter referred to in the paragraph headed "5. *Consent*" in this Appendix; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CHEUNG KONG PROPERTY HOLDINGS LIMITED 長江實業地產有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1113)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Cheung Kong Property Holdings Limited (the “**Company**”) will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on **Tuesday, 14 March 2017** at 11:00 a.m. (or, in the event that a black rainstorm warning signal or tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on Wednesday, 15 March 2017) for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

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

By Order of the Board

Eirene YEUNG

Company Secretary

Hong Kong, 22 February 2017

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 Article 81 of the Company's Amended and Restated Articles of Association.
3. Any member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy in accordance with the relevant provisions of the Amended and Restated Articles of Association of the Company to attend and on a poll, 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 7th 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 Friday, 10 March 2017 to Tuesday, 14 March 2017 (or Wednesday, 15 March 2017 in the event that the Meeting is to be held on Wednesday, 15 March 2017 because of a black rainstorm warning signal or tropical cyclone warning signal no.8 or above (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 Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 9 March 2017.
7. The Meeting will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Tuesday, 14 March 2017 at 11:00 a.m. 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, 14 March 2017, 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, 15 March 2017 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 personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the Meeting, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the Register of Members of the Company in respect of the relevant 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.ckph.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 Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong or by email to ckph.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 Hong Kong Share Registrar or by email to ckph.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 Hong Kong Share Registrar or sending a notice to ckph.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.